

PERSONAL AWARENESS SYSTEMS, INC.

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In September 1990, Mr. Jon Gornstein sat in his company's Bangkok, Thailand office pondering how to enter the Indonesian market. As President and Chief Executive Officer of Personal Awareness Systems, Inc. (Persona), a company in the international human resource training and consulting industry, Gornstein was personally committed to increasing his company's penetration of the various national markets in Asia. While the rapidly developing Indonesian economy appeared to represent an attractive option for Persona, Gornstein was undecided on which mode of market entry would be most appropriate. His principal options were to appoint a licensee, which was Persona's traditional mode of operation internationally, or to pursue a mode offering direct equity participation, such as through a joint venture with a local firm. Regardless of the entry mode chosen, Gornstein had to decide which of four potential partner firms to select. Although selection of the "right" partner would be a critical factor influencing the success of Persona's Indonesian operations, Gornstein was unsure how to go about selecting such a partner.

COMPANY BACKGROUND

Personal Awareness Systems, Inc. was a privately-held company founded by Gornstein in 1980. Prior to forming Persona, Gornstein spent ten years in Europe pursuing doctoral research in history as a John Marshall Fellow and later as a grantee of the Danish Humanistic Research Council. During the 1972-1973 oil crisis, Gornstein first became involved in the training and development of human resources through his position as a cross-cultural trainer for the Danish Foreign Ministry. In 1974, he was appointed as European Director of a prominent American human resource training and consultancy firm. After completing their management development program, Gornstein assumed responsibility for supervising the firm's activities in eight European nations.

In 1979, Gornstein first became aware of the Apple II personal computer and was immediately intrigued by its potential for facilitating human resource training and development efforts. He subsequently focused his efforts at further exploring ways to exploit the computer in training contexts. Based on this research and his conviction that the personal computer could be a valuable tool for assisting people in analyzing and understanding complex problems, as well as in communicating more effectively with one another, Gornstein decided to return to the United States and create his own business.

In June 1980, Gornstein used his personal loan to himself of approximately \$5000 and launched Persona in his hometown of Chicago. As envisioned by Gornstein, the mission of Persona was to create unique learning systems that would enable people

to master a variety of personal and interpersonal skills and would help individuals to achieve their full potential as human beings and as career professionals. The company's focus was on development and distribution of "leading edge" computer-assisted training systems as well as supporting software. These systems were exclusively designed for use on personal computers.

While Gornstein was busy setting up the company and developing a marketing plan, Persona's Educational Director, Dr. Donald Shepherd, conducted research and development activities associated with Persona's "How Others Perceive me" computerized questionnaire and feedback system. Shepherd, who had a Ph.D. in psychology with an emphasis on statistical analysis, had devoted himself to the development and testing of psychological instruments associated with interpersonal dynamics in business and private settings. Before joining Persona, Dr. Shepherd's experience included such activities as Project Director for Science Research Associates, psychological research for the U.S. Navy, Testing and Appraisal Supervisor for Quaker Oats, and professor of management at Loyola University of Chicago.

Development of Persona's computerized questionnaire and feedback system was completed in December 1980, and efforts to market their product line to corporations in America and abroad officially commenced in January 1981. At this time, the Persona organization consisted of Gornstein and Shepherd. Persona occupied a one room office inside the facilities of a law firm, with access (for a fee) to the law firm's equipment and two secretaries. Initially, Gornstein was the principal trainer, though he later trained two other people to assist in this task. The only other person closely involved with Persona at this stage was Ron Bohatch, a computer programmer highly respected for his work with Apple II computers. Bohatch was responsible for creating the company's initial software programs, but solely on a fee basis.

Persona's strategy was to focus on the design and delivery of proprietary human resource training workshops, with some limited development of customized programs for individual clients. Persona attempted to differentiate its product line from those of their competitors in the highly fragmented human resource training industry through their means of implementation, including: all programs included personal computer reports on individual participants' needs; all programs were conducted in a small group format; each program demanded substantial individual participation in group exercises; and all programs recommended specific areas of opportunity for improvement of each individual participant's skills. These program attributes helped ensure that information and techniques presented in a workshop would be learned and internalized by the participant, and subsequently implemented on the job. As a result, Persona's workshops were designed to overcome the principal client complaint regarding human resource training programs: their failure to generate and maintain desired changes in on-the-job behavior of the trainees. Effective transfer of training was critical in order to ensure the long term success of human resource training workshops of companies such as Persona.

Initially, Persona's activities centered on two flagship workshops: "The Persuasive Communicator" and "The Persuasive Salesperson." In addition to developing professionals' capabilities in terms of product training and technical expertise, a critical feature of Persona's programs was their emphasis on two additional tools essential to effective implementation: people skills and trust-building expertise. Gornstein knew that, without effective people skills, the knowledge and expertise an individual possessed would never be acted upon to achieve the full potential of the

product, service, communicator or company. Persona's research into individual effectiveness also verified that the critical element generating positive results in on-going interpersonal relationships was trust. Trust is a part of virtually all productive interpersonal relationships that endure, and trust-building is a learned skill. Thus, trust-building and people skills based on Persona's innovative Interpersonal Trust Building Model provided the foundation for their line of business seminars. This emphasis on trust and interpersonal relationships was unique in the human resource training industry, and it helped Persona effectively differentiate their programs from those of competing training and consultancy firms.

COMPANY DEVELOPMENT IN THE 1980S

In the beginning, financial and moral support was minimal, and only blind faith kept the company going. As Gornstein noted,

“Most of my family and friends – and there were few of the latter after being overseas for 10 years – thought I should get a ‘real job’ with a large corporation. Determination was the key factor in Persona's survival until 1983, when IBM introduced their first personal computer. Before that, we were way ahead of the marketplace. Businesses did not buy Apple II computers. When IBM came out with the PC, Felix Lehiani (Persona's Director of European Operations) was able to get IBM Europe to run a ‘Communications Workshop’ for their Training Managers from 25 countries at IBM's course center outside of Brussels. The participants experienced both the program and our Gameplanning Software, converted to run on IBM computers. Many of these people liked the workshop – and Felix's delivery – so much that they went back to their home countries and started to recommend top notch training/consultancy companies to contact us for a license.”

After this, market acceptance came quickly and the company, its product offerings and market scope grew rapidly. The following sections outline key aspects of this growth during the 1980s.

1981 to 1983. This period was characterized by Persona's initial efforts at establishing a customer base domestically and abroad, as well as introduction of several new core product offerings. In September of 1981, Lehiani became Persona's Director of European Operations. A graduate of a leading French business school, Lehiani had over 15 years of experience in production, marketing and corporate strategy with several leading multinational firms. A skilled communicator as well as manager, Lehiani was fluent in English, French and German. He assumed responsibility for introducing Persona's workshops within Europe. He was also responsible for development a European licensee network, including establishment, training and supervision of the licensees. Regarding his decision to join Persona, Lehiani commented,

“When I first met Jon Gornstein, he started to explain to me the Persona approach to interpersonal skills. I said to myself, ‘Here we go again .. another program probably as difficult to grasp, to apply and to master as so many of the others in the market.’ However, as I

began to gain insight into the concept and its component parts, I completely changed my mind. Here was finally a program which could be described with three simple words: pragmatic, versatile, effective. That is why, when Jon asked whether I would be interested in becoming Persona's Director for Europe, I immediately said yes. You see, I had been active in technology transfer and innovation management, and I thought that Persona's programs fit beautifully within that context. Persona was able to remove the 'mystique' which often surrounded human communication and to treat it as a definite process which could be learned, practiced and used with the aid of specific tools ... daily! Through their approach, Persona has given a new dimension and a new meaning to people skills."

At their first international conference, held in Chicago in August 1981, Persona expanded their line by introducing four new products: "Creative Decision Making" (later re-named "The Innovative Thinker"), "The Innovative Team," "Managing Performance," and "The Performance System Profile." Yet, despite the innovativeness and value of Persona's programs, initial penetration of the corporate market for human resource training programs progressed relatively slowly during the company's first two years of existence. Then, in response to their first European workshop, the enormously successful endeavor presented by Lehiani in 1983, Persona began to aggressively implement its strategy for establishing a worldwide network of Persona operations, negotiating licenses for Denmark, France, Spain, Brazil and El Salvador. Also in 1983, in addition to his European Directorship responsibilities, Lehiani became a direct licensee for Persona in the Benelux (Belgium, the Netherlands, and Luxemburg) markets.

1984 to 1987. This period was marked by Persona's continued geographic expansion. In Europe, further market penetration efforts were undertaken, including licensees in Austria, Cyprus, Finland, Greece, Ireland, Italy, Norway, Sweden, and Switzerland. Licensees were added in other regions as well, including Argentina, India, and the Middle East. During this time, Persona began to devote substantial attention to establishing a presence within the rapidly developing Asian region. Persona's market expansion in the Pacific Rim included licensees in Australia, Hong Kong, Japan and New Zealand. The Hong Kong licensee also served as distributor for Persona's products in Singapore, Malaysia and Thailand.

Although an early entrant into the Asian markets, Persona often encountered a rapid increase competition from other foreign entrants. During the mid-1980s, American human resource training and consultancy firms began to recognize the significant potential of Asian markets. In addition, many of the larger training and consultancy firms were discovering that they had to compete on an international scale in order to be viable over the long term. However, for many of these firms, initial forays into international markets represented more of a reactive response to the needs of their American clients than a conscious effort to develop promising new markets.

During this time, Persona continued efforts to expand their line, including three further new product introductions: Chronos, "Strategic Time and Energy Management," "Think and Work Smarter," and "Beyond Negotiation: Getting preferential Treatment."

1988 to 1989. This period was marked by efforts at market saturation in Europe, along with continued market development in the Pacific Rim. Persona added

licensees in the United Kingdom, West Germany and Canada. In Asia, licensees were added in Korea, Malaysia and Thailand. In January of 1988, Gornstein moved Persona's headquarters to Sausalito, California, a small waterfront community on the north end of San Francisco Bay. This move resulted both from the personal desires of Gornstein as well as the benefits from being three hours closer to the increasingly important Asian market.

To further exploit the fast-growing Asian markets, a separate Persona Asia division was established in 1989, headquarters in Bangkok, Thailand. Thomas Frisbie, who had over 20 years of training and consulting experience in the field of manpower development in Southeast Asia, was recruited as Director of Persona Asia. He had lived in Thailand, Indonesia and Hong Kong for nearly two decades, and was well versed in Asian business practices – a critical skill for increasing Persona's penetration of these markets. He had particular expertise in several rapidly growing service sectors such as airlines, hotels, banking and consumer products.

PERSONA'S SITUATION IN 1990

By 1990, Persona had completed nearly a decade of explosive growth. They had operations in over 30 countries throughout Europe, North and South America, the Middle East and Asia, and an impressive client list. Personal and interpersonal training programs were offered to middle and upper level professionals in the areas of sales, sales management, customer service, customer development, negotiations, general management, supervisory skills, team building, motivation, innovation, creative decision making, personal productivity, and time management. Selected programs were supported with video modules. The company also offered the option for developing custom designed training programs to meet the specific needs of customers. Programs were available in 15 different languages.

In addition to aggressively continuing their present activities in existing markets, Persona's mission of the 1990s was expanded to include development of the firm's image as a consulting group capable of assisting in the implementation of strategic change. All of Persona's workshops were processes that could easily be used in strategic change projects. Gornstein and his colleagues had discovered that working with a client in a consulting mode permitted them to have a more significant impact, generated more revenue, allowed them to be more creative and to work in a variety of formats, and represented a more personally satisfying experience as the company's professionals matured. In fact, Persona's most successful licensees had used the company's curricula in exactly this manner in their local markets, often at a level of several millions of dollars in annual revenues per licensee. Gornstein therefore formally expanded the company's emphasis from human resource training activities to also encompass project consulting work. In this regards, the company adopted a new slogan for the 1990s: "Providing Processes for Strategic for Change Management."

Persona's growing success and reputation in consultancy efforts during the late 1980s was particularly notable since it was occurring at a time when corporate clients in general were becoming increasingly concerned about the actual benefits accruing from the various consulting firms' efforts. Many client firms had begun to measure the quantity and direction of behavioral changes generated by various training and consulting programs. Such efforts had been welcomed by Gornstein, who believed that Persona's innovative programs were substantially more effective at introducing

and maintaining desired behavioral changes than were programs of many of the firm's competitors.

To further enhance the effectiveness of their programs, Persona had undertaken basic research into human behavior. The company was examining the relationship between risk and trust in gaining cooperation from individuals who did not have to cooperate with the trainee. The company was also conducting analysis based on their Risk/Trust, Needs Awareness instrument, as well as their Advice Feedback instrument. This research had already generated tangible benefits. For example, their techniques allowed them to predict a person's negotiating behavior based on such factors as their Risk/Trust position, age, sex, job responsibilities and education. This on-going research had been instrumental in the creation of Persona's newest workshop, "Cooperation and Beyond."

Persona continued to evolve in other dimensions as well. Their number of personnel had always remained small. This was a key feature of a system based principally on licensing for market expansion. Rather than have large numbers of employees on a permanent payroll, the company chose to exploit advantages from available technology and contract out for most services. Up to 1986, Persona only had 5 key professionals plus a support staff of 4. Since moving to California, the company had grown to 15 full time and 5 part time personnel, in addition to less than a dozen free lance professionals. Accounting and software programming services were purchased from outside vendors. Advances in communication technology enabled Gornstein and the other personnel in California to remain in daily contact with key people like Shepherd and the approximately 350 other people around the world who were involved with marketing or facilitating Persona workshops. Rapid communication was critical for successful operation in the fast paced, high stress environment characteristic of an international training and consulting firm.

Since its founding, Persona had also experienced enormous changes along financial and market dimensions. From 1983 to 1988, revenue growth had averaged over 300% per year. As market penetration and the size of company operations increased in recent years, particularly in the more economically developed nations, Persona's percentage growth rate had begun to decline. Revenue growth was 53% in 1989, and was expected to be about 35% in 1990. The number of participants in Persona's workshops and consulting projects had increased from zero in 1980 to a projected 40,000 in 1990. This latter figure included those who participated in Persona's correspondence courses in Japan and those who did self-study with the Persona-Sanno video course, presented in-house in over 1000 Japanese companies. Overall, approximately 40% of Persona's participants were located in Asia (with Japan being by far the largest market), 40% in Europe, and 20% in the Americas.

During the 1980s, Persona's expenses increased substantially in conjunction with their market growth. Most expenses were associated with salaries, software development and validation, and new course development. Capital investment remained low, totaling about \$100,000 in 1990. While acknowledging that it yielded "a very comfortable living," Gornstein would not disclose specific revenue or profit figures for his privately held company. However, for 1989, licensees generated approximately \$18 million in revenues from both presenting Persona's workshops and performing consulting work. Despite a decade of rapid growth, Gornstein commented,

"I still consider the company to be in its entrepreneurial stage. However, certain aspects have matured, for example, licensing. That

was one of our motivations for expanding our activities into consulting work. It is also one of the reasons why we have launched a new publishing company called PASport Publishing. This company will produce the first worldwide directory of training and consulting firms that want to and are capable of doing business internationally. But this is just a start. We will continue to do new things and experiment.”