

Statstar Communications: Profiling Miscommunication

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YOU ARE A MEMBER of the Sales and Marketing department of Statstar Communications Network Incorporated. Statstar represents a flagship service for communicating across North America and Europe. It is the largest privately owned satellite network service in the United States, providing two-way audio and digital data communication between North American businesses and their branch offices, as well as between businesses and public broadcasting channels which carry commercials via radio and television. Statstar is a division of Future Corporation, the nation's leading supplier of entertainment, news, and information programming for cable television and satellite communications.

Potential Contract with Excel Tire Corporation

Your immediate boss at Statstar Communications, Thomas Drew (the Sales and Marketing Coordinator), is away on vacation and has asked you to look after the Excel Tire Corporation portfolio in his absence. Until he returns, you are to report directly to Drew's boss: Robert Medley, general manager of the Business Services Division under Vice President Peter Gandoff.

Medley is well known as the company's best salesman, a very aggressive guy who has closed more million-dollar contracts than anyone else. In fact, Medley is so valuable to the firm as a "rainmaker" that most everyone seems in awe of him. Certainly, Medley is a whirlwind of activity, contacting clients and landing contracts, but leaving most of the details to others while he rushes off to the next potential sale. In your own experience, you know that Medley is highly persuasive with clients, but that he frequently ignores e-mail and telephone

calls from subordinates, leaving such messages to be handled by his secretary while he moves on to the next client.

Before departing on his vacation, Tom Drew filled you in on the current situation with Excel. Janet Beechum, Vice President of Planning and Development at the tire firm, has apparently recommended that Excel sign a major contract with Statstar to establish satellite linkups with the firm's various offices, as well as with radio stations which carry Excel's commercials. The prospect of landing such a big contract is a happy one, but there may be problems. From what Drew had been able to gather, he suspects Beechum may have overstated what Statstar will be able to accomplish for Excel in her proposal to Excel's Executive Committee. If, in fact, that is the case, it might put the whole sale to Excel into jeopardy. Drew warns you that you will likely be hearing more about Beechum and the Excel situation shortly, at least as soon as Medley gets concerned about nailing down the contract.

Currently, Medley is pursuing new clients, this time in Sete, France, and his first e-mail message to you soon arrives. Not surprisingly, the message concerns the Beechum problem at Excel that Tom Drew described. In the message, Medley makes available to you his file containing all written communications (both paper and electronic) between Statstar and Excel.

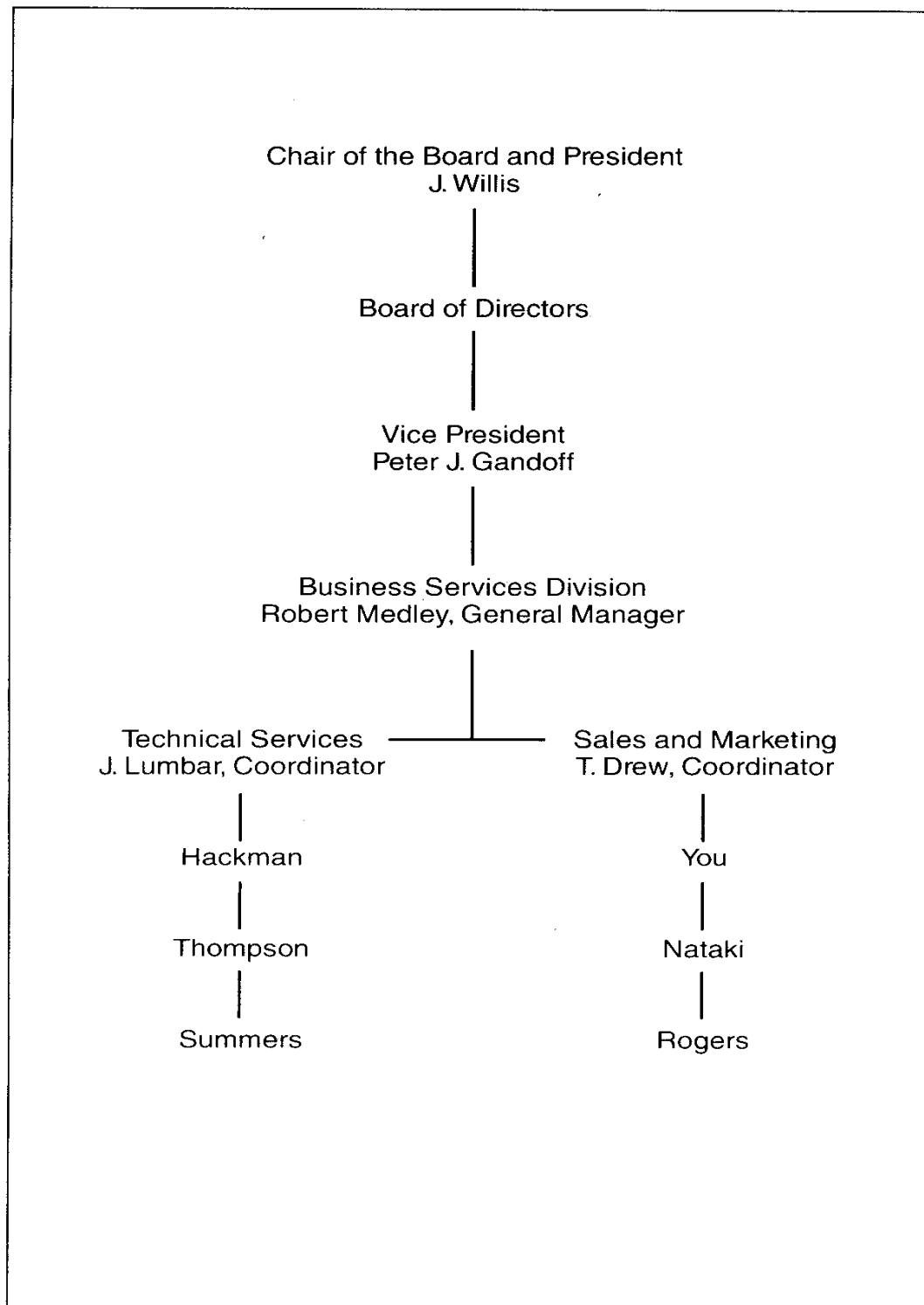


Figure 1. Statstar Organization Chart

2-Dec-00 RMEDLEY@STATSTAR.SETE.FR 10:02:35
Received: 12/2/00 10:02 a.m.
Sender: R. Medley
Re: J. Beechum/Excel Tire Corporation

Received a letter and a draft proposal from J. Beechum, Vice President, Planning and Development, Excel Tire Corp., which contains disturbing information. I would stop everything and check this myself, but I must stay in France for the next three days to nail down a contract. Please set aside everything else and find out what went wrong. Beechum seems to think that if she buys into Statstar, Excel can link the company's telephone, computer, facsimile, television, and even mail functions together into a single electronic signal.

She is also under the misconception that our mobile transmissions somehow escape the long arm of the Federal Communications Commission regarding splitting signals.

Where did she get these ideas!

To add to this mess, she claims that Statstar was lax in its response to her inquiries. Clearly, she is unhappy with our service, and we not only stand to lose a very lucrative contract, but we may find ourselves in an embarrassing situation. My understanding was that Lumbar and the technical group were to clear up these issues. Well, evidently they didn't, because Beechum is building her whole case for Statstar on these misconceptions.

E-mail me as soon as you figure out what happened and who dropped the ball. Someone's head will roll if we lose this contract. Also send along your suggestions on how we might handle the situation. As soon as you message me, draft a letter for me so that I can get it to her right away. E-mail it to me so I can make any necessary changes and express mail it to her. It's most important that we don't lose this contract!

I am to give a presentation to her group on December 12, and I want to make sure this gets straightened out before then. It could get messy, especially if Gandoff gets wind of this. Both he and Beechum serve on the Advisory Council of the Board of Trade which meets a few days before Beechum is to give her presentation.

I have authorized your access to my file and electronic mail folder on Excel Tire. You will find them under "Client, Excel Tire Corp."

Figure 2. Medley's E-Mail Message to You

Explanatory Notes to Figure 2:

¹ Combining telephone, computer, fax, television, and mail into a single electronic signal is not currently possible. Although Statstar's R&D unit is working on a system that would combine different types of signals, technically it is not yet possible to combine analog with digital signals. Statstar has developed cutting-edge technology for sending and receiving multiple signals of different types from different locations. This technology permits the user to monitor and process these different signals. Although Statstar refers to this method of operation as their "single system of communication," it does not use a single electronic signal.

² Splitting signals allows a client company to share satellite dishes and signals among multiple buildings of their own firm within a 20-mile radius. A pre-installed fiber optic network in the satellite dish facilitates this type of multipoint broadcasting. Statstar does not charge extra for activating this feature for a client with multiple sites. However, a client cannot simply rent out satellite dish space to other companies (such as its tenants or clients) because federal regulations control the sale and rental of satellite dishes and signal ports for commercial use. If a company wishes to provide satellite dish space to other firms, it is required to file for a federal license (a process that could take 6 to 8 months and cost up to \$500,000). Statstar's policy also forbids its clients from reselling signals and renting dish space to second parties, such as clients or tenants, because such activities constitute competition with Statstar. For Excel's buildings, there is no problem with sharing dish space or signals with its own clients and tenants, but these other firms must purchase these services directly from Statstar.

Figure 2. Concluded

STATSTAR COMMUNICATIONS NETWORK

222 Corporate Park Drive / Chicago Illinois 00000

September 23, 0000

Ms. Janet Beechum
Vice President
Planning and Development
Excel Tire Corporation
Toledo, Ohio 00000

Dear Ms. Beechum:

It was a pleasure meeting you in Atlanta at the Tele-Communication Conference and to hear of your company's concerns regarding the rising cost of data transmission by what we affectionately refer to as terrestrial transmission—that is by air, transport, and telephone. As I mentioned in our discussion, many clients who have turned to our satellite technology have realized savings of 20% to 50% of the cost of terrestrial transmission.

Mr. Robert Medley, General Manager of the Business Services Division, will write to you to supply you with specific information about Statstar networks. I am confident you will be impressed with Bob's professionalism. He has developed a reputation for delivering outstanding service. He demands the very best of his people.

Thank you for your expressed interest in Statstar Communications, America's leading satellite network services company.

Sincerely,

Peter J. Gandoff
Vice President
Statstar Business Services

Figure 3. Medley's Excel File: Gandoff's September 23 Letter to Beechum

23-Sep-00 GANDOFF@STATSTAR.COM 09:35:03
E-Mail to RMEDLEY@STATSTAR.SETE.FR
Date: 09/23/0000
To: Bob Medley
From: Peter Gandoff
Re: Possible Contract with Excel Tire Corp.

Bob, I had a very productive meeting with Janet Beechum, VP for Planning and Development at Excel Tire in Toledo. Her company is not happy with the cost and inefficiency of sending their advertising and international correspondence by the conventional routes. Please contact her and invite her up here for a full demo. And go easy on the technical stuff. She had a bad experience with another company which tried to swamp her with their technobabble!

By the way, I hear good things about our contract with the French firm Bagatelle. Pierre St. Antoine is a great person to work with. Good luck with your trip, and don't drink too much red wine!

Figure 4. Medley's Excel File: Gandoff's September 23 E-Mail to Medley

STATSTAR COMMUNICATIONS NETWORK

222 Corporate Park Drive / Chicago Illinois 00000

October 4, 0000

Janet Beechum
Vice President, Planning and Development
Excel Tire Corporation
Toledo, Ohio 00000

Dear Ms. Beechum:

I am delighted to learn from Peter Gandoff that you are interested in receiving information about our Statstar s communication networks and their possible application to Excel Tire Corporation.

Founded by the Future Corporation in 1988, Statstar represents America s largest satellite information distribution network service, providing two-way telecommunications and digital data communication services to leading North American businesses, such as the American News-Wire, the American Press, and major stock exchanges across the continent.

Statstar transmits this information through its point-to-multipoint satellite network with more than fifteen hundred audio and data receiving sites across the United States and over two hundred in Canada and South America. Statstar currently has four communication satellites and plans to place two more in orbit this year.

Basically, we install small satellite dishes of 1.8 meters in diameter on clients premises across the country. These dishes transmit and receive data instantly via satellite through Statstar s Central Command Station (SCCS) between your mainframe computers and designated branch locations as well as to radio and television stations which broadcast commercial messages. Our patented single system of communication provides users with enormous flexibility for handling transmissions from different locations in one

Figure 5. Medley's Excel File: Medley's October 4 Letter to Beechum

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easy process. Located in Chicago, SCCS is the heart of our network, relaying information 24 hours a day. Whether you send radio, television, fax, or even mail, Statstar can help you achieve greater connectivity.

I would like to extend to you an invitation to visit us here in Chicago at our expense to see how Statstar works and to discuss your company's specific requirements. I will call you soon to arrange a convenient time for your visit.

Sincerely,

Robert Medley
General Manager, Business Services Division

Figure 5. Concluded

Excel Tire Corporation

3423 Dearheart Drive - Toledo Ohio 00000

October 20, 0000

Mr. Robert Medley
General Manager, Business Services Division
Statstar Communications Network Inc.
222 Corporate Park Drive
Chicago, IL 00000

Dear Mr. Medley:

Thank you for arranging a most informative demonstration in Chicago of your Statstar network services. It was impressive to see how effective satellite systems can be in supplementing and replacing long-haul facilities, especially at a time when they can become overloaded because of regional changes in traffic. The concept of having a private network on our premises, thus avoiding the use of cables or ground microwave systems to link the networks to our communication facilities, is very appealing. The ability to link data, voice, and television into a single system is also something which Excel wishes to accomplish. I am convinced that Excel Tire Corporation should explore the possibility of establishing satellite linkups with its various offices across the country and in Europe. There are two questions which may impact on our decision, questions regarding the feasibility and legality of satellite transmissions.

1. Wendy Luk, our manager of computer services, has suggested that it may be technically possible to share satellite dishes and combine the signals which they capture. Such a capability would be of benefit in saving costs for station-point-station broadcasts between buildings. Many of our locations have multiple buildings. In a few cases, Excel Tire rents out office space in our buildings to outside clients. We have had several inquiries regarding the

Figure 6. Medley's Excel File: Beechum's October 20 Letter to Medley

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sharing of dishes and wish to know about the legality of this.

2. It was not clear in your presentation exactly how telephone, computer, facsimile (FAX), television, and mail might be linked and combined in the near future. Would you clarify this for us?

Please advise me by November 15 of the feasibility of these operations. Once I have received your response, I will write a proposal and submit it to Excel's Executive

Committee for discussion. If all goes well, I hope to formally present this proposal early in December. I would ask that you be present at the meeting to answer questions for the Committee members.

Sincerely,

Janet Beechum
Vice President
Planning and Development

Received Oct 22.

Copy to J. Lumbar for technical response.

R.M.

Figure 6. Concluded

STATSTAR COMMUNICATIONS NETWORK

222 Corporate Park Drive / Chicago Illinois 00000

October 25, 0000

Ms. Janet Beechum
Vice President
Planning and Development
Excel Tire Corporation
Toledo, Ohio 00000

Dear Ms. Beechum:

I hope you enjoyed your recent visit to Statstar. We certainly were impressed with Excel's ambitious plan to utilize satellite technology to link your data, voice, and advertising transmissions.

I have forwarded your specific questions to our technical services coordinator, Mr. J. Lumbar, who will provide you with the information you require. Once you have received his response, please contact me if you have any further questions. It will be a pleasure meeting the members of your Committee. Please let me know when you have finalized a date for your presentation.

Sincerely,

Robert Medley
General Manager
Business Services Division

Figure 7. Medley's Excel File: Medley's October 25 Letter to Beechum

25-Oct-00LUMBAR@STATSTAR.COM 08:20:27
E-Mail to HACKMAN@STATSTAR.COM
Date: 10/25/0000
To: Phil Hackman
From: J. Lumbar
Re: Technical Info for Excel Tire

I have placed in your mail slot a copy of a request for technical advice made to R. Medley. I assume that Medley will cover the legalities of splitting signals etc., and we are to provide Excel with the technical info with an eye to potential technical capability. As usual, we are the last to be informed about what R.M. wants. Since he never responds to our e-mails or phone calls, do the best you can.

Figure 8. Medley's Excel File: Lumbar's October 25 E-Mail to Hackman

Excel Tire Corporation

3423 Dearheart Drive • Toledo Ohio 00000

November 7, 0000

Mr. Robert Medley
General Manager
Business Services Division
Statstar Communications Network Inc.
222 Corporate Park Drive
Chicago, IL 00000

Dear Mr. Medley:

On October 20, I wrote to you concerning specific technical questions I had regarding a) sharing satellite dishes and the signals which they capture; and b) the feasibility of combining Excel's various communication mediums. I have not received a response from your technical advisor, Mr. J. Lumbar. Several attempts to reach him by telephone have been unsuccessful.

As Excel's Executive Committee meets in early December, I will have to remove the topic of implementing Statstar satellite networks from our agenda unless I receive a response from your company. Please be advised that there is a four-week window in which Vice Presidents can submit proposals for new projects which exceed \$500,000. Unless I have a response from you within one week from today, I must assume that your firm is not interested in our contract.

Respectfully yours,

Janet Beechum
Vice President
Planning and Development

*Received Nov. 9.
J. Lumbar contacted same day—
will fax response to Beechum today! / R. M.*

Figure 9. Medley's Excel File: Beechum's November 7 Letter to Medley

11-16-00 08:58 AM FROM STATSTAR FAX (000) 555-4433 TO (000) 555-2922 01

STATSTAR COMMUNICATIONS NETWORK

222 Corporate Park Drive / Chicago Illinois 00000

November 15, 0000

Ms. Janet Beechum
Vice President
Planning and Development
Excel Tire Corporation
Toledo, Ohio 00000

Dear Ms. Beechum:

Please accept my apology for the unfortunate delay in responding to your inquiry of October 20. I was away on vacation, and although your request was passed on to one of my associates, the need for an urgent response was apparently not conveyed. I am pleased to respond to your questions regarding the technical functionality of Statstar network services.

The question regarding multiple reception is dependent on the precision of ground-to-satellite laser ranging which is typically 1 meter (standard error) for ranges up to a few megameters, but systems with substantially better precision are quite feasible, given specific grounding conditions. Statstar transmits this information through its point-to-multipoint satellite network. The purely geometric method of simultaneous ranging to a satellite can obviously yield neither orientation in a station-fixed frame of reference of the network nor location, but it can provide network shape and scale. Our testing suggests that the estimated standard deviation of interstation distances is well below 10 times that of the ranging, even for a relatively small number of four-station observation events, provided that the orbital height of the satellite and the receiving dish

Figure 10. Medley's Excel File: Lumbar's November 15 Fax to Beechum

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are suitably aligned. This is feasible if the maximum zenith angle is effected by an increase in range from 60 to 75.

Your second question concerns the potential feasibility of the Excel Corporation combining its various telephone, computer, facsimile, television, and even mail into a single electronic system. Two experiments have proven successful in the development of just such a system named the Integrated Services Digital Network (ISDN). ISDN is evolving as a system prototype for high-speed digital voice and data transmission over existing telephone wiring. Transmission times from satellite are of particular importance. The basic quantity that is measured by the laser ranging system is the time interval between the outgoing and returning pulse. This time interval is adjusted according to calibration measurements taken immediately before the pass, transformed into a range measurement, and corrected for atmospheric refraction. In addition, ISDN applies electronic and mathematical corrections to ensure that the time interval measurement is taken between outgoing and returning pulses. Such evidence suggests that such a system would serve Excel's future communication needs.

Under separate cover, I am sending copies of two technical papers which may be of interest to you. I trust these documents and my comments will satisfy your information needs.

Sincerely,

J. Lumbar
Coordinator, Technical Services

Faxed to J. Beechum, Nov 15, 9 am

Figure 10. Concluded

Excel Tire Corporation

3423 Dearheart Drive • Toledo Ohio 00000

November 26, 0000

Mr. Robert Medley
General Manager
Business Services Division
Statstar Communications Network Inc.
222 Corporate Park Drive
Chicago, Ill 00000

Dear Mr. Medley:

I received a response from Mr. Lumbar, Technical Services Coordinator. His response, though rather technical, has provided me with enough information to convince us that Excel Tire would be able to extend its operations and provide quicker, more competitive services by establishing a Statstar network.

My department has completed and forwarded to our CEO, Mr. James Roche, and members of our Executive Committee, a proposal recommending that we invest \$1.5 million in such a venture. I have scheduled a meeting of the Executive Committee for December 12 at 10 a.m. and have placed this proposal first on our agenda.

I understand from your secretary that you will remain in France until the end of next week. I have taken the liberty of putting you down as a principal speaker at our meeting on December 12. Your secretary confirmed that you are free on this date. I have allotted forty minutes for your presentation. I know the members will be particularly interested in hearing about the financial benefits Excel will enjoy by sharing its satellite signals and about the cost benefits of using a single electronic system which combines our various services.

Figure 11. Medley's Excel File: Beechum's November 26 Letter to Medley

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Both of these features are highlighted in our proposal, a copy of which is being faxed to you in Sete, France.

I look forward to talking to you when you return.

Sincerely,

Janet Beechum
Vice President
Planning and Development

*Received Nov 28
Faxed Nov 29 to Sete*

Figure 11. Concluded

Assignments

In preparing the assignments, assume the role of a member of the Sales and Marketing Department at Statstar who—because of Thomas Drew's absence—is temporarily reporting directly to Robert Medley, General Manager of the Business Services Division. In addition to using information in the case to support your points, you may draw inferences from the case data and from your own knowledge, but do not invent details.

Assignment 1. E-Mail Message

Review Medley's files pertaining to Excel Tire Corporation (Figures 3-11). Determine the nature and possible causes for the apparent miscommunication with Beechum and devise solutions for Medley to consider. Prepare an e-mail message responding to Medley's e-mail of 2 December (Figure 2). Clarify what went wrong in communicating with the client and recommend actions to salvage the contract with Excel.

Assignment 2. Draft of Client Letter

Draft the letter requested by Medley in his e-mail message to you of 2 December. Address it to Janet Beechum, Vice President, Planning and Development, Excel Tire Corporation, Toledo OH 00000. Assume that you transmit it to Medley electronically so that he can revise it (if he wishes) before sending it to Beechum by express mail under his own signature.

Assignment 3. Client Letter Explaining Technical Information

Assume that you were reporting to Robert Medley when he originally received Beechum's letter of 20 October (Figure 6). Instead of forwarding her questions to Lumbar (as Medley said he did in his 25 October letter to Beechum [Figure 7]), assume that he asks you to draft a letter for his signature answering Beechum's questions. Write a letter to Janet Beechum, Vice President, Planning and Development, Excel Tire Corporation, Toledo OH 00000 from Robert Medley, General Manager, Business Services Division, Statstar Communications Network Inc., 222 Corporate Park Drive, Chicago IL 00000. (In preparing this response on behalf of Medley, you may consult the entire set of figures for information about the situation.)