



Eugene D. Fanning Center for Business Communication  
Mendoza College of Business  
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02-05 TN

## ***Cerner Corporation***

### ***A Stinging Office Memo Boomerangs***

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**DATE:** April 1, 2000

**ACTION:** Neal L. Patterson, CEO, Cerner Corporation  
Colin Chatterley, VP of Corporate Communication, Cerner Corporation

**INFO:** Glenn Tobin, COO, Cerner Corporation  
Stanley Sword, VP & Chief People Office, Cerner Corporation

**FROM:** Meredith A. Sigel  
VP Strategic Direction, Cerner Corporation

**SUBJECT: Advice Regarding Recent Memo**

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The environment at the Cerner Corporation has drastically changed in the weeks following your recent Management Directive e-mail. The email went to approximately 400 Cerner managers but quickly spread to all 3100 Cerner employees worldwide. The accusations and threats made in the e-mail unfortunately have been leaked and posted on Yahoo on March 21. The tone of the e-mail astonished employees, analysts and investors. As a result, the stock price fell dramatically within three days. Some employees understood that you exaggerated for effect and agreed with your tactics while others strongly disagreed. Your intention of trying to ignite passion in your corporation is honorable; unfortunately, you have created more of a wildfire that now must be controlled with respect to all Cerner stakeholders.

### **BACKGROUND**

Your e-mail indicated that you felt the Kansas City employees were not putting enough effort into their jobs since the parking lot was not heavily occupied. You mentioned that if the parking lot was not "substantially full" at 7:30 a.m. and 6:30 p.m. weekdays and half full on Saturdays you would withhold employee benefits in addition to implementing a hiring freeze and postponing all promotions.

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This issue may have been overblown by the market but according to Stephen D. Savas, an analyst for Goldman Sachs, the email raised two questions in the minds of investors and analysts: 1) "Has anything potentially changed at Cerner to cause such a seemingly violent reaction?" and 2) "Is this a CEO that investors are comfortable with?" According to Stacey Gibson, an analyst with Fahnstock & Company, the perception on the street is that the company has to work overtime in order to meet the current quarter estimates. This is obviously not true but the perception has produced a strong reaction in the market. Analysts claim there may have been other factors such as an overall shaky market, investors who wanted to sell the stock short betting it was ready for a fall, as well as one analyst admitting to being bearish about the company. Unfortunately, the email just adds to these factors to make the drop even more pronounced.

It has been noted that your candid management style has helped the company be very successful. Cerner has been a fast-growing company for the past few years. It has also made *Fortune's* list of "100 Best Companies to Work for in America" in both 1998 and 2000.

## **DISCUSSION**

As a result of the management directive, the market feels there is something going on within the company that may indicate the company may not perform up to expectations. Investors are reevaluating if your management style is a style they want to invest with. As a result of the reevaluation, a number of investors have decided to sell their Cerner shares. The volume of the shares being sold immediately following the memo being leaked is evidence that investors and analysts are not approving of your tactics. It is true that under your direction Cerner has been very successful and experiencing excellent growth. However, perception is hurting the company while the facts stay silent.

There has been a strong reaction from Cerner's employees from this email. Of the 300 responses you received, there were a number agreeing with your message while a number disagreed. I am making a general assumption that there is a good percentage of employees that have a strong opinion and have not responded to your email. It is common for an email like this to directly affect employee morale. Many employees may now feel that you do not value their contribution to the company if they are not sitting at their desk for 10 hours or more a day.

In recent years, with laptops and mobile phones becoming more common, more of our employees are spending a portion of their workday working from their home offices. It is not uncommon for an employee to leave the office and to "log-on" for another couple hours in the evening. Our employees are finding this enables them to balance work and personal responsibilities much more efficiently. In many cases, our employees are working even harder for the company even though they are not physically working on the Cerner campus. Those employees who believe the

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work ethic has decreased may only be taking into consideration what they see occurring in the building not employee productivity.

Another important group to consider is the management team. In your memo, you accused them of not caring about the corporation and essentially blamed them for the situation. Their morale may have also been jeopardized by this action. The Cerner Corporation is only as strong as its entire management team. Managers who feel like you do not respect the job they are doing may now not have as much passion for the business as they previously had. This is something that needs to be rectified immediately since the management team is on the front line in dealing with the employees.

## RECOMMENDATIONS

Your response henceforth needs to mend relations with three key groups of people: investors, employees, and managers. All three of these groups are essential for the continued health of the corporation. Here are a few recommendations you may want to consider implementing.

1. **Determine where confidentiality was broken.** It is vital for all employees to understand how important it is to keep internal communications confidential. It is also essential for the organizations to comprehend how this information was posted to the external world. In order for the company to continue effectively, it is imperative to understand where the information left the company.
2. **Make a public statement indicating Cerner is “on target” for the current quarter.** This will allow the company to disprove the current perception of many investors and analysts that the company is not able to perform to expectations. The message needs to come directly from you working in conjunction with Corporate Communication.
3. **Write a letter to the employees to explain your true position.** The purpose of this letter is to apologize for the accusations and threat made in the management directive while cultivating a healthy work environment. Employees like to feel their management appreciate their contribution to the company. In this letter you also need to reiterate the importance of confidentiality of internal communication. For your convenience, I have attached a draft of the letter that you may choose to use.
4. **Hold a “town hall” meeting with the management team.** This meeting will give you a chance to meet with your team and give them a chance to give feedback on what they feel will help get Cerner back on track. The management team may have valuable insight on the situation. Also, by engaging the management team in creating the solution you are showing you value their positions which also increases morale among them.

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