Shadowing Report

Mr. Michael Dent

General Manager Marketing

DHL Express UK

Shadowing Report completed by Giuseppe Auricchio,

MBA 2005, London Business School

Section 1: Introduction

1.A DHL Express, UK

With revenues of nearly €22 billion (2003) DHL is the global leader of the international express/logistics industry, linking 220 countries through 160,000 employees. The company maintains 5,000 offices worldwide, amongst which regional and country management centres. The UK is a key European market both for commerce to/from the British Isles as well as for its role in facilitating European traffic to North America. Consequently, DHL UK has been a critical driver of growth for the company in Europe.

DHL is 100% owned by Deutsche Post, which acquired the company in December of 2002. The effects of the merger are still evident in two ways. First, in the stark cultural contrast between DHL's entrepreneurial spirit and the procedural strictness typical of the once government-owned German postal giant. Second, in the ongoing efforts to integrate Deutsche Post's express delivery/logistics units globally, which have caused strain on DHL's resources particularly at the country-management level.

1.B Michael Dent, General Manager Marketing, DHL UK

Michael has spent all of his working career within the service sector, primarily the travel and distribution industries[146]. Michael trained as a systems analyst, holds a research degree in economics (MPhil) and an MBA. Michael joined DHL UK in 1989 as Pricing & Planning Manager and has since held posts in London, Brussels and Fort Lauderdale. All of Michael's roles have benefitefrom his strong team-building skills as well as an understanding of multiple functions, gained through prior experiences in systems, finance, planning, sales and operations.

Michael describes himself as being rich in 'strategic marketing expertise, international project management know-how and communication skills.' Born in Scotland, Michael is 52 years old and has two children. In his spare time he enjoys cycling, hill walking, travel and flying.

1.C The Theoretical Backdrop

The origins of the Shadowing Assignment can be found in the century old quest to understand the activities at the basis of 'good management'. For the greater portion of the

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[146] Please see Appendix 5 for an extract from Michael's CV.

20th century management was defined by the normative functions of planning, coordinating, controlling and organizing[147]; the belief that managers, to be effective, needed to devote their efforts to one of these four activities was widespread amongst academic circles. Between 1975 and 1988 three new pieces of research emerged to challenge the classical view. First Henry Mintzberg (1975) and later John Kotter (1982) and Fred Luthans (1988) conducted observation studies to empirically determine, in behavioural terms, what activities managers actually performed. The results of their work dispelled the most commonly held myths about managerial behaviour.

Mintzberg[148] identified ten roles that managers tend to enact, which he categorized as either interpersonal, informational or decisional[149]. He rejected the portrayal of the manager as a 'reflective, systematic planner… performing a number of regular duties', and concluded that a disjointed series of tasks was more typical of a manger's day. Kotter[150] found that the challenges faced by managers consisted mainly in dealing with an 'enormous amount of information' and 'getting things done through a large group of people'.

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[147] This classical view of management was first defined by the French administrator and writer Henri Fayol in 1948.

[148] Mintzberg's findings are summarized in the article 'The Manager's Job: Folklore and Fact'.

[149] Mintzberg formulated three interpersonal roles (figurehead, leader and liaison), three informational roles (monitor, disseminator and spokesman) and four decision-making roles (entrepreneur, disturbance handler, resource allocator and negotiator).

[150] 'What Effective General Managers Really Do', 1982.

To overcome these obstacles, managers 'rely on agenda setting and network building'. Luthans[151] focused on contrasting the functions characterizing *successful* managers with those of *effective* ones. He identified two activities as being related specifically to successful managers, namely interaction with outsiders and socializing; effective managers, on the other hand, are more concerned with human resource management.

 The analysis that follows, based on data collected shadowing Michael Dent, uses the aforementioned studies as a basis to reflect on the nature of managerial work.

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[151] 'Successful vs. Effective Managers', 1988; 'What do Successful Managers Really Do? An Observation Study of Managerial Activities', 1985.

Section 2: Results of Observation

2.A   Methodology

I observed Michael over the course of three days during the week of August 31st, 2004. Data was collected both at his office as well as while attending external meetings. I also interviewed members of Michael's team, probing them on themes discussed with Michael and of concern to him.

The period of observation was somewhat atypical given its collocation immediately following the summer break. Indeed Michael's immediate superior, John Geddes, was not in the office during the interval I spent with him. However, Michael thoroughly explained to me the way in which the absence of his boss impacted what would have been the typical flow of his workday. Despite John's absence possibly effecting the veracity of my observations, the lessened pressure faced by Michael allowed him ample time to guide me through each of the tasks he performed. I thus feel my study benefits from Michael's clear summaries and the subsequent good relationship we built.

Michael's activities were recorded as he performed them; notes were made on the structure and culture of both the organization and that of his own team. The data was catalogued using the *Leadership Observation Template*[152]; each of the tasks observed was classified under one of the 8 suggested categories[153] of managerial activities[154].

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[152] Luthans & Lockwood, 1984.

[153] Please see Appendix 1 for detail of the LOS categories of Managerial Activities.

[154] The ninth category, disciplining/punishing, was not used because of its infrequent occurrence; this is suggested in Luthan's own research and was found to be applicable to Michael's behaviour as well.
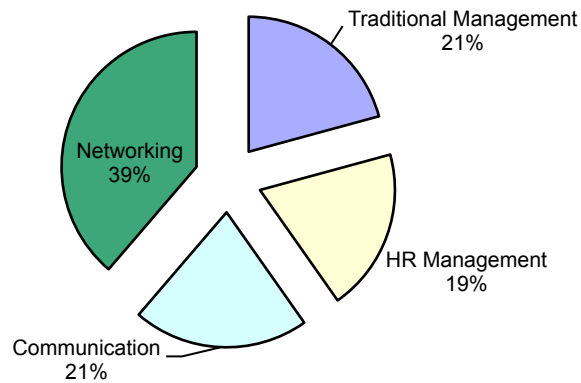
Activities including a variety of tasks (such as project meetings) were allocated to more than one category.

2.B   Summary of Observations

Michael performed a total of 61 tasks over 1,100 minutes, yielding an average of 18 minutes per task. The graph below depicts the share of time devoted by Michael to each of the 4 types of activities into which the LOS categories are grouped[155].

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[155] Please see Appendix 2 for full detail concerning the aggregation of LOS descriptive tasks into one of four groups, i.e. networking, traditional management, communication and HR management.

Amount of Observed Behavior by Category (% of Total Time)

Traditional Management
21%

Networking
39%

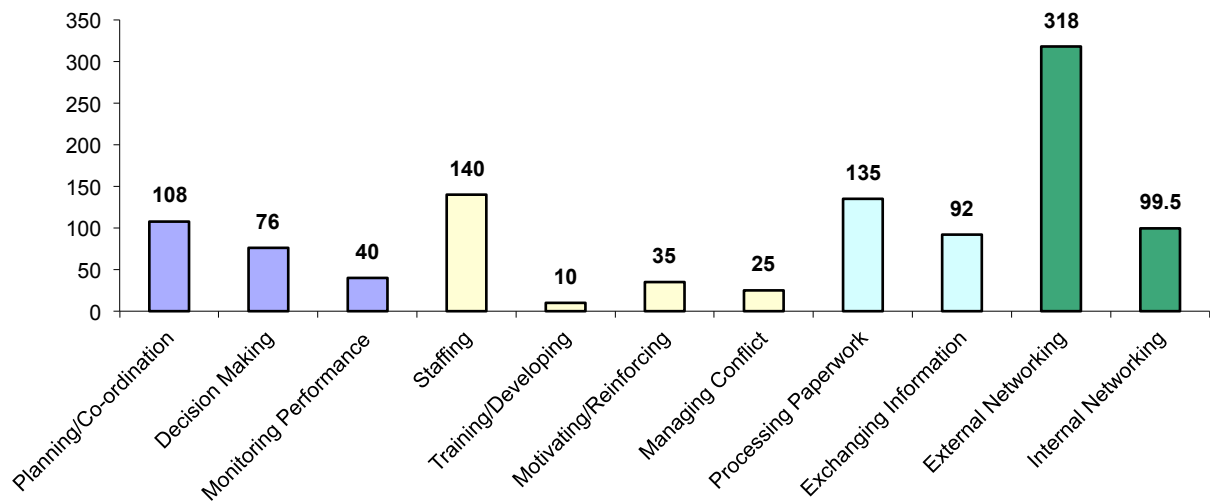HR Management
19%

Communication
21%

The above analysis highlights Michael's effectiveness at balancing all four aspects of his role as a manager. A significant portion of his time is dedicated to *Networking* (39%), which with *Communication* (21%) accounts for over 60% of all his activity. *HR Management* also figures prominently; the reason is to be found in the current state of Michael's department, which as of late has suffered numerous departures[156]. Hence, at present Michael's division is understaffed, a condition that requires him to dedicate considerable time to recruitment activities.

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[156] Please see Appendix 4 for an organizational chart; note that the information concerning Michael's division is outdated due to recent personnel changes, with many posts yet to be filled.

A more detailed breakdown of the activities performed and the time dedicated to each is provided in the graph below.

Amount of Observed Behavior by Activity Type (Minutes)

External Networking emerges as the activity to which Michael devotes the greatest amount of his day; during our time together Michael attended a presentation hosted by a media agency and dedicated an afternoon to a non work-related activity[157]. Michael conceded that the time he allocates to external networking varies greatly on a week-by-week basis; nevertheless, he does actively seek opportunities to involve himself with clients/suppliers and more generally in the business community. *Staffing* received considerable attention, for the reasons previously mentioned. *Planning/Coordination*,

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[157] Michael had been selected as juror to participate in the election of the UK's 'Superbrand 2004': for the purpose of this exercise, the activity has been classified as 'community service'.
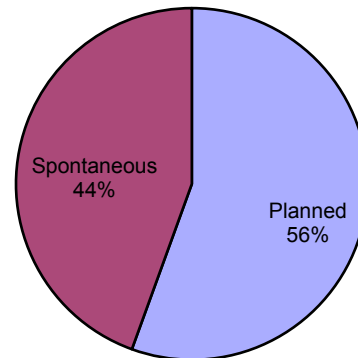
Processing Paperwork and *Exchanging Information*, as expected, weigh considerably in the day of a managers such as Michael who are responsible large teams.

Michael also pays a great deal of attention to *Internal Networking*. I observed a number of informal ways in which Michael satisfied his almost obsessive desire to 'find out what is going on in the business'. Rather than send an email or make a call, he often preferred walking across the office 'for the sake of bumping into someone', going as far as altering the path taken to and from the individual's desk; more than once, he returned to his desk with an unexpected piece of information picked up along the way. Twice daily, he visited the upper management floor conscientiously choosing specific times so as to increase the likelihood of exposure to his superiors[158]. He spoke to me of the need to use project meetings as a 'discovery process', leveraging the contacts of his counterparty as a source of valuable information. And at least once weekly Michael made it a point of having lunch with a colleague with whom he had never socialized before.
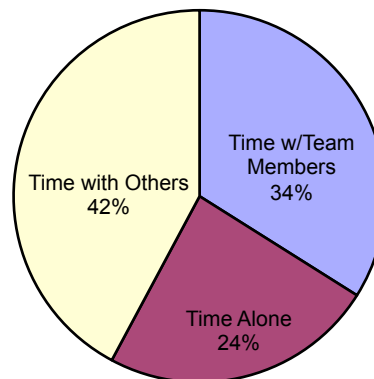
Below, the activities performed by Michael have been grouped first in accordance with their scheduling and then with respect to their involvement of third parties.

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[158] Michael confessed that he believed the one hour period following lunch to be the one in which the greatest number of directors could be found at their respective desks.

Activity Planning: Scheduled vs. Spontaneous Tasks

Spontaneous
44%

Planned
56%

Activity Sharing (% of Total Time)

Time w/Team
Members
34%

Time with Others
42%

Time Alone
24%

Despite Michael performing a majority of planned tasks, the significant share held by spontaneous activities suggests that his agenda is in no way confined by the rigid barriers of a pre-determined routine. Indeed, the presence of his boss would generally

add an even greater amount of unpredictability to his day[159]. As expected, a large portion of Michael's day is shared with others; time alone is spent primarily attending to desk work and preparing for meetings. Of note is the share of activities in which people outside Michael's own team are involved, a further testament to his exceptional networking abilities.

A final analysis was performed to highlight similarities in the distribution of Michael's activities between days. Although commonalities in the types of tasks performed were evident, their distribution throughout the day varied greatly and no clear patter emerged. The only trend found consisted in the time of the day Michael dedicated to processing paperwork[160].

2.C   Data Analysis & Conclusions

The complex organizational structure which characterizes DHL imposes on Michael demands from more than one source. Within the UK, Michael reports to the Commercial Department's head, John Geddes, who in turn acts on behalf of the company's country manager. Michael must also coordinate his activities with those of peer Marketing

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[159] Michael estimated that at least one hour of each workday was devoted to impromptu discussion with John Geddes. Often, such discussions would lead to unplanned activities which would significantly impact the flow of his activities.

[160] Checking only for urgent mails and leaving the remainder to be answered at the end of the day, Michael more effectively took advantage of the time when 'everyone else was in the office', during which he devoted most of his resources to personal interaction with other team members.

Managers, both across Europe and worldwide, with whom he interacts through the mediation of the DHL Global Coordination Centre. Hence, Michael's agenda is crowded with requests made both by local and international parties; furthermore, tasks span across a number of distinct functions, including finance, sales and HR, a condition which typifies most marketing departments. Facing a dilemma very similar to that outlined by Kotter[161], the evidence suggests that Michael recognizes the importance of network building an effective tool for tackling such a challenge. My observation of his behaviour also revealed Michael's tendency to spend considerable time in developing his agenda. Indeed, for each of the people with whom he was likely to come into contact with, Michael identified 3 to 4 specific items of discussion[162] in preparation for the next potential 'corridor chat'. He aggressively but tactfully sought out information, constantly looking for 'allies' to help accomplish his objectives but always aware of the need to 'give in order to receive in return'.

As a manager, Michael's activities require him to be sensitive to the needs of both his superiors as well as those who depend on him. As a result, Michael often plays different roles throughout the day. With respect to external counterparties, Michael takes on

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[161] Kotter defines one of two fundamental challenges found in most manager's jobs as 'getting things done through a large and diverse group of people despite having little direct control over most of them'.

[162] In addition to 3-4 work related agenda items, Michael cultivated one topic of social interest with each of his counterparties, which he used as a means of 'rapport building'.

decisional roles. Due to the multiple demands being posed on his resource-thin department, many moments saw Michael acting as a negotiator and resource allocator. Within his own team, Michael takes on interpersonal and informational roles: his direct reports look to him for leadership, my introduction to the department saw him take on the role of figurehead and by virtue of his contact with other parts of the organization Michael disseminates information to the rest of his team. Despite these many different roles, no evidence suggested that Michael changed his style of behaviour in accordance with the task or type of interaction he was engaged in. His manner is consistently calm and conciliatory yet firm, which in great deal explains the almost seductive power he yields over his counterparties.

With regards to his allocation of time, Michael is at present faced with severe staff shortages which require him to devote significant resources to HR concerns. As the vacant posts are filled, it is likely that the weight of this activity on his day will diminish. However, it will remain of critical importance. Indeed, Michael confessed to me that 'building the team like it was a few years ago', with the competencies and ambition necessary to be one of the best in its field worldwide, is his greatest ambition.

Section 3: General Lessons

3.A   Comparison to Expectations

The behaviour I observed during the Shadowing Assignment both reinforced some of my expectations about general management as well as differed from others.

I was particularly surprised to find that a rather limited amount of time is devoted specifically to decision making. Indeed, rarely if ever did Michael take time out to resolve strategic issues. Rather, in agreement with Mintberg's findings, he showed a strong predisposition 'towards action and a dislike for reflective activities'. The activities that characterized Michael's day were not on average as brief as those observed by Mintzberg but their flow was relentless and often unexpected. Thus Michael was often forced to think on his feet and respond to demands as they were made, the reason for which decision making is a 'continuous' process for him.

I had expected to observe a considerable amount of information exchange, negotiation and paperwork processing amongst Michael's activities; indeed, this turned out to be the case. Mintzberg dismissed the analogy of the effective manager seen as a good conductor, sitting back after he has orchestrated everything; in the real world, managerial work is not confined only to the more noble tasks of time planning and delegating. The effective manager has to perform regular duties as well, as did Michael.

Both Kotter and Luthans highlight the importance of interaction and networking as keys to achieving managerial success. While the need to do so with respect to one's own workgroupappears obvious to most, what surprised me was Michael's drive to continuously seek out opportunities to expand his network beyond his immediate confines. Indeed, I was not expecting to observe a day-to-day behaviour in which active network building (both within the organization and externally) is viewed as a priority. It was clear even from my limited time with him that Michael benefited greatly from the ability to call on an expansive network of relationships in implementing his agenda.

Michael's role as a monitor and enforcer was more limited than I thought it would have been. In accordance with Luthan's findings, he spent relatively little time intentionally motivating team members but rather did so through his openness and generally upbeat demeanour. He also reinforced his intentions in more subtle manner than what I had anticipated. I expected Michael's guidance to come from planned meetings in which he would look to direct the behaviour of his team. Rather, as Kotter rightfully observes,

'instead of telling people what to do, GM's ask'. Michael's inquisitive nature not only assist him in collecting useful information; it is also a way in which he advances his agenda by influencing the behaviour of those around him.

Some of the more practical considerations concerning certain aspects of a manager's job appeared obvious to me from the start, perhaps given my own past experience in the field. The prevalence of verbal communication over documents [163], the considerable amount of time spent with others and the wide breadth of topics typical of a GM's conversation (including non work-related themes) were all apparent in Michael's behaviour and would seem to me as patterns to be expected in most manager's day.

3.B   Conclusions

My observations enforced my own belief in the importance of relationship building; however, pursuing this objective at all times is challenging and requires a long-term perspective. I was aware of the essential need to gather information through targeted and sensible questions. Yet, the Shadowing experience persuaded me of the potential that lies in using such moments as both a means to fulfil one's 'data needs' as well as an alternative.

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[163] The idea that 'the senior manager needs aggregated information, which a formal management information system best provides' is yet another of the 'myths' surrounding managerial behaviour that Mintzberg dismisses, arguing that managers strongly favour verbal media, telephone calls and meetings, over documents'.

to giving orders. Finally, I was not surprised by the multitude of roles played by Michael; what impressed me was his ability to maintain consistency in his behaviour independently of the task being performed or the person he faced. His approachable style, colloquial nature and ability to listen were a distinguishing feature in all his engagements and one I feel made a positive impact on his effectiveness.

Section 4: Being a Leader

The logistics industry is dominated by three global players (DHL, FedEx and UPS). Fierce competition has caused a gradual increase in client's expectations. Marketing within this industry is therefore a vital function; given that what is being sold is a service, it is up to the marketing department to kick-off the development a trustworthy relationship with the consumer. Yet, the recent reduction in margins has sparked a cost cutting frenzy which has reduced the availability of funds. Thus, marketers are required to make do with limited resources. As verified through my own observations, success in this environment is crucially dependent on a manager's ability to create fruitful networks through which to advance his/her agenda. Equally important are key decisional roles, particularly those of negotiator and resource allocator. Indeed, were I to hold Michael's job I would be very concerned with clearly defining the responsibilities of my department and communicating goals and objectives to upper management. Given that marketing is interlinked with a number of different functions within the organization, there is a tangible

risk that energies are dispersed attending to demands that do not directly pertain to the department's scope.

One of the most difficult aspects of Michael's job consisted in dealing with the many defections experienced over the past year. For no fault of his own, Michael witnessed personnel losses which during the time of my visit were causing him significant personal and professional strain. Michael chose not to disguise his department's difficulties, neither to his own team nor to his superiors. Rather, as argued by Goffee, by 'exposing his vulnerability' he was able to win the support and understanding of those around him, who appreciated his efforts aimed at rapidly resolving the situation. My observations convinced me that revealing one's weaknesses can be a powerful tool to build solidarity when used wisely.

During my time with him, Michael did not shy away from revealing his uniqueness to those around him. He expressed his differences by, amongst other things, openly discussing his personal interests and hobbies with colleagues and by daring to challenge them in debates on controversial issues. This I feel contributed tremendously to the confidence he inspired in his co-workers. Capitalizing on what makes you different, rather than hiding it and conforming to a norm, is 'a fundamental quality of leaders'[164]. It is,

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[164] 'Why Should Anyone be Led by You?, Robert Goffee.

however, important to take into account the environment in which one operates. In Michael's case, the liberal spirit typical of DHL allowed him liberties perhaps greater than those he would have been awarded elsewhere. Nevertheless, I fell that one can always adapt his/her behaviour and find an appropriate way to communicate uniqueness, perhaps in some places in a less provocative manner than in others.

Managing stakeholders is a challenging task. The classic definition of stakeholders is one which includes clients, colleagues and company shareholders. Yet, what I appreciated in Michael is the inclusion of an additional party that is sometimes ignored: himself. Michael is a driven manager who dedicates himself whole heartedly to his job; yet, he understands the importance of looking after 'life outside work' and managing himself as an individual. His satisfaction in other realms of life provides him with the energy, passion and serenity necessary to perform exceptionally while at work. He actively seeks activities that engage him in the community, which provides him with stimuli different to those which he experiences daily at DHL. He continues to participate in several development programs, most recently travelling to Costa Rica for a full-emersion Spanish language course. He has reached a maturity in his career and is content with his job; yet, this does not stop him from constantly looking for 'the second half' of his life, a new role through which to reinvent himself all over again. I hope to make treasure of his example.

Word Count: 3217 (Excluding Table of Contents, Charts, Appendix and Footnotes)

Appendix 1.   The LOS Categories of Managerial and Behavioral Descriptors

Planning/coordinating

      1. Setting goals & objectives

      2. Defining tasks needed to accomplish goals

      3. Scheduling employees, timetables

      4. Assigning tasks and providing routine instructions

      5. Coordinating activities of different substitutes to keep work running smoothly

      6. Organizing the work load

Staffing

      1. Developing job descriptions for position openings

      2. Reviewing applications

      3. Interviewing applicants

      4. Hiring

      5. Contacting applicants to inform them as to whether or not they have been hired

      6. "Filling in" when needed

Training/developing

      1. "Orienting" employees, arranging for training seminars and the likes

      2. Clarifying roles, duties and job descriptions

      3. Coaching, acting as a mentor, walking subordinates through tasks

      4. Helping subordinates with personal development plans

Decision making/problem solving

1. Defining problems

2. Choosing between two or more alternatives or strategies

3. Handling day-to-day operational crises as they arise

4. Weighing trade-offs, making cost-benefit analysis

5. Deciding what to do

6. Developing new procedures to increase efficiency

Processing paperwork

1. Processing mail

2. Reading reports, emptying the in-box

3. Writing reports, memos, letters, etc.

4. Routine financial reporting and bookkeeping

5. General desk work

Exchanging routine information

1. Answering routine procedural questions

2. Receiving and disseminating requested information

3. Conveying the results of meetings

4. Giving or receiving routine information over the phone

5. Attending staff meetings of an informational nature

Monitoring/controlling performance

1. Inspecting work

2. Walking around and checking things out, touring

3. Monitoring performance data (ex. company printouts, production, financial reports)

4. Preventive maintenance

Motivating/reinforcing

1. Allocating formal organizational rewards
2. Asking for input, participation
3. Giving credit when due, conveying appreciation, compliments
4. Listening to suggestions
5. Giving feedback on positive performance
6. Sticking up for group to supervisors and others, backing a subordinate
7. Delegating responsibility and authority

Managing conflict

1. Managing interpersonal conflicts between subordinates and other
2. trying to get cooperation or consensus between conflicting parties
3. Attempting to resolve conflicts

Interacting with others

1. Public relations
2. Contacting customers, suppliers, vendors
3. External meetings
4. Community service activities

Socializing/politicking

1. Non work-related chit-chat
2. Informal joking around
3. Discussing rumours, hearsay, grapevine

Appendix 2.   The activities of Real Managers

Each of the 11 activities[165] that comprise the Leader Observation System can in turn be categorized into 4 activities that define what real managers do, in accordance with research carried out by Fred Luthans.

Descriptive Category from LOS Log	Real Managers' Activities
Planning/Co-ordination	Traditional Management
Decision Making	
Monitoring Performance	
Staffing	HR Management
Training/Developing	
Motivating/Reinforcing	
Managing Conflict	
Processing Paperwork	Communication
Exchanging Information	
External Networking	Networking
Internal Networking	

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[165] 'Disciplining/punishing is not included due to its infrequent occurrence.

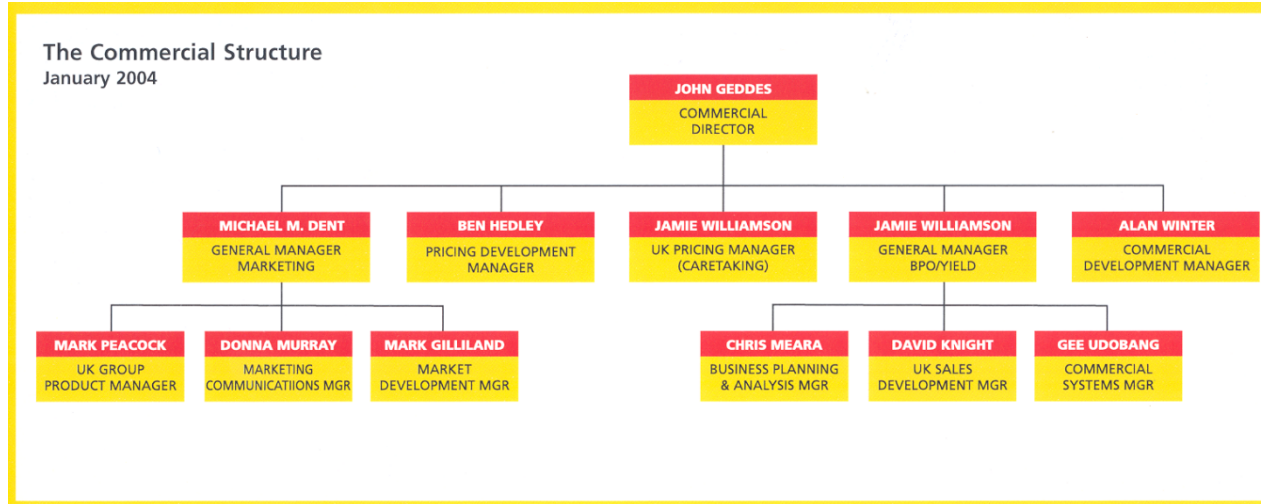## Appendix 3.   A 'typical day for Michael'

9:00-9:15   Michael has a corridor conversation with Aaron Winter, Head of Service Drop Point
                   Project, with whom he discusses concerns relating to the involvement of his department
                   in Aaron's work.

9:15-9:35   the day begins with an informal staff meeting with Donna, the department's Secretary.
                   Several issues of administrative nature are addressed , including staffing, scheduling of
                   employees and budgeting concerns.

9:35-9:45   Michael has a morning chat with a number of his team members, who mix in both work-
                   related questions for him to provide input on as well as chit-chat about their week.

9:45-9:50   Michael calls the IT department to discuss a nagging issue related to his PC. It is the
                   second time he has done so in the past week but the problem has yet to be resolved.

9:50-10:00   While checking his emails, Michael finds that he has not yet received confirmation for
                   an external agency meeting scheduled for that afternoon and thus assumes it to be
                   cancelled

10:00-11:30   Michael attends a meeting with the Head of Commercial/IT Systems, Gee Udobang; his
                   objective is that of raising his own department's profile with Gee so as to move up on
                   his priority list. The meeting is scheduled to last for 1 hour, but Michael fears that it will
                   extend further because Gee 'loves talking'. It goes on for roughly 90 minutes during
                   which a number of issues are discussed with no clear structure.

11:30-11:35   Following the ends of the meeting, Michael chats with Mark Gilliland to inform him of the outcome.

11:35-11:45   Michael checks his emails; a mix of personal and work-related notes fills his inbox. Most of his time is taken up by a request for a reference, which he receives from a recently departed employee.

11:45-12:00   Michael stops in to visit Mark Peacock, who has returned to the office following a day spent on the field in a sales meeting. He chats with him for a few minutes, answering questions and checking up on his plans for the week.

12:00-12:10   Upon returning to his office own , Michael receives a visit from a staff member who poses a number of brief work-related questions on which she looks for Michael's guidance.

12:15-12:45   Lunch

13:00-13:15   On his way back from lunch, Michael walks through the upper management floor. It is the time he prefers for doing so because that in which he is most likely to 'catch someone'. He is unlucky this time but takes advantage of the opportunity to chat with Donna, Simon's secretary ('his boss's boss', as he refers to him).

13:15-13:20   Michael checks his email, on the look-out primarily for urgent items. There are none, so he leaves the task of answering the messages until later in the day.

13:20-13:40   An impromptu meeting with Nina Muir, one of 5 Product Managers. He relays to her information received via email and discusses with her possible solutions to the problem posed.
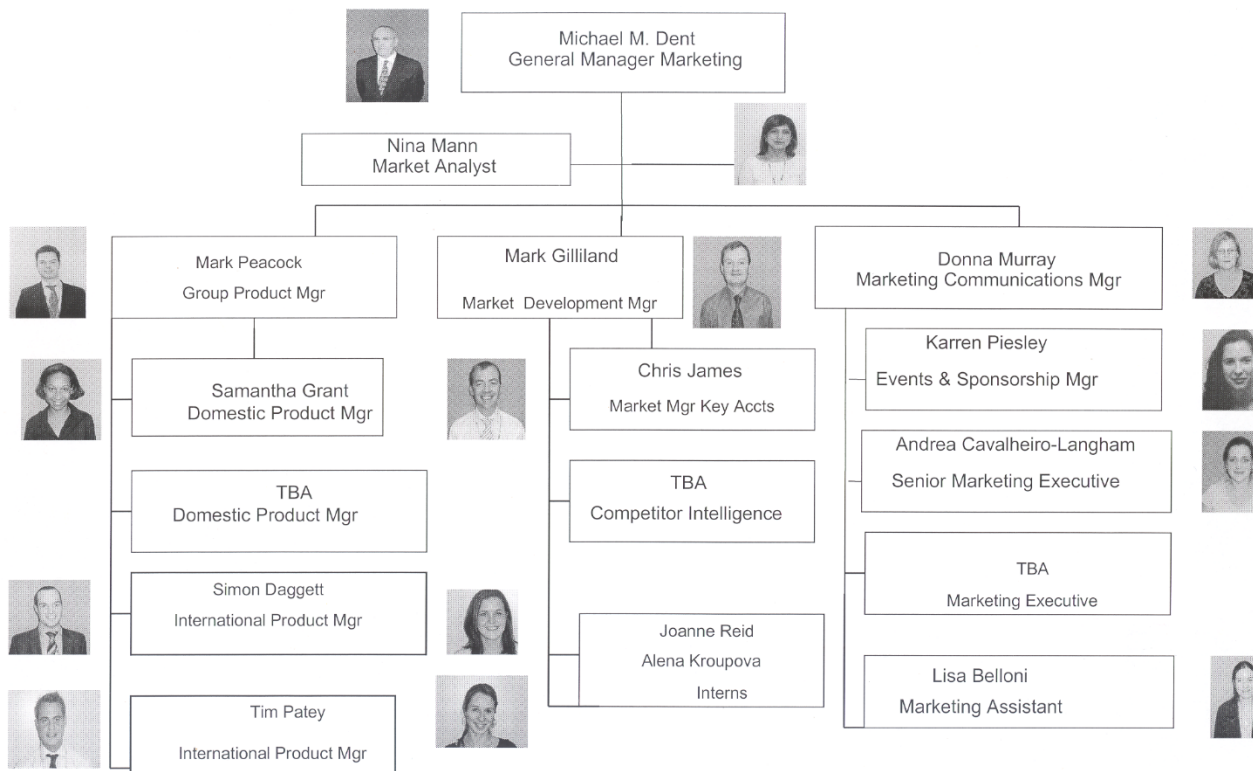
13:40-13:45   Michael receives a call-back from Sharon, with whom he discusses issues related to the management of the division's Internet/Intranet portal; the task has been jeopardized by the departure of the staff member previously responsible for it and is likely to imply an increase to the workload of his team.

13:45-14:00   Michael speaks to the department's Secretary, Nina, with regards to the need to update the internal brochure. He sets a date with her for the completion of the task and chats about its layout.

14:00-16:00   Michael dedicates a significant portion of the afternoon to an external exercise (i.e. the voting of the UK's "Superbrand", for which he was selected as juror); he does so on a charitable basis.

16:00-17:00   Before heading home, Michael replies to his emails. Some require his own input, while others Michael simply forwards on to relevant staff members.

Appendix 4. DHL UK, Organizational Chart

A) The Commercial Department, headed by John Geddes and comprising the

Marketing Division.

The Commercial Structure
January 2004

JOHN GEDDES — COMMERCIAL DIRECTOR

- MICHAEL M. DENT — GENERAL MANAGER MARKETING
  - MARK PEACOCK — UK GROUP PRODUCT MANAGER
  - DONNA MURRAY — MARKETING COMMUNICATIIONS MGR
  - MARK GILLILAND — MARKET DEVELOPMENT MGR
- BEN HEDLEY — PRICING DEVELOPMENT MANAGER
- JAMIE WILLIAMSON — UK PRICING MANAGER (CARETAKING)
- JAMIE WILLIAMSON — GENERAL MANAGER BPO/YIELD
  - CHRIS MEARA — BUSINESS PLANNING & ANALYSIS MGR
  - DAVID KNIGHT — UK SALES DEVELOPMENT MGR
  - GEE UDOBANG — COMMERCIAL SYSTEMS MGR
- ALAN WINTER — COMMERCIAL DEVELOPMENT MANAGER

B) The Marketing Division, headed by Michael Dent.

Michael M. Dent — General Manager Marketing

Nina Mann — Market Analyst

- Mark Peacock — Group Product Mgr
  - Samantha Grant — Domestic Product Mgr
  - TBA — Domestic Product Mgr
  - Simon Daggett — International Product Mgr
  - Tim Patey — International Product Mgr
- Mark Gilliland — Market Development Mgr
  - Chris James — Market Mgr Key Accts
  - TBA — Competitor Intelligence
  - Joanne Reid / Alena Kroupova — Interns
- Donna Murray — Marketing Communications Mgr
  - Karren Piesley — Events & Sponsorship Mgr
  - Andrea Cavalheiro-Langham — Senior Marketing Executive
  - TBA — Marketing Executive
  - Lisa Belloni — Marketing Assistant

Appendix B The DHL/Airborne Express Acquisition.

National Management University of Singapore/HELP University Case Studies

THE DHL ACQUISITION OF

AIRBORNE EXPRESS

Michael M Dent

michaelmd@help.edu.my

The German Post Office buys a US Airline

August 14, 2003 – The shareholders of Airborne, a privately owned US airline, approved the acquisition of their company by DHL. DHL was 100% owned by Deutsche Post World Net (the German Post Office). The acquisition became effective the next day. The DHL Management team based in San Francisco had to make some fast and major decisions on how the integration of Airborne should be handled. The major issues primarily related to the urgent cost savings required (due to the ever worsening financial results of DHL US). These were to be achieved by eliminating duplicated labour, concentrating Operations into only one of the two extant Hubs (and hence deciding which airline network and aircraft fleet would be adopted) and rationalising both the Airline fleet, ground vehicles and Service Centres to take out unnecessary capacity.

ABX or Airborne Express was the 3rd largest parcel carrier in the United States after FedEx and UPS. They operated their own fleet of converted passenger aircraft with specially designed narrow containers which were able to fit into the smaller doors on non-cargo specific aircraft. Airborne operated its own Service Centres, Aircraft and Drivers (or Couriers as they were known in DHL). It also operated its own Hub[166] in Wilmington, Ohio.

The main DHL functional areas involved were HR, Operations and Marketing, but the task masters were clearly Finance and the Deutsche Post Board in Germany.

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[166] A point to point airline network focuses on City pairs, whereas a Hub & Spoke network channels the major volumes through the largest airports and uses feeder services to the outlying urban locations.

Company Background

DHL is a wholly owned subsidiary of Deutsche Post (DP), operating in the Mail, Express, Freight, Logistics, Warehousing & Distribution markets. DHL Express is the division which concentrates on Air & Road Express in some 220 countries and territories.   The company was founded in 1969 by Dalsey, Hilblom & Lynn (hence DHL) in the United States but for various reasons was never able to make a major impact on that market.   Instead growth came from partners (also operating under the DHL banner) in Hong Kong and the United Kingdom.

Deutsche Post

When DHL was bought by Deutsche Post in 1997 the Germans set about buying up any company which they felt could add to their portfolio offering. The big gap as far as DHL Express was concerned was still the United States.   A number of different strategies were tested in this market – all of which failed. As a result the previous CEO had had to resign. The conclusion was that until enough scale was built costs would be too high to seriously compete with the two main incumbents; FedEx & UPS.

DHL US was bleeding money and urgent action was required to staunch the flow, establish some economies of scale and rationalise the two operations down into one. Money was set aside for a large scale re-launch of the new company once all the pieces of the jigsaw were in place.

Market Context

In 2002 Deutsche Post had made a bid for Airborne Express the 3rd largest operator in the market because of its strong position in the US market and the fact that they had a fully operational airline.   The economics of the Express industry are such that there are huge system costs and higher volumes are essential just to cover these.   Organic growth was felt to be too slow.   Initially there was a huge barrier to overcome – namely foreign ownership of a US airline, but despite much political lobbying from the two major (US based) competitors FedEx and UPS and the deal was completed in mid 2003.   Now plans had to be rapidly made to incorporate the new acquisition into DP WorldNet.

Major Issues

The DHL aircraft fleet was made up of cargo specific aircraft that flew into the United States from South & Central America, Europe and Asia.   The Airborne fleet was far more focused on intra-US air movements. Airborne's intercontinental shipments were typically moved on commercially available "linehaul" (i.e. scheduled passenger aircraft where air freight was carried in the belly of the aeroplane underneath the passenger deck).   DHL's Hub was in Cincinnati whilst Airborne's was in Ohio.   Significant

economies of scale could be achieved if all the shipments from both companies could be handled by a single Hub.

Both companies operated a Hub & Spoke aircraft network rather than a point to point network.   This meant that every night shipments would be flown from various locations to the Hub, sorted and then put back onto another aeroplane for delivery to the outbound Service Centre/Station.   In both cases some 60 aircraft would arrive between 20:00 in the evening and depart 02:00 in the morning.   This very complex and time critical operation could be adversely affected by weather and if material missed the outbound connection it could result in logjams and serious delays for several days.

Major savings could be made by cutting out duplication in the workforce, the Airborne drivers were unionised and considered potentially quite militant, DHL's Couriers by comparison were smaller in number and less well organised.   There were four major groups of employees in both companies, the first were the Couriers/Drivers who were based at the various Service Centres or Stations all over the United States.   Both companies also employed various regional sales teams who were located at the Service Centres (Stations) Further duplication existed in the Hub/Sort Centre staff located at the main Hub (Airport) and the head office staff (including Customer Services & Finance) of Airborne & DHL.

Choosing the Least Worst Options

Selecting which staff to retain and which to let go was clearly going to be a tricky decision, the ideal in theory was to choose the best staff from both companies, alternatively DHL could try to primarily retain existing staff.   On the other hand the Airborne staff were far larger in number and would be familiar with both the Hub and Aircraft equipment processes and procedures if Wilmington was chosen.   So perhaps the decision on which Hub was to be used was the first and most pressing issue.

DHL was a major employer at Cincinnati but it was clear that very few personnel would consider moving to Wilmington and similarly few Airborne personnel would move to Kentucky.   Whichever Hub was chosen would result in the loss of key experienced staff.

The operational switch to one Hub could not easily be accomplished in a Phased manner so it seemed that a Big Bang approach was the easiest to master.   This would require moving all flights flying into one hub into the other on one specific night.

The Deutsche Post board in Bonn were keen to see the fruits of their investment pay off as soon as possible, DHL losses in the United States were a now regular embarrassment at the Annual General Meeting and the new TV advertising campaign was ready to roll.

All that was needed was for a few operational decisions to be quickly made and then the Green light could be switched on.

Teaching Note

Can be taught at Undergraduate or Postgraduate levels.   Issues include HR/ethical problems, operational decision making under financial pressures and the inter-relatedness of decisions made in one functional area and their impact on other functions. It may be advantageous to split the class into 3 groups, one taking on the rôle of the Operations Director, one the rôle of the HR Director and one taking on the rôle of the Sales & Marketing Director

The three TV Commercials run by DHL just prior to the opening of the Wilmington Hub are available on the following You Tube videos.

http://www.youtube.com/watch?v=ldK22KlhOz4&list=PL0B34EAA16B5FE50F&index=5&feature=plpp_video

Synopsis

DHL is a wholly owned subsidiary of Deutsche Post (DP) the German Post Office operating in the Mail, Express, Freight, Logistics, Warehousing & Distribution markets. DHL Express is the division which concentrates on Air & Road Express in some 180 countries and territories. The company was founded in 1969 by Dalsey, Hilblom & Lynn (hence DHL) in the United States but for various reasons was never able to make a major impact on that market. Instead growth came from partners (also operating under the DHL banner) in Hong Kong and the United Kingdom.

When DHL was bought by Deutsche Post in 1997 the Germans set about buying up any company which they felt could add to their portfolio offering. The big gap as far as DHL Express was concerned was still the United States. A number of different strategies were tested in this market – all of which failed. The conclusion was that until enough scale was built costs would be too high to seriously compete with the two main incumbents; FedEx & UPS.

In 2002 Deutsche Post made a bid for Airborne Express the 3rd largest operator in the market. Initially there was a huge barrier to overcome – namely foreign ownership of a US airline, but despite much lobbying from the two major (US based) competitors FedEx and UPS approval was eventually granted. Now plans had to be rapidly made to incorporate the new acquisition into DP WorldNet.

Airborne operated its own Service Centres, Aircraft and Drivers (or Couriers as they were known in DHL). It also operated its own Hub in Wilmington Ohio.

DHL US was bleeding money and urgent action was required to staunch the flow, establish some economies of scale and rationalise the two operations down into one. Money was set aside for a large scale re-launch of the new company once all the pieces of the jigsaw were in place.
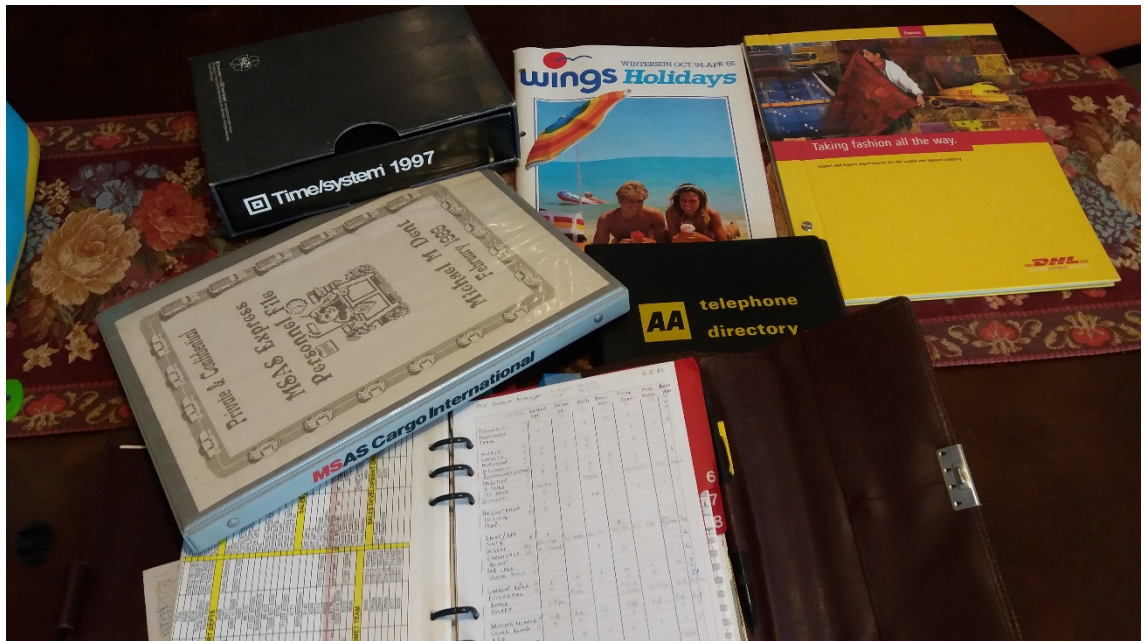
All that was needed was for a few operational decisions to be quickly made and then the Green light could be switched on.

Epilogue

November 10, 2008 - DHL announced that it was cutting 9,500 jobs as it discontinued air and ground operations within the United States. DHL said that it would continue to operate between the United States and other nations. But they would be dropping "domestic-only" air and ground services within the US by Jan. 30 "to minimize future uncertainties." DHL's 9,500 job cuts are on top of 5,400 job reductions announced earlier this year. After these job losses, between 3,000 to 4,000 employees will remain at DHL's U.S. operations, it was also shutting down all ground hubs and reducing its number of stations to 103 from 412.

The CEO who had overseen this acquisition had been asked to leave some time earlier.

Appendix C   Exemplars of data

'A' Time diary showing interview notes (including check for colour blindness), MSAS

Cargo International Personnel file, Wings Holidays Summer Brochure 1985,

AA Internal Telephone Directory & DHL Textile Industry Sales Guide.