

Case Study



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The music business has changed radically. Can an employee who's been an industry legend keep up? *by Jimmy Guterman*

When the Longtime Star Fades



The Experts



Peter Cappelli is the George W. Taylor Professor of Management and director of the Center for Human Resources at the University of Pennsylvania's Wharton School. **Bill Novelli** is the CEO of AARP.



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And then there's the time the Rolling Stones left me behind at a truck stop outside Amarillo."

It never took Bob Antice long to grab a crowd. Thirty-six years into his career at Powerful Entertainment, he was a legend in the recording industry, the most successful salesman in the company's history, friend and mentor to generations of performers, and a sought-after speaker at industry events like the one in this Santa Monica hotel. Every tale was funnier than the one before; every anecdote showed how deeply Bob loved his work.

Unlike many of his contemporaries, Bob at 61 was a decent, humble man who didn't use his time in front of a microphone to boost his own ego or settle any scores. He didn't mind being the butt of the stories he told, whether they were about the Stones at the truck stop or the aging R&B superstar who had knocked down his hotel room door at 5 AM and accused him of stealing a Mars bar.

Bob's work from the mid-1970s to the early 1990s, first as a regional sales assistant and eventually as a senior manager, had put Powerful on top: The company

had outsold all its competitors for eight straight years in the 1980s. And when he wasn't finding new ways to sell records, Bob was discovering performers that the label's talent-and-repertoire staff had somehow missed (though back in 1981 no one had listened when he suggested signing a newcomer named Madonna). His personal relationships with wholesalers, retailers, promoters, managers, and performers made him indispensable. He was trustworthy and indefatigable.

After his talk, Bob took questions from the audience. Most of them were about what working with this singer or that producer had been like. He answered them warmly and informatively. "We've got time for one more," he said, and pointed to a young woman in back with her hand up.

"Thanks, Bob," she said. "I'm in marketing over at EMI. I love hearing about the good old days, and I could listen to these stories all night, but I'm wondering: Am I gonna get to be you when I grow up—or is the gig over for all of us?"

For the first time that evening, Bob seemed confused. "What do you mean?" he asked.

“The record business. Our business. Does our audience need it anymore? Or can people get to the music without us now? How do you compete with the internet, with streaming media, with free?”

After a brief pause, Bob replied, “No, no. The record industry is in some sort of transition, anyone can see that. But people love music. They can’t live without it. Our audience would never let us fade away. It’s unimaginable.”

He’s Still a Guy in Sales

Noel Klein, Powerful’s CEO, sent his salad back to the kitchen (too many capers) and turned to Rita Leigh, his VP for sales. “You heard about Bob last night?”

“I was there,” she said.

“He says it’s ‘unimaginable’ that we’re in trouble. Doesn’t he read his own sales reports?” Noel studied the back of his fork. “You’re his boss. What do you think we should do?”

“He and I have a regular Monday-morning sit-down. I’m going to spend the next few days thinking it over.”

“Rita, it’s 2010. Over the past 20 years the entertainment business has changed dramatically, but Bob hasn’t. He was head of sales when I started. Now I’m CEO and he’s still what he’s always been: a guy in sales—except he isn’t selling things anymore. He knows nothing about digital distribution. He still tells stories about Flock of Seagulls and expects people to get the references.”

“Didn’t you hear? We’re doing the reunion record.”

“I’m being serious,” Noel said. He usually enjoyed such jousting, but not today. “The world that made Bob a superstar—that world of handshakes—it doesn’t exist anymore. Powerful isn’t the same company it used to be. It’s been sold, what, three times? And Bob’s basically been pushed further to the side at each stage while still getting paid top dollar. He has considerable people skills, I know. But the guy’s expensive, and I’m not sure he’s worth it in the age of iPads, Shazam, Live Nation, and whatever came out today that we haven’t

heard about yet. He knows he hasn’t been hitting his numbers. *Everyone* knows. Hell, you probably don’t give him numbers anymore. I’ve always told you, it’s your P&L. But I’m not going to tolerate it if I don’t meet *my* numbers because Bob is taking up space a real salesman could use. What is his value to us? Really, what is it?”

Rita began, “He’s a link to...”

“No, let’s leave out the history. What is he doing for us now?”

“He’s keeping Mark Sender on the label.”

Noel had to concede the truth in that. In the long-ago 1990s, when record companies still paid enormous advances to lure performers from other labels, Sender had turned down mind-boggling offers from Warner and Sony in large part because of the relationship he and his manager, Ben Roth, had with Bob. They had worked out a precursor to the “360” deals now common in the industry; it offered the singer far more creative autonomy than he would have had elsewhere and gave Powerful a slice of lucrative revenue streams, such as concert proceeds and merchandise, that record labels usually couldn’t access. Not only were Sender’s records still going platinum at a time when million-copy awards were increasingly rare, but Powerful was getting nearly 30% more from him than from other performers.

“That’s one artist,” Noel said. “We have many, many more. I respect you, so I’m not rejecting you out of hand. But you’ve got to give me a lot more to work with than that Sender likes him. Figure something out. Once you’ve thought about it, I’ll back you up either way. Let me know by Monday.”

He turned to the waiter who had arrived with his salad replacement. “Could I have a small bowl of capers with this, please?”

Everyone Loves Him

Rita’s Wednesday brunch appointment at Ben Roth’s compound had been planned far in advance, but it couldn’t have come at a better time if she was to figure out what to do. As she drove down the long dirt road to Ben’s sprawling ranch house, she considered her situation—and Bob’s. He was a

“The young guys tell me they can learn from him. But he’s not producing the way he used to.”

legend and a public face for Powerful. Plus everyone at the company loved him; he made them feel good about their work. But was there a way to quantify that? Could it be turned into a justifiable job?

It was a nice enough day that Ben’s staff had set up the patio for brunch. After a bit of small talk over the huevos rancheros, Ben said, “Congratulations.”

“Huh? Why?”

“I just saw this week’s SoundScan numbers.”

“What? How’d we do? Mark’s record isn’t out for...”

“It’s not just us. It’s everyone. The industry that pays our mortgages just had its worst week since 1994. And SoundScan didn’t start counting until 1994. It probably goes back further than that.”

“Thanks,” Rita said, in no mood for gal-lows banter. “I feel much better now.”

“Another drink?”

“Better not. Listen, can we talk a bit about Bob Antice?”

“How is Big Bob?” Ben asked. “I haven’t spoken to him in a while.”

“Still the same. Listen, you’ve been giving me good advice for years, and I really need some now. I don’t know what to do. Bob has brought a lot of value to Powerful. The label wouldn’t exist without him.”

“But you and Noel are wondering what he’s done for you lately?”

“I know you and Mark adore him,” Rita said. “He’s endlessly imaginative and his enthusiasm is contagious. It’s hard to get people excited about the music business these days, and he can do that. The young guys tell me they learn from him. But he’s not producing the way he used to.”

“Why not just keep him on until he decides to retire? That can’t be far off.”

“I’m not so sure about that. And I don’t know if we can wait. Album sales went down more than 20% for the industry last



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Tell us what you'd do about Bob.

year, and digital isn't coming close to filling the gap. I need to ask: If we made a move with Bob, would we still have you? You know how much Mark means to Powerful."

Ben poured himself some more sangria. "I understand that a company has to do what a company has to do. We don't have a keyman clause with Bob, and we're certainly not going to go to court to get out of a deal if you let him go. But I can't say for certain that this won't be on Mark's mind when we look at the option next year. Bob may be the only person on your payroll people actually love. It's not just Mark and me. That must count for...something."

"I appreciate your honesty," Rita said. "And I've changed my mind about that drink."

"I Don't Have Good News"

On Sunday afternoon Rita worked out to a Pilates DVD to clear her head. Around 6 PM she went downstairs to her home office but didn't turn on the computer. Instead she spent the next three hours in front of a mirror, sticking Post-it notes all over it and perfecting two four-minute talks, one of which she would deliver to Bob the next day.

Both of them began with "I don't have good news." In one, she told Bob how much he meant to the company and then, as gently as possible, that it was time for him to move on. In the other, she told him she'd give him "one last chance" to join the rest of Powerful in the twenty-first century. She kept going back and forth in her mind about which was the right approach.

When she finished practicing, she turned on her computer. She had an e-mail from Noel Klein. The subject line was "Well?" The message read, "What did you decide about Bob?"



Should he stay or should he go?

See commentaries on the next page.



Communicate with Confidence

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The Experts Respond



Peter Cappelli and Bill Novelli, authors of *Managing the Older Worker: How to Prepare for the New Organizational Order* (Harvard Business Review Press, 2010)

IF THE fact that Bob Antice is 61 seems important to you in this case, you're prejudiced. It shouldn't matter how old Bob is when assessing his performance. Rita Leigh is wringing her hands about whether to fire him, but as far as we know, no one has told Bob that his current level of production is unacceptable. It's possible that he can't or won't do anything to improve, but it is irresponsible to be talking about firing someone without at least telling the employee what the problem is and trying to fix it.

We frequently see situations like this when younger supervisors manage older and more-experienced subordinates. They assume that performance problems come with age, when in fact studies of job performance show that on average, older workers perform better than their younger counterparts. The supervisors assume that older workers can't or won't change. Prejudice

If Bob has passion that energizes everyone around him, surely there is something he can do for Powerful.

appears to be greater against older workers than against any other group.

Younger supervisors are afraid to confront more-experienced subordinates about performance issues. Rita's fear of simply having a conversation with Bob about his productivity comes from insecurity: How can she criticize a guy who is a legend in the industry? How can she possibly tell him to do something differently?

Managers often try to base their leadership on superior knowledge and experience: "My subordinates should do what I say because I know more than they do." That approach just doesn't work with older employees, and the managers know it—so they panic: They won't hire qualified candidates who are older and more experienced than they are, and they won't manage such employees when they get them.

What should Rita do? Meet with Bob and put the problem on the table. Ask *him* how it should be solved. Managing older employees should involve acknowledging their experience and engaging them in addressing problems. The supervisor is still the boss—she sets the agenda, and she's responsible for the solutions. But she doesn't need to come up with every solution herself.

Let's assume that Bob can't or won't solve his performance problem, especially if the cause is an industrywide issue. If he has terrific people skills, is a great ambassador for the company, and has passion that energizes everyone around him, surely there is something he can do for Powerful Entertainment. If he takes on a different role, that doesn't mean he has to be paid what he's earning now. We routinely see older executives becoming teachers, bankers becoming tour guides. Often, older workers don't need as much money as they did when they were younger, and doing something that is meaningful to them may well trump higher pay. The only way to find out is to ask them. Bob may surprise Rita by seeing a solution to the performance problem or a new role for himself that works both for the company and for him.



Tamara J. Erickson, author of *Retire Retirement* (Harvard Business Review Press, 2008) and *What's Next, Gen X?* (Harvard Business Review Press, 2010)

HOW DO you play out an aging business model? How do you manage an aging employee? Rita is wrestling with two intertwined issues—and she may not be thinking either one of them through clearly.



WHAT WOULD YOU DO?

SOME ADVICE FROM THE HBR.ORG COMMUNITY

BEFORE RITA has "the" conversation with Bob, she and Noel should identify what's behind the decline in sales. Bob's not making his numbers may be only one contributor. In the case, the industry is having its worst week. Using Bob's people skills to identify new talent and to influence current big shots could help boost sales, thus helping both Bob and Powerful achieve their numbers.

Anjana Karumathil, senior strategy consultant, Deloitte Tax LLP

POWERFUL has allowed its star performer to become redundant through lack of foresight and planning. What will up-and-coming stars make of this treatment, and how will it affect their loyalty? The company should update its training and development programs and strive for the tacit and overt benefits of conducting itself as both a financially and a morally responsible enterprise.

Rohan Duggan, degree candidate in organizational psychology

BOB SHOULD move on with honors. Creating an advisory board seat and keeping him on the payroll for two years is a nice way to move him into a soft retirement.

Binesh Mangar, head of cards, The Mauritius Commercial Bank

Rather than taking Bob out of the business, Rita should consider consolidating the album business around him.

The album-centric music business is dying. Sales of physical product are falling, Bob's along with all the rest. It's not clear from the case that his numbers are falling faster than his compatriots'—Rita and Noel Klein seem to be primarily concerned that Bob somehow doesn't "get" the severity of the problem.

Bob is not as young as he once was—perhaps more to the point, not as young as Noel and Rita. He was already a senior sales executive when Noel entered the business. Their relationship almost certainly crosses a generational divide: Bob is a solid Boomer, whereas Noel and Rita are quite likely members of Generation X.

The standard strategy for a business model that is slowing but not yet dead is to consolidate around a profitable core. Rita needs to think smartly about the best way to strengthen the profitability of the album-based business, rather than trying to push its sales back uphill. Maybe the best future

niche for albums will involve history and nostalgia, perhaps targeting Boomers who appreciate tangible collections. Rather than taking Bob out of the business, Rita should consider consolidating the album business around him, leveraging his deep knowledge and relationships.

The industry is also faced with a major innovation challenge. Rita acknowledges that Bob is endlessly imaginative, with enthusiasm for the music business that is broadly contagious. What better credentials for being part of a team to reinvent Powerful's approach? His track record includes impressive evidence of his ability to form trust-based relationships, which are key to successful collaboration and innovation.

One thing is clear: "Wait it out until he retires" is a nonstarter. An employee who is 61 is far from through working. Bob most likely has many healthy, productive years ahead. And although most employees don't enjoy their work enough to stay with it into their 70s if they have the option to move on, Bob seems to fall into the lucky 20% or so who love what they do. He has energy and passion to devote to Powerful.

Rita needs more sticky notes—enough to outline a third speech. ♡

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Reprint Commentary only R1009Z

MOST COMPANIES are, at their core, people; that goes double for a company in the relationship business. Fire Bob, and not only will the key act leave (and he will—I guarantee that as a musician and as a businessperson) but so will others internally, worried they will be next, seeing Powerful turn into Soulless Records.

Steven Brant, musician and songwriter

THE PROBLEM with Bob isn't Bob at all, nor is it the state of the industry. The industry isn't going to turn around, not even with an army of 20-something salespeople. The problem with Bob is that the company he works for lacks direction and vision, and instead of changing with the times, it's grasping at straws to keep an outdated business model alive.

Steve Jones, VP for programming, Newcap Radio

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