

State of MCTC Report

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Attrition

MCTC Data

- 30% overall attrition rate.
- 45% attrition rate for those working in management and/or administration.
- 35% overall female attrition rate.
- Essentially 100% turnover for US-born females in mgt/admin (4/5).
- SW department has a 20% attrition rate – SW is doing something right.
- Of the 9 most original employees, 5 (over 50%) are in SW. (SW is doing something right).
- MCTC could have kept most of the employees that left (75% of departures were preventable - 19 out of 25).
- Of the preventable, 50% worked in mgt/admin (10 out of 19) (compared with 40% overall employed in mgt/admin).

- For 60% (5 out of 8) of the preventable low-level people, compensation was an issue.

Comparison To US High-Tech Norms

- 5-10% attrition is optimum (some turnover is both needed and desirable).
- For most companies, panic sets in at 20-25%.
- For most companies, compensation is the key cause of attrition.

Why Do Employees Quit MCTC?

Most Common Reasons Given In Public Discussions

- Stock options.
- Wonderful opportunity at another company.
- Start a family.
- Etc.

Based on private discussions with departing employees it turns out that the reasons listed above are, for the most part, not true, or at least are not what prompted them to begin seeking new employment. What happens is that departing employees give a reason that cannot be countered by Mitsubishi, rather than reveal their true feelings. Also, once they have found a new job their focus shifts from the negative aspects of the old job to the positive aspects of the new job. However, had they been happy at MCTC they would not have even begun searching for a new job.

Most Common Reasons Given In Private Discussions

Although employees in their exit interviews mentioned lack of stock options and other reasons, in private most departing employees admitted that they were not being truthful. They were misleading because: a) since Mitsubishi has no stock option plan this is an excuse that cannot be countered, b) they did not want to disrupt the company out of respect for their former co-workers, c) they were looking for the quickest and easiest way out of the company, d) they didn't want a flood of former co-workers asking them for a job. Several actual reasons are listed below. Example names, although previously listed in earlier drafts of this document, have been omitted.

Mgt/Admin

- Their decisions were undermined. Lack of trust by upper management in their abilities; no real power.
- They were placed at a level that did not match their capabilities.
- Verbal abuse/hurt feelings.
- They didn't want to work in management in the first place. Once it was thrust upon them they decided that their only option was to quit.
- The work they hired on to do was not there.
- Protecting their group members ultimately made their own personal position unworkable.
- They were driven away by a campaign of harassment.

- They grew weary of witnessing the abuse of co-workers.
- Their plan was to only stay for a fixed amount of time (nothing MCTC can do about this).

Low-Level

- Compensation.
- Lack of respect and/or recognition for their contributions.
- Type of work to which they found themselves assigned.

Conclusions

- The MCTC overall attrition rate is very high, even when compared to the volatile USA high-tech market. *MCTC is ineffective in retaining employees.*
- The MCTC mgmt/admin attrition rate is ridiculously high. *MCTC is incredibly ineffective in retaining employees in management/administration.*
- MCTC's problems in keeping US-born females *border on the criminal*. MCTC is severely at risk of sexual discrimination lawsuits.
- When an employee works in mgt/admin, the chance that (s)he will leave goes up dramatically.
- For high-level employees compensation was not an issue.

Dilution

- The overall IQ of MCTC is declining ("brain drain"). Employees are leaving the company and are not being replaced by equal-quality employees. Although the number of employees has held fairly constant, MCTC has lost several "stars" and has not only failed to hire very many "stars" to replace them, but instead has hired several sub-standard people that *never should have been hired in the first place*. (It's reasonable to refuse to hire someone. It's unreasonable to hire them, and then to badger and harass them, or to divert them to another department [the "Mitsubishi Hat Switch"], when it is later determined that they are not a good fit.)
- As higher-level managers/directors leave the company, lower-level employees are "thrown into the breach". Although many give valiant, and even superlative efforts, they are unable to fill the gaps left by the departures of their predecessors. The quality of management is therefore also in decline.

Stagnation

For an employee to remain competitive in the high-tech marketplace, his/her resume must continue to build throughout his/her tenure. For a manager to effectively leverage his/her employees (s)he must ensure that this resume building takes place - that employees stay continually challenged.

Stagnation can occur when a company is in a product transition phase, i.e. when one product is winding down and others are ramping up. Short-term cost efficiency seemingly demands that veteran employees maintain full-time status fixing bugs on old products, while newer employees do design work on newer products. However this can lead to hard

feelings and even attrition, in that once a long-time employee realizes his/her resume is no longer continuing to grow, (s)he will seek employment elsewhere in order to increase his/her value in the technical job market. Likewise, the newer employee is apt to feel overwhelmed and to seek new employment.

Any time a new employee is hired there is a tremendous cost to the company. Whether the cost is absorbed by wasting a veteran employee's time in bringing the new employee up to speed on an older product, or the penalty is paid when veterans must re-work newer employee's designs, the cost is still paid. This is why the most cost-effective technique is to do what is necessary to retain valuable employees.

Hiring

Problems

- MCTC is struggling to attract high-quality employees.
- MCTC is scrambling to replace employees who would not have left in the first place had it not been for poor management.
- Hiring efforts are misdirected (overstaffed in SW, understaffed in DSP).
- Employees are placed at levels that do not match their capabilities (both too low, and worst of all, too high).
- Employees are hired to do "A", but end up working on "B". This happens randomly, and not by plan or misfortune. When employees realize this is happening, dissatisfaction and attrition increase.
- MCTC's reputation is suffering in the SD engineering marketplace (departed employees are discouraging others from submitting their resumes).
- Poor hiring decisions are hurting MCTC, both financially, and morale-wise.
- Impulsive, uni-lateral hiring decisions. Rapid-fire hiring decisions, made by one person acting alone, greatly increase the chances of hiring someone who is not a good fit.
- 22% of current employees are in SW (14/65), yet SW is considered under-staffed.
- 17% of current employees are female.
- 6% of current employees are US-born females (4/65). (Three of these are in SW).
- Interviewer-interviewee mismatches (for example, HW engineers scheduled to interview with SW managers, etc).
- Mishandled interview scheduling. Candidates oftentimes do not meet with interviewers in the assigned order. Interviewers switch with each other at the last moment. Interviews are cancelled/re-scheduled without any notification to the interviewers.
- Candidates are randomly brought in for interviews, with no thought to fulfilling a specific job opening (for example, scheduling an interview for an engineer with WAP experience, because MCTC is working on WAP, but without a prior determination that "MCTC needs to hire one WAP engineer").
- Interview results are not adequately shared and reviewed prior to offers being made. There is no shared decision-making when it comes to job offers.
- Engineers are hired without any notification to their respective department heads.

- Resume verification. Candidate's qualifications are not completely and thoroughly examined.
- MCTC print ads are misleading, for example, simply saying "user interface" ensures that a slew of Windows applications programmers will submit resumes.

How Has MCTC Been Successful In Hiring So Far?

MCTC has managed to attract some top-quality employees. How was this possible?

- Through the misfortunes of others (shutdown of Uniden, Sony, PCSI, etc).
- Hiring friends and former co-workers of employees (this strategy is no longer effective because the employees who inspired their friends and coworkers to come to Mitsubishi have left and are now recommending to others to *not* bother applying).
- The "dog bowl" theory: because MCTC is small, new employees have a better chance of working on a juicy assignment than they would have at a larger company.
- Great salary/bonus plan.
- Brought in from other branches of Mitsubishi.
- Luck.

Management Problems

General Problems

- Unilateral decisions are made by upper-level management that circumvent, reverse, or undermine the autonomy of lower-level managers. Further aggravating the situation is that these decisions are usually made without any communication between upper and lower-level management. These actions inflict serious damage on the morale of lower-level managers *whether or not the upper-level decisions are in fact correct!* If the decision is incorrect, the lower-level manager feels frustrated and angry that correct decisions are being arbitrarily replaced by incorrect decisions. If the decision is correct, the lower-level manager feels that (s)he is not trusted by upper-level management, and gains no useful knowledge from the experience. Managers must feel like they are a part of the process in order to be happy and effective. They must feel confident enough to risk making a wrong decision in order to foster independent thinking and to be creative.
- Managers are hired in at the wrong level (resulting in loss of respect from their subordinates and disorganization in their group).
- No management structure/hierarchy. Assignments are verbal or non-existent. Management structure is much too "flat". Project management is in shambles.
- "Hurry Up and Panic" – lately MCTC runs more and more in a reactive (as opposed to proactive) mode. Upper-level management spends little or no time in Quadrant 3 (i.e. long-range planning - see "The Seven Habits of Highly Successful People" by Stephen R. Covey. Note that when MCTC *has* been successful that this came about in large part due to Quadrant 3 activities performed at the time the company was formed).

- Lack of recognition for contributions. In extreme cases, some are claiming the credit for the work of others.
- Punctuality. Upper-level management has serious problems keeping to schedule.

Verbal Abuse/Harassment Problems

- Verbal abuse. Although verbal abuse is not illegal (except in the cases of sexual, racial, or religious discrimination) it is universally regarded as extremely foolish, as it undermines morale and exacerbates attrition. When verbal abuse occurs precious time is wasted trying to mitigate the damage done. In many cases the damage is irreparable and the employee quits.
- Vulnerability to sexual discrimination lawsuits. This is due both to many documented cases of verbal abuse with sexual discrimination overtones, and to the disproportionately low percentage of female employees (especially US-born female employees).
- Other forms of harassment. Documented cases of objects being thrown at subordinates. Many documented cases of yelling, temper tantrums, name-calling and other forms of abuse.

So far MCTC has been lucky in that no former employees have chosen to file suit. However, several former employees have kept detailed records of cases of verbal abuse and of other forms of harassment.

Management & Hiring Recommendations

Hiring Recommendations

- An immediate hiring freeze, followed by a round of internal reorganization and recruiting.
- Formalize the job description process. Describe, in words and on paper, job positions at MCTC prior to attempting to fill them.
- Stop making snap, unilateral, hiring decisions.
- Empower department managers with veto authority. If errors are to be made, err on the side of not hiring someone, rather than hire someone who is not a good fit either technically or personality-wise.
- Share results of interview experiences between interviewers, both via email and round-table discussions, on or near the day of the interview. Make shared hiring decisions at this same time.
- Review of print, and other, advertisements by engineers and managers.
- Better control over interview times by a mutual commitment to keep to schedule.
- Review scheduling times and personnel ahead of time.
- Internal recruiting. By periodically examining and restructuring from within the internal talent pool many hiring requirements can be effectively met.
- Increased use of second and third interviews. Bringing candidates back for more interviews can help to ensure a better fit.
- Expand the list of interviewers. New hires should meet a cross-section of the people with whom they will be working. Furthermore, the more people in

agreement about a potential candidate, the greater the chance that the candidate will be successful in the organization.

- Resume/skill-set verification. One or more interviewers should independently verify a candidate's resumes and skill sets. Since allotted interview times do not allow for both a sales job of the company to the candidate, and for skill-set verification, these twin tasks should be deliberately designated to different interviewers ahead of time.
- Thorough reference checking.
- Target hiring efforts towards struggling companies (for example, Motorola recently announced layoffs).
- Consider bringing in interns from UCSD and SDSU.

Management Actions

- Management reorganization and re-worked organization chart. The organization structure should be similar to that of a successful organization. *All* managers should be crystal-clear on exactly how many people they are managing.
- No undermining of other manager's decisions – decision changes/reversals come *after* communication/discussion.
- Improve communication and decision-making across-the-board.
- Improve recognition of individual efforts. Punish/eliminate plagiarism.
- Ensure that high-performing individuals are continually challenged with interesting work.
- Bring in outside agencies (corporate psychologists, anger-management experts, sensitivity workshop leaders, etc), whose task is to create a more respectful workplace.
- Make a commitment to being punctual.
- Eliminate verbal abuse.

Engineering Problems

- Work being done in a blind panic.
- Data analysis that would not get a passing grade in a high school science class is being used to make drastic design changes.
- Testing is being done after code release instead of before.
- “You are wrong” is substituted for “I don't understand”.
- Impulsive engineering decisions.
- Destructive, rather than constructive, criticism is the rule, not the exception.

Conclusion and Personal Note

In the United States, when a football team is losing games, or is losing personnel, the responsibility falls on the coach, or leader, of the team. The coach accepts the responsibility and makes changes, or steps down, or is replaced by the team's owner.

In an entrepreneurial enterprise, the marketplace determines the success or failure of the chief entrepreneur, or leader. A business owned by one person either makes it in the free

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market, or it does not. It is not like a football team because there is no over-arching management that can step in and replace the coach.

MCTC is not a single-owner entrepreneurial effort. Neither does it clearly resemble a football team, because in this case the owners are not closely monitoring the success of the team. For now, however, MCTC *is* fully funded by Mitsubishi corporate, so it resembles a football team with absentee owners.

If I were a member of Mitsubishi corporate, I would be very interested in reading this report and in determining its accuracy. This report, if correct, exposes the inevitability that MCTC will fail. This means that Mitsubishi corporate should close down MCTC so as to cut its losses, or replace its leader so as to give it a chance for success.

If MCTC is to be successful in America, radical changes must be made. These changes can probably only be brought about by qualified external agents. Only an outsider can take a clear, cold look at the internal workings of this company and proceed to give out the bad news about what is going wrong, followed by listing out the steps needed to take the company to a position of success. These outside agents include, but are not limited to, corporate and personal psychologists, business administration experts, human resources teams, and lawyers. To acknowledge the problems that MCTC faces, to take steps to rectify them, and then to go on to corporate success, is a massive effort that requires serious introspection, humility, and strength of character. I wish MCTC well in this endeavor.

John Gatti