

CHAPTER 7

Organizational Structure

A Fruitful Relationship

Tiny Plumtree was tapped by giant P&G to supply software—and both parties are benefiting

by Jim Kerstetter

The drops from a leaky pipe in the ceiling were heavy, and loud—enough to make everyone at the meeting in Plumtree Software Inc.'s tiny San Francisco conference room edge. Especially Dan Gerbus. The Procter & Gamble Co. executive flew into San Francisco that morning to meet Plumtree's managers for the first time. He wondered if P&G, with annual revenue of \$38 billion, was crazy to trust a multimillion-dollar software project to a company with only 10 customers and led by executives who just three years before had been hashing out a business plan in a Berkeley (Calif.) boarding house. Plumtree marketing chief Glenn Kelman picked up on the anxiety of Gerbus and the two P&G managers traveling with him. "You could just see from the looks on their faces that they were wishing like hell they could just buy something from IBM," Kelman says.

Uncomfortable or not, it's a scene being repeated all across the corporate landscape. Cutting-edge technology firms, many of them young and untested in the ways of big business, are being tapped to help Industrial Age icons get wired for the New Economy. Jarring differences in size, culture, and business savvy are forcing companies like P&G to venture into uncharted management territory to make sure those differences don't spell disaster. "Not since the turn of the last century have we seen so many young and inexperienced companies linking up with older corporations to do make-or-break projects at high speed," says management guru Gary Hamel, chairman of consultancy Strategos. "For old and new companies alike, it's becoming a whole new management migraine."

STRANGE BEDFELLOWS. The relationship doesn't have to be a headache. If those strange-bedfellow projects are managed adroitly, they can be a boon for both—and a source of some unexpected inspiration. Consider the tale of how the Plumtree-P&G deal came together a year ago and what the two companies have learned. Plumtree has provided P&G with software so that complex corporate data spread

throughout the company can be presented to employees in an easy-to-use Web browser. But beyond the normal buyer/supplier relationship, both have picked up valuable lessons to help each other forge the management techniques needed to thrive in the New Economy.

P&G, a 160-year-old industrial giant that makes everything from Tide detergent to Pringles potato chips, never thought that seeing how a startup stays nimble would point out new ways to motivate P&G employees. "We're this old elephant," says P&G Chief Information Officer Stephen N. David. "We need to start acting more like a gazelle." Already, P&G is giving engineers a chance to broaden their experience by working on cutting-edge Net software so they won't be pigeonholed into mundane tasks such as computer maintenance. And P&G has seen how quickly Plumtree can deal with problems, thanks to its engineers' breadth of knowledge.

Four-year-old Plumtree gets a mentor. But the company isn't coddled. Instead, the brash young engineers at Plumtree, who thought their software was tops, are shocked to learn what it takes to support a huge customer, both in terms of corporate polish and hands-on engineering experience on massive corporate computer systems. They also get valuable insight into features important to large organizations, and even find a financial backer that can help land business with other biggies. "From a credibility, reputation point of view, it's a company-making deal," says Plumtree CEO John Kunze, a veteran of Adobe Systems Inc.

Of course, getting the deal done meant jumping through a lot of hoops for Plumtree and a giant leap of faith for P&G. There are cultural differences as wide as the 2,000 miles from P&G's headquarters in Cincinnati to the San Francisco offices of Plumtree. P&G workers are known throughout the consumer-products industry as "Proctoids," who work in a culture famous for rules governing the most routine procedures, including how to write a company memo. Plumtreevians, as they call themselves, are proudly quirky. They dress as they please and unwind in the office with wrestling and Nerf football games.

P&G's Gerbus didn't care what Plumtreevians wore or whether they horsed around in the hallways. P&G had spent the past two years struggling to rebuild its information systems, so employees wouldn't run into confusing data such as 30 descriptions for water

or six ways to define “dark blue.” For P&G, SAP software was the first step in bringing order to that information. SAP’s software forces the company to define its operations step by step, from all the ingredients that go into its detergent to the shipping schedule of the trucks that deliver Tide to stores. The project is now two-thirds complete and has stretched to tens of millions of dollars.

By the spring of 1999, however, P&G realized the SAP software was going to be too difficult for nontechnical employees to use. And it couldn’t be easily integrated with the company’s Web systems because the software wasn’t originally designed for the Net. P&G needed something only startups made at the time—cutting-edge corporate “portal” software. Portal software grabs data out of those difficult-to-navigate corporate systems, such as inventory management, and presents them in a browser format that is no more difficult to understand than a Web page on Amazon.com Inc. Sounds simple, but the software is very complex.

Gerbus started searching for a solution that could work throughout P&G. He already knew he’d have to go to a startup. His only choice: Run the startups through a tough shakedown before he’d give them a dime. Gerbus figured they would do a lot to land a marquee customer like P&G. One company he got in touch with was Plumtree. Kunze hesitated at first when a July 26, 1999, “cold e-mail” from Gerbus to info@plumtree.com asked if Plumtree could provide a trial copy of its software. Although P&G was unquestionably a whale of a customer, Plumtree was just getting its act together. The third version of its software was turning heads. But its service organization was still just seven people. Kunze, 37, knew a project at P&G could easily consume all of Plumtree’s resources.

Kunze overcame his big-customer fear. On Aug. 13, he invited Gerbus, 48, to visit Plumtree’s downtown office. Gerbus arrived with two co-workers, and for four hours, small groups of nervous Plumtree executives filed into the conference room to be grilled by the poker-faced Gerbus. He thanked each presenter and never gave the slightest indication what he thought. “When he left, there was no way to feel positive or negative about things,” says Kunze.

Gerbus had a 68-page list of requirements—a doozy of a roster that asked questions ranging from the background of Plumtree execs to a clarified corporate vision. Kunze knew he would have to expand his technical consulting staff in a hurry. Over the next four months, while he was negotiating with P&G, he scrambled to hire seasoned executives. In December, Wendell Robinson, a veteran Oracle Corp. consultant, was brought in to run the project at P&G in Cincinnati.

The next step: a demo before the P&G high-tech brain trust at its headquarters. This time, Kunze almost blew it. On Oct. 8, he and John Hogan, Plumtree’s vice-president for development, were about to demonstrate an early version of what a P&G corporate portal would look like. It would have a central Web page, which employees could tweak for their own needs. That page would guide them through P&G’s maze of data, without ever really exposing them to its complexity.

SERVER PROBLEMS. Kunze and Hogan faced Gerbus and about a dozen other stone-faced P&G tech people. But there was a problem: The PC server in San Francisco that ran the demo wasn’t working. All someone had to do was press a button to reboot it. Unfortunately, it was 6 a.m. on the West Coast, and there was no one at the office. “I kept stalling,” says Kunze. “I must have given the longest PowerPoint presentation of my life.” Finally, after an hour, someone rebooted the computer. Now, Kunze leaves nothing to chance. The Plumtree demo server has a backup, as well as support personnel who can be paged at a moment’s notice.

After the presentation, Gerbus still wasn’t convinced. For nearly two months, Plumtree ran a “proof of concept” test of its software that duplicated all the tough software integration chores, ranging from e-mail systems to databases, needed on the larger project. The demo also allowed Gerbus to work with Plumtree’s engineers so he could explain technical problems and listen to how they would respond. “I don’t want to have to go out three years from now and find a new solution because the company I picked didn’t make it,” he says.

On Nov. 29, Gerbus returned to San Francisco. Over a salmon dinner at the chic Scala’s Bistro, he inked a tentative deal with Kunze on a dinner napkin. Gerbus knew, though, that when a company like P&G buys from a young company, the startup’s solvency is every bit as important as its technology. So Gerbus convinced the P&G board that Plumtree would be a good investment. In June, P&G invested \$2 million in Plumtree for a roughly 2% stake.

Gerbus still wasn’t satisfied. He had to make sure that the Plumtree engineers felt comfortable enough at P&G to work their magic. He found a private office for them with phones, data ports for their laptop computers, and a printer that he scrounged up. And he and his staff took them out on the town, to local brew pubs and to the Skyline Diner, which serves a cinnamon-flavored meat chili. Sounds touchy-feely, but it worked. The young Plumtree engineers felt on equal footing with P&G’s tech staff. “I thought it would be a lot more corporate than it was,” says Bridget Frey, a 22-year-old Plumtree engineer.

Gerbus wasn’t through mentoring. Plumtree engineers may have had a great understanding of

Web design, but few of them had ever been exposed to truly massive computing systems like those at P&G. P&G's tech people had built a huge directory of the company's employees, one of the largest of its kind. It was up to P&G to teach Plumtree how to build something that would work with what they already had—and what Plumtree could expect to find in other huge networks. The results are in a fourth version of Plumtree's software released last month, which has many changes suggested by P&G, such as a more flexible Web-browser interface. This software can handle huge amounts of data processing and includes new, patent-pending technology for supporting hundreds of thousands of users at once.

The learning isn't limited to Plumtree. P&G's tech folks are becoming more receptive to criticism, thanks to Plumtree. Hogan told Gerbus how, at Plumtree, criticism is welcomed at monthly "bug nights." Everyone at the company spends the night looking for glitches in Plumtree's software. P&G's quality-assurance program, on the other hand, is rigid. There's little incentive to look for bugs because everything from a PC to a mainframe is installed and loaded according to strict company criteria. But Gerbus saw the benefit of the free flow of criticism. By the end of the bug night, Plumtree had a better piece of software. Gerbus and his bosses are trying to bring in some of that dynamic tension to their

engineering process. They hope to create a financial incentive system to reward people who make suggestions that improve computer operations.

The relationship is running smoothly. Fifteen months after the initial encounter, P&G and Plumtree are two-thirds through a project that will reach nearly 100,000 P&G employees when it's completed this year. Neither Plumtree nor P&G will say how much the contract is worth. But analysts estimate its value at \$5 million.

Now, Plumtree has a powerful ally on its side. In June, Plumtree announced a 200,000-seat deal with Ford Motor Co., worth about twice the P&G deal. Gerbus was a reference. And Plumtree is up to about 200 employees. Plumtree has more than 100 customers now, nearly half of them added since the beginning of the year. And the average size of deals has jumped from \$100,000 to \$200,000.

Make no mistake, Plumtree is still tiny. In the first six months of this year, it posted \$8.8 million in revenues, with \$5.3 million in losses. Last month, Plumtree filed to go public—after the interviews were done for this story. Analysts expect the initial public offering by yearend. It will mean more scrutiny. That's O.K., says Kunze, because they'll "have P&G as a mentor" to guide them through another learning experience—on Wall Street.

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