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# i2 Technologies

## shows the way

i2 Technologies is a market leader in supply chain systems. Its vision serves as a powerful organising idea that integrates the business and inspires stakeholders.

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## Centre for Integrated Marketing

The Centre for Integrated Marketing has been funded by industry to research best practice and develop intellectual and other tools on behalf of leading marketers and their agencies.

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# Highlights

i2 Technologies, Inc. was founded in 1988 by Sanjiv Sidhu and Ken Sharma with the vision of using information resources to help businesses make more intelligent supply chain decisions. Since then, i2 has become a market leader with a multinational team of nearly 5,000 employees. Integrated supply chain management is itself a key feature of the Integrated Marketing model, but this case highlights i2's Integrated Marketing leadership practice in developing a stirring organising idea that motivates, mobilises the company and develops the brand.

## Integrated Marketing learning points

Research across a range of industries and companies by the Centre for Integrated Marketing has identified a number of high impact diagnostic factors that indicate successful Integrated Marketing in organisations and brands. I2's exceptionally powerful organising idea and its implementation lead to high scores on many of these, such as the following:

1. There is a service-oriented ideal that encourages commitment across the organisation.
2. Objectives are coherent with the brand/company's competence.
3. Marketing/business objectives balance needs of employees, customers and other stakeholders.
4. The values of the brand are the same as the company culture.
5. The culture encourages people to work together.
6. People in the organisation are happy with what the company is doing.
7. Quality is understood as that which is good for the customer, employee(s) and company.
8. The culture is of shared learning.
9. Quality tools facilitate shared learning across the organisation.
10. Practices ensure shared learning across the organisation.
11. The organisation works in partnership with the members of its value stream.
12. The organisation is structured to service different kinds of customers in ways appropriate to them.
13. The company recognises that people are vital to differentiating the brand
14. Leaders
  - Demonstrate the brand's positive values
  - Are experts in their field
  - Have a win-win attitude
  - Reward good results
  - Communicate what is important

We define Integrated Marketing and its mission as follows:

**An holistic discipline that inspires coherent and creative organisation, culture and brand alignment around fundamental truths of the brand to deliver value to customers, employees and the organisation.**

And we argue that i2 Technologies' organising idea is a powerful design tool for achieving this objective.

## Background

**"It was the strategy, objectives and vision that inspired me to join."**  
**Peter Checkland, i2 senior product marketing executive**

i2 has made a significant contribution to the development of the supply chain industry. At the height of the Internet bubble, Forbes magazine commented "One would be hard pressed to find a company not doing business with i2 for electronic exchanges. Indeed, this has been reflected on i2's bottom line. Sales grew 55% last year..." (Forbes, Jan 2000).

The intellectual founder was Sanjiv Sidhu, founder was an artificial intelligence engineer working at Texas Instruments. He recognised that most people can't juggle more than nine factors, posing a challenge for complicated logistics planning. He decided to develop algorithms that would enable far more complicated problems to be automatically analysed and to apply this to the supply chain and inventory management industry. The first product, called Rhythm, which lets manufacturers plan optimum production schedules, was highly rated and provided the foundation for ongoing success. Sidhu continues to be highly respected as the technical leader of the organisation.

Despite having been badly damaged by the high-tech meltdown, which represents 42% of its installed client base, recent studies show that i2 still has 15% of the supply chain market and analysts value the deep algorithms and innovation of its Internet-based software, thought to give it a three-year lead over rival SAP<sup>1</sup>.

Not only has i2 provided solutions to many of the world's leading companies, but further evidence of its influence and recognition comes from the annual Ken Sharma Excellence Awards sponsored by i2. In memory of co-founder Ken Sharma, who died in 1999 of a brain tumour, the prize is awarded to companies for outstanding offerings in the field of internet-based design of the operational value chain. Over 1000 companies send in entries in ten prescribed categories and winners include Siemens Business Services, Barnes & Noble and Cooper Tire.

## The power of a great mission

However, these awards are not only expressions of respect for Ken Sharma, but also natural expressions of the brand mission. The central tenet of Sidhu's and Sharma's vision was providing optimum value for i2's customers through Value Chain Management (managing customer value generating activities, including production, procurement, logistics and other activities, end-to-end including any networks or chains of suppliers). To that end, i2 ties its technology directly to the value that customers receive in savings and efficiencies in running their business.

The i2 leadership team then created an exceptional and extraordinary, yet simple, way of focusing the vision through a motivating idea: to create \$75 billion value for its clients by 2005.

i2's mission is to generate \$75 billion in value and savings for our customers by the year 2005

And they are serious in using this idea to power the company. Good vision statements crafted in a leadership planning workshop are meaningless unless they are translated into action. I2 did not make this mistake.

For six years, Miller-Williams Inc, a Californian consulting and research firm, have been auditing i2 clients and compiling a database that shows the performance of i2's clients with its software. The original mission was only to achieve \$50 billion. By 1998 i2 had achieved \$3.5 billion and by 2000 over \$16 billion. The target was increased in October 2000. To date they have achieved over \$30 billion of audited value.

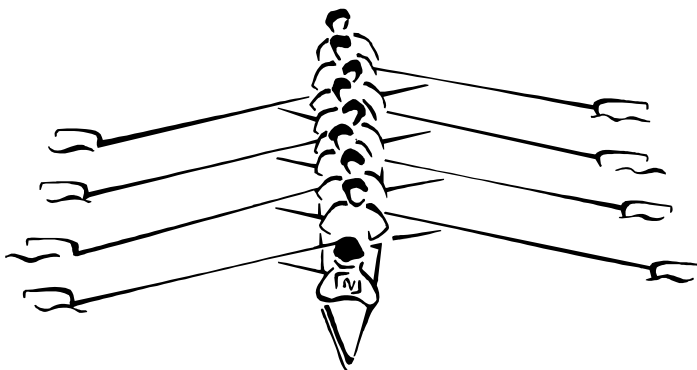
## Powerful ideas integrate

For an organisation to achieve alignment and integration, especially a large organisation, there needs to be a powerful means to ensure that people across the organisation behave in ways that are desirable. This is essential to Integrated Marketing.

Conventional and historic methods for doing this favoured command and control management styles. However widespread research clearly demonstrates the inability of this method to achieve the highest results, except perhaps in one situation, the organisation in critical crisis.<sup>2</sup> Indeed, the historic practice based on hierarchical management inherently tends to lead towards disintegrated, silo-based organisations that disempower people and damage both efficiency and customer experience. Even in crisis, the reason that command and control works is because in crisis many people look for strong leaders with answers that they can believe.

Otherwise, power-based command and control management practices tend towards creating unhealthy, perhaps even toxic, cultures with characteristic silos, employee disaffection and high inefficiency on-costs.

For sustained success, what matters is the creative fertility of individual members of the company and its functions. However this fertility must be tied together, so that, to use an old metaphor, everyone rows in the same direction. This adds up to a central principle of Integrated Marketing, which is *creative alignment*.



Integrated Marketing draws on the power of creative people working together. Ideas are the most effective way to achieve this.

This is only achieved when there is something truly meaningful and inspiring to those concerned. As Jesper Kunde put it: "Some companies tend to equate

branding with the company's marketing. Design a new marketing campaign and, voilà, you're on course! They are wrong. The task is bigger, much bigger. It is about fulfilling your potential... What is my mission in life? What do I want to convey to people? How do way make sure that what I have to offer the world is actually unique? The brand has to give of itself, the company has to give of itself, and the management has to give of itself?"<sup>3</sup>

When this is achieved, the organisational culture tends becomes healthy: there is a sense of coherence and meaningfulness that binds people together in common purpose and in creative, learning engagement across the organisation. At the extreme, it amounts to the difference between the alignment and productivity of the chain gang versus the alignment and productivity of an Olympic rowing team.

The healthiness of this culture and therefore the energy of the organisation is an extremely important benefit and driver of win-win-win value. In contrast to the toxic organisation that is so common, organisations with this coherence demonstrate the qualities of a fit and healthy organism. Tom Peters, in arguing that, "Who are we? Who cares? Why?" is at the heart of the brand issue, is fond of quoting one of his friends who says that, "The essence of the essence is actually Psychotherapy. That is, the answer to, "Who are we?" is a psychotherapeutic issue, for me, for the 27 person department, for the 27,000 person corporation".<sup>4</sup>

Other social health research supports the proposition that the sense of coherence and positively are strongly linked to healthy cultures and people leading to new health strategies (known as Salutogenesis<sup>5</sup>).

## i2's organising idea

**Our research shows that certain kinds of powerful ideas are not only a more effective way of achieving alignment than command and control, but essential to success. Such ideas generate alignment and coherence; empower people; create a healthy motivated creative culture; and drive brand values and brand marketing.**

For such an organising idea to be truly effective in achieving integration, it needs to meet four criteria. It should:

1. Be equally appropriate inside and outside the organisation, so that there is an alignment and matching of brand image and culture, internal and external messages, brand promise and organisational strategy;
2. Be meaningful and empowering, with a clearly defined purpose that members of the company are quickly and confidently motivated to take ownership of (because it matters to them) and which they can use as a benchmark for decision-making (note that this is not trying to motivate sluggish employees; it is channelling inherent motivation);
3. Provide considerable creative space: the definition of purpose needs to provide channels for creative energy, not boxes that squash people and motivation;
4. Include both a longer-term visionary aspect and the means to translate this into step-by-step vision.

I2 Technology's idea is a superb example.

i2's missionary idea inspired senior marketing executives to join the company, including many of the smartest and most committed people in the industry. They did so because they could immediately see both the marketing power of the idea and its motivational value and relevance to them.

For example, Peter Checkland, a senior product manager, told us: "Everything is aligned to this idea: strategy, objectives, vision. It is audited and tracked. It is what we say to analysts, prospects and customers and it is the focus of our internal product development and training. To me, this was such a powerful mission that I was willing to bet my future on the company. That's why I joined."

Despite the roller coaster ride after the crash of the Internet and technology stocks, which affected i2 as much as any other company in the sector, it is this sustained mission that motivated him and others to remain in the company.

### **Consider why i2's idea is so powerful and successful:**

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1. It is extremely clear and coherent.
2. It is customer focused, not just superficially, but in that it motivates collaboration between i2 employees and the client towards a joint, win-win mission. (In successful Integrated Marketing, we notice that customer focus is not an aggressive pressure on employees. If anything, employees count for more than customers. Instead, customer focus arises in the meaning and purpose that employees and organisation give to effective customer service orientation.)
3. It is a service ideal that i2 people find worthwhile. It is far more motivating than simply creating profits and shareholder value, even in an industry where stock options are important, yet it clearly aligned with financial success and demonstrates a passion that is attractive to ambitious, positive people. Thus it does not aim to motivate or control. Rather it brings coherence to existing motivation. Furthermore, it is an ideal that attracts the very kind of people that i2 needs.
4. It is a signature idea that forms customer attitudes and underpins the brand promise.
5. It is a sustained mission: it provides a long-term direction for investment and effort.
6. It is empowering: providing clarity, direction and motivation for creative responses across the organisation. It can be translated into a coherent set of diverse strategic and tactical objectives. Thus it is not a control measure as such – or need not be. Rather it creates and hands over entrepreneurial possibility, the essence of empowerment.
7. It is powerful enough to override divisions within the company and with its suppliers and gives motivation and reason to work together.
8. It is not only measurable, but the measurements are effective marketing and sales tools. Not only do they give confidence, but they also generate a reason for paying the price requested.
9. Measuring success, as will be illustrated below, also contributes to learning processes and a learning culture. This is not simply an empty phrase but a real and measured commitment. It is a truth of the brand.
10. Thus it is a win-win-win idea that provides exceptional coherence. Customers clearly like it. Employees like it too, because it means a company going somewhere significant. And analysts like it because it in due course translates into significant shareholder value. We describe this as contributing to '3D-Worth' (value for employees, customers and company).

Further to point 3, 'an ideal that people find worthwhile', in 1997 employees founded the i2 Foundation, a non-profit organisation that has helped over 1.5 million people in 31 countries by removing inefficiencies in distributing humanitarian aid. Thus the pooled expertise that they have been developing is applied not only to commercial organisations but other genuinely needy concerns. There is considerable evidence that employees gain commitment when they feel they can apply through their competence to making a real and worthwhile difference in the world. Undoubtedly, the focus on commercial organisations does give this feeling, but the wider application is an important fortifier. There is therefore an inspiring consistency and integrity in the mission to create worth and value for others.

## Collaboration culture

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The concept of collaboration or win-win as an implicit factor in i2's mission has already been mentioned. I2's technology works best when suppliers collaborate, creating what they term a multiplier effect for value generation. This demonstrates an important Integrated Marketing intelligence.

**A jury of the i2 user group, members of i2 Technologies, and analysts from Meta Group awarded the Ken Sharma Award for Excellence to Siemens Business Services (SBS) for its "E-Managed Service Chain" solution. Not only did it optimise the internal supply chain, but also it was particularly successful in improving efficient cooperation with suppliers and customers. (Note the importance of beliefs in determining such behaviours and results.)**

Collaboration is therefore a principle/vision embedded in the i2 culture, and a valuable aid to Integrated Marketing. It is hard to align a highly political, conflict-ridden firm/brand.

## Measuring for learning

Not only is i2 generating value in collaboration with its clients, but the process of measuring performance driven by the mission has also become a learning instrument not only for the company but also for the clients. Thus the mission serves to integrate supplier and client objectives and stimulate genuine collaboration between them.

i2 funded Miller-Williams Inc to audit actual performance against the mission. Every quarter, each project is assessed for value and the results – as well as project execution parameters – entered into a database.

**Now in its sixth year of measuring i2 customer value, the Miller-Williams value database shows patterns company performance.**

Within the i2 customer community, for example, the top 20 percent of companies are said to be generating value at 10 times the rate of the next tier. This rate continues to grow each year (1.7 times in 1998, 5 times in 1999 and 10 times in 2000) because companies are able to find new and innovative ways to reduce costs using the i2 software that is already installed better and through increased collaboration.

Gary A. Williams, Miller-Williams president and CEO reports, “We are beginning to see an emerging set of i2 customers that really know how to maximize their return on value. The key difference appears to be in their ability to focus on key performance indicators (KPIs) rather than actual dollars. In other words, they concentrate on where they are going, not where they’ve been.”

Thus, the process of measuring performance contributes to an ongoing assessment of how to achieve it. This is used to inform proposals and practices by i2 and its clients. I2’s clients are contributing to a learning community in value-chain engineering.

## Success

**“Take care of the customer and everything will take care of itself.”**

— Ken Sharma

**At i2, the customer is our reason for existence. That commitment to the customer and their success has been instilled in every i2 employee by our co-founder, Ken Sharma. Ken taught us that i2's history and future are inseparably linked to delivering value to our customers.**

— i2 web site

i2 Technologies’ organising idea is working. It is working for clients. For example, Mark Douglas, Director of Materials at Herman-Miller, a leading international furniture systems firm said, “The i2 solutions are at the core of our business. They are the brains of our operation. There has been so much benefit that it is really hard to quantify. Our average on-time deliveries increased from 75 to 98 percent. i2 solutions were critical to our ability to do this.”<sup>6</sup>

And it is working for i2 Technologies. Since its foundation in 1988 it is grown to be a billion-dollar company. Certainly it is still dealing with the aftermath of the technology crash, but it remains according to independent research, “The acknowledged thought leader in SCM [supply chain management]”<sup>7</sup>

## Ideas as design principles

I2’s powerful organising idea and culture introduces a broader theme that emerged during our research. Our research indicates that the degree of Integration and general quality achieved is dependent on the ideas that form the business.

Those who are most effective in Integrated Marketing pay attention to ideas. Consciously or unconsciously they understand that ideas are design tools.

1. Ideas are windows by which people see the world. Ideas are not simply passive; they are part of the process by which they know what they perceive and are active in discriminating what they see or don't see and how they see it. Ideas design the world. Thus the ideas that people in organisations use or have will not only shape how they see the organisation but how they see their tasks, each other, customers and so on.
2. Ideas are embedded everywhere into organisations. Ideas show up in policies, values and culture, in the design principle behind processes and structure and

product design, in business decisions and choices, and in strategies. The ideas that are embedded may not be the ideas that are spoken; they are more likely to be the ideas that are practised.

3. Leadership puts ideas into action in the organisation. Leaders are recognised by doing this, and they do it by a variety of means including inspiring advice, orders and example. Leaders act as animated sets of design principles.
4. Sets of ideas can be hierarchical and/or mutually reinforcing; or they may be conflictual and incoherent.
5. You can look at an organisation and reconstruct the ideas that shape it.
6. You can design an organisation by embedding into it the ideas that you want. This is achieved by winning acceptance for these ideas.

Many of the ideas that operate in organisations have a tendency towards disintegration. Examples of these include: win-lose thinking, distrust and competitive attitudes, analytical/hierarchical organisation models, media/discipline dependent marketing communications planning, and the over-privileging of shareholder value.

Ideas that have a tendency towards increasing integration include: trust, value-stream integration, media neutral planning, and shared purpose.

## Executive takeaway

i2 Technologies illustrated important action points for senior executives wishing to implement Integrated Marketing:

1. Ideas are the driving force of your brand and business. Ensure that your organisation/brand is motivated by an equally powerful and clear organising idea. One that connects customers and employees with a vision of achievable success.
2. It is worth identifying the real organising idea that currently operates within your organisation /brand. This may not be what you think.
3. While researching this, identify the other key operational ideas that drive the business. These represent the done policies, i.e. the organisational policies that actually operate the business, whether or not they are the ones that management want or say are the policies.
4. Review the coherence and alignment of internal culture and brand promise/values.
5. First align the Board. Notice both the role of the CEO in Integrated Marketing and the potential of the Integrated Marketing Director to grow his or her influence and significance. This is a stepping-stone to the CEO role.

## Notes

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<sup>1</sup> Forbes, September, 2002

<sup>2</sup> See the case study in the Integrated Marketing series on Harley-Davidson to be published 1Q 2003 by the Centre for Integrated Marketing. See also: The Individualised Corporation, Sumantra Ghoshal and Christopher A. Bartlett, Heinemann, 1998

<sup>3</sup> Jesper Kunde, Unique Now... or Never: the Brand Is the Company Driver in the New Value Economy, Financial Times Prentice Hall, 2002

<sup>4</sup> Tom Peters, The Heart of Branding, Tom Peters Manifestos 2002: THE BRAWL WITH NO RULES series

<sup>5</sup> Salutogenesis, a concept created by the medical sociologist Aaron Antonovsky. The Salutogenic orientation is to create health rather than heal illness. Salutogenesis examines the underlying social constructs, the broader picture, in order to both define the health problem and to search for coping/managing resources or mechanisms.

<sup>6</sup> Quoted at [www.millwill.com](http://www.millwill.com)

<sup>7</sup> AMR Research, October 19, 2001