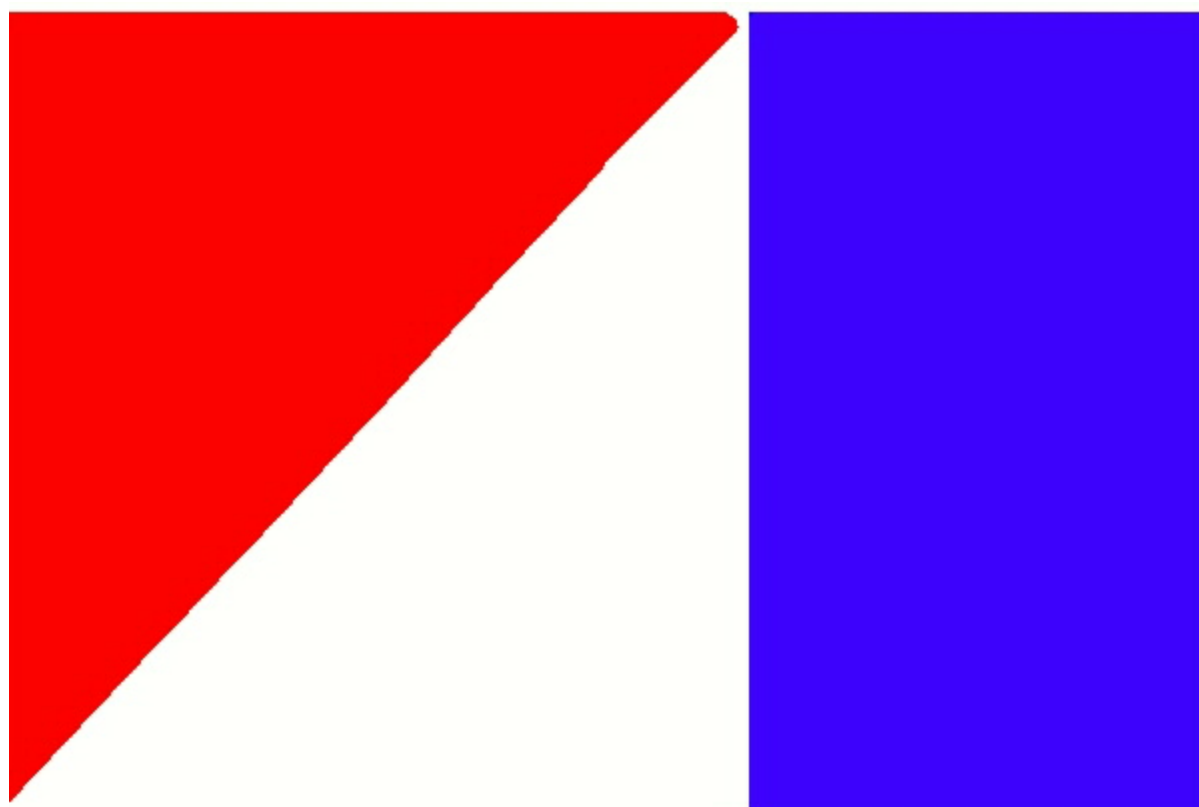




**Since 1934, Jeppesen
has stood as the
global leader in flight
information
services...**





American Motors Corporation

Montgomery Ward®

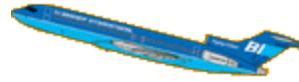
Oldsmobile



Oldsmobile



Oldsmobile





PROBLEM (OPERATIONS): In the early summer of 1998, the Air Transport Association (ATA), the international organization of airlines, wrote to Jeppesen's CEO complaining that the timeliness of Jeppesen's service "needed improvement and was not meeting its expanding expectations."

Source: Improving Performance and Flexibility at Jeppesen: The World's Leading Aviation-Information Company

http://lema.smeal.psu.edu/katok/46b901dca4_article.pdf



SOLUTION (OPERATIONS): Jeppesen won the 2000 Franz Edelman Award at the 29th Annual International Competition for Achievement in Operations Research and the Management Sciences.

The completed study reduced lateness and improved production processes, which led to a decrease in customer complaints, a reduction in costs of nearly 10 percent, an increase in profit of 24 percent, and the creation of a new Operations Research group.

Source: Improving Performance and Flexibility at Jeppesen: The World's Leading Aviation-Information Company

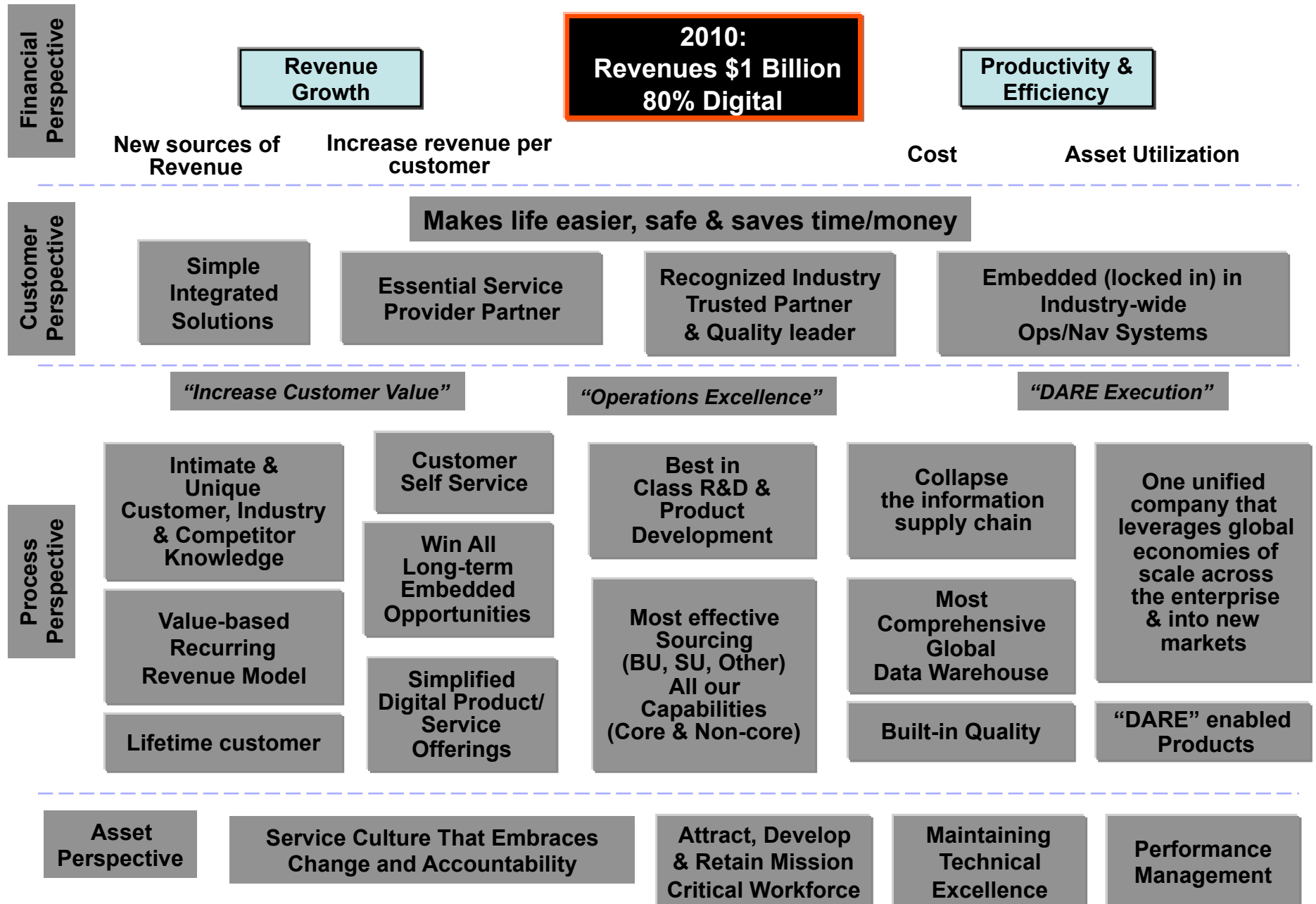
<http://lema.smeal.psu.edu/katok/jeppesen.htm>



REQUEST: That the HR Department analyze and validate the existence of work performed by Product Managers, and to ensure the equitable placement and compensation of all positions.

- Review position questionnaires
- Conduct job audits
- Conduct compensatory analysis and market study
- Assess internal equity
- Assess the scope, character and consistency of essential functions actually performed by incumbents

Strategy Map





PROBLEM (REVENUE / SALES): Revenue has only increased by approximately \$125 million over the past nine (9) years. The Jeppesen corporate objective is to increase revenue from less than \$390 million to one (1) billion by 2010 – an increase of \$610 million - in less than four-and-a-half years.

- Product management and product development are not integrated or aligned to evolve or maximize revenue streams. Jobs are not designed to generate revenue!
- Product Managers and other positions that are directly or indirectly responsible for generating revenue are compensated below salary survey benchmarks.
- For Product Managers, a sales event is typically perceived to have a lower priority than internal processes.



SOLUTION (REVENUE / SALES) ?



QUESTION 1:

What direct involvement, if any, should Product Manager positions have in the direct or indirect sale of Jeppesen's products and services?





QUESTION 2:

What kind of participation, if any, should Product Manager positions have in a corporate sales commission plan?

The average annual salary for all positions directly and indirectly involved in the sale of Jeppesen's products and services is \$54,737.

The average commission earnings to Jeppesen's sales staff is approximately \$7,240, and the average total compensation is \$71,056.



QUESTION 3:

If there is a serious commitment to achieve the corporate goal of \$1 billion in revenues by 2010, what re-alignment, if any, should occur in the design of Product Management positions (by job grade, compensation, career series, management hierarchy, etc.)?



OBSERVATION 1: There is no current correlation between an increase in employee compensation and the achievement of \$1 Billion in revenues by 2010 as established by Jeppesen's Core Strategies. Jeppesen will receive no return on its financial investment by creating a senior level Product Manager.

Should there be a correlation between an increase in employee compensation and the achievement of corporate financial goals?



OBSERVATION 2: The creation of a senior level product manager position cannot be validated by the character of work currently performed, but solely as a social promotion to provide additional compensation to employees.

Is the creation of a senior level product manager position in Jeppesen's best interest?



OBSERVATION 3: Market Analysis

- The minimum, midpoint and maximum for Jeppesen's full-performance level Product Manager position [Job Code JE5796] are below the market average by 12.08%, 16.59% and 20.43% respectively.
- Although the salary range minimum [\$50,205] for Jeppesen's full-performance level Product Manager is 2.20% above peer positions at Boeing, the midpoint and maximum for Jeppesen's full-performance level Product Manager is 7.93% and 9.67% below Boeing's comparable midpoint and maximum (i.e., market high).
- The average annual salary for Jeppesen's full-performance Product Manager is \$68,819.18 or 13.33% below the benchmark salary survey average of \$77,995.

If the Product Manager position was upgraded from grade J21 to J22 how many employees salaries are below the new minimum [\$59,919]?



OBSERVATION 3: Market Analysis - continued

**If the Product Manager position was upgrade from grade J21 to J22
how many employees are below the new minimum [\$59,919]?**

**Answer: Three (3), with an annualized cost of \$10,958.28 to upgrade
these employees to the new minimum.**

**Is there a need to do more than to only adjust the compensation of
these three (3) employees?**

Strategy Map

**2010:
Revenues \$1 billion 80% Digital**

Compensation Philosophy



**Revenue
Objective**

Compensation Philosophy

PAY BASED ON CONTRIBUTION OR INCENTIVE USUALLY CAUSES EMPLOYEES TO BE MORE FOCUSED ON RESULTS THAN PROCESS OR ACTIVITIES, AND MAY CAUSE CULTURE SHOCK.

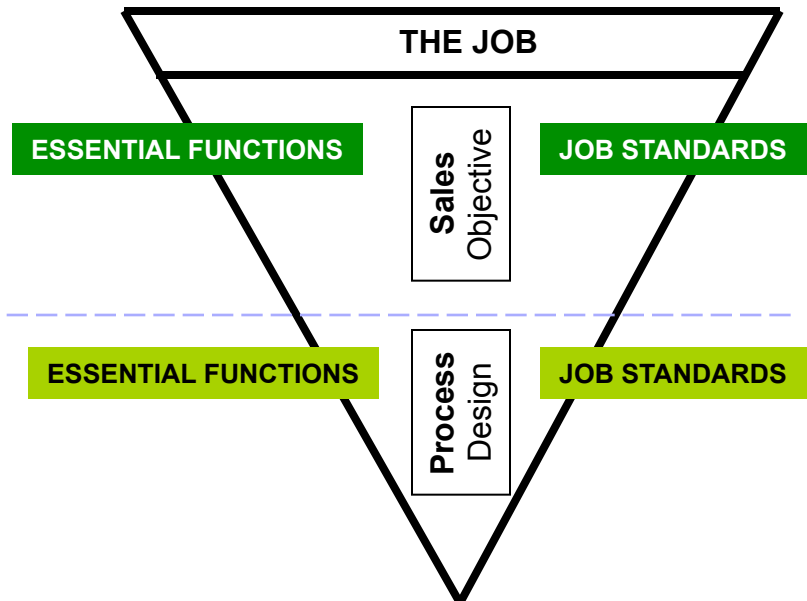
**Financial
Perspective**

**Customer
Perspective**

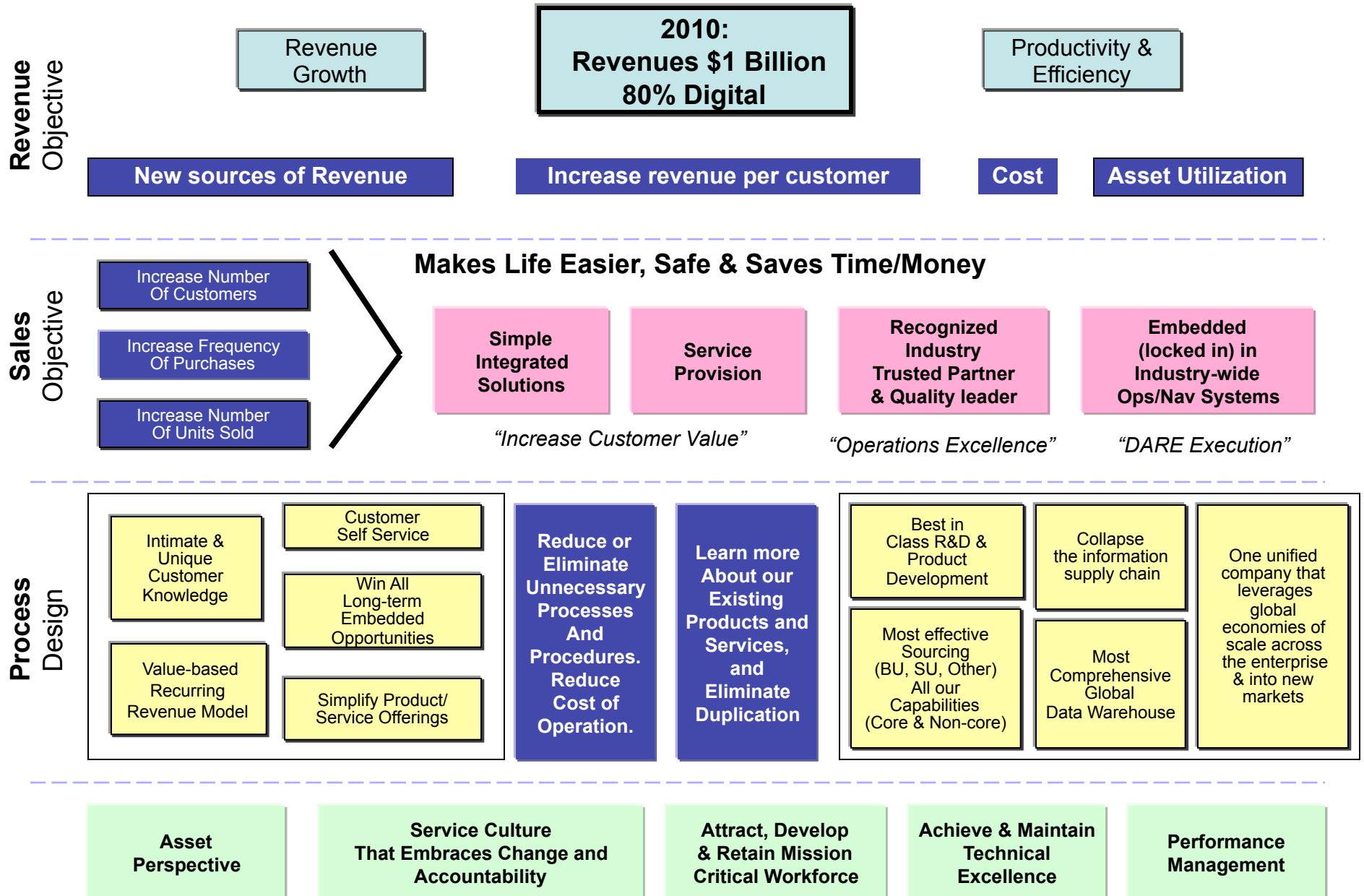
PAY BASED ON SENIORITY USUALLY CAUSE EMPLOYEES TO REMAIN IN THE SYSTEM LONGER, BUT DOESN'T GUARANTEE HIGHLY MOTIVATED PERFORMANCE.

**Process
Perspective**

PAY BASED ON INDIVIDUAL JOB TITLES USUALLY CAUSES THE EVOLUTION OF SPECIALISTS, BUT WITHOUT A CORRESPONDING COMMITMENT TO CONTINUOUS IMPROVEMENT IN PERFORMANCE RESULTS.



Strategy Map





CONSENSUS

QUESTION 1: Should the Product Manager position sale Jeppesen's products and services?

Yes _____ No _____

QUESTION 2: Should the Product Manager position participate in a corporate sales commission plan (TBD)?

Yes _____ No _____

QUESTION 3: Should the Product Management position be changed by job grade, compensation, career series, management hierarchy, etc. (TBD)?

Yes _____ No _____



Questions?