MANAGEMENT PRACTICE

S.A.I.M.

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CASE-STUDY

WORKBOOK

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Management Principles are **easy; Management Practice** is **difficult.**

1. Introduction

The **Theory of Management (20%)** is easy and can be learnt in a classroom setting, since it relates to **knowledge acquisition** and **book-learning** only, encompassing **pre-defined contexts (i.e. a closed system).**

The **Practice of Management (80%)** is **difficult** since it relates to a crisis-driven **'real-world'** of irrational people, unpredictable events, competitive market warfare, cashflow shortages, problematical relationships, and an infinite number of **unique contexts (i.e. an open system):-**

- no **two managers** are identical (physically, mentally, emotionally and spiritually);
- no **two management contexts** are identical (management does not operate in a vacuum);
- a manager's **responsibility** is usually **greater** than his/her **authority** for **resolving** the daily problems and **crises** in his/her **context** as they arise;
- a manager operates in a **crisis-driven environment** of **inherent chaos (i.e. open system)**, and is often affected by **external forces** over which he/she has little or **no control;** and
- **nobody,** particularly the **manager** and his/her **subordinates,** is **perfect,** and all have a **will-of-their-own.**

The **context** determines the **manager.**
The **manager** shapes the **context.**

To the degree that the **manager** is **congruent** with his/her **context;**
To that degree will the **manager succeed** or **fail.**

Every managerial context is different and subject to a variety of internal and external forces, catalysts **(en-ablers)** and constraints **(dis-ablers)** which are **ever-changing** with **Time.** Each context presents a unique challenge for the manager to test and develop his/her **'will-to-manage'.**

The **infinite** variety of **managerial contexts** available to the managers are a potential minefield of **traps** and failures for the inexperienced and **unaware manager**.

There is an inherent human tendency in most people to **over-estimate** their own **abilities (Self-perception)** and at the same time **under-estimate** the complexities and difficulties of the **managerial context (managerial ignorance).**

Opinions and **Decisions** are based upon **Perceptions -** not Actuality.
Perceptions are the **Reality** in the **management world**.

To be **effective** as a **manager,**

to mobilise the **collective-will** of the group of **discordant wills** (unit, department, division or company) for which he/she is **responsible**,
to make sound **decisions** (judgement) amongst competing alternatives,
the manager must not only **understand the uniqueness of his/her context**,
but also **how he/she is perceived by all significant Others,** who can impact on his/her **managerial effectiveness.**

To accomplish this, it is paramount that he/she understands,
and is able to appreciate, the **systems viewpoint** of
management, within **his/her context.**

All types of **organised activity** requires **management** e.g. churches, hospitals, labour unions, schools, foundations, government, SMMEs (small, medium and micro-enterprises) as well as the large established corporate businesses.

However, the **practice of management** within each of these areas can vary enormously depending upon a **manager's perception** of his/her **role** in the organisation, as well as his/her **personality,** which will affect his/her **style of management**.

While a **manager's efforts** must be applied at **all levels of an organisation**, from the Chairman of the Board in a large corporate company, down to the first-level supervisor of an SMME, there will be **wide differences** in perception, emphasis**, responsibility, accountability**, **authority,** and focus at each level.

> 'It is **'perception'** and **'moral responsibility'** which,
> in the last analysis, defines the **manager'.**
> **Peter Drucker**.

The **Job of the manager,** in **practice**, can differ markedly from that portrayed in most management textbooks.

The **majority of managers (i.e. Accidental managers)** perform a wide range of tasks which can be considered **non-managerial** by any tests, such as

clerical and technical activities

which need to be **delegated** to the **employees** for whom the manager is **responsible.**

The reasons for this state of affairs are many, and include:-

- personal satisfaction of technical accomplishment;
- job pressures;
- lack of trained help;
- poor planning;
- mis-placed emphasis of effort; and
- **inadequate management competence**.

The **principal efforts** of all managers should be devoted to the **effective allocation** of available resources to the day-to-day tasks at hand. These **resources** include:-

time**, people**, money, machines,
materials, facilities, knowledge, methods,
networks, processes and systems;

but of these, **people,** is of **paramount importance.**

Non-managers, and most **Accidental Managers**, tend to regard the **practice** of **management** as nothing more than **'common sense'.**

However, the **'common sense'** required of **management** is more accurately referred to as **'uncommon-sense'**, since very few managers seem to possess much of it.!!

The fact is that the **practice of management** is a **complex process** that is both **functional a**nd **behavioural,** and carried out within an **organisational strait-jacket'** which can severely constrain what a manager can or cannot do.

In addition, the manager must **rely** on the work of **'Others'** for personal success, and these **'Others'** are **not controllable** by the individual manager.

They all have a **'will'** of their **own.**

The **reliance on 'Others'** is the **essential difficulty** of managerial work, and is the **primary difference** between working as a **lone professional** or specialist, and working through **Others.**

Unfortunately, since every **managerial situation** is **unique**, there are simply

'no set management rules which can be universally applied'.

Manager-development is a **life-long learning activity**;
Each **'manager'** must decide for himself/herself whether or not he/she wants (i.e. has the **'will'**) to devote his/her efforts to acquire the necessary **managerial competencies**.

2. Management Context.

Management never operates in a vacuum-
but always within a **unique context**.

In spite of the thousands of books which appear annually on the subject of management, **management** is quite simply

'the **process** of '**getting things done'** through the efforts
of **other people** within a specific **context'**,

Whether or not the **context** is a home, church, school, small business, government, or a large corporation, the process is always the same.

However, the actual **practice** of **management** is markedly **dependent** on the **context**, as well as on the **unique personal attributes,** or **style,** of the **manager.**

An indication of the possible range of **managerial contexts** is shown in Fig 1.

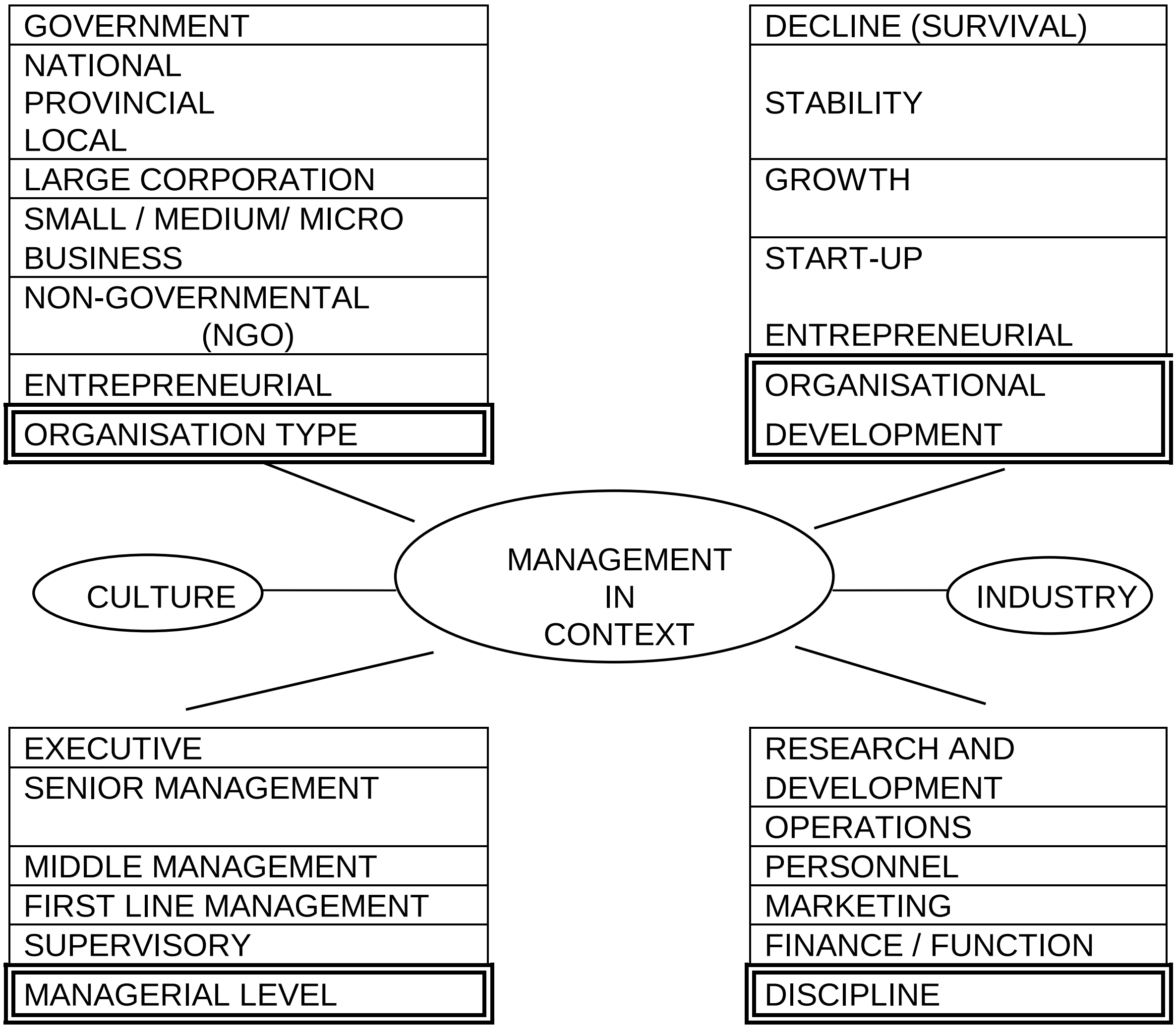

FIG. 1. MANAGEMENT IN CONTEXT

3. Learning to be a manager.

A reasonable question the student might ask is,

"Can **I learn to be a manager** from attending a course on the subject?"

Like many questions of this kind, it is not so simple to answer. Many things about management can be learned from books, articles, and courses. Also, an exposure to the skills, attitudes, and practices of management, can be very useful to a person interested in becoming a manager.

But in the final analysis, **an individual** must **be a manager** in the **world-of-work** to determine how **effectively** the **knowledge** acquired about the subject in the classroom **can be applied in the job.**

Probably the most important lesson to be learned in the classroom is that there exists a **body of knowledge** about management, and that the **application** of this knowledge in the **world-of-work** is quite **distinct** from specialist or professional **non-managerial** knowledge and performance.

No one automatically becomes a manager by being promoted to a management **power-position** within an organisation. A person **learns** to **become**-a-**manager** in the **workplace.**

i.e. develops his/her **Manageracy (80:20) - will-to-manage**.

No course instructor in a classroom environment can make a person into a manager.

However, one can prepare oneself, to some degree, for future management **responsibilities** and **accountabilities** by studying the subject, or through participation in some form of **experiential learning,** such as role-playing, computer-assisted business games, or other types of classroom **group exercises.**

One particular form of classroom learning popular in the leading **business schools** is the **Case-Study Method** discussed below.

The road to becoming an **effective manager** is long and arduous.

One can identify **four stages** in the development from an **Accidental (Self) manager**, i.e. Stage I, to becoming a **Professional manager** (i.e. Stage IV), **-** i.e. **to be** an **'effective' enlightened manager-** as indicated in Fig 2.

<u>The Peter Principle (manager).</u>
Most managers never progress beyond stage II.

Manageracy (80:20) - 'will-to-manage'

No	STAGE	Manager-development	Comments
IV	**MANAGER**. **SPIRIT**	**'Being' - a manager.**	**Enlightened - manager.** **'to manage is to Serve'.** **Others** Self-actualisation. Gains personal **self-fulfilment,** through **helping Others** to grow and succeed.
III	**MANAGER**-professional **HEART**	**'Learning' - management**	**Self-development.** **'becoming a manager'.** Accepts **Responsibility** for **Others** as an opportunity to discover and develop one's **Social -Self** through working closely with others. **Consciously** learns and practises management skills to **mobilise Others.**
		The Peter Principle (Manager).	
II	PROFESSIONAL-**manager.** **MIND**	**'Doing' - management.**	**Accidental Manager.** **'to do management'.** Retains focus on professional competencies. **Accepts** Management Authority **(promotion),** and responsibility for **Others,** as an **additional duty** or additional task to be done.
I	PROFESSIONAL. **BODY**	**'No' - management.**	**Professional/Specialist focus**. **'Self'** Confidence in one's **own** personal **professional competencies** or specialist skills.

Fig 2. <u>The Making of a Manager.</u>

4. **Case Study Analysis**

A **Case-Study** is a partial and **incomplete** description of a **'real life'** **'messy'** problem situation **(open system)**, pertaining to a **unique context,** at a **specific** point in **time.**

A **Case-Study Analysis** is merely a means, or an **opportunity** for, testing a students' creative **problem-solving** and **decision-making skills,** in an idealised **(closed-system)** environment, through the creation and analysis of a wide variety of **different solutions** to a particular **'messy' problem**, which does **not inherently** have a single **'right' solution.**

A **Case-study analysis** is also a useful **vehicle** for the **exchange** of different views and **experiences** amongst the **members** of a problem-solving **group.**

The problem situations normally considered by the leading **Business schools** (i.e. MBAs) tend to focus on the **strategic** problems and issues faced by the **CEOs** of **large, multi-national companies,** which are usually **far-removed** from the **real-life situations** actually experienced at **operational** and **middle-management** levels by the majority of **MBA students.**

Background

Management case teaching appears to have commenced at Harvard University in approximately 1909 and has developed into an "almost religious devotion to cases".

Today, case-based teaching occurs in most post-graduate management education programs, especially in MBA programs. It is common to find **strategic management** texts where the case studies take up more of the book than the authors' exegesis of the principles. Many texts also provide guides to case analysis and some courseware to lead the student through the cases.

The case method ranks highest as the primary method of instruction by authors who have reviewed educational methods in **strategic management**. In an area such as **strategic management,** it makes little sense for educators to explore the theoretical issues in isolation from organisations in which the principles need to be applied.

Yet **cases** have **applicability** to **any problematic field -** they add a richness to theory by showing how it can be **applied** to **real life situations** faced by the manager where the **consequences of choices** (i.e. decisions) may be **irreversible.**

Although case studies are used widely in higher education, there is little research to demonstrate improved educational outcomes compared with other experiential teaching methods.

<u>Teaching case-study analysis.</u>

Despite the abundance of electronic media and other technologies to enhance education, it appears that educators have a tendency to lapse into a model where the **student receives** and the **educator gives.**

The **case method** relies on the educator being willing to accept that educational **effectiveness** is more likely with an **"active**" or **"participative" learning style** than the traditional "passive" approach.

The emphasis is on '**<u>learning by doing'</u>**

Engagement in the case study provides concrete experience; defining the problem develops abstract conceptualisation. The student then engages in **active experimentation** to produce **solutions,** and finally engages in reflective **observation.**

Moving to **case-based teaching** is difficult because it changes the **locus of control** within the classroom from being centred on the teacher's knowledge to a fully participative group discussion.

In an undergraduate environment, this shift may be even more threatening as large class sizes frequently make student-centred approaches to learning quite costly and more difficult to co-ordinate. Mass lecturing and multiple choice testing seem to be the easiest way out.

Listening to lectures does not provide the skills to **solve real management problems** in **real management contexts -** the case method attempts to solve the problem by **en-abling** the understanding of the theory by **application** to **real business issues.**

The aim is to **develop the skills** to solve real **management problems** and to use the experience of others as a source of knowledge.

The richest cases require **decisions to be made** and multiple choices for the **manager.**

A case used in learning must have enough <u>information to discard</u>.

Although a case used in education is often written from the viewpoint of a particular management discipline, the case writer aims for a problem situation that is not disconnected from a broader environment, and therefore may need skills and understandings from a variety of disciplines to cogently answer.

Marketing case-studies have **connections** with **strategy, ethics** and **human behaviour.**

The case method is particularly suited to those who would benefit from exchanging their views on problematic concerns.

In **China**, for example, managers are facing the pressures of **changing** from a **centralised (planned)** to a **market economy**, and few issues have established precedents. There is therefore a need to **move away** from rote learning of the **"right answer**" to the challenges of **decision-making** and the process of **debate** which characterises the case method.

Chinese students appear to welcome this change, and readily accept cases, although not the same teaching methods used in the West.

There is no evidence, based on national culture, that case studies are restricted in their usefulness, although they may need to be taught differently.

The **case-study method** of analysis is therefore intended to help **develop** certain **skills** needed by the **manager**, namely

1. creative thinking skills;
2. analytical thinking skills;
3. theory application skills;
4. communication skills;
5. interpersonal (social) skills; and
6. **Self-analysis**.

It could be argued that the latter three skills could be, and already are, developed by other parts of a general education program. However, all the above skills become **inter-related** during **case-work**, as they are in general **life.**

Perhaps more critical for the lecturer who uses case studies is the issue of **how cases are taught.**

Despite the potential of cases, as mentioned above, it is possible to find them taught in a manner which is too teacher-centred.

The predominant form of use in **South Africa** is very **teacher-centred**, despite the promise of a democratic learning process.

The case teaching process is seen as choreography, where the lecturer orchestrates the oral discussion and case study write-up. Despite the claims that there is **"no right answer",** students feel pressured to take a stance - even in deciding to take a role as problem solver, practical thinker, or disciplinary thinker.

The nature of the questions set, and oral guidance of the lecturer, take the student down a **predetermined route** where they may deliberately use **an inappropriate theoretical model** because they think the lecturer expects it.

The **class discussion** may orchestrate a **definitive result,** or students may engage in a combative style in the amphitheatre, with a winner and loser. This mode of education falls far short of the democratic ideals of the case method and particularly appears likely to alienate women.

A challenge for the lecturer is to help the **students** to be incisive and **thorough** in their **analysis.** Superficiality can be a product of factors such as insufficient theoretical tools to start work on the case, lack of attention to key facts and issues, and a lack of willingness to **think creatively** about **alternative "solutions".** Using cases which are not rich enough in the complexities of organisational life may encourage a perfunctory analysis.

Cases which have **multiple routes** for analysis encourage the student to think about **broader issues,** especially the behavioural and organisational.

Cases are of necessity a **slice of organisational life**; and **inconsistencies, uncertainties** and **shortages of information** are all part of organisational life. The frustrations they may introduce reflect those of the real lives of managers.

Provided that the **limitations** of the **case-study method** are recognised:-

case studies will still continue to have much to offer in **management theory**, education, and research. **Students** will often find **occasions** when they **can apply** the **principles** of a case to their **own particular situation.**

Management students will continue to need to study **cases** which are **relevant** to the **management practices** and the organisational contexts of the **21st century.**

The challenge ahead is to re-assess the methods of the lecturer to produce a truly **collaborative learning environment** where the student can feel free to **think laterally** about the case. Cases can be taught in different ways, especially as used for on-line education. Teaching with new technologies poses challenges for educators that are yet to be seriously tackled.

Academic Researchers, in particular**,** will continue to use and develop cases to explore and create **new theoretical perspectives** and insights into **management theory and practice.**

5. Problem-solving and decision-making

Companies fail because managers fail.

Management incompetence is the management's **inability to decide** the specific actions necessary to maintain a company's financial health and competitiveness.

Managers fail despite the fact that they have read books, attend courses, and have been exposed to concepts and procedures in their businesses. They fail because they have only a **fragmented** knowledge which does **not enable** them to **formulate complex problems** requiring appropriate **decisions** and **actions.**

Management must have skills enabling it to evaluate such situations and to specify several possible courses of action. **These alternatives** must then be weighed, and the best possible action must be taken.

This requires **analytical skills** which the managers that fail just do not possess.

These skills include an ability to **differentiate** between **'symptoms'** and **'problems'**.

Both practising managers and students of Management have a variety of experiences and knowledge of a limited number of individual functional areas.

Students may have the required backgrounds in marketing, production, personnel, and financial management, while **managers** may have experience, and knowledge in specific areas in which they function. However, despite acquired knowledge, students are mostly ill-prepared for the study of **General Management**.

Similarily, managers are also poorly prepared to handle the present complex problems, despite their exposure to management development programmes and attendance at seminars.

The critical skills required can be learned, to a certain degree, through the **repetitive application** of case-method **problem-solving techniques**. These skills cannot be acquired solely through seminars or lectures in the classroom.

The experienced lecturer does not provide the **'right'** answers, but rather **guides** the students through a variety of **problem-solving experiences,** so that the student can develop and refine his/her own problem-solving and decision-making skills through exposure to various case situations.

In acquiring the **necessary analytical skills**, the **student** develops **new ways of thinking**. He/she realizes the necessity to integrate his/her past experience, skills and knowledge, acquired in functional areas, so that he/she can aim at **optimizing,** or **satisfying,** the **whole situation** instead of optimizing sub-functions.

Comprehensive, multi-departmental, and multi-industrial cases that present real life situations place the student in the role of an analyst, in order to **practice** the **knowledge** learned and/ or experience gained. The **student** seems to gain the most when **assuming the role of consultant** to the company represented in the case. As in the real world, **knowledge** of, and information about, the situation illustrated in the case, is **limited.**

This forces the **student** to carry out the **analysis** using the **best available information**.

To achieve all the outlined objectives, **cases** representing **complex situations and issues** cannot be analysed by relying merely upon one's assumed knowledge or intuition. More **structured** and systematic **methodologies** have to be applied.

In this systematic approach, the premise is, that failures in the managerial performance of the basic functions and sub-functions, underlie the **departmental,** and **company-wide** problems.

A possible **structured approach** to analyse a **complex case-study,** particularly at the **CEO strategic level,** is as follows:-

Step 1. **Identify** and **clarify** what you consider to be the **major 'problems'.** Remember **'symptoms'** are **not** necessarily the **'real'** (or root cause) **problems.**

Step 2. **Identify** and **clarify** what you consider to be the **minor 'problems'**. Consider in turn the different functional areas of the business, where appropriate;

a) marketing?
b) finance/accounting?
c) organisational/people?
d) productions/operations?
e) company wide?
f) industry wide?

Of course, in a particular problem situation, there may only be **a single problem**, or problems, in just **one** of these **areas.**

Step 3. **Policy or Management problems?**

a) policy issues?
b) managerial issues?

Step 4. **Identify rejected solutions, or possible alternatives.**

Explain your reasoning for rejecting certain alternatives.

Step 5. **There is never just one 'right' solution to a 'messy' problem.**

Suggest possible solutions, or courses of action, needed to resolve your identified problems.

This exercise is an opportunity to develop your **creative** and **analytical problem-solving skills.**

Justify your analysis and proposed solutions.

Again work through your problem list (i.e. steps 1, 2 and 3) in a systematic manner, since your **'solutions'** may be addressing two or more **inter- related problems** at the same time.

Steps 6. **Explore the possible, and likely, consequences** of your choice of **'solution'**.

Consider possible contingency plans, in the event that your **'solutions'** do not work out satisfactorily, if **implemented in practice**.

The above **systematic format** ensures that all possible problem-areas are taken into account in your final recommended solutions, or future courses of action.

The analysis of **financial/accounting data** i.e. income statement/balance sheets, is facilitated by first calculating the essential **financial ratios i.**e.

I. **Profitability**
1. Net profits/Net worth
2. Net profits/Net sales
3. Net profits/Net Working capital

II. **Liquidity**
4. Current assets/Current debts
5. Fixed assets/ Tangible net worth
6. Inventory/ Net working capital
7. Funded debt/Net working capital
8. Current debt/Inventory.

III. **Leverage**
9. Total debt/Tangible net worth
10. Current debt/Tangible net worth

IV. **Turnover**
11. Net sales/Net worth
12. Net sales/Net working capital
13. Net sales/ Inventory
14. Collection period

In summary, the **primary objective** of a **case-study analysis** is the acquisition and development of

problem-solving skills;
analytical - thinking skills; and
creative - thinking skills;

and that **possible solutions** are only '**right'** or **'valid'** when supported by a **thorough and comprehensive analysis**.

Your **case-study analysis** must demonstrate a **detailed, consistent, and logical reasoning**.

That is the acid test to determine whether or not you possess either the potential or actual, **problem-solving/decision-making** abilities, and **sound judgement,** essential to be **managerially effective** at the **operational, tactical,** or **strategic** levels.

Wisdom, and **sound judgement**, come from the **practical experience** of **managing people**, not from **classroom teaching.**

A **written analysis of a case-study,** particularly at the **CEO strategic level (Third year)**, should therefore address the following topics:

1. Major vs Minor 'problems' **(analytical thinking).**
2. Organisational, people policy, management 'problems' **(analytical thinking).**
3. Recommended 'solutions' **(creative-thinking**,) with justifications **(logical reasoning).**
4. Consideration and evaluations of **'rejected solutions' - why?**
5. **Feasibility** and implications **(consequences)** of **implementing** your recommended **'solutions',** as well as possible **contingency plans.**

Of course, in **simple situations**, i.e. **Caselet studies** at the **first-line** and **middle-management levels (see section 6)** ,the steps identified above will be much simplified, since there may only be **one** readily identified **'localised' problem -** whose **'solution'** may be fairly **'obvious',** and the **alternatives** very **limited**.

Case Study Analysis: Summary

1. First, study the case carefully, **identifying** the **management principles** involved, where possible.

2. Gain as sound an understanding as possible, within the **time available**, through private study (e.g. further background reading) that is not specifically included in the written case.

3. Apply the systematic **analysis methodology** - steps 1 to 6 above.

4. **Discuss** your analysis and conclusions with your colleagues, or other group members, to obtain constructive feedback, as well as understand alternative approaches (i.e. solutions) proposed by Others.

Middle-management is the **transitional bridge** between **operational management**, at the **'customer-face',** and **Top management (CEO),** at the **strategic 'corporate face'.**

MANAGEMENT PRACTICE

CASE-STUDIES

PART A (24 CASELETS)

These **mini case studies** relate to a range of representative **business problems** which occur mainly at **first-line or middle-management** levels.

The student is requested to study each caselet carefully, and answer the associated questions **in writing.** A brief summary (i.e. key points) of your case-study analysis must be recorded on the Worksheet provided at the end of each case study.

PART B (6 CASE-STUDIES)

These more complex case-studies provide an introduction, and **preparation** for , the **Third-year Advanced level**, which relate to a range of business problems
and issues which are more likely to occur at the **Executive / Senior management** levels.

The student is requested to follow the general format analysis outlined earlier,
and to answer the associated questions **in writing.** A brief summary (i.e. key points) of your case-study analysis must be included on the **Worksheet** provided at the end of each case-study.

PART C (4 BUSINESS FAILURES).

The case-studies presented in this section are included as **reference case-studies,** for group discussion and analysis, to highlight the fact that in the **'real' world-of-work, business success** is the **exception,** and that for **each business that succeeds**, there are tens **or hundreds of businesses which fail,** sooner or later, (i.e. **business 'risk'**), largely due to **managerial incompetence.**

The meaning of Business Risk.

				Success rate
1 in 40	**start-up**	**SMMEs survive**	the first year;	(1/40)
1 in 10	**first-year**	**SMMEs survive**	a further two years;	(1/400)
1 in 5	**third-year**	**SMMEs survive**	a further four years;	(1/2000)
1 in 10	**seven-years**	**SMMEs survive**	a further thirteen years;	(1/20 000)
1 in 50	**twenty-year**	**SMMEs survive**	a further thirty years;	(1/1 000 000)

Approximately 1 in 1 000 000 start-up SMMEs survive for 50 years.

PART A

CASE-LETS

A series of **mini-case studies** reflecting some of the practical problems and issues which commonly occur at the **first-line / supervisor** or **middle-management** levels within a range of different **organisational management-contexts.**

Cases 1	:	First-line/supervisor levels.
Cases 2	:	Middle-management levels.

CASE 1A-1

Mary Roberts had been with the company three years when she was promoted to **manager** of the tax department which was part of the controller's division.

Roberts started with the company when she graduated from college as an accounting major. She entered the organization as a **management trainee**, and during the one-year program she demonstrated considerable leadership ability as an informal leader her peers. Mary also impressed many senior managers in the company with her **sense of responsibility** and her willingness to **work hard**. All of her training assignments were completed on time with considerable skill for an inexperienced person. Since she was very interested in tax accounting, Roberts was assigned to the tax department to be developed further as staff accountant.

Within four months she became a **supervisor** of ten staff as a staff accountants to fill a vacancy created by an unexpected early retirement. Her superior believed her to be the most qualified individual to fill the position even though others in the department had more experience in tax accounting. None, however, demonstrated **leadership ability** or the **commitment to work** that Mary possessed.

The tax department manager was promoted to fill a vacancy in the financial planning department eight months later, and he recommended to the controller that Mary Roberts be promoted to fill the position he was leaving. He mentioned that her work was excellent and that she was a very effective supervisor.

The tax department had 45 employees including 3 supervisors, 10 clerical employees, and 3 typists. Several people in the department were senior personnel with 10 to 30 years of experience in tax work. Some of these were more technically knowledgeable in taxation than Mary.

There was some resentment in this group that so young a person was made a **department head**, and three of these people were particularly upset because they desired the promotion and felt they deserved it. What made them even more upset was the fact that the tax manager did not discuss the promotion with them.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. What can Mary Roberts do about the resentful senior employees?

2. Can higher management do anything to help Roberts make the transitions to greater responsibility?

3. Will her lack of technical knowledge hinder Mary's managerial effectiveness?

4. Should Mary's superior have discussed the promotion with the senior employees before announcing it?

5. Could some of the resentment be based on the fact that Mary Roberts was a young woman?

6. Should she have turned down the promotion to gain more technical experience?

7. Can a person turn down such promotion without hindering her career in the company?

SAIM WORKSHEET

CASE STUDY 1A-1: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY 1A-1: ANALYSIS (Summary of Key Points)

CASE A1-2

Leo Harris, one of your assistants in a fire insurance company, is in **charge of a group** of clerical workers who review changed policies, endorsements, and riders, calculate commissions, and maintain records.

He is very meticulous, and everything coming out of his group is perfect. He does **not delegate authority and responsibility** but rechecks in detail all the work turned out by his group. He keeps turning back to them careless and inaccurate work until it is perfect. As a result he is busy from early morning until late at night doing detail work and neglecting his role as **supervisor.**

His workers have figured him out and are taking it easy. They do slap-dash work and correct it as often as he returns it.

You are afraid that Harris is overworking and heading for a nervous breakdown. You have told him in general terms to delegate authority and responsibility and to discipline his group. He says that you just can't find people any more who have pride in their work or concern for the company and that if he fires any of his people or they quit the replacements would probably be worse.

<u>THINK?</u>	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
<u>CONTEXT?</u>	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. What are some of the reasons why people do not delegate authority and responsibility?
2. What are Harris' responsibilities as a supervisor?
3. Which can he delegate?
4. How should he go about delegating them?
5. What are some of the leadership characteristics that Harris lacks?
6. How can you go about developing them in him?

SAIM WORKSHEET

CASE STUDY A1-2: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A1-2: ANALYSIS (Summary of Key Points)

CASE A1-3

The **general manager** has hired the services of a **personnel administrator** but has purposely not defined the newcomer's role in the organisation.

You, a **line supervisor**, have become involved in several arguments with this personnel administrator when he attempted to relieve you and other supervisors of the **authority** for transferring and promoting employees, changing pay rates, and other matters on which he should only be advising line management. You feel that he does not have the proper perspective for his job and that he is trying to take over more and more **power** in order to create a good job for himself.

You have mentioned this usurping of authority to **your boss**, the general manager, and have asked him to define the personnel job. The boss has answered that he is allowing the personnel administrator to find his own niche in the organization. You feel that the morale of the people in your department will suffer unless the personnel administrator's position is made clear.

<u>THINK?</u>	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
<u>CONTEXT?</u>	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. Discuss the above situation from a **line point of view.**

2. Discuss the situation from a **personnel administrator's point of view.**

3. Develop a practical working relationship based on the principles of good organization.

4. It is desirable to allow the personnel administrator to find his own niche in the organization?

SAIM WORKSHEET

CASE STUDY A1-3: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A1-3: ANALYSIS (Summary of Key Points)

CASE A1-4

Bill Corwin was employed by a large bank for several years. He started as a **messenger,** then was assigned to a branch. He progressed in this branch from a **bookkeeping clerk** to a platform assistant.

In this position he had a variety of duties largely centering on administrative assistance to the officers of the branch.

The bank's many branches were divided regionally, each region having a group of officers **responsible** for the branches in that region. Bill was transferred from the branch in which he had worked for 12 years to a branch in another region. At the time of his transfer he was told that the branch was completely "run down" as to operational procedures and systems. The branch had a normal complement of 4 officers and 35 staff members. One month prior to Bill's transfer, one of the four officers had retired, and two weeks after this retirement the **branch manager** was hospitalized with a serious illness.

When Bill arrived at his new assignment, he found a rather demoralized situation. Complete lack of interest was shown by the two remaining officers and the rest of the staff was not properly trained or disciplined. The two officers did not know Bill, and they were informed by the regional office that he was being assigned to the branch as a **platform replacement** for only two weeks.

During his first week at the branch Bill discovered that the senior clerks were not qualified to train other staff members, customer complaints were rampant, there was both a record of excessive absenteeism and excessive overtime, and the branch had received very poor audit reports by the bank's internal auditors with the same major exceptions reported on the previous four audits.

After two weeks Bill was called to the regional office and offered the job of **operations officer.** He was told that he would receive the **official title** in two months,. He was also told that the present operations officer, who had held the job at this branch for seven years, was to be relieved of all operational responsibilities and that he would be instructed to work with Bill until the branch was functioning effectively.

Bill returned to the branch and started on his assignment. He found the former operations officer cooperative for about one week. Bill then decided to go ahead without the help of the former operations officer.

Over the next three months he worked almost every night until 8:00 or 9:00 p.m. He tried to correct the problems that had developed over several years. The training of employees involved considerable time, and he found it necessary to release 12 clerks who were causing trouble in various ways. The remaining staff and replacements started to function smoothly.

He received **his title** as promised.

Then the branch manager returned to work after his prolonged illness. A week after his returned he called Bill to his office and questioned his efforts in the branch. He told Bill that the former operations officer had mentioned that he was an upsetting influence in the branch, had fired several good people, did not know his job, and that he left his job early several days a week.

<u>THINK?</u> **Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis**

steps 1 to 6 described in section 5.

CONTEXT? All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. If you were Bill, how would you answer the branch manager?

2. Did the regional office handle Bill's transfer properly?

3. What should be done by the regional office now?

4. Do you believe that Bill can function **effectively as a manager** in this branch?

SAIM WORKSHEET

CASE STUDY A1-4: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

SAIM WORKSHEET

CASE STUDY A1-4: ANALYSIS (Summary of Key Points)

CASE A1-5

In the past two years Horton Manufacturing Company had expanded very rapidly. It was producing a unique electronic device, and sales were excellent.

Because of this expansion many additional employees were added in most areas of the company's operations. This increased staff required more **first-level supervisors**, and these people were largely promoted from the existing work force. In most instances the supervisors were chosen because they were **efficient and dependable workers** who knew their jobs well. The rapid growth of the company caused much overtime work, and many employees became used to the extra income this provided. Horton was a nonunion company and had a very good labour relations record.

When employees were promoted to supervisory positions, they were considered members of management, and they became salaried employees. They usually entered the salary range for the job just above the minimum, but were considered for increases in six-month periods until they reached the midpoint of the range after which annual consideration took place. Thus a newly appointed supervisor who performed well could reasonably expect three or four increases in the first two years on the supervisory job. Supervisors, however, did not receive overtime pay which was restricted to the hourly paid factory staff and the nonexempt office clerical employees.

In the past six months ten people had been promoted to first-level supervisory positions. Eight of these were in manufacturing and two in the office administration area. All of these people along with eight more supervisors are now confronting the **company's president** with the fact that they are now earning less money as a supervisors than they did as line employees when the regular overtime they worked increased their pay. They were quite adamant about their position, believing that they had **more responsibility** and were working harder than ever. They firmly believed that they deserved overtime pay or a higher salary.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. What should the president do?

2. Are the supervisors justified in their complaint?

3. Should supervisors be paid overtime?

4. Could the company have planned their growth and promotion process more effectively?

SAIM WORKSHEET

CASE STUDY A1-5: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A1-5: ANALYSIS (Summary of Key Points)

CASE A1-6

You supervise a group of 15 people of various specialities who were drawn from other groups in the company and brought together six months ago to work on a **project.** The work requires constant interaction between the various specialists in the group. They were cooperating well until two weeks ago when, on March 1, you brought up the subject of scheduling their summer vacations.

You told them to decide among themselves when each one should take his vacation, since they knew which people could be absent at the same time without disrupting the work. You gave them sheets listing the amount of vacation each was entitled to because of length of service. The periods are one week, two weeks, three weeks, and four weeks. You reminded them that company policy forbids split vacations, off-season vacations, and vacation scheduling that disrupts production.

Although **seniority** governs vacation scheduling for hourly workers in the shop, it has never been established as a policy in salaried groups such as yours. The company has always stated that the requirements of the would govern the scheduling.

Since you turned over the vacation scheduling to your group, the opportunists are buzzing around making deals that will fix themselves up with the choice schedules. People are aligning first with one faction and then with another, whichever will give them best deal. A few are refusing to deal on the grounds that their seniority or status should entitle them to first choice. All this **political manoeuvring** is taking up time and interfering with the cooperation that is essential to the progress of the work.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. What should you do now?

2. How should a supervisor go about setting up policies in a newly formed group?

3. What cautions should a supervisor observe in bringing subordinates into decision making?

4. How much time should be allowed between bringing up a problem like this and forcing it to a solution?

5. How can the supervisor ward off problems of conflict between status and seniority?

SAIM WORKSHEET

CASE STUDY A1-6: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

SAIM WORKSHEET

CASE STUDY A1-6: ANALYSIS (Summary of Key Points)

CASE A1-7

Cliff Morton, a recent college graduate, was hired by the Capital Casualty Company as a **trainee** in the safety engineering department.

After completing a six-month training program, his function would be to conduct inspections of prospective policyholders' places of business to determine whether or not safety practices and equipment were in use and to make appropriate recommendations to the Capital underwriters about the extent of the risk involved.

Morton progressed through the program effectively and was now in the last stage. He was being introduced to the territory he would take over by an **experienced safety engineer** who was being transferred to a larger territory. Each engineer worked out of his home, appearing at the office only on Mondays for a departmental discussion meeting. The requests for inspections were mailed to the experienced engineer's home, and rush inspections were telephoned to him.

Each engineer planned his own daily itinerary of inspections, completing the reports at home and mailing them in to the office each day. Cliff Morton found that by carefully planning his daily route in the territory, he could easily make 16 to 18 inspections and complete the reports in a normal work day. During his first week alone in the territory, he averaged 16 inspections a days.

The following Monday, at the departmental discussion meeting the engineer who had introduced him to the territory called him aside and admonished him for turning in so many inspections each. "You'll ruin it for us; we only turn in 8 or 10 each day. If you want to do 16 or 18 a day, go ahead, but only turn in 8 and then take a day off. No one will know".

Cliff didn't know what to say or do. He was ambitious, but he also knew he had to get along with his fellow employees.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. How should Cliff Morton handle this situation?

2. Is **peer pressure** to slow down something that management can control?

3. How can such a situation arise?

4. Can a new employee be effective if he resists group pressure?

SAIM WORKSHEET

CASE STUDY A1-7: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A1-7: ANALYSIS (Summary of Key Points)

CASE A1-8

John Benson had been **head of the department** for about eight years. Over this period the department had high labour turnover and a considerable current of discontent among its 25 employees. John was an **autocratic supervisor**. Because he seemed to have the support of the division manager, the people in the department did little outward complaining about his leadership.

Nevertheless it was common knowledge in other departments in the division that the majority of the people in John's department were very dissatisfied, to say the least. These people were career employees performing technical work, and they received personal feelings of accomplishment from their work. Few compliments were forthcoming from their boss; while they resented this, their personal pride and possible fear of retribution kept them from saying anything to John. One of the things they resented most was John's frequent practice of taking credit for ideas and efforts of subordinates so that he could enhance his own reputation with **his superior,** the **division manager.**

One of his subordinates, **Will Michaels**, had become the **informal leader** of the department, although he did not seek the role. Other employees sought him out for advice and guidance, and he became the focal point of the gripe sessions which had become more frequent as time passed. These gripe sessions were quasi-social occasions such as lunch, and they usually ended with Will telling his fellow employees to complain openly about their grievance to both John and his superior.

Will had done this several times and, while he gained no positive results, he at least had the satisfaction of having a clearly stated position. This may have been one of the reasons why the other employees turned to him for advice. In any event, Will evidenced no fear of his boss, and he was generally recognized as a superior employee by his peers.

The **division manager retired**, and was replaced by a member of one of the departments in the division. He had not had prior administrative experience in the company, although he had had **managerial responsibility** at prior places of employment. Because he was familiar with the problems in John Benson's area of responsibility, he recognized it as a trouble spot; and after some consultation with the assistant division manager, he decided to replace John Benson as department head. John was quite surprised, since he had assumed that he could continue under the new division manager as well as he had under the one who had recently retired. When the new division manager demoted John, he said he could stay with the company as a technician in the department he had previously managed. This was done because of John's long tenure with the company and the fact that he was only eight years from retirement. John accepted the demotion with considerable dejection and malice, but he felt he had no choice under the circumstances.

Will Michaels was called in by the new division manager and asked to assume the **department head position**. He was informed of his former superior's demotion and the fact that John would now be working for him. The division manager told Will that he was chosen because it was believed that he could weld the department into a cohesive operating unit of the division. Will **accepted the responsibility** with what could be called confident apprehension.

<u>THINK?</u>	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
<u>CONTEXT?</u>	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. In making the transition from informal leader, can Will maintain the same relationship with his fellow employees?

2. What problems do you feel he will have with his former superior in the changed relationship which now exists?

3. Did the new division manager handle the situation properly?

4. Should Will have accepted the position as department head?

5. What kinds of problems does an informal leader face when he becomes the formal leader?

6. Is it wise for management to promote a generally recognized informal leader to a managerial responsibility?

SAIM WORKSHEET

CASE STUDY A1-8: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A1-8: ANALYSIS (Summary of Key Points)

CASE A1-9

You are the **head of a large department** and several supervisors report to you. Recently you were confronted with a knotty problem. It seems that one of the supervisors had gotten into a loud and disagreeable argument with an employee. You called the **supervisor** to your office to hear his story.

The supervisor admitted losing his temper and shouting at the employee, but he believed it was justified. He had been observing the employee over the year the man had been with the company. During this period the employee had been frequently late, and his absentee rate was above average. In addition, the supervisor went on to say that the employee was a socializer on the job, frequently leaving his work to talk to other employees and to use the telephone for personal calls. The supervisor then said that the proverbial last straw caused his outburst. The employee had come in late, and after about an hour of work he made a telephone call which the supervisor had timed as lasting 14 minutes. The supervisor then started his tirade. The employee denied being on the telephone that long, the supervisor called him a liar, and they continued the vituperative exchange which ended when you called the supervisor to your office.

After listening to the supervisor, you asked him if he had disciplined the employee before, since apparently he had a poor record. You also asked if the employee had been placed on probation or had been warned. The supervisor looked at you sheepishly and seemed reluctant to answer. You pressed him, for an answer, and he finally blurted out that he was afraid to discipline the employee because he was black. He stated that the impression he had from you and higher management was that black employees should be given special treatment so that they would feel welcome and not discriminated against. He felt the company wanted to impress the public with its forward-looking employment practices and didn't want any trouble with the black community. As a result, he was lax in discipline and had kept a hands-off approach with all black employees until his outburst. He said he couldn't stand it any more, and the 14-mintue telephone call caused him to lose his temper.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. Why would a supervisor find it difficult to communicate with a black employee?

2. Could the company have done anything to offset the misunderstanding the supervisor apparently had about the treatment of black employees?

3. To what extent did the supervisor's lack of communication encourage the employee to think his behaviour was satisfactory?

4. What would you now tell the supervisor?

SAIM WORKSHEET

CASE STUDY A1-9: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A1-9: ANALYSIS (Summary of Key Points)

CASE A1-10

There were six major banks in the city. All of them were affected in various degrees by a cost squeeze prevalent in the banking industry. Two of the banks laid off several hundred employees. Ajax Trust released 250 people, including 60 officers. Benson Bank released 600 employees, including 90 officers. Rumors permeated the industry and many employees were worried about their jobs. The Cortland Trust, the fourth largest bank in the city, announced the release of 700 employees, 200 of whom were officers.

Now the rumors became really heavy. The Hawthorne Trust Company, second largest in the city, had no intention of releasing any employees. Even in the deep depression of the 1930s, no employee had ever been released because of poor business. The **senior management** of Hawthorne simply planned to let a no-hiring rule and normal attrition handle the problem.

They were a conservative group and felt that any announcement of their decision might appear to be flamboyant in the banking community, so no mention was made to the press or to the employees of the bank. It was felt the employees would understand the bank's tradition of no releases due to business conditions, which wasn't a stated policy but had a long history. Over the next several weeks, **many supervisors** reported poor morale, jittery employees, and a drop in productivity. All of this was traced to retrenchments in competitor banks and the ever-present worry that Hawthorne would be next.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.

CONTEXT? All **managers** make **decisions** within their own unique **context.**
Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. Comment on senior management's decision not to announce their decision to either employees or the press.

2. Should they have told employees?

3. Was too much emphasis placed on traditional behaviour?

4. If you were employed as a **supervisor** at Hawthorne Trust, what would you do to cope with the problem?

SAIM WORKSHEET

CASE STUDY A1-10: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A1-10: ANALYSIS (Summary of Key Points)

CASE A1-11

Bob Ford was a **management trainee** in a large casualty insurance company.

He had been hired 18 months previously and was only now in the latter stages of the program. His present assignment was in one of the large branches the company had in an urban center. Most of his work involved experience analysis of the many large policy holders serviced by this branch.

John Crane, the **branch manager**, had mentioned the possibility of a permanent assignment to the branch when the training period was completed. Bob reacted favourably, since he admired Crane and they got along well. During a recent review Crane told him that he was the best trainee assigned to the branch since Crane had been manager. Naturally Bob was pleased with his compliment and looked forward to the promised permanent assignment.

An opening developed at the branch when one of the **senior analysts** was transferred to company headquarters. Though Bob had not fully completed the training program, Crane offered him the position, thinking him fully qualified for the opening. Bob accepted and was told by his boss that the formal request was going in to the headquarters personnel department that day and he should be ready to move into the job in two weeks, when the incumbent's transfer was to take place.

Crane went to the company's headquarters the next day for a meeting with his superior. In the course of the discussion Crane was told about the company's affirmative action plan, which they were required to file under fair employment practice legislation. Crane's boss went on to say that the company had to promote more women to responsible positions, and since there was an opening in Crane's branch they were going to promote a young woman in the management training program to fill the opening. This woman had only been with the company 11 months and still had a considerable learning period to face.

Crane was flabbergasted and told his boss of the offer to Bob Ford and its acceptance. The boss refused to listen and said that adherence to the affirmative action plan was paramount, since the company's record was less than desirable in the area of equal employment opportunity. Crane asked what he was going to tell young Ford, and the boss replied, "Tell him not to worry; he'll get the next opening".

"Why, all we are doing is practicing reverse discrimination and not paying much attention to qualifications either", said Crane. "That's about it", the boss replied.

<u>THINK?</u>	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
<u>CONTEXT?</u>	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. Should a company practice reverse discrimination to comply with civil rights legislation?

2. What can Mr. Crane tell Bob Ford?

3. What should Ford do?

4. What are the moral arguments pro and con for affirmative action program to reverse discrimination?

SAIM WORKSHEET

CASE STUDY A1-11: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A1-11: ANALYSIS (Summary of Key Points)

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CASE A1-12

Bob Jensen is the **chief engineer** of State Electric and Power, a large utility company. State, a progressive company, had been conducting research for several years in a search for more effective ways to produce electricity. Most of the plants used either oil or natural gas to develop energy, and it was obvious that the other sources had to be explored.

Jensen had been with State Electric for 30 years, and he was considered an excellent, innovative engineer who was very conservative in his relationships with peers, superiors, and subordinates. During the last three years he served on the company's research committee which monitored both the research efforts and the budget needed to support them.

Among the projects being studied were solar energy, methane gas derived from garbage and other vegetable waste such as corn stalks and nuclear energy. The most promising possibility seemed to be nuclear fuel. Many other utilities were using it and they appeared to have few problems with its use. Records of other plants around the country were checked, and after considerable deliberation top management decided to go ahead and file for a permit with the public utility commission (PUC).

Jensen was asked to assemble an **engineering team** to work on the **project,** and he turned to his brightest people, all of whom he believed would jump at the chance to work on the project. He was right about the first four he spoke to. When he asked **Don Henry**, a **brilliant young engineer**, he was met with a cold stare. "If this company wants to go nuclear, I'm not going to help it" :What's more, I'II testify against the permit at the PUC hearing".

<u>THINK?</u>	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
<u>CONTEXT?</u>	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. What should Jensen do about Don Henry?

2. If an employee is unhappy with his company's plans should he do more than quit?

3. To what extent is Don Henry being unreasonable?

4. What might his future be?

SAIM WORKSHEET

CASE STUDY A1-12: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A1-12: ANALYSIS (Summary of Key Points)

Case A2-1

Helen Flagg was an outstanding **sales person** in the Ajax Discount Store. She knew the products well, kept up to date with her recordkeeping and was willing to work overtime whenever necessary. None of her co-workers came near her level of overall sales performance.

Because of this **effective record** Helen was promoted to **manager** of the children's-wear department. Almost from her first day in the new position trouble began to occur. Flagg complained about her subordinates' lack of motivation and dedication, feeling that they were overpaid and that many should be fired.

Naturally this caused difficulty in the department, and two of the better sales people quit abruptly. Flagg's superior discussed these problems with her, but after several such discussions Helen still couldn't understand why she should approach her job differently.

Finally her **superior** offered Helen her old job back as a salesperson with no cut in pay. At first Helen was happy about this switch back to her old job. No more problems with those lazy employees. But then she became worried about her **lack of success** as a **manager**, and this caused her sales to fall. Even though her boss reinforced her on several occasions, telling her that not everyone can succeed as a manager and that excellent sales people are very valuable to the store, nothing seemed to give assurance to Helen Flagg.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. What can **Flagg's boss** do now?
2. Should she have been demoted back to her old position? Why? Why not?
3. Why was she promoted in the first place?
4. What might her superior have done to help Helen in the managerial assignment?
5. What kinds of problems might Helen have with co-workers when she was back in her old job?

SAIM WORKSHEET

CASE STUDY A2-1: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A2-1: ANALYSIS (Summary of Key Points)

CASE A2-2

The L. J. Thomson Company, a large chain store operation, recently reorganized their structure after a six-month study by an outside management consulting firm.

Prior to the reorganization each branch outlet sold company and other products for both retail and wholesale. Retail sales were made to customers who came to the branch while wholesale sales were made by sales representatives who called on customers in the branch marketing area. These sales representatives handled large sales to other retailers and industrial firms who bought in large quantities.

The consulting firm suggested separation of the wholesale and retail business into profit centers so sales could be more carefully measured and costs more accurately determined. Wholesale sales representatives were moved out of the branches and combined with the sales force from adjacent marketing areas into regional wholesale sales offices. Because the retail branches maintained the stock of merchandise, they performed the ware-housing and shipping function for the wholesale selling force. In addition returns and adjustments were handled by the retail branch since it retained the clerical force in existence before the reorganization.

Ben Dixon was the **manager** of one of the new **retail branches.**

He had been in charge before the reorganization, and he resented his assignment to the retail branch, believing that wholesale sales were easier and more profitable. He was particularly angry to be saddled with the responsibility for warehousing, shipping, returns, and adjustment. Clerical work was costly and he simply didn't believe that the transfer credits to cover costs which the branch received for handling all but the sales function for wholesale selling would really fully compensate the retail branch. He felt he was in a "no -win" situation, believing it virtually impossible to show a profit. He was telling anyone who would listen that the new organization would not work.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. Was the new organization structure a sound one?

2. Should Dixon give it more time before concluding that he was in a "no-win" situation?

3. Could his opinion be based on the fact that he resented the retail assignment?

4. Could the organization have been designed differently? Explain.

SAIM WORKSHEET

CASE STUDY A2-2: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A2-2: ANALYSIS (Summary of Key Points)

CASE A2-3

The new **dean** of the graduate **business school** at Gibson University was anxious to build student morale, which he had found to be rather low due to the autocratic regime of his predecessor.

After a lengthy meeting with the governing board of the student organization, he agreed to their request to allow a student-developed and -administered faculty evaluation program to be instituted. The students wanted to publish the results, so that they could be used in promotion and tenure decisions and also demonstrate to the faculty where they stood in student opinion of their classroom performance. One of the students' central arguments was that many faculty members were poor classroom teachers, though they might be good at research and writing. Another was the student opinion that several faculty members were remote and difficult to see after class.

The dean believed the idea a good one, and one which would help establish his popularity with the student government. He didn't believe the faculty would mind the evaluation, and the results could be used by **department chairpersons** as a part of the faculty development process, Because the dean thought highly of the idea, he didn't bother to discuss it with any of the department chairpersons or other faculty members.

It was announced in the student newspaper the following week, and the forms were distributed in classes during that week. One of the school's best known full professors, who had a world wide reputation for incisive writing and provocative research, received a poor rating because of a foreign accent which was sometimes difficult to understand and his impatience with what he considered stupid questions. Many senior faculty members received inadequate ratings. The highest ratings seemed to go to young, nontenured faculty who were close to the students in age, grooming, and behavior.

The uproar among the majority of the faculty was deafening, and the dean was confronted by a committee of department heads who told him the rating system had to go or he would lose significant numbers of his most qualified faculty members and department heads.

<u>THINK?</u>	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
<u>CONTEXT?</u>	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. Did the dean introduce the program effectively?

2. What should the dean do about this ultimatum?

3. Discuss the pros and cons of student-run faculty evaluations.

4. What implications are there in these programs for the business world?

SAIM WORKSHEET

CASE STUDY A2-3: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A2-3: ANALYSIS (Summary of Key Points)

CASE A2-4

The nontechnical people assigned to the research division complain that they are looked down upon by the research engineers and administrative staff (also engineers). The engineers insist that this attitude isn't allowed to affect personal relationships.

Purchasing is handled for (and at) the research division by a purchasing department headed by a **local purchasing agent**. He reports to the **head of the purchasing division** at another location. Purchasing department personnel are not employees of the research division. The purchasing department runs into problems in placing for bid the complex technical materials required. It must in most cases rely on the specifications of the engineering staff, who feel that engineers should have the prerogative regarding source, quantity, and price.

The **engineers** do not question stockroom items unless there is a short part; then they inform the research director that his activities are being interrupted by a stock shortage. He storms into purchasing agent's office to complain that valuable engineering time is being lost because a two-cent part is not available. It is company policy to control these items on a mim-maximum basis, using six-month usage to set the maximum. In items of low use the entire stock is often withdrawn on a single requisition.

Another difficulty arises out of the research engineers' dislike for paper work. They bring material into plant from vendors without getting a purchase order, they buy materials from petty cash; they "borrow" items brought into the plant in the briefcases of vendors. The purchasing agent learns of these purchases when he receives the bill from the supplier. Engineers often promise an order to a vendor before the purchasing agent receives the requisition. Sometimes thousands of dollars' worth of materials are being assembled on vendor premises without covering paper work.

The engineers take pride in this freedom and flexibility in their operations. **Engineering department heads** and the director of research share this feeling.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. List the technical problems involved in this case.
2. What controls might be established to minimize them?
3. Will such controls reduce the personal problems?

SAIM WORKSHEET

CASE STUDY A2-4: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A2-4: ANALYSIS (Summary of Key Points)

CASE A2-5

Because of a number of new product introductions, and the modifications of several existing products, the **marketing director** has decided to issue a new sales manual to its sales force.

The present manual is pocket-sized, about 5 by 8½ inches, and is bound in book form. To make the new manual more efficient and to allow for more product information on each page, the size is increased to 8½ by 11 inches, and the pages are in a loose-leaf binder so that they can be easily replaced without reprinting the entire manual.

When the new manuals are issued you notice **Sam Jeffries,** an old-timer on the sales force, carefully cutting the 8½ by 11 pages down to 5 by 8½ inches and pasting them over pages in the old manual. When you ask him why he is doing this, he tells you that the old manual fits in his pocket, and he doesn't want to carry a big loose-leaf binder around.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. What went wrong here?

2. Is it worth the effort to try to convince Jeffries to use the new manual?

3. Should cost factors be the only criteria in methods improvement?

SAIM WORKSHEET

CASE STUDY A2-5: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A2-5: ANALYSIS (Summary of Key Points)

CASE A2-6

Delta Finance Company wanted to increase productivity in its typing pool operation. There were 300 typists of varying skills and speeds in the operation. Rather than establish individual performance standards, which management felt would be difficult to administer, the **Head** of the **typing pool** decided on group standards.

Ten groups of 30 typists each were created, and each was given a production quota. Work measurement analysts fully realized that some typists in each group were more rapid and accurate than others. They also were aware that some typists, while slow, were very accurate and that others who were rapid made more errors. They also had to contend with the relatively frequent influx of new typists who would slow group production, since the job had high labour turnover.

The ten groups were created with as equitable a mixture of talents as possible, and the incentive system was designed so that when a group reached its quota all members shared the bonus equally. Merit pay increases were continued to allow for and reward individual performance differences.

After the system had been in use for six months, the company found that the rapid, accurate typists resented sharing the bonus equally with slower employees. They felt that they were carrying the group and deserved greater rewards. This was the case even though the rapid, accurate typists received higher pay on a merit basis.

<u>THINK?</u>	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
<u>CONTEXT?</u>	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. Can the company make this type of bonus system work?

2. How can the resentment of the more efficient typists be overcome?

3. How can **team spirit** be developed?

4. Should the company abandon the system and use only merit increase?

SAIM WORKSHEET

CASE STUDY A2-6: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A2-6: ANALYSIS (Summary of Key Points)

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CASE A2-7

Dick Talbot had started with the company as an office boy at the age of 16. Now, at age 59, he was the **training director** and he was in trouble.

During his career, Dick had spent time in nearly every department. While none of his service was outstanding, he was a **reliable, hardworking employee**. Because of his varied experience, he had been assigned to the personnel department several years ago when the company started a methods improvement program and needed a trainer. Dick was sent to school by the company to become knowledgeable in the area of methods improvement, and he became very enthusiastic about the subject. Though he had never finished high school, the company had sent him to several courses on a variety of subjects, and he had done some reading on his own. He did not, however, avail himself of the company's tuition remission plan which would have allowed him to go to school at night to improve his formal education.

He conducted several classes in methods improvement and then started a program for the preparation of procedure manuals. During this period the company grew rather rapidly and the training function expanded.

Having no one else available, the **personnel vice president** promoted **Dick** to the position of **training director**. He also hired a young man with a master's degree as **Dick's assistant.** As time went on, three more bright young training analysts with master's degrees were added to the staff to meet the mounting requests for training programmes from the major divisions of the company.

The company was now conducting two management development programmes, one for first-line supervisors, and one for middle management, a college training programme for college graduates hired as executive trainees, a work measurement program, an orientation programme, and several skill programmes.

In other words, the training department was now an important function, and Dick found that he was unable to cope with his **increased responsibilities**.

He was afraid of the bright young men who worked for him but did not respect him. He couldn't handle the dynamic executive trainees, and he found his lack of formal education a definite handicap. He **postponed decisions** and continually withdrew from controversy. He exercised **no leadership** and his assistant assumed the responsibility. He longed for the days of the first methods improvement program he taught. The world was passing him by; to escape, he started drinking excessively. His rate of absenteeism climbed and the personnel vice president spoke to him about the problem. Dick agreed too complete physical, as well as psychiatric help at company expense.

The personnel vice president kept Dick in his position as training director even though the department was being handled by Dick's assistant, who by now was openly critical of Dick. After a period of treatment, Dick did not show any appreciable improvement and the **personnel vice president** wondered what to do next.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. What course of action should be taken now by the personnel vice president?
2. What can be done with an employee whose position has outgrown his abilities and who has long service?
3. Is the personnel vice president at fault for promoting Dick in the first place?
4. Is it possible that he feels guilty about his error of judgement in Dick's case and that is coloring his handling of the problem?
5. Should a company feel any sense of responsibility of promoting a man over his head?

SAIM WORKSHEET

CASE STUDY A2-7: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A2-7: ANALYSIS (Summary of Key Points)

CASE A2-8

In recent years the **proof department** of the Universal Bank and Trust Company has had considerable difficulty with labour turnover, absenteeism, lateness, and low employee productivity.

The bank is located in a large city. The main function of the proof department is posting of cheques and other items against customer accounts. This means that items such as deposits, withdrawals, and cheques are credited or debited to the proper customer account as they are received by the bank. This work comes to the proof department from the bank's 85 branches.

The proof department is located in a large office building in the city, and there are over **1,500 employees** in the department. The posting is done on a proof machine, and the working conditions are factory-like. Each operator is given work by a **unit head** and then-using a machine which resembles a keypunch machine - posts the items. The work is quite simple, routine, and highly repetitive.

For the last five years the operator job has attracted only female applicants, most of whom are married women and not the heads of households. They are young high school graduates ranging form 18 to 30 years of age. The new operator stays for an average of two years, although a few stay with the bank longer and these are usually made unit heads.

If they worked at full capacity, each operator could process 1,500 to 1,800 items an hour, but the average is 500 to 700 an hour. Mondays and Fridays are days when up to one third of the force may be absent.

The **Head of the proof department** is aware of the problem, knows the work is boring, and realizes that a large majority of the workforce consists of minority group members who are young. The bank pays a competitive salary for this type of work, and its fringe benefits are similar to or better than most other employers in the city.

THINK? **Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.

CONTEXT? All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. What can the Head of the proof development do about this problem?

2. If you were a unit manager in this department, how would you try to increase productivity?

3. Why do people take boring jobs?

SAIM WORKSHEET

CASE STUDY A2-8: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A2-8: ANALYSIS (Summary of Key Points)

CASE A2-9

Each year the company recruited 50 to 75 college graduates for its management training programme. This programme lasted 18 months, and successful trainees usually were placed in a **low level managerial responsibility position** at the completion of their exposure to the training. The program was highly competitive and, though selection was careful, approximately 25 percent of the participants were released by the company before they completed the program.

It was decided to expand the company's **promotion-from-within policy** and allow present company employees to apply for the management training program along with those recruited from the outside. While a bachelor's degree was necessary for the outside applicant, the company decided to waive that requirement for present staff provided they had a least five year' experience within the company and had availed themselves of the company's tuition remission program, and were presently enrolled in an evening bachelor's degree programme at one of the colleges in the area. In addition, they would be required to take the same personality, aptitude, intelligence, and skill tests that outside candidates took. They would also be subjected to the same multiple and depth interviewing process that the outside applicant was given.

Lou Swanson met all of the requirements, having worked for the company six years since his high school graduation. After a variety of clerical jobs he had been promoted to a **group leader's job**. After receiving the promotion, he enrolled at an evening college and was presently one third of the way through the bachelor's degree programme. His job as a **group leader** was not really a management position, since he had **no real responsibility** other than as a pacesetter in one of the large clerical departments.

Lou decided to apply for the management training program and made an appointment to see the personnel director. He impressed the **personnel director** with his enthusiasm, apparent ambition, and interest in the company. Everything was going along very well until Lou stated that he could see no reason to take any of the tests that the department used in the screening process. He felt he had already proven himself in the company and tests were not necessary. He also felt they were an invasion of his privacy. Because of Lou's adamant refusal to take the test battery, his application for the management training programme was denied.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. Was the personnel director correct in refusing Lou Swanson's application?

2. Should an employee who has a successful record in a company be subjected to testing for a job whose requirements are different than the one in which he is presently engaged?
3. Should Lou have applied for the training program feeling the way he did about the testing requirement?

4. Based on the information available, do you think Lou would have been a good risk for the training program?

SAIM WORKSHEET

CASE STUDY A2-9: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A2-9: ANALYSIS (Summary of Key Points)

CASE A2-10

Tom Merrill started with the company when he was discharged from the service at the end of World War II. He had been a combat pilot and had risen to the rank of captain.

The company, a major petroleum firm, placed Tom in its aviation marketing division to take advantage of the knowledge he had acquired in the service. Tom was successful and progressed through various positions, receiving raises and promotions as time went on. Tom was sent to several company training programs to develop his managerial ability and was given **continually increased responsibility**. After several years in the aviation division, Tom was given a variety of rotational assignments in other divisions to broaden his knowledge of company operations.

Clearly Tom was a young man with a great future. During this period the company prided itself on its **promotion-from-within policy**, placing great emphasis on experience in company operations. Little emphasis was placed on education; several executives had not gone to college. There were many success stories in the company of people who had started in minor jobs and risen to high managerial posts. Tom, who had not gone to college, apparently was emulating this type of company success story. After serving in a variety of posts, Tom was assigned to the sales staff of the marine division.

He continued his pattern of success, receiving merit increases and promotions until he was placed **in charge of marine sales**, reporting directly to the divisional vice president. Tom had participated in more company-sponsored executive development programmes, and these, along with his experience, had apparently developed him into a very capable, articulate administrator.

During the period of Tom's service in the marine division, the company effected a change in policy. While it still basically adhered to a promotion from within policy, more emphasis was placed on education. College graduates were hired for executive training, thus bypassing the time-honored clerk-to-president approach of the past. Master's degree holders were re**cruited** for several understudy positions and, in fact, Tom had a few working for him.

Tom's boss, the **divisional vice president**, was pleased with Tom's performance and frequently told him so. Each year it was his responsibility to conduct a formal performance evaluation of those managers reporting to him. Part of the evaluation program provided for the ranking of peer group managers in the order of their worth to the company. This ranking reflected the opinion of the evaluator as well as his superior.

For four years Tom was told that he had received a high ranking each year, and his raises reflected the esteem in which he was held. Tom questioned his superior about promotional opportunities and each time was told not to worry and to be patient. Tom did not press the issue, he was reasonably satisfied with his progress and was flattered by the high ratings he received. He began to reflect on his career, however, and wondered when he would be promoted.

He had been with the company almost 25 years and was now 45 years old. He felt he could **assume senior management responsibility** and his ratings seemed to prove this. He also believed that a promotion must come in the near future or he would be bypassed by younger people in the company. He felt he was still marketable as an executive for another company but that if he waited much longer, he would be too old. After considerable thought in this vein, he decided to have a heart-to-heart talk with his superior.

He opened the discussion by questioning his boss on the meaning and values of the peer-ranking aspect of the performance evaluation program. His boss told him it had considerable importance in determining a person's promotability and the size of the annual increase. Tom then pressed for more specific information regarding his evaluation. While reluctant to do so, his superior then told him that he had been ranked number one for the past four years by both the executive vice president and himself. His boss went on to say that the size of pay increases Tom and received reflected this thinking and that he was now being paid a salary over the top of the range for his position. Tom then asked the logical question, "Why have I not been promoted?" His boss then replied, "It's because of your lack of formal education. The company has decided that **only college graduates** will be considered for promotion to **senior management positions."**

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. Do you feel the company is justified in the position they have taken with regard to the promotability of Tom Merrill?

2. Should Tom's superior have told him about his rating and the decision about his promotability? Should he have been told sooner?

3. What should Tom do now?

4. Does a company's management have any responsibility to communicate how a policy change may affect an employee's career?

5. To what extent did Tom contribute to his predicament by not getting a degree by going to evening college during his career with the company?

6. Is the company placing too much emphasis on the value of a college education and by so doing, discriminating against employees like Tom Merrill?

7. Is there a possibility that there may be another reason or not promoting Tom, and his superior may have used his lack of education as a convenient excuse? If so, to what extent should a superior be frank with a subordinate when discussing his career?

8. Can the company justify paying Tom a salary higher than the top of the range for his position and still not promoting him?

SAIM WORKSHEET

CASE STUDY A2-10: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A2-10: ANALYSIS (Summary of Key Points)

CASE A2-11

Len Olsen, at age 55, had been with Douglas Manufacturing for 33 years.

He had come to them as a young engineer right out of college. For the past five years he had been **senior vice president** in charge of plant operations in the main plant, which employed over 7,000 people. Len had come up the hard way, progressing slowly but steadily over the years. He was not brilliant, but he was a **dependable, capable employee**.

His dependability had caught the eye of **Henry Steele** when he was in Len's present position. Steele liked dependable, steady subordinates, and he took Len under his wing. He and Len got along fine: **Steele made all the decisions** and Len carried them out without question. Three years before Steele retired, the company made him executive vice president in charge of manufacturing. It was at that time that he promoted Len Olsen to senior vice president. Nothing really changed in the relationship except the titles of the two men.

Though Steele had wanted Olsen to succeed him when he retired, he was not able to convince the company president. Instead, a 39 year-old senior vice president from another division of the company was promoted to the manufacturing executive vice presidency. **Everett Jackson** was the classic bright young executive with a great deal of drive and energy, well educated in managerial practice, with a superb reputation in the company. He liked subordinates who could make decisions, run with the ball, and accept responsibility.

Olsen, who was used to going to Steele with everything, just couldn't figure out Everett Jackson. Every time he went to him for a decision, he was told to do it himself or present alternatives. He had never had to do this before, and he began to feel like a fish out of water. Jackson wasn't very happy, either. He found Len a roadblock and promoted a bright young man to assist Len. Then he found himself working with the young man and around Olsen.

After one year, Jackson decided he had to get rid of Olsen; and since no job could be found for him in the company, he was asked to take early retirement.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. How can a manager who is used to one type of superior change his behaviour?
2. Could Jackson have done anything to change Olsen?
3. To what extent was Olsen's fate decided by Henry Steele?
4. How can managerial obsolescence be avoided?

SAIM WORKSHEET

CASE STUDY A2-11: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A2-11: ANALYSIS (Summary of Key Points)

CASE A2-12

During the last 25 years, the Union Fidelity Trust Company had grown quite rapidly. Technology had caused several job changes and the elimination of others. However, company policy had always dictated that no employee was to be fired because of job changes or eliminations. Normal attrition was believed capable of handling any employee surplus problems that resulted from the job changes.

Two years ago a new **president** was appointed. He was **39 years old** when he assumed the presidency of the bank. At about the same time the cost-price squeeze began to affect the banking industry, and Fidelity Union was no exception. The two largest expense items on the balance sheets of most banks are interest expense and salary and fringe benefit expenses. Since interest expense is a function of the money market and no one bank can control it, the obvious category for expense control lies in salaries.

This fact did not escape the new president in his desire to maintain a reasonably high level of earnings for his bank. After discussing expense control with other members of **senior management**, he decided to introduce two new policies. One of these he thought of as a short-term policy subject for new employees. The other, which he wanted to be a permanent policy, was an early retirement program designed “to eliminate obsolete older employees”.

While the president realized that both of these policies would be controversial when he made the decision to implement them, he was surprised at the depth of the controversy. The early retirement policy was the most controversial. Each major **division head** was required to submit the names of those individuals who were considered least competent and candidates for suggested early retirement in the next year. The policy also allowed any employee over age 55 to request early retirement. In both cases, benefits would be less than those that would have been received if the employee stayed until the usual retirement age of 65, unless the retirement took place at age 60 or later. In such instances, the benefits would be the same.

The controversy seemed to center on the need for making the **hard decision** about who was "obsolete". Though the **division heads** could refer to all past performance appraisals and discussion with the individual's present supervisor, they resented having to make such a decision. Certainly a significant factor was that most of the potential candidates were long-service employees well known throughout the bank. The other part of the controversy related to the possibility of losing very capable employees, who under the policy could opt for early retirement if they so desired.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

1. Why would the division heads be reluctant to make an early retirement decision regarding obsolete employees?

2. Could the new president have implemented such a policy differently?

3. What is wrong about an early retirement policy? What is right?

4. Could the new president's age have anything to do with his decision?

SAIM WORKSHEET

CASE STUDY A2-12: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY A2-12: ANALYSIS (Summary of Key Points)

PART B

CASE STUDIES

A series of **mini-case studies**
reflecting some of the practical problems and issues which occur at the **Senior Management** levels within a range of different
organisational management-contexts.

CASE B-1 JOSEPH COAT COMPANY

When **GUS JUBILEE's** rich aunt died he learnt that she had left him a collection of shares and a large sum of money. Checking his inheritance, he found that the share certificates included a number in the Joseph Coat Company, a large private company in Babalegi Industrial Township, a border-area development, some 30km north of Pretoria.

The Joseph Coat company manufactured products made from heavy woollen material, particularly blankets, greatcoats, overcoats and other items. Most of the products were sold to Black customers through retail outlets in urban and rural areas and through mine concession-stores. The Company employed a large labour force as well as a widespread sales force. The majority of workers at the Babalegi factory were Black men living at the near-by Temba Black township, while most of the White workers - the foremen, supervisors and personnel involved in the plant's administration - travelled to work from various suburbs in Pretoria.

When Mr Jubilee knew about his shareholding in the Joseph Coat Company, he consulted his attorneys who told him that he was, in fact, the majority shareholder in the Company. It was not long, therefore, before Mr Jubilee let the Company know that, as the majority shareholder, he intended visiting them. He flew to Pretoria and drove from the airport to the plant where he was met by the Managing Director, Mr Adriaan Loubser.

After introducing himself, he set about learning as much about the Company as he could from Mr Loubser. He wanted to know the objectives of the Company and how they intended developing in the future. He also extracted as much information as he could from the Managing Director about the personnel policies of the Company. Because he had spent a year at a well-known business school in the Cape, Mr Jubilee felt that he had a good working knowledge of business organizations. In his view, a company's personnel plans were at least as important as its financial and marketing strategies. After a busy day he gleaned the following information:

Mr Loubser, 38, had started the Joseph Coat Company about seventeen years before. He and his wife, Hester, had settled on a small-holding where the present factory is situated.

Because the climate was fairly cold, Mrs Loubser sewed a coat for her husband and out of favourable comments passed by the indigenous population that a certain segment of the Black population liked the style of the coat. As a result, Mrs Loubser began cutting up more old blankets and sewing them into coats. She sold these at a good profit to the Black labourers and their families in the district.

As a time went, by the Loubser coat became well known and demand exceeded supply. Mrs Loubser had to employ Black men and women to help her and Mr Loubser soon assembled a prefabricated building on the small-holding to house their new 'factory'.*

Eventually, the Loubsers decided they would need to mechanize the factory, but lacked the capital. Through his attorneys Mr Loubser managed to get finance from Gus Jubilee's aunt, whose fortune, coincidentally was administered by the same attorneys. With the acquisition of these funds from Mr Jubilee's aunt and other interested parties, the Loubser family lost financial control of the business, but still had a 12,5 per cent share of the equity.

The factory continued growing. Sales increased and demand exceeded supply. Though it was clear that the Company needed to be consolidated and reorganized on sound business lines, the continually increasing demand for the coats made it impossible for the Mr Loubser to carry out any major organizational changes.

Mr Loubser's main job as Managing Director was to run the manufacturing plant as well as the sales force. He admitted that the factory took up most of his time and he never seemed to get around to the sales aspect of the Joseph Coat Company.

'We have about fifty White males here. Twenty are on the administration side and the rest work in the plant as foremen, supervisors and so on. Three have been here for more than five years, but the rest come and go.

When asked about payment policies, Mr Loubser said that anybody who wanted an increase in salary was welcome to talk to him. He would always consider the requests and he knew personally every White person employed at the plant. Asked about employee benefits Mr Loubser appeared a little vague and uncomprehending. When Mr Jubilee explained what he meant, Mr Loubser became slightly irritated and said, 'When I started this Company nobody offered me a pension. And if my wife was ill, I bloody well went out and worked harder to get some money to pay the doctor's account.' (A sample of the salaries paid to the White staff at the factory is shown in Exhibit 1.)

EXHIBIT 1

EMPLOYMENT DATA ON SELECTED WHITE STAFF AT THE JOSEPH COAT COMPANY.

Name	Age	Position	Salary p month	Qualifications	Length of service
C Manson	56	Security Officer	R2650	Std 6	18 months
P Kinneny	28	Accountant	R6500	C.A.	12 months
P Krygsman	46	Supervisor	R8500	Std 6	9 years
J Hilton	43	Plant Foreman	R6200	Std 8	5 years
R van Zyl	24	Clerk	R2050	Std 7	1 year
Q Welsh	25	Clerk	R2000	Std 7	2 years

* Mr Krygsman is Mr Loubser's brother-in-law.

Recruitment and selection of White personnel were undertaken mainly by means of advertisements in the local newspapers, The Pretoria News and Hoofstad. In all cases, staff were interviewed by Mr Loubser who made the final decision. In many instances, the Personnel Manager sat in on interviews.

Mr Jubilee felt that it might be advisable to discuss the Company's manpower policies with the Personnel Manager. He asked Mr Loubser whether it would be possible for him to speak to the person concerned.

Mr Loubser said, 'Well, as I mentioned, we do have a Personnel Manager. He used to work for the former Bantu Investment Corporation. I think he worked for them as a stores manager at one of their textile plants for about twenty-five years. He retired early and joined us as Personnel Manager'.

Mr Jubilee walked straight into the Personnel Manager's office. He had not made an appointment, and was not met by a secretary. He introduced himself and asked the Personnel Manager to give him some idea of his background.

The Personnel Manager, 55 year-old Mr Stan Arkwright, had been with the Joseph Coat Company for about three years. When he worked as a stores manager at the Home Textile Company near King William's Town, he had dealt with a number of Black workers. Because of this, Mr Loubser thought he could act competently as a Personnel Manager at the Joseph Coat Company which also employed a number of Blacks.

Mr Jubilee felt that he should ask Mr Arkwright about manpower policies for both the White and the Black staff. It was immediately apparent that Mr Arkwright had a little to do with the White staff. 'Mr Loubser generally does the hiring and the firing and I merely see hat the salary cheques are paid. I do the PAYE calculations and deductions, and Mr Loubser signs the cheques. I also keep all the records of employment and payment of White Staff, but otherwise my concern is mostly with the Black staff. You see, I've had many years of experience of dealing with Black staff because I worked for Home Textiles as a stores manager. All my workers there were Black and I know how to treat them. That's why I came here as Personnel Manager'.

Asked for more details about the Black work-force, Mr Arkwright told Mr Jubilee that nearly all the Blacks came from the near-by Temba township. The Company did not provide transport for the workers, 'because Temba is only two kilometres from our factory'.

Mr Arkwright added, 'I think we've got 250 here at the moment. I never know from one day to the next because these people come and go when they feel like it'. When asked how he recruited Black staff he said, 'They are very easy to get. If we are short of some Blacks we put an advertisement up outside the factory and let our present employees know of the vacancies'.

There was a flat rate for Black wages throughout the plant. This figure had been worked out by Mr Loubser three years previously after he had attended a seminar in Pietersburg on the employment of Blacks. Increases were based solely on loyalty to the Company.

Mr Jubilee asked the Personnel Manager whether there were any measures of productivity which applied to the industry and how the Joseph Coat Company compared with the industry as a whole. Mr Artwright replied, 'Do you mean, do these chaps work hard? Well, if they don't I just shout at them; that's the language they understand. Yes, they work pretty hard for me'.

The Company employed a nurse who could recommend whether an employee should go to see a doctor or not. 'Most of the staff, if they sick or injured, visit the day hospital at Temba township. It saves us having to pay them because they don't turn up to work that day and we also don't have to take them to a doctor. They are often referred from Temba day hospital to a Pretoria hospital, if necessary'.

Further questions revealed that Mr Arkwright knew little about any government-originated benefit schemes and was unaware of the rules and regulations of the Workmen's Compensation Act.

At the Production Manager's office, Mr Jubilee was ushered in by a secretary. Mr Blackbush, 32, had studied for a year at the Leeds Institute of Textile Technology after getting his engineering degree. Until quite recently he had been the Assistant Production Manager at one of the former Bantu Investment Corporation's clothing plants near Transkei.

Mr Jubilee thought Mr Blackbush would certainly know that selection techniques were used in employing Blacks, what induction and placement procedures were followed and what sort of training the company offered. He also questioned Mr Blackbush about the system of wage and salary administration at the Joseph Coat Company.

Mr Blackbush initially showed some resistance in replying. Those questions really relate to the personnel-management function and not to my job,' he commented.

However, after some prompting, Mr Blackbush said, 'Frankly, the Personnel Manager does not have the training to do the work in this plant. He doesn't really know what to do and although he walks around the plant from time to time, I regard him as a confounded nuisance. He doesn't speak the language of the staff here, and he tries to earn their respect with his fists rather than with his abilities. As a result, I spend my time putting out fires rather than making constructive efforts to improve matters.

'Unfortunately, I'm at a disadvantage, too, in that I speak Xhosa English and Afrikaans and the majority of the Blacks here speak only Sotho. However, I try to interview all the workers when they first arrive. I also take them to their various White supervisors who are instructed to train them in the use of the machines. Not all of the supervisors speak Sotho, unfortunately. Most of the training is done on-the-job under the guidance of the supervisors, who are often helped by some of our experienced machine-minders. Once they have trained the newcomers, they return to their previous work. You've probably been told, too, that they are all paid the same starting rate and increments are based on length of service.'

Mr Blackbush did not know of any standard of productivity against which to measure the performance of the Joseph Coat Company.

'There are no companies in this area doing the same work that we are so I haven't been able to establish productivity standards. However, I think that the people here are less efficient than those in the factory I was at before I came here.* Labour turnover is certainly higher than I would expert if I used the previous plant as a benchmark. At the moment, we are experiencing about 65 per cent labour-turnover figure which is about three times what I've been used to'.

Mr Blackbush explained to Mr Jubilee how once Black workers had been introduced to a job, they remained there. 'Obviously they can then improve their efficiency all the time' Commented Mr Blackbush. 'We believe that to swop workers around from one machine to another would invite disaster and disillusionment. Most of these people are illiterate and to train them to handle more than one machine is asking too much'.

A Works Committee was in operation at the plant, but management seemed to have a little real interest in it and Mr Jubilee could not really find out whether the workers regarded it as successful.

Mr Jubilee's last call was on the Sales Manager who luckily was at the plant that day. He normally spent three weeks at a time away and was seldom back at the plant for more than three or four days.

Joe Messing was about 40 years old. He had no qualifications, but had been a salesman, mostly around the mine compounds, all his working life. He was dressed in a brownish tweed-jacket, light-blue trousers, white shoes, and a pink shirt with a blue bow-tie. He had previously been one of the Joseph Coat Company's salesmen and had only recently been appointed on the retirement of the last Sales Manager.

The existing sales-force consisted of four Black salesmen, one White sales supervisor and Mr Messing himself.

‘We all have company cars and travel to potential clients in urban and rural areas,’ he said. ‘One of out biggest group of customers is the mine-compound shops where we sell our merchandise to Blacks.. They normally buy when they are about to leave the mines to go back to their homelands.

‘I do most of the selling to these clients, while the other salesmen concentrate on the homelands and other rural areas where they sell to mostly Black traders. Our sales supervisor, Mr Dick Trenton, is from England and he concentrates on the large White clothing chains which have Black retail outlets. A good deal of his business is bulk orders’.

The question of recruitment and selection was broached by Mr Jubilee. It appeared from Mr Messing’s reply that he had not been involved with his aspect of the job because they had a loyal, well-satisfied work-force. Nobody had left (with the exception of the retired Sales Manager) in the last three to four years.

Mr Jubilee wondered why sales had such a low staff turn-over, earning more than R3000 a month and whenever they are on the road, they get a big board-and-lodging payment. I think that most of them see this a status job. I find my job very satisfying. I’m well paid and I hope to become at least a Director of this Company’.

When asked whether customers thought highly of the Joseph Coat Company’s products, Mr Messing replied that demand continued to exceed supply and that most of his clients were supplied on a quota basis. He also seemed to think that demand would increase in future years as more and more Blacks were earning increasingly higher incomes. ‘I suppose then we will have to expand our sales forces’, he said.

When Mr Jubilee flew home, he gave a good deal of thought to what could be done at the Joseph Coat Company. He remembered all that he had learnt at business school about the utilization of manpower. He felt that his position as a majority shareholder entitled him to suggest some sort of manpower plan for the Company. This would require a good deal of thought because he knew that the legislation relating to Black staff was complex. However, he believed it would be worth the effort. An analysis of the Company’s accounts had showed that profits were no more than reasonable, despite the sharp and continuing demand for its products. If need be, he was prepared to raise more funds for the Company, but he did not think that an injection of capital alone would raise productivity successfully.

A total strategy seemed called for.

At Joseph Coat Company, we see the typical problem of a company that has outgrown the expertise of its founder/owner. The Company has reached the point where sophisticated planning is required for the proper utilization and development of its manpower. A basic manpower plan must be formulated against the background of South African legislation and the constraints it places on the use of people, together with the differing characteristics of the people themselves.

<u>THINK?</u> **Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.

CONTEXT? All **managers** make **decisions** within their own unique **context.**
Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

SAIM WORKSHEET

CASE STUDY B1: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY B1: ANALYSIS (Summary of Key Points)

CASE B-2 INTERNATIONAL PRINTS

The Durban Branch office of International Prints had recently moved to one complete floor of the most exclusive city office-block. The department sections had been designed in the open-plan style and specially decorated to complement the Company's progressive market-leader image. The branch had been operating for eight years, each of which had seen a new target-beating record for sales achievement.

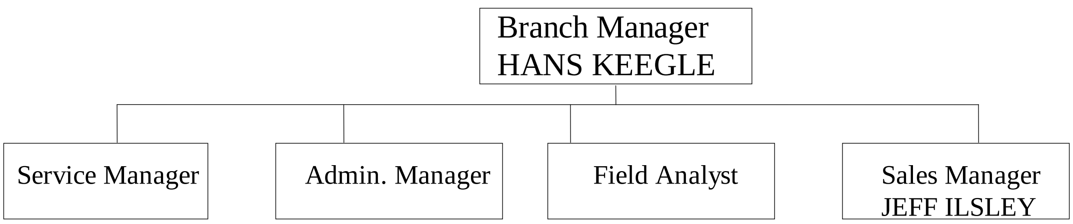
The company hired out a small range of advanced, high-quality copying-machines imported from Europe. It had enjoyed the protection of international patent rights on all its products until early 1994 and had managed to build up an 80 per cent share of the South African market. In 1995, however, it faced a strong competitive challenge and the sales force was hard pressed to maintain the Company's proud record.

The sales section in the Durban office (see Exhibits 1 and 2) consisted of seven men and two women controlled by the Sales Manager, Jeff IIsley. Although he was quite genial, IIsley was a very disorganised leader and two of the Senior salesmen, Chris Murison and Pete Penny, considered that IIsley was lucky to have risen to the position of Sales Manager. He had previously been a salesman in the outlying areas, where he successfully introduced the Company's new concepts to the country businessmen. He had been promoted to Manager in July 1994.

IIsley tried to keep up positive sales attitudes by holding occasional 09h00 training sessions run by senior members of his team, by late afternoon debriefings, and also by accompanying the salesmen into the

EXBIHIT 1

ORGANIZATIONAL CHART
INTERNATIONAL PRINTS: DURBAN BRANCH



Service force of 30 | Staff of 4 | Sales Team of 9

field about once every fortnight. However, his efforts did not inspire his team to great effort or success. Behind his back they frequently blamed him for their lack of orders, criticising his sloppy appearance, ineffective organization, staid ideas and inability to close sales. Pete Penny was particularly critical.

Although the team got on well together, morale was low. A number of factors were cited as reasons for this, among them being IIsley, and increased competition in the field. The Durban branch held the South African record for high sales-staff turn-over and it was not any great news in April 1995 when Rob Starke left the team to join one of International's main competitors. Although he had regularly achieved the monthly Company sales target of two to three machines this did not satisfy him. The endless search for suitable prospects was getting him down. Arazuki, the company he was joining, marketed smaller, less-expensive machines and he hoped this would enable him to gain more frequent orders. In addition Arazuki would give him managerial training after six months' service.

Starke's replacement was Selwyn de Jager, who had just returned to South Africa after two years in Australia. He had spent his last year there selling for the International Prints outlet. He was introduced to the sales team on 1 May by Hans Keegle, the Branch Manager. The normally phlegmatic Keegle was obviously delighted with his new recruit and read to the team a very flattering letter of introduction De Jager had brought with him from International Prints in Australia, a letter which lauded his sales achievements.

EXHIBIT 2

INTERNATIONAL PRINTS: DURBAN BRANCH SALES DEPARTMENT DURING APRIL/MAY 1975

Name	Rank	Jan. to March Target Achievement	Years Service	Age	Education	Previous Work
Jeff IIsley	Manager	82%	1½	34	Std 10	Salesman
Chris Murison	Senior	97%	3½	31	B.Th.	Personnel Officer
Pete Penny	Senior	71%	3	35	Std 10	Clerk
Rob Starke	Senior	95%	3½	25	B.Comm.	Nil
Selwyn de Jager	Senior	N/A	1 (Austr.)	33	Std 9	Salesman
Peter Malan	Territory	87%	1	26	Std 10	Salesman
Casewriter	New business	75%	½	28	B.A. (Hons)	Teacher
Dave Walker	New business	60%	1/3	29	Std 10	Electrician
Anne Chiat	A/c development	N/A	½	24	B.A.	Market analyst
Shirley Ryan	A/c development	N/A	1/3	31	Std 9	Model

After Keegle had finished, De Jager thanked him and immediately described what he thought the 'sales game' was all about. He went on to propose that the team adopt certain sales strategies that were currently being used with great success in Australia. He spoke with great assurance and created a created a considerable impact on all in the team except Murison, who remarked later that De Jager's style and appearance were too ostentatious for his liking.

On his second day at the office De Jager asked IIsley to allow him to run a daily one-hour session for the sales-team on psycho-cybernetics, an approach to life which he claimed had been directly responsible for his success and which would have a powerful motivating effect on the team. IIsley didn't need much persuading and the sales-team was told to keep from 16h00 to 17h00 open each day for the next fortnight.

De Jager's first lecture had a mixed reception. It was an aggressive, enthusiastic, super-confident explanation of how to succeed through positive-thinking and high goals. Murison and Anne Chiat were the only people to leave the excited gathering at 17h00. On their way to the basement car park they discovered they had similar reactions to the lecture. They agreed that De Jager's ideas were simplistic, crude and lacking in credibility. They expressed concern at the apparent gullibility of the rest of the team.

At the second cybernetics session, De Jager assumed the same assertive, dogmatic stance. IIsley and Penny strongly supported his ideas while Murison, and Chiat stubbornly rejected them. The following day Murison asked if they could be excused from future sessions. IIsley reluctantly agreed.

During subsequent weeks De Jager's influence spread. He appeared to be well organized, ambitious and experienced in selling. A lot of his time was spent in giving advice to nearly every member of the sales and administrative sections. His ideas were generally well received. Long meetings developed between him and Keegle and one of the outcomes of his influence was a new aggressive attitude on the part of Keegle, IIsley and the majority of the sales team.

Murison and Chiat, still criticised De Jager and Murison and often protested to IIsley about what they considered interference by De Jager in the way they worked. IIsley was deaf to all complaints and the three gradually began to dissociate themselves from the rest of the team by adopting a passive role in its operations and decisions.

Despite objections they were ordered by IIsley to take part in a new sales strategy, introduced by De Jager, which he guaranteed would increase territory penetration and lead to a larger prospect bank. The plan was simple: the team was divided into pairs and 'blitzed' a selected member's sales territory. On the third day of the week-long operation Murison was paired with De Jager to 'blitz' a central section of the city (a rotating list of pairs had been prepared by IIsley).

When the team gathered to compare results that evening, it was obvious the Murison and De Jager were not on speaking terms. Murison had been disgusted by De Jager's 'uncivilized' behaviour during their second call when they had met one of the senior partners of a well-known form of attorneys.

Murison related that the firm had bought a competitive copying-machine a year before. Mr Abrahams, the partner, had ushered the salesmen into his office, but politely forewarned them that they didn't stand to gain much as he and his partners were more that satisfied with their new machine's quality, reliability and economy. De Jager had asked Mr Abrahams if he knew that the price of the special copy-paper that they used was going up by 95 per cent and that their particular model had endless technical problems. Mr Abrahams, who looked somewhat askance, said he was unaware of these things, but was nevertheless quite happy with their machine and saw no possibility of scrapping so recent an investment.

Murison recalled that instead of changing his approach and perhaps introducing some new concepts that International Prints had developed, De Jager persisted in trying to cast doubt on the suitability of the firm's existing machine. Mr Abrahams had become progressively more antagonized and angry and Murison had brought the meeting to an end by interrupting and proposing that International Prints recontact Mr Abrahams in a year's time.

At this point Mr Abrahams had risen from his chair and said he doubted very much whether he would have anything to do with the company in the future. To avoid any further deterioration in the situation, Murison thanked the partner for his time and walked out, followed by De Jager.

As soon as the salesmen were outside the office a heated argument took place, each blaming the other for the failure of the meeting. The exchange ended with Murison saying that he couldn't work with De Jager and storming off. He had spent the rest of the day at home gardening.

By the end of July it was clear that De Jager was having very little success in the field. In his three months in Durban he had obtained only one order. He himself put this down to lack of company back-up. He complained that sales aids were totally inadequate and that the support of the service section was disgraceful when compared to what he was used to in Australia. IIsley still seemed to agree with most of what he said, but apart from Penny, his supporters were not quite as enthusiastic as they had been.

Murison seldom came to the office. He made no secret of his loss of respect for International Prints and openly admitted that he spent many hours of his working day helping a friend build a yacht they hoped to enter in the Cape-to-Rio race. His sales orders had declined and were smaller than those of the rest of the team. IIsley reminded him of this whenever he had the chance.

One Friday morning in August, the telephonist passed on to Keegle a message she had just received from Murison. The message gave notice of his intention to leave the Company. He would be calling in at the office on the Monday to collect his personal belongings and hand in his formal letter of resignation.

This company has a major share of the copier market, but is facing new competitive challenges now that its patent rights have expired. It is going through a difficult period in its growth because of new pressures on its management and sales force to adapt to change. The case illustrates the fundamental relationships between inter-personal behaviour, the nature of an organisation, and management style. Resignations and a new appointment have a dramatic impact on these fundamental relationships with rather damaging consequences.

THINK?	After all following cases as above discussing the case with others, and try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

SAIM WORKSHEET

CASE STUDY B2: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY B2: ANALYSIS (Summary of Key Points)

CASE B-3 KREEFONTEIN

KREEFONTEIN is a medium-sized municipality in the eastern Cape and its Electricity Department is responsible for the generation, transmission and distribution of electricity throughout the municipality and immediate surrounding area (see Exhibit 1).

The Departmental Head, the Town Electrical Engineer (TEE), was Kevin Sanders, B.Sc. (Eng.), with thirty-two years' experience. He had spent his early graduate years with the British Central Electricity Generating Board, gaining considerable experience in power generation. After emigrating to South Africa, he joined the Generation Branch of the Kreefontein Electricity Department at the age of 30.

Because of his supervisory ability and professional competence, Sanders was promoted whenever the opportunity arose. He had held the TEE post for three years and was to retire in five years' time.

His deputy (DTEE), Mike Lindsay, was a non-graduate who had been with the Department for thirty-years. He had entered the Department as an apprentice electrician and gained wide experience through holding posts in all branches of the Department. Over the years, he had been promoted regularly and was selected as DTEE because of his excellence administrative abilities. Promotion from DTEE to TEE was normally automatic, except that non-graduates were not eligible for the position of TEE, but since he was older than Sanders and would retire first, Lindsay was granted the DTEE post.

The remaining engineers formed a loyal group who had worked in the Department for many years. Over the past five years however, the municipality had experienced rapid growth and about twelve young graduate engineers were recruited to deal with the increasing work load. The graduates found the work interesting, but a few of the more ambitious ones saw their chances of rapid promotion blocked by the Senior Engineers. The Senior Engineers were eligible for promotion only if their superiors either retired or were promoted.

Two years previously, the Government had proclaimed the Kreefontein region a Border Area and industrialists were offered concessions to establish factories in the region. The existing electrical generating capacity was considered inadequate for future needs and the Department therefore commenced planning for a second municipal power station. The new power station would also replace the ageing No. 1 Power Station which was nearing the end of its economic life.

The Planning and Generation Branches of the Department worked together on draft specifications for the power station's electrical plant which would include boilers, turbogenerators and switchgear. The young graduates found the work a stimulating challenge and volunteered overtime to ensure that the specifications were completed on time.

The turbo-generator contract was complex, however, and the Department's consulting engineers, Parker, Mansfield and Partners, were called in to assist. The consultants, known as PM & P by the engineers, were a long-established international group with South African affiliates. The Department had employed their services for forty-five years and, as usual, PM & P would assist in adjudicating tenders.

After three months of preparation, the turbo-generator specification was completed and tenders were issued. The tenders were processed as follows:

After tenders were returned on the due date, the Planning and Generation Branches compared the various offers on a technical and cost basis. Their recommendations were forwarded to the TEE. Concurrently, PM & P performed an independent adjudication and submitted their report to the TEE. Using both reports, the TEE submitted a recommendation to the Utilities Committee for approval.

According to statutory regulations, all large municipal capital expenditures required the approval of the Utilities Committee. The Kreefontein Utilities Committee consisted of five town councillors. The Chairman, Frank Johnson, was a financial consultant by profession. Under his guidance, projects from all Departments were subjected to critical scrutiny.

The costs of many civil projects, such as roads and buildings, were often pruned because the Committee considered some aspects of these projects to be superfluous. Electrical contracts were always considered essential, however, and none had ever been reduced or rejected.

The turbo-generator tenders fell due three months after date of issue.
Three offers were received: a Belgian offer costing R4 m, a British offer costing R4,5m and a Japanese offer costing R5,2m.

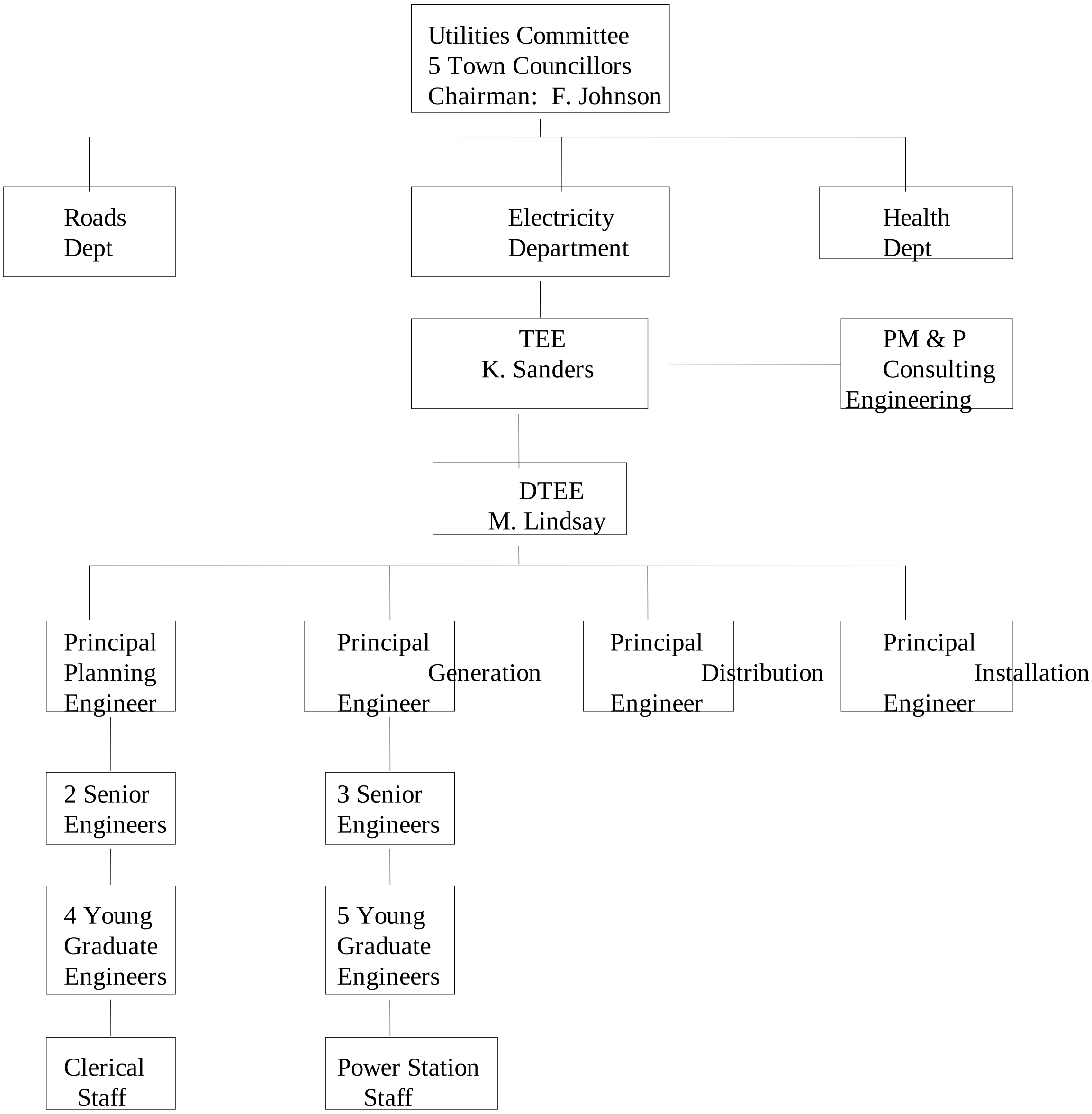
The Japanese offer was quickly rejected as being too costly for further investigation, leaving attention focussed on the relative merits of the Belgian and British offers. Sanders spent much time conferring with his Generation Branch on the technical aspects. The Principal Engineer pointed out that the Belgian machines complied fully with the specification and he felt that Sanders could recommend this tender for approval.

Sanders was uneasy about the Belgian machines. The turbines offered incorporated new design features and had been acclaimed in Continental engineering journals as a major advance. Over the past few years a number of these machines had already been commissioned in France. However, during his overseas trip the previous years, he had visited the Belgian factory and found that it had severe labour problems. However, he was well acquainted with the turbines offered by the British.

EXHIBIT 1

KREEFONTEIN MUNICIPALITY

PARTIAL ORGANIZATION CHART SHOWING THE KREEFONTEIN ELECTRICITY DEPARTMENT.



These were based on a twenty-year-old design and were more strongly constructed than the Belgian ones. The power station had to provide reliable service for the next thirty years and Sanders felt that too much was at stake to take chances. With the backing of the Planning Branch, Sanders was becoming increasingly convinced that the British offer ought to be accepted.

By this time PM & P had submitted their report to Sanders, recommending the Belgian offer and citing the success it was on the Continent. Sanders could not agree and submitted his recommendation to the Utilities Committee. The Committee met a week later to discuss the report.

Two days after Sanders sent in his report, the Government announced cutbacks in expenditures. Budgets were to be trimmed by 15 per cent and non-essential projects postponed. Essential project were to continue, but attention would have to be given to costs.

A week later the Utilities Committee met and Sanders attended.

Johnson: Kevin, we have studied your recommendation, but cannot see how you can justify spending an additional five hundred thousand rand when the Belgian offer complies.

Sanders: Frank, I'm fully aware of the Government clamp down, but please realize that I must ensure that Kreefontein has a reliable supply for the next thirty years. I doubt whether the Belgian machines can do the job, especially since the old power station is prone to breakdowns and the new machines will have cope with sudden overloads. If the new machines give trouble, the town will suffer black outs and savings in costs now could be wiped out by heavy future maintenance costs.

Johnson: But PM & P recommend the Belgian offer and as they have advised your Department for a long time their report should surely carry a bit of weight?

Sanders: That may be so, but I disagree with their findings. And can we be sure that the machines will be delivered on time, especially since the factory is prone to strikes?

Johnson: Penalty clauses in the contract provide for this,. I feel it is essential that we save the five hundred thousand rands.

The committee authorized acceptance of the Belgian offer. Delivery was to take two years.

Some of the young graduates received news of the Committee's decision with barely concealed glee. It was about time new ideas and developments were accepted, they said. Look how often their suggestions had been turned down in the past because of the conservative attitudes of their superiors.

During the ensuing six months, the engineers found it difficult to work together. A lot of technical correspondence was required between the Department, PM & P and the manufacturers. The generation engineers were keen to get on with the job, but whenever letters were sent to Sanders for approval and signature, he seemed to procrastinate. PM & P sent numerous letters to Sanders reminding him that replies were overdue.

Two promising young engineers resigned, saying it was becoming impossible to work with the generation engineers. Mike Lindsay had difficulty maintaining co-operation in the Department and work on the other power-station contracts was becoming overdue.

The first new machine was commissioned seven months late owing to a series of strikes at the Belgian factory. The old power station had to run longer than planned and a few expensive breakdowns occurred during the seven-month wait. Two months after commissioning, the first machines tripped out, causing a black-out in Kreefontein. The cause was traced to a cracked turbine casing. The remaining five machines, which were still being manufactured, required extensive modifications in the factory.

By this time, Lindsay had retired and Sanders was due to retire in six months. The Department was experiencing great difficulty in finding two suitable successors. Even advertisements for outside applications met with no response.

The effective management of professionals requires a rather different approach from that of day-to-day business management. When the professionals are also part of a bureaucratic organization, special problems can arise. This case concerns engineers on long-term project work and incongruence between personal and positional status within a semi-Government undertaking.

THINK?	After all following cases as above discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

SAIM WORKSHEET

CASE STUDY B3: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY B3: ANALYSIS (Summary of Key Points)

CASE B-4 LYNDON SOUTH AFRICA

LYNDON SOUTH AFRICA, a subsidiary of an international baby-product manufacturer and marketer, is a well-established company in South Africa. Lyndon SA started operating in rented premises in Johannesburg in 1930, importing manufactured and packaged goods and distributing them to the major South African centres. The company's success led the London-based board to consider further investment in the growing South African market and, in 1958, Lyndon moved to its present head office and manufacturing plant 7km outside Port Elizabeth.

Within a few years, the injection of capital and expertise made the South African operation a market leader in many product areas and the Lyndon brand soon became a familiar name in many South African homes.

By 1970, Lyndon had established branch offices in Johannesburg, Cape Town, Durban, Bloemfontein and Pretoria. The administrative head office and manufacturing plant remained in Port Elizabeth.

Lyndon's marketing structure consisted of a Marketing Manager for consumer goods and a Marketing Manager for all other goods, including the industrial, commercial and hospital fields.

This case study concerns events which took place in the consumer goods department.

Reporting to the Marketing Manager for consumer goods, Mr Brian Townsend, were a number of area managers, who controlled the sales force in their areas. At head office, Mr Archer and Mr Townsend were assisted in policy-making by a small, highly motivated and dynamic staff.

Lyndon attributed its marketing achievement to a number of factors.

The company believed that much of its success was due to the standard set for its sales-force selection and the calibre of the staff in general. It also believed that a recent development - the setting up of a sophisticated merchandizing team - was responsible for the continued improvement in market share. This team's function was to maintain shelf-space and in-store displays in major chain stores throughout the Republic.

Another factor which Lyndon believed contributed to its success was the steady improvement in its distribution. The company had managed to reduce its average delivery time for the plant to a maximum of seven days for local deliveries, although deliveries to country areas remained something of a problem as the company was so reliant on the South African Railways, over which it had no control.

Recent changes in the distribution of consumer goods had also taken place at Lyndon.

Whereas in the early day most of Lyndon's business had been with retail pharmacies, the advent and growth of supermarkets had caused Lyndon to expand its distribution into these outlets, while not neglecting the still important pharmacy business. A good deal of merchandise which went to the pharmacies was still handled by wholesalers who bought direct for Lyndon.

A further reason for Lyndon's success could be attributed to a sound, methodical approach towards product policy. Research and development over the years had ensured the highest quality of products, and consumer research directed the design of the company's products, so that they satisfied the needs of consumers in predetermined target markets. Lyndon spent considerable sums to promote its products; its advertising had won many awards both locally and overseas, and its in-store promotion was constantly re-evaluated.

Early in 1973, research showed that the company's products were strongly entrenched in the White-consumer market, which accounted for 80 to 90 per cent of its sales. The company believed that its apparent neglect of markets other than those of White babies might be short-sighted. Consequently, the company began to capitalize on a dual approach, aiming many of its so-called baby products at the adult market, using the theme 'best for baby, best for you' consistently. However, the potential for expansion into other markets was still clear, and the Marketing Director suggested research to ascertain what opportunities existed for sales to the Black market.

Lyndon had never concentrated much marketing effort in this area.

It assumed that many of its products were considered by the Black market to be in the luxury category and, therefore, in this relatively low-income group, the company would be unlikely to achieve much penetration.

The company had not undertaken serious research to confirm this belief, and continued success in the White market had, to a large extent, focused its attention on this affluent segment at the expense of the Black market.

However, one item of research had been done by Lyndon's advertising agents as far back as 1971. This had been done by the agency on its own initiative when it was 'pitching' for the Lyndon account. This study had centred on an in-home, survey among 299 Soweto women and was fairly limited in scope. It had not received much attention at the time, but the study revealed a very low incidence and awareness of nearly all Lyndon products, except for its baby-powder, which was quite well known and was sometimes used in this market.

In January 1976, the agency was again asked to research this market. It commissioned a larger market-research agency to survey and report on awareness, usage and buying habits in a range of selected products by Soweto Blacks (see Exhibit1).

Some comments included with the survey report were:

'Awareness of Lyndon baby products is, with the exception of their baby-powder, fairly low, and claimed usage seems to be considerably lower. It appears that supermarkets and pharmacies are comparatively important for sales to Black consumers, and the township stores do not seem to be as significant for the distribution of Lyndon products.

The study also suggested to Lyndon that it should appoint a Black promotional saleslady to cover the main township stores in Soweto. She was to take orders on a COD basis and draw her supplies from the depot in Johannesburg. Initially, the operation had rather limited success because collecting cash from the trader once the goods had been delivered was extremely difficult. The majority of township stores were run by the wife of the owner and the owner himself was seldom available when the goods were delivered. Quite frequently cheques were not honoured and Lyndon's rigid credit-control policy meant many township stores were unable to open an account with the company.

The saleslady managed to make promotional impact, establishing useful contacts with major stores in Soweto and tuning in-store demonstrations.

AWARENESS, USAGE, SOURCE AND FREQUENCY OF USE OF BABY PRODUCTS IN BLACK MARKET.

(%)

	Baby-powder	**Baby-oil**	**Baby-shampoo**	**Baby-soap**	**Baby-lotion**	**Buds**
Brand Awareness						
Claimed awareness	67,0	39,7	29,9	39,1	30,1	25,5
Product Usage						
Claimed usage (ever)	39,7	15,1	7,2	16,5	8,0	9,2
Normally use	36,3	13,1	6,6	15,7	7,4	8,0
Used by children under 5 years	31,9	13,3	5,6	15,1	7,4	8,0
Used by mother	12,6	3,2	1,6	3,0	0,6	2,4
Claimed users Purchase Source						
Township stores	11,0	1,8	-	2,2	0,2	0,6
Supermarkets	12,0	4,0	2,4	5,4	2,0	2,4
Chemists	14,8	8,6	4,4	8,5	5,0	5,4
Other	1,9	0,7	0,4	0,4	0,8	0,8
Frequency of Purchase						
More than monthly	7,0	2,0	1,0	5,4	1,0	1,0
Monthly	12,3	6,0	1,8	4,6	2,4	2,2
2-3 times monthly	7,8	2,8	1,6	0,4	1,0	0,8
4 times monthly and above	2,0	0,4	-	-	0,4	0,2
When needed	10,0	3,6	2,8	5,8	2,6	4,6

Source: Lyndon South Africa from advertising agency commissioned research, 1976.

She also developed a good relationship with various social and women's organizations in Soweto by occasionally addressing the groups.

The agency recommended that Lyndon advertise its products on hoardings in Soweto and other Black townships. The company agreed, and the hoarding depicted an attractive Black toddler in someone's arms while a container of Lyndon baby-powder was sprinkled over him. The hoarding also showed all other Lyndon baby products packs beside the toddler. The caption to the advertisement read: 'Lyndon keeps baby healthy and happy'.

Late in 1976, despite having limited research on which to draw, Mr Archer decided that, in vew of the growing importance of the Black market because of the narrowing wage gap, a Marketing Co-ordinator should be appointed to concentrate on Black-market opportunities for Lyndon products.

The first task assigned to Mr Pope, the newly appointed Marketing Co-ordinator in the Black division, was to establish the acceptance and potential of various items in the Lyndon product range in the Black market. The Marketing Co-ordinator arranged for some research to be carried out and presented Mr Archer and Mr Townsend with a report. Following is a gist thereof:

Population

The Black population in urban areas is expected to increase by 314% between 1970 and 2000. This is considerably greater than the expected population increase for Whites (73%), Coloureds (165%) and Asians (123%) (see Exhibit 2).

EXHIBIT 2

ACTUAL AND PROJECTED SIZE OF URBAN POPULATION BY RACE GROUP, 1970 AND 2000.

Race Group	1970 Census	2000 Projected
Asians	539 000	1 205 000 (123% increase)
Blacks	4 989 000	20 661 000 (314% increase)
Coloureds	1 494 000	3 967 000 (165% increase)
Whites	3 258 000	5 642 000 (73% increase)
Total:	10 280 000	31 475 000

Source: Department of Statistics

Spending power

In 1975 it was estimated that the annual spending power of the Black market was approximately R3 390 million compared with White spending power of R10 230 million. The urban Black population in 1975 - 35% of the Black population - accounted for approximately 65% of Black purchasing power (see Exhibit 3).

EXHIBIT 3

SPENDING PATTERNS IN BLACK MARKET 1975

Total annual spending	R3 390 million*
Urban market	35% population
	60% purchasing power
Rural market	65% population
	40% purchasing power

**Compared with White spending of R10 230 million.*

RANDOM PRODUCT PROFILES - ALL RACE GROUPS 1975.

	Whites %	**Coloured** %	**Asians** %	**Blacks** %
Building society savings a/cs**	66	5	4	25
Wine	57	14	-	29
Whisky	55	5	1	39
Correspondence courses	47	11	6	36
Deodorants1	39	12	3	46
Chocolates	36	12	6	46
Instant coffee	27	8	2	63
Brandy	25	6	1	68
Toothpaste2	24	8	2	66
Tea	21	8	3	68
Detergents	21	7	2	70
Gin	16	4	-	80
Bicycles	9	8	-	83
Cigarettes	26	12	3	59

Source: AMPS Survey, 1975.
**i.e. of all users of building society savings a/cs, 25% were Blacks; these figures do not necessarily bear any relationship to actual volumes purchased by each group.
Note 1 and 2: Value of Black spending in 1975 on deodorants was about R9,6 million. Approximately R9,9 million was spent by this group on toothpaste.

Location of spending

Approximately 36% of grocery and toiletry business is through Black outlets; the remaining 64% is, at present, through White outlets (see Exhibit 4).

Purchase patterns of baby products.

It appears that the majority of baby products, with the exception perhaps of adhesive bandages, bought by Blacks come from stores outside the townships (see Exhibit 5).

Attitudes towards and usage of Lyndon products.

1. Lyndon baby-powder - this product appears to be well known among Black mothers and its use for babies is widespread, but it has not achieved anything like the level of acceptance found in the White market. Some women apparently use the product as a body talc.

2. Lyndon baby-oil - this product has achieved some acceptance by Black mothers to prevent and stop their babies getting dry, cracked skin. However, its main usage seems to be by adults on their arms and legs to give a shiny, soft appearance. Some Black adults also use it on their hair to make it appear silky.

3. Lyndon baby-lotion and baby-cream - limited awareness and usage of this product were noted during the survey.

4. Lyndon baby-soap - there is evidence that the market for toiler soaps is growing rapidly; Lyndon baby-soap is, at present, used only for babies. However, total consumption of the product is very low.

5. Lyndon baby-shampoo - very limited awareness or usage of this product was noted. Traditionally, several ethnic groups shave the baby's head soon after birth thus eliminating the need for a shampoo for infants.

6. Lyndon buds - this product is relatively unknown and has almost no usage in the Black market.

After reading the Marketing Co-ordinator's report, Mr Archer felt that there was a possibility of improving Lyndon's limited penetration of the Black market. But, before he could consider any strategy to achieve some economics penetration of this market, he needed further information on costs, statistics and characteristics of the various promotional and selling techniques available to Lyndon.

Mr Pope therefore presented Mr Archer with a summary of this information (reproduced in Exhibit 6). He also attached a copy of a magazine article on advertising to Blacks (see Exhibit 7).

EXHIBIT 4

PURCHASING PATTERNS COVERING MONTHLY GROCERY BASKET AMONG SOWETO RESIDENTS 1975.

Place of Purchase	No. of Purchasers	%
African Stores	561	36
O.K. Bazaars	501	32
Checkers	252	16
Spar	80	5
Woolworths	33	2
Goldfields	26	2
Other	103	7

Summary
64% of grocery toiletry purchases are from White outlets
36% from Black outlets
Similar pattern for other Reef townships

Notes: 1. Sample size 1 580.
2. Percentages are rounded off.
Source: Lyndon South Africa.

EXHIBIT 5

LOCATION OF PURCHASES

BLACK MARKET, JOHANNESBURG AND REEF 1975

Products*	Stores in Townships %	Stores not in Townships %
Baby-powder	11,0**	28,7**
Baby-oil	1,8	13,3
Baby-shampoo	-	7,2
Baby-soap	2,2	14,3
Lotion	0,2	7,8
Buds	0,6	8,6
Adhesive bandages	32,5	28,7

*Includes all brands
**i.e. only 11,0% + 28,7% (39,7%) of all respondents interviewed had bought baby-powder regularly.
Source: Lyndon South Africa.

EXHIBIT 6

PROMOTION IN THE BLACK MARKET

Advertising Media

Magazine/Press readership figures for Blacks in connection with both newspaper specifically for Black and White-controlled newspapers have shown a marked increase over the last few years, reflecting changes in culture, increases in income and improvements in literacy rates. However, with the exception of The World newspaper's **'The Woman's World'** supplements, most newspapers aimed at the Black market have a comparatively low rate of female readership. The circulation of The World is about 150 000 per day with a readership figure of approximately six per copy. Of those six, one reader is female. Both Bona and Drum magazines are reasonably well read by Blacks; the circulation of Bona in 1975 was approximately 110 000 copies per week and Drum was slightly less at 98 000. The readership was approximately nine per copy in each case. Readership of White newspaper is also reported in the Black market; approximately 32 per cent of Rand Daily Mail's readers, for instance, are Black.

The costs of advertising in these publications are influenced by the type and size of the advertisement, as well as the location. However, a 25cm x 20cm and would cost about R550 in The World, R650 in The Rand Daily Mail and about R600 in Bona. (In the last case, this size advertisement would occupy a full page).

Radio: Radio Bantu is beamed in eight different languages and a number of advertisers use it exclusively. Most products advertised tend to be well known to listeners and since the 'spots' are limited to a maximum of thirty seconds, it is difficult to use this medium to explain details of particular products.

All Media and Product Survey figures suggest that the Black market is becoming increasingly aware of radio and in 1975 it was estimated that no less than 72 per cent of urbanized Black adults listened to a radio station.

A thirty-second 'spot' on any of the Radio Bantu stations ranges from R10 at the 'low' time, at 'prime' time this could escalate to about R150.

Magazines: There are at least two trade journals for Black traders. The African Business Times, the official journal of National African Federated Chambers of Commerce is one. A recent survey among Black retailers in the Soweto and Alexandria townships (both in the Johannesburg area) suggests that the majority of traders are aware of these publications. The rate for a full page and in the African Business Times is R180, irrespective of position.

Cinema attendance: Cinema attendance among Blacks in townships is relatively low. According to AMPS figures, less than 7 per cent of Blacks interviewed claimed to have seen a film in the seven preceding days. In the White market, the comparable figure is 36,4 per cent. Less than 17 per cent of Blacks interviewed in the AMPS survey has seen a film in the previous twelve months, this compared unfavourably with 72,6 per cent in the White sector. Of the Black cinema-attenders, the majority are males (86 per cent).

A single slide advertisement at the most popular Soweto cinema costs the advertiser R25 per showing. A sixty-second film advertisement would cost the advertiser R75 per showing. Of course, origination and production costs for cinema advertisements can be expensive.

Hoardings: Hoarding space is readily available in most Black townships, particularly on Railway property. However, there are some problems with this medium. It is not always easy for the advertiser to specify location of his advertisement and, due to frequently uncontrollable vandalism, hoardings are defaced, which means that a considerable degree of maintenance is required. Each hoarding in Soweto cost the advertiser about R50 per month.

Sales Personnel

Lyndon has already used a sales promotion lady in Soweto and other Black townships with limited measurable success. However, other types of sales representatives are available. For instance, a 'standard' representative could be employed by Lyndon for about R1 200 a month if fringe benefits and costs of a car were included.

It is estimated that such a representative, acting primarily as a order-taker and debt-collector, could cover the Reef townships approximately every two months
(i.e. he /she could visit every appropriate township store about six times a year).

A further possibility is the employment of a van-salesman at a cost of about R1 500 a month. Van-salesmen operate on a strictly cash basis and supply stock at competitive prices.

EXHIBIT 7

EXTRACT FROM THE BUYER

ATTRACTING THE BLACK CONSUMER: THE BEST STRATEGY

The Black consumer market is in a state of transition: therefore be wary of claims by self-styled 'experts' in this market segment, warns Professor John Simpson, Deputy Director of the Graduate School of Business at the University of Cape Town.

In a discussion on the Black market with MBA students, Professor Simpson stressed the dynamic nature of this market and the necessity for consumer feedback.

Any company considering a Black-oriented product should research the general attitudes, needs and values of the target market and its reaction to planned advertising campaigns, thus reducing the risks of the market venture.

While Professor Simpson consider research to be a potentially powerful marketing tool, he does not suggest that it should be divorced from creative flair. Consumer reaction is not always predictable - for example is it likely that in depth research and group discussions would suggest a hot-air balloon as a means of reaching the Black consumer? (Subsequent research has established that the highly successful Mainstay campaign featuring a hot-air balloon appealed to the Black's innate love of fantasy).

In the White market segment, status groups are formed naturally through aspirations, home, job and income group. Thus marketing aimed at 'keeping up with the Jones' can be directed at a small homogeneous group. The same is not true of the Black segment, for consumers of different class and incomes live cheek by jowl. Homogeneity cannot take place. Of necessity, a consumer has to be aimed at a far larger audience to reach its selected target.

It may therefore become necessary to create a status symbol to transcend the class structure. But in using opinion-leaders to endorse a product it is important to avoid patronizing copy and to pick your hero. Using a certain team of soccer players can alienate non-supporters: posters advertising garments have been ripped down by fans of a rival team.

Another danger is that the more sophisticated consumer tends to view this type of campaign with scepticism.

The Black-follow-White syndrome has been a generally-acceptance advertising norm in the past. To obtain White acceptance, Blacks had to emulate Whites. This, in marketing terms, led to the belief that for a brand to be successful in the Black sector, it must be seen to be successful in the White.

It was commonly accepted that if a brand was regarded as being made specifically for Blacks, then Black consumers would regard it as inferior. But growing numbers of young and articulate Blacks find the old White yardsticks irrelevant and outdated.

They are proud of their Black identity.

This is essentially a marketing strategy case in that it demands that the marketer consider all aspects of his marketing mix when deciding how to introduce a selection of baby products - already very successful in one market - to another market. The problem in this instance is typically South African in that the newly identified market- the Black market - has distinctly different needs and characteristics for the White market in which Lyndon is most experienced. The means of penetrating this market requires skills and resources not necessary for success in the White market; product usage patterns are probably different as well. Over and above this, the techniques required to achieve awareness of the products and their need-satisfying elements may also force the marketers to think beyond their present strategy. And finally, the constraints imposed on marketers by legislation may also be foreign to Lyndon's marketing team.

THINK?	After all following cases as above or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

SAIM WORKSHEET

CASE STUDY B4: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY B4: ANALYSIS (Summary of Key Points)

CASE B-5 SWEETSOUND RADIO

Mr Herman Le Roux entered his office at the Boksburg headquarters of Sweetsound Radio. Being Managing Director of the Company, he had to travel extensively, both locally and overseas, and he had returned from an extended overseas visit just two days previously.

As he entered his office, he saw a white envelope placed prominently on his desk. His name was neatly typed on the envelope and in the right-hand corner, in capitals, was written **'PRIVATE AND CONFIDENTIAL'**. This surprised Mr Le Roux because he had instructed his secretary to keep all his correspondence together for him so that he could go through it systematically on his return. He opened the envelope and read the following letter:.

1 June, 1973

Dear Mr Le Roux,

I hereby tender my resignation from Sweetsound Radio Co. Ltd and wish to leave the Company's employ on 30 June. My reason for leaving the Company is that I have decided to open an import-export business with my brother-in-law, Mr Peter Scheepers. I am not leaving the Company for any reason other than that and I can truthfully say that I have enjoyed working with you and your colleagues during my eight years with the Company.

Yours sincerely,

MICHAEL SCOTT
Sales Manager

Mr Le Roux immediately called in Mr Mark Harrison, Marketing Director of Sweetsound, and confronted him with Scott's letter of resignation.

'I'm not surprised', said Harrison, 'although it is rather sudden. Scott led me to believe that he would be with us for at least another year'.

I don't suppose there's any way we can induce him to stay with us, is there? Countered Le Roux:-

'No, I doubt it very much', answered Harrison. 'He's had his mind set on this import-export business for some while. If we offered him an increase in pay it wouldn't help. He's already earning R18 000 a year in 1973. The trouble is I don't have anyone in the Company to replace him. All three of the Regional Sales Managers are new in their jobs and none has the experience to take over the Sales Manager's post. If Scott had let me know about his resignation six months ago, I would have trained somebody to take his place.'

After considerable discussion, Mr Le Roux decided to call Mr Charles Maggs, the Personnel Director, into his office'.

'Well, Charles', he said. 'we need a new Sales Manager. Scott is leaving us at the end of the month, and in Mark's opinion we have no one to take his place. What can you do about it?'

Sweetsound Radio manufactured and marketed a wide variety of radios. Their range included small FM transistor-battery sets, multiwave transistor-battery sets, car radios and radiograms. The recommended retail prices ranged from about R14,95 for the smallest set to over R300 for the radiograms. (In the case of radiograms, the imported Grundage turntable was used. Grundage was a well-known English company which manufactured high-quality hi-fi equipment in 1973.)

Sweetsound's manufacturing involved the assembly of locally and overseas-made parts. They employed a work-force of nearly 800 Blacks. Coloureds, Indians and Whites to assemble parts into radios according to specifications provided by Itsoyoshi Radio for which Sweetsound held the South Africa franchise.

Sweetsound's manufacturing plant and administrative head offices were based in Boksburg, Gauteng. The Company owned a large piece of ground which, in the opinion of management, was big enough to accommodate growth 'for the foreseeable future'.

When Sweetsound Radio originally purchased the land for their Boksburg factory, they had in mind a number of growth areas which they believed they would possibly have to cater for in the future. Below is an extract from their Company objectives with some indication of their plans:

1. **Radios:** We are basically concerned with the assembly, manufacture and marketing of radios and radiograms to the final consumer through retailers. We believe that this will always be a major part of our business.

2. **Television:** We are led to believe that in the foreseeable future, the South African Government will introduce television in South Africa i.e. in 1976. The assembly and manufacture of TV sets is a technology with which we are not familiar, but with limited training by our associates, Itsoyoshi we know that we will be in a competitive position, if and when TV is introduced locally. With certain adjustments and an over-all enlargement of our sales force, we should be able to cope with this change in our business. We are certain that if the Government starts TV, we will be one of the companies which will be encouraged to participate….

3. **Hi-fi Equipment:** This is a growing market in South Africa at present, but if TV is introduced, it is our estimate that sales of this product will decline drastically in the short term. However, we have the potential marketing team to exploit this market should it become apparent that it has growth potential….

4. **In-company Music:** The manufacture of equipment to pipe music in factories and hotel rooms requires limited expertise. Sweetsound could certainly participate in this market if it chose to do so. However, Sweetsound's marketing team is not geared to sell this service in a competitive market….

Sweetsound sold approximately 150 000 radio sets in 1972, about 80 per cent of which were purchased by retailers such as Phil Morkels, Burmeisters, Etkinds and Lewis Stores. The sets sold through these retailers were marketed under the Sweetsound brand-name. Orders for sets ranged from about 20 000 from one of the larger chains to a few sets from small suburban one-man businesses such as Jack's Radio in Edenvale, who in 1972, for instance, took delivery of three Sweetsound 'Tri-Stars' (the three wave-band transistor-battery set), one Sweetsound 'Galaxy of the World' (the medium-priced radiogram) and one Sweetsound 'Master Piece' (the most expensive of Sweetsound's range). The majority of these accounts were serviced by sales representatives or regional sales managers, depending on their value.

About 20 per cent of Sweetsound's production was sold to chain stores such as Fastsell Bazaars, who retailed sets under a house brand-name. In the case of Fastsell Stores, their house name for radios was 'D-LUX', and no reference to Sweetsound was to be found anywhere on the set.

Sweetsound was regarded by most observers in the trade as one of the most successful radio companies. It had a record of growth well above that experienced by the industry, with sales increasing by about 15 per cent a year over the last five years. By contrast, the industry's growth, as a whole, over that time was less than 10 per cent.

In discussing Sweetsound's growth, the Industrial Editor of the Financial Mail, South Africa's leading financial newspaper, said that in his opinion this could be attributed to their manufacture of good products, backed by aggressive and sound marketing.

'Their products are good but not exceptional. Their radios are no better nor more advanced than, say, National. It's their marketing which really counts. Good advertising, good market research and really top-rate selling. Ask any of their competitors about Sweetsound's sales team. They'll all tell you the same thing. Of course the industry claims that there is an unwritten agreement precluding poaching of staff, but I believe that Sweetsound's sales personnel are always in demand'.

Sweetsound's sales team was integrated into the total marketing organization of the company (see (Exhibit 1). Under the control of the head-office Sales Manager were Regional Sales Managers based in Johannesburg, Durban and Cape Town. They, in turn, controlled representatives and the number was dependent on the region in which they operated. For instance, the Cape region had a representative in Cape Town, one in Kimberley and one in Port Elizabeth. The Natal region had only two representatives, one in Durban and one in Pietermaritzburg. The biggest region, the Gauteng, was staffed by four representatives, two in Johannesburg, one in Pietersburg and one in Pretoria.

The Sales Manager's prime function was to control his field staff. He did this by setting targets for each region and relating their results to those targets. He consulted regularly with his Regional Sales Managers, either to eliminate weaknesses or train staff or both.

The Sales Manager also had to liaise between head-office staff and the regional sales personnel. He attended meetings with other marketing personnel, giving them fieldback from the market and in turn advising the field staff of future developments, what the Company expected of them, etc. The Sales Manager was, in fact, part of Sweetsound's management team and, together with the Advertising and Marketing Service Manager, was available to assist Mr Mark Harrison at any time. Much of this work involved long-range planning and design of future marketing strategies, generally in conjunction with his advertising and marketing-services colleagues.

The Sales Manager's functions were not limited to administration and control of his field staff. He was also responsible for the sale of radios to bulk buyers, such as Fastsell Stores. Here, protracted bargaining was often required in a very competitive market because a number of manufacturers used these outlets as a means of off-loading excess supply. Frequently, suppliers were happy to sell at prices where they made a contribution to overheads and no more.

Selling to clients of this nature and control of field staff meant that the Sales Manager was required to do a good deal of travelling, often being away for two weeks at a time. Over and above this, management felt he should visit the Itsoyoshi plant in Japan every year and the United States where he could observe trends in the radio market.

It was generally felt that the broad nature of the Sales Manager's job made him an obvious successor to Mr Mark Harrison, Marketing Director. Harrison 55.

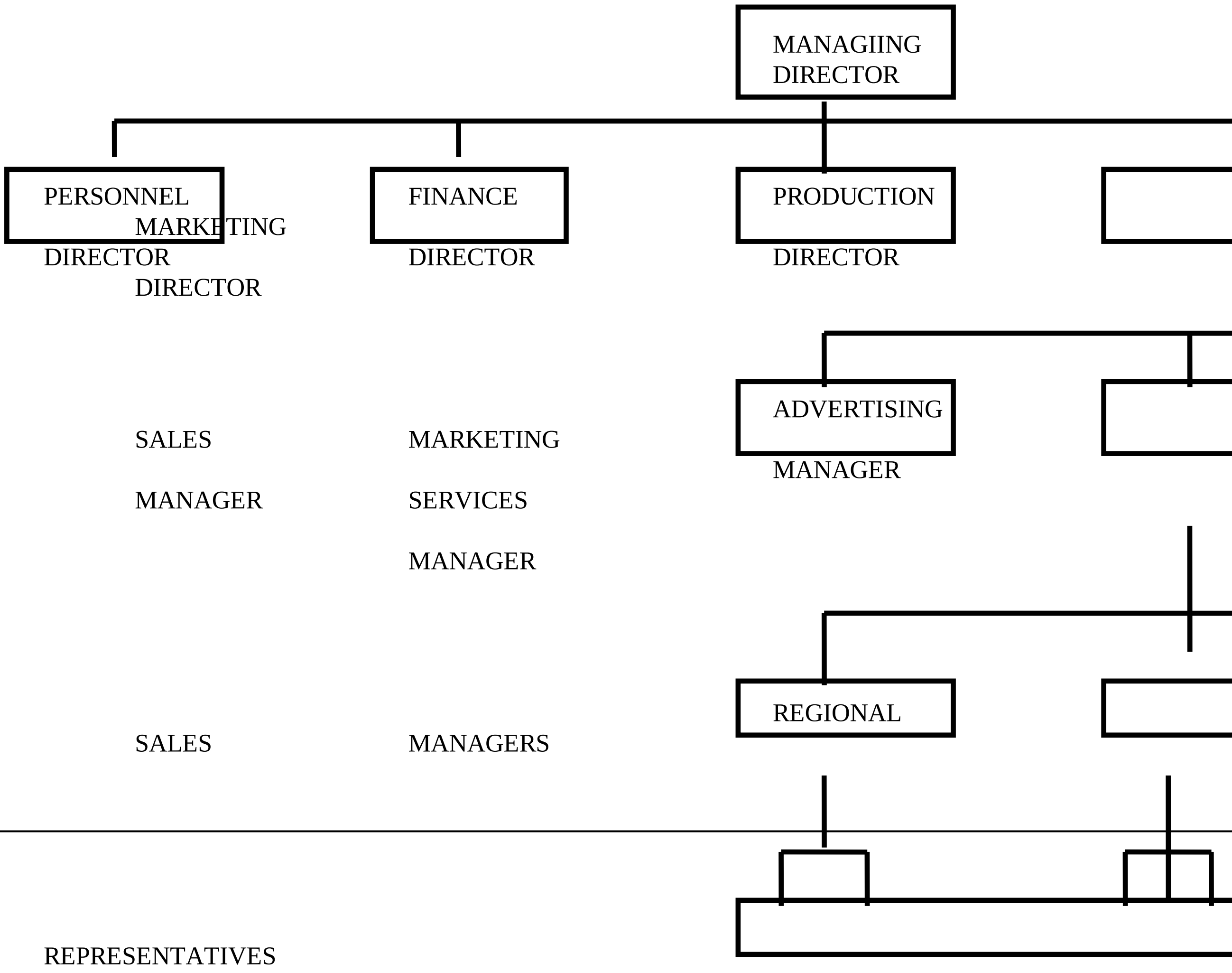
Since this case-study relates to the state of communication and media thirty years ago, it is instructive for the student to reflect on the **incorporation** of the **rate-of-change** of products and services in a **market strategy**.

This case concerns the sudden loss of the sales manager in a consumer company-a considerable blow. In proposing solutions, students need to analyse the functions of a sales manager, write a tight specification for the right candidate for such a post, and suggest the appropriate methods of recruitment and selection. To do this requires a thorough understanding of the qualities that such a man requires, and also the state of the market for sales personnel. Students could also explore the whole question of succession planning for key management position.

THINK?	**Before** answering the questions below or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

EXHIBIT 1

PARTIAL ORGANIZATIONAL CHART OF SWEETSOUND RADIO



SAIM WORKSHEET

CASE STUDY B5: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY B5: ANALYSIS (Summary of Key Points)

CASE B-6 TARGET TOOL COMPANY

TARGET TOOL COMPANY is located in Cape Town in the vicinity of the City Hall. The Company has been in existence for over twenty years and has an excellent reputation for service and quality. The Company stocks a full range of items from files, hammers and chisels to large capstan lathes and circular saws. In addition, the company keeps spare parts for most of the electrical tools it stocks.

The annual turnover of Target Tool was slightly more than R750 000 in 1976. This was more or less the same as the turnover in the previous two years. Although the Company makes full use of the credit facilities extended by suppliers, it is generally in an overdraft position with the bank. When this case was written, creditors stood at R34 000 and the overdraft at R18 750.

The Company has both retail and wholesale departments, and customers range from private individuals to large undertakings such as local municipalities. Terms to the trade are 30 days less 2½%, 60 and 90 days. Current debtors exceeded R120 000.

The Managing Director of Target Tool, Mr Glazer, felt that the overdraft position of the firm was costly, particularly in view of the high interest rates being paid annually. The 1976 accounts showed a stock investment of R210 570 which Mr Glazer thought was excessive. He was aware, however, that this situation was a direct result of his policy of 'Customer Service Is the Foundation of Our Business'.

Mr Glazer's eldest son, Allan, had recently completed a course on **inventory control** run by a local firm of management consultants. Mr Glazer discussed the problem with his son:
Allan, I'm rather worried about our stock-holding. It seems excessive in relation to our turnover!

'Well, Dad, it isn't too bad. We seem to turn out stock over every three months, which is acceptable for this type of business. However, I do think some form of statistical inventory control would help to standardize our stock levels. This would reduce the effect of the human element and would ensure that we would maintain a constant level of service for all our items. You know the sort of thing; work out safety stocks and lead time usage based on the historical date of past sales in order to forecast order point'.

'Could you explain this in more detail? Asked Mr Glazer.
'Well, its quite ease to understand', replied Allan. 'We keep stock cards recording monthly sales of all items. Take this one for example; it's a 4 HP Golden Axe Floor Sander and the card shows that during 1976 we sold twenty-four (Exhibit 1a). That's an average of two a month.

Mr Glazer interrupted, 'That's fine, Allan, but what happens if we have another month like July when we sold six? We were out of stock for a month.

Allan said, 'You're quite right Dad, but I was coming to that. Obviously we have to know the standard deviation of demand above the average over the year. This helps us to examine the **fluctuation of the demand**, which is really more important, as we can relate this to probability.

EXHIBIT 1

TARGET TOOL COMPANY

STOCK SHEETS FOR VARIOUS ITEMS

(a) **Golden Axe Floor Sander (4 HP)** — **Cost price R24.50**, **Selling price R59.90**

Month	1	2	3	4	5	6	7	8	9	10	11	12
Sales	0	3	2	0	1	4	6	0	4	2	0	2
Stock	6	3	1	8	7	3	0	0	6	4	4	2

(b) **Nicholson 13mm Straight Chisel** — **Cost price R2**, **Selling price R4**

Month	1	2	3	4	5	6	7	8	9	10	11	12
Sales	35	30	24	38	53	45	62	64	50	88	67	70
Stock	105	75	51	120	67	22	60	96	46	64	101	31

(c) Eversharp Hacksaw Blades — **Cost prices 25c**, **Selling price 50c**

Month	1	2	3	4	5	6	7	8	9	10	11	12
Sales	350	490	230	510	620	390	480	700	302	680	550	630
Stock	890	500	1270	760	980	590	1110	410	1108	518	968	338

(d) Mitre Capstan Lathes — **Cost price R450**, **Selling price R1 250**

Month	1	2	3	4	5	6	7	8	9	10	11	12
Sales	0	0	0	0	1	0	0	0	1	0	0	0
Stock	1	1	1	1	0	1	1	1	0	0	1	0

Using standard deviation, we can work out safety stock levels for various confidence levels. This means that we can calculate exactly what our stock holding will be for various service levels.

I'm not sure I follow you', said Mr Glazer. 'Perhaps you could explain'.

'Well, let's take this Sander as an example', replied Allan, 'we can regard these demand patterns generally as Poisson distributions in inventory control.

Now the standard deviation of a Poisson is approximately equal to the square root of the average - in this case about 1,4. Let's say that we decide to set a service level of 95 per cent. This means that in every hundred times we will be out of stock on five occasions, in other words we shall not be able to fill 5 per cent of our demands from the shelf. Now from statistical tables it can be shown that 1,65 standard deviations above the mean of a random distribution covers 95 per cent of the area under the curve.

Hence, if we ensure that we never have less stock on hand than is shown by the equation:

Order point = Average demand + 1,65 $\sqrt{\text{Average Demand}}$

$= 2 + 1{,}65\sqrt{2}$

$= 2 + 2{,}3 = 4{,}5$ (approx.)

we should be in stock for 95 per cent of the time. In other words, as soon as our stock level drops below 4,5 we must order more stock.

Mr Glazer asked, 'What effect will delivery time have on the order point?.

Allan replied, 'Well in this case the order point is for an item which has a delivery time of one month. Obviously if the delivery time is two months you have to ensure that you always have enough stock to last you for at least two months. This will usually mean that you will have to recalculate the standard deviation of demand over the reorder period. You must, of course, also keep an eye on the general distribution of demand. If demand is very low, chances are that you cannot use the statistical method at all, but will have to resort to a rule of thumb'.

'It sounds,' said Mr Glazer, 'as if we have quite a lot of calculations to make, but once these are done, we should be able to apply the newest scientific methods of inventory control.'

'That's right', commented Allan. 'In fact, we can use this same technique for all the items in the inventory, and by this mean ensure that our stock levels are statistically controlled. Of course, before we do this we must agree on a service level.'

After Allan went back to his office, Mr Glazer looked at a few more stock sheets to see how the new scheme would work (Exhibits 1b, c, d).
The productivity of any manufacturing company can be considerably improved by implementing sound statistical quality control methods.

<u>Inventory control</u> is one area in management's operations where large amounts of money are made or lost, but usually covertly. The manufacturer who buys parts in a competitive market, for instance, will attempt to keep his stock-holding down to a minimum to save money. The manufacturer who buys from a supplier who has monopoly may well wish to assure himself that he will have parts available or that, should the supplier increase prices, his own advanced buying will result in substantial savings.

<u>The decisions</u> made are therefore <u>complex</u> and often influenced by environmental elements over which the buyer may have little control. He may thus have to make predictions of future events but at the same time evaluate the effect of an incorrect or a correct decision on his cost of holding the inventory or of not having it when required. He will also have to decide on what is an acceptable 'no stock' situation and what the effect of this would be on his customers.

<u>Inventory-control techniques</u> are used in a variety of situation. For instance those techniques applied to 'one shot' orders where there is no chance of a reorder in the event of an increase in demand, such as for perishables, will be different from those which are more effective when reordering will take place and where demand is known.

Here we are more concerned with when to order and in what quantity and the effects of these decisions on ordering and holding costs. Reordering when demand is uncertain we would use

probability distributions. In the case of Target Tool Company, Allan Glazer put forward ideas which he believed would minimize costs.

1. Does his technique really work?

2. How inclusive is his technique of all the variables which affect the issue? Are all the situations identical or are different inventory-control techniques required?

THINK?	**Before** answering the questions above or discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

SAIM WORKSHEET

CASE STUDY B6: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY B6: ANALYSIS (Summary of Key Points)

PART C

CASE STUDIES

A series of **mini-case studies** reflecting some of the problems which can occur through **mismanagement** at the **Executive** levels of organisations and which can result in **Business Failure.**

LESSONS FROM BUSINESS FAILURES.

An **SMME** (small, medium, micro-enterprise) is a highly **risky, 'bet-your-life',** competitive, decision-making game, in which the likelihood of long-term survival (e.g. seven years) is of the order of 1 in 2000 (0.05%) **Business failure** is the **norm.** **Business 'success'** is the **exception.**

Business failure is invariably the result of **Management failure.**

Most companies do not die a natural death - they are **murdered** through **managerial incompetence.**

Every company goes through **major crises** at one time or another.

However, if **every day** is filled with sout-destroying, fire-fighting crises, which never seem to come right, then one must **sincerely consider** whether or not it is time to cut one's losses and to **get out of that business**.

The most **frequently-cited causes** of business failure tend to fall into the following areas:-

- poor financial information;
- lack of management control in general;
- insufficient working capital;
- managerial inexperience;
- political in-fighting;
- lack of strategy;
- poor understanding of the market;

- insufficient margins;
- reliance on one major product/customer; and
- obsolete or easily replaceable technology;

Other **often-cited** causes, or symptoms, of business failure include

- excessive overhead costs;
- poor quality control;
- too much short-term debt;
- change in demand;
- failure to adapt to new market circumstances;
- too narrow or too wide a product line;
- competitors' actions;
- lack of credit control;
- faulty pricing strategies;
- poor implementation strategy;
- increase in material costs; and
- wrong choice of strategy.

In general, most of these **causes of failure** can be attributed to an underlying cause of **management failure.**

Every successful company contains within itself the seeds of its **own destruction.**

All companies eventually **fail** - some just do it much faster and more dramatically than others.

The **four case-studies** described in this section are based upon actual **U.K. companies**, and are included here for classroom discussion, to better understand the **lessons** they teach about **management failures.**

CASE STUDY C1.1: CURTAIN DREAM

One of the acclaimed attractions of **franchise operations** is that they have a much **better survival rate** than start-up businesses in general. Curtain Dream could have been designed to bring down the averages.

The vision behind Curtain Dream belonged to **managing director Christopher Whitehead**. He envisaged a nation-wide chain of franchised retail outlets, selling first curtains, then a range of matching furnishings, to working-class customers.

In July 1986, he and a colleague, Paul Lister, began trading from factory premises in Bradford, producing curtains to order. By the end of that year he had three shops in the North of England and was sufficiently confident in the business concept to move into franchising. During the first six months of 1987, he opened another nine shops, all through franchisees. These were the relatively lucky ones- they paid only £7 000 for their franchises; shortly before the end, new franchisees were paying £65 000.

The shops carried very little stock, other than for display and demonstration; they mainly served to take orders, which would then be made by the factory.

Curtain Dream's financial year ended on 30 June, at which point it showed a profit of £14 000 on turnover of £216 000. Two expansionary moves followed rapidly. The first was to enlarge the range from curtains and curtain accessories to matching furnishings such as sofas, carpets and wallpaper. This increased the average sales volume per customer by about 50 per cent, to around £750.

The second move was to seek institutional backing to increase the number of franchisees more rapidly. At the end of 1987, Curtain Dream had a cash injection of £350 000, via a Business Expansion Scheme fund. Against **fierce competition**, Quester Capital Management won the beauty parade to acquire 35 per cent of the equity in what was, to all appearances, a solid investment. A year later it took in another £1,5 million from Quester and a variety of other institutions, including Paribas, with arrangements for a further tranche of the same size in 1990, to assist it in obtaining USM listing.

Reported turnover in year two shot up to £2 million.

Plans were put in train for a doubling of the Bradford factory space to 160 000 sq. ft. and, in February 1989, Helen James, Curtain Dream's marketing director, was telling *Carpet and Floorcoverings Review* that

'We have forty-two shops up and trading and are opening three per month nation-wide. Franchisees are expected to make £25 000 in the first year of trading and, with a group turnover predicted to be in excess of £5 million for the financial year 1989/90, I would expect the UK market to hold 250 such stores when saturation point is reached.'.

In expansive mood, Whitehead told Today, in mid-1988, that the company had little to fear from the entry into market of High Street stores such as Next and Marks & Spencer.

'They don't understand their customers like we do… We listen, then we supply people with what they want'.

By mid-1988, the main business of the company was from manufacturing in its Bradford factory (by now employing 207 production employees), and the sale of franchises.

As with all rapid expansion programmes, however, there were inevitably a number of problems.

Difficulties in obtaining the kind of shopfitting the company needed led Whitehead to start his own shopfitting operation.

This was the start of a major phase of empire-building for Curtain Dream. Instead of focusing on the core business, top management diverted its attention to a host of peripheral activities.

Rather than hire in a photographer as needed, it created Curtain Dream Studios. The company began to print its own fabric; it set up a carpet-fitting service to fit the carpets it supplied; and a consultancy service that visited franchises twice each year and advised on improvements to the window display.

Another problem was that the company had been insufficiently discriminating about who it took on as a franchisee. Stuart Mckellar, of receivers Cork Gully, says that 'There is no record of them having turned anyone away.'

The only qualification required, it seemed, was the cash to pay for the franchise. Whitehead had aimed the recruitment deliberately at what he described as blue-collar people; his deal-franchisee was an ex-miner with a substantial redundancy cheque and a clever wife. The reasoning was to some extent sound - such people would better be able to relate to the working-class customers than the middle-class couples managing competitive outlets.

Unfortunately, many of them had no commercial experience or acumen.

Indeed, the company emphasized in interviews that previous retail experience was not essential. As one publication reported:

'What makes for success is hard work, operating by the book - and no previous experience. So far the most successful Curtain Dreamer is a structural engineer, who earned £30 000 in his first year. And the least successful was - you guessed - a salesman who knew it all beforehand.'

In the race to fit franchisees with premises, Curtain Dream also approved a number of unsuitable sites. Some were simply so out of the way that custom was limited; others were in expensive town centre sites where the rent and rates were so high it wasn't possible to obtain an adequate return.

Seven franchisees failed and gave up, losing a considerable sum of money in the process.

Curtain Dream took over their operations, in the (not always justified) expectation that it could do a better job of making these locations pay.

Debt collection from franchisees was badly handled, too. Failure to collect receivables rapidly enough exacerbated the **cash flow problems.**

As demand from the retail outlets increased, the factory found it more and more difficult to cope. It didn't have the production management, or systems, to produce relatively customized products in large volume. Order to delivery times gradually stretched out to twelve weeks.

All these problems were fairly obvious, even to a top management that preferred to largely ignore them. Less obvious was the fact that the company was insufficiently capitalised to handle the pace of its growth. By mid-1989 it had seventy outlets, of which sixty-six were trading. An **inadequate accounting system** (the accounting function was extremely weak) failed to show that the **company** was actually **bleeding to death.**

The seriousness of the financial problems was disguised in part by the way in which the company handled its retail property portfolio. *Retail Week* described the practice as

'buying freehold properties, charging the franchisees inflated rents and selling the freeholds for large profits'.

The bubble burst when Curtain Dream applied to the investors to have the second tranche of £1.5 million brought forward by a year. Barclays Bank, which was already concerned that the company had exceeded its overdraft for a considerable period, asked Cork Gully to carry out an investigation. It had been alerted by Steve Sargent, the financial director brought in May 1989, at the insistence of the institutional investors. Sargent promptly blew the whistle on some of the grosser inadequacies of the accounting systems.

'I was appointed to help the company for its flotation on the USM,' he told Retail Week. 'I didn't expect to find the can of worms that came out.'

'We were reasonably well-received. They thought they'd see us off like everyone else', recalls McKellar.

But the more stones Cork Gully overturned, the worse the financial picture appeared. In reality, the company could only project losses for the following eighteen months. A forecast of £1 million profit was rapidly revised into a £1 million loss.

'Turnover was an interesting concept as far as Curtain Dream was concerned', says McKellar. A posted turnover of £6.4 million was made up of £1.3 million in sales of franchises, £0.5 million tied up in properties, and £4.6 million regular trading income.

The management accounts showed net assets of £3,327,000. Cork Gully gradually whittled this down. £1.8 million of stock received a realistic valuation of £1 million; debtors of £2 million were reduced to £800,000; the value of fixed assets was knocked down by £500,000; profits turned out to have been wrongly included in the net asset figures; and there was a general understatement of creditors of about £500,000.

Actual net assets reduced to a mere £11,000.

'On a break-up basis, the company was worth nothing', says McKellar. 'On a going-concern basis, they were just about worth something'.

Curtain Dream went down with a net deficiency between assets and debts of £7 million - more than its reported turnover.

Apart from the physical assets, such as sewing machines and some property, the only saleables were the franchise rights and moneys owed by franchisees. The remnants of the firm were acquired by Mostyns, a competitor based in the West Country, with a similar, but more viable chain of outlets of its own.

'Business failure is mostly a result of managerial incompetence'

THINK?	After all following cases as above discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.
CONTEXT?	All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

SAIM WORKSHEET

CASE STUDY C1.1: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY C1.1: ANALYSIS (Summary of Key Points)

CASE STUDY C1.2 COMPSOFT - HEADLAND

The UK software market of the mid-Eighties was volatile, fragmented and, for those with a marketing edge, very lucrative. During the peak of the boom, net profit rates of 25 per cent - on 95 per cent gross profit margins - were commonplace.

Several million - pound firms sprang up virtually overnight. In many cases, however, the pace of growth proved to be more than management could handle; many of the shooting stars fell victim to their own success.

This should be compared with the Cyber dot.com gold rush of the nineties.

Compsoft is a case in point. Launched in 1979 by husband and wife team Heather Kiersley and Nick Horgan, it lasted only six years before succumbing to crippling losses. Compsoft's story is an example of the damage an **inexperienced management team** can do to a promising firm. Now, under new management, and renamed the Headland Group, a redirected Compsoft is thriving with annual sales of over £8 million.

In 1979, Compsoft's one product, an advanced database management system called Delta, **(NB compare this with Larry Ellison's 'Oracle' of the nineties)** was unique in that end-users (i.e. customers without expert knowledge) could put it to work without calling in a programmer.

Dr Geoffrey Bristow, chairman of the Headland Group and part of the turnaround management team, explains that Compsoft started in a safe niche:

'in the early Eighties Delta was the only product of its kind in the UK that could be used without programming. Compsoft really had the field to itself'.

'Power without programming' was Compsoft's slogan and its strength.

Delta won industry awards and prestige customers and by 1985 had 40 000 users in the UK. With a 10 per cent market share, it was second only to Ashton Tate's DBase in the PC database market and certainly one of the leaders among PC software vendors as a whole.

In 1984, Compsoft launched a public share offering,

'With a turnover of £2 million, it was a very small company to float, but, during the PC boom, £500 000 of that £2 million was profit', says Bristow.

High profits, then typical in the software market, made Compsoft attractive to city investors.

Ironically, these profits also meant that the flotation was not strictly necessary. Kiersley and Horgan, who together retained 75 per cent of the business, did not really need the outside financing for expansion. In fact, says Bristow, 'If they hadn't gone public, perhaps they could have ploughed more of the profits back into product development'.

Perhaps the partners, like other successful entrepreneurs, saw going public as an end in itself. A **plc** after the name can be as much as a motivating factor as the capital raised.

By 1985, success in the UK encouraged Compsoft management to expand to the Continent. In doing so, says Bristow,

'Compsoft broke all the rules of foreign expansion. They didn't really know the European market, but that didn't stop them from opening five subsidiaries in the space of a year.'

The normal route to European markets, especially for a one-product firm, is through a distributor.

'You must be able to achieve **critical mass** in terms of **market share,** staff and sales in the new market to warrant running direct subsidiaries. Otherwise you use a distributor', says Bristow.

‘With a distributor, all news is good news - a sale means a royalty. But even if a direct subsidiary does make a and control it very, very hard. You must trust a manager at that distance far more than you have to trust the guy sitting next to you’.

Unfortunately, Compsoft’s European operations did **not** have the **calibre** of **managers** needed.

Moreover, Compsoft’s one and only product was written in English. English may be acceptable in products aimed at computer literate people, but Delta was for end-users who rightly expect software to be written in their **own language**. Although Compsoft did eventually supply products and support material in the relevant European languages, the cost, time and attention required for the translations were far greater than expected.

Overall, European results were far worse than expected; all made substantial losses and Compsoft’s £0.5 million profit of 1985 became a £1.28 million loss in 1987.

Back in the UK Compsoft was now facing severe competition primarily from Paradox, which had also developed a ‘power without programming’ facility.

In 1986 Compsoft found it needed to develop new products to maintain sales and protect its niche in the domestic market. This is as far as many firms get, says Bristow.

‘Often software companies find that having made one successful product, it can be tricky to make another’.

Compsoft’s two new products were very well-designed, but failed dismally in the market place. Debut and Domino, as they were called, shared little with Delta beyond the initial ‘D’. Aimed at different markets - from each other as well as from Delta - neither could benefit from Compsoft’s name, goodwill, marketing or distribution channels. Further, management did little market or distribution launch.

‘Although they tested the ideas with a few big clients, they never really tried to find out what people in general wanted, or how well competitors were servicing these markets’, says Bristow.

Debut was a very sophisticated spreadsheet programme for use by large multinationals in consolidating subsidiaries financial information. Its market was specilized and required very different distribution arrangements from the excellent dealer channels already in place. Whereas Delta could be sold over the counter through distributors, Debut required a two-hour presentation from a highly trained salesperson.

Domino, a computer-based training package, had similar problems. According to Bristow:

‘It was a very good product, well-supported and well-received, but it didn’t rely on Delta’s expertise, name or distribution network. It meant entering an entirely new market.’

Nonetheless, in the original ‘market without programming’ image Compsoft had developed with its ‘power without programming,’ image was a valuable asset. Although competition had increased, Compsoft did retain a market edge for end-user products. A sound approach would have been to create more products that built on Delta’s strengths, in particular products that could run on the new PCS then becoming popular. As Bristow sees it:

‘Compsoft management could have put the money spent on research and development into products which built more on the firm’s position in the marketplace’.

In introducing the new products, Compsoft management broke a cardinal rule of marketing.

An expanding, firm can take one of three routes if it is to build on its strengths: it can penetrate deeper into an existing market with an existing product;

it can take an existing product into a new market; or it can introduce a new product into an existing market.

One thing that can rarely be done with any success is to launch a new product into an unknown market, and that is exactly what Compsoft tried to do.

The new products were complete departures from the original line in part because Compsoft, like many software firms, was driven by research and development. Programmers want new challenges and designing gradual enhancements to meet market needs can be very dull work. This attitude, says Bristow, is very, very common in this industry.

Meanwhile, Delta was enhanced very little, even though some new versions were in demand - for example a Delta product that could run on the new Unix or OS2 operating systems, or relational version of Delta.

A relational database is essentially a free-format database that allows the user to specify and change the relationships among the data at anytime. Because Delta lacked the power and flexibility demanded by some users, it lost sales to Ashton Tate’s relational DBase.

By January 1987 Horgan and Kiersley knew they were in trouble and approached Octagon Industries, a consultancy firm specializing in turning around troubled software firms, for help on a consultancy basis. In particular, they wanted assistance in finding other products to help achieve **critical mass** of sales in Europe. Unfortunately, Octagon was unavailable for another six months.

Meanwhile, Multisoft, a rival accounting software manufacturer, approached Compsoft with a reverse take-over offer. The deal would involve Compsoft buying the much larger Multisoft and effectively disappearing - leaving Multisoft with Compsofts’ stock exchange listing. The deal was not particularly welcome at Compsoft as it would mean redundancies at board level. It was, however, the only offer on the table.

‘Only a week before completing the deal with Multisoft, Kiersley and Horgan came back to Octagon and asked them to match the Multisoft offer’, says Bristow.

They could.

In August 1987 Octagon and Compsoft signed a management contract by which Octagon management would receive share options tied to earnings in return for managing a turnaround. The firm was later renamed Headland with Dr Bristow as chairman and chief executive.

‘All of this was done in a week. We then got on with the turnaround’, says Bristow.

Managing the Turnaround

Octagon’s turnaround involved **cutting overheads** and **increasing UK sales.**

The company had a very weak balance sheet, and didn’t have any money to close down the overseas subsidiaries,’ explains Bristow. So, after a rescue rights issue to raise the necessary cash, Bristow closed all the European operations in the space of six weeks - for a profit improvement of over half a million pounds.

Sales in 1987 were so low that losses would have continued even after the cost-cutting measures. It was necessary to overhaul the UK marketing operations as well. Steps included appointing a new marketing director, providing better support for the dealer channels, making more use of the training facilities, using a telesales team to follow up on user-registration cards, and doubling the salesforce.

Octagon also changed the product line, releasing a relational version of Delta, dropping Domino, and repositioning the spreadsheet product. We quadrupled the price of Debut, and aimed it at a corporate level customer, instead of as a dealer product,’ says Bristow.

Compsoft had marketed both a ‘budget’ and a pricier ‘professional; version of the database; and had differentiated the two by making the former look very low budget indeed. Bristow’s team discontinued the budget range and made the professional range look far more up-market.

‘Doubling the product costs meant eroding our profit margin from 95 to 90 per cent. But it was money well spent - if people are going to spend £600 pounds for a product, they want it to look like more than a floppy disk,’ says Bristow.

Overall, we concentrated on profit rather than sales. Sales actually declined from approximately £2.2 million to £1.7 million because of the closure of the European operations,’ 1987’s loss, and showed a 10 per cent profit for the following year.

THINK? After all following cases as above discussing the case with others, try and work through systematically the **Case-study Analysis** steps 1 to 6 described in section 5.

CONTEXT? All **managers** make **decisions** within their own unique **context.** Identify the **context** of the **key manager/supervisor decision-maker** in this case-study.

SAIM WORKSHEET

CASE STUDY C1.2: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY C1.2: ANALYSIS (Summary of Key Points)

CASE STUDY C1.3 DRAGON DATA

Dragon Data started out as the white hope of South Wales. Instead, its short life became a black hole for institutional investors' funds.

The company was conceived as a means of diversifying another troubled company, Mettoy.

Mettoy was in the toy industry, and in the early Eighties was suffering badly from a mixture of competition from imports and plain **bad management**. A boardroom revolt led to the appointment of a new board, which commissioned PA Technology to design a high-technology product that would restore its market position.

Traditionally, Mettoy had sold toys for children aged three to seventeen. But by the late Seventies, it found that changing tastes had confined most of its product range within the two-to nine-years-old age range. They had a few high-technology toys, but these were not suitable for the teenage market.

Brian Nicholson, the technical director, described as 'a very astute, forward thinking guy' by one of the consultants who worked with him, saw a market gap for a home computer designed for teenagers. There were already adult computers on the market which could be re-engineered to produce a cheaper product for kids. PA's brief was to design a state-of-art home computer to sell at less than £200, while providing a full-size Qwerty keyboard and being compatible with colour television monitors.

The development programme was remarkably fast - less than four months from project start-up to prototype, and an additional nine months to production start-up and the result was a machine that offered the highest performance of any computer within that price range. It was, says Alan Sutton, then with the Welsh Development Agency (WDA),

'the perfect product. It came to the market at exactly the right time.'

The 'Higher Street' retailers thought it was a good product, too. The company had the acumen to persuade Boots and Dixons to take the first few hundred prototypes for sale through a single outlet each, and to obtain cash upfront. These first deliveries sold out rapidly and within weeks both chains had slapped in huge orders.

Meanwhile, Mettoy had been getting steadily deeper into trouble. To raise **survival cash** it decided to sell off the majority ownership of this promising new business. The retailers' orders arrived half-way through the round of presentations to City institutions, then suddenly, everyone wanted in. Mettoy had little difficulty disposing of 80 per cent of the venture. The main investors were Prutec (a subsidiary of the Prudential), which put in an initial £500,000 the WDA and Hill Samuel. Prutec held 41 per cent of the equity, Mettoy 20 per cent. The deal included a ratchet clause that allowed Mettoy to increase its equity to 35 per cent if the venture met profit targets.

Dragon was, on the surface at least, just the sort of company the WDA was intended to support. It was a high-technology, high-profile company, with the potential to bring a better class of job to South Wales. At the time, the WDA was still struggling to overcome an image of propping up lame ducks - an image it had earned because the terms of its original brief had emphasised the social benefits of retaining jobs within existing industries. As the obsolete industries failed one by one, the WDA's charter gradually changed to allow it to pursue and attract newer industries.

The Agency (WDA) desperately needed some high-technology success stories.

At first, all seemed to be going very well. Dragon moved into new premises, a WDA factory at Kenfig Hill, near Port Talbot and took on 250 employees. Derek Morgan, who was appointed to the board as a part-time non-executive director by the WDA that September, recalls.

'That Christmas we had an amazing order book, for tens of thousands of units. As other chains and the computer boutique shops also placed orders, we couldn't keep up with demand.'

Production capacity was increased, then increased again.

Several of the executive team running Dragon were old Mettoy hands. The **managing director, Tony Clarke,** had been finance director of Mettoy; the production director, Maurice Wilde had held the same job at Mettoy. Although they were apparently a fairly balanced **team** in terms of the variety of disciplines involved, they did **not include** an **experienced general manager** nor, critically, anyone with intimate knowledge of the computer industry. The Chairman was the chief executive of Prutec, Dr Derek Allam.

Morgan, then head of PA's consulting practice in Birmingham, started to worry in February 1983, at a board meeting. He recalls:

'As always the board papers hadn't arrived on time. Clarke and the marketing director arrived late. When they did arrive, they excitedly produced new projections for the year - a turnover of £60 million and profits of £22 million;.

Morgan was openly sceptical that the company could sell £60 million after such a short trading history. Even if it could obtain the orders, it could not fulfil them. And even if it could fulfil them, it could not fund the increased capacity. Clarke explained that the figures were actually depressed and that the extra capacity could be gained by sub-contracting where necessary. The City investors were only too ready to believe. They, too, needed runaway successes.

Over the following months, it became clear that all was far from well at Dragon. Morgan's warnings about expansion began to come true as the production side found it could not cope. Top management spent a great deal of time out marketing- giving computers to hospitals for publicity value, when it might have been better spent making sure everything was running smoothly in the factory. then, as the company was gearing up for Christmas, a number of problems became apparent at once.

The first problem was that the main chip in the computer had a fault that caused the operating system to crash if the computer was inadvertently overloaded. The company's initial response was to slap a sticker onto the power leads, warning youngsters not to switch on before connecting to the mains. It couldn't re-engineer the product because it didn't have time, and anyway, its research and development capacity was completely taken up with increasing the machine's memory capacity.

Then it emerged that many of the orders were phantom.

In true retailing fashion, many of the stores had put in double orders to ensure that they received the quantity they really wanted. Competing products were now on the shelves and - against advice - Dragon had not put any resources into easily added product peripherals. As the home computer boom showed its first signs of softening, the retailers dealt Dragon a double blow. They insisted upon a substantial reduction in price, and they used the excuse of handful of a faulty computers to send back whole consignments of several thousand units. Some retailers also began to extract better credit terms, by sending products back at the end of one month, and reordering two or three days into the next - or simply by delaying payment as long as they could.

The company had promised to release a machine with a 64K memory by that time, with a 128K version in the autumn. In the event, neither ever emerged from the laboratory.

'The managers had so many problems, they didn't know which to tackle first,' says a consultant who helped develop the technology.

‘They were running in **constant crisis mode’**.

It rapidly became clear that the company was having **severe cash problems**. The auditors, Peat Marwick, came in for three weeks to recommend what the shareholders should do. They suggested that the existing shareholders double their investment, with a new rights issue for £1.5 million in June 1983. Unable or unwilling to pay its share, Mettoy saw its equity stake further diluted. The WDA also allowed it equity share to fall rather than invest further.

Within three weeks, this new money was gone, soaked up to pay suppliers. The company was on the **verge of insolvency**, unable to pay its bills. An emergency board meeting was called, appropriately, at the Dragon Hotel, Swansea. Clarke, the managing director, was told to be there, but did not show.

The board meeting appointed Morgan temporarily as deputy chairman and chief executive and asked him to do a consultant’s report on the company within two weeks. His first action was to find Clarke who was clearly abject and depressed and agreed readily to take a leave of absence that inevitably became permanent.

At eight o’clock on Monday morning Morgan explained to the managers how deeply in trouble the company was. An hour later, he was negotiating with the banks to provide the credit needed to keep Dragon afloat. Instead of a consultant’s report, he offered the board a **survival plan** that recommended no further investment, and a rapid sell-off to another manufacturer.

‘We don’t have a company’, he declared. ‘We have a limited product range. We must be absorbed by someone with a bigger product range.’

Negotiations were started with GEC MacMicheal.

To counter the problems of returned orders, Morgan whipped up sufficient enthusiasm among the managers and other employees to test and send back several thousand machines within forty-eight hours. Very few had any real faults. But the problems in the market-place remained.

Morgan brought in Touche Ross to substantiate the projections of sales, which had been revised down to £17 million. In the event, even this was an overestimate, as the Christmas sales figures reflected the beginning of the end of the home computer boom. Having effected a temporary reprieve at Dragon, he turned down the offer of the permanent post and returned to his normal job as a management consultant.

Given the scale of the problems he had found, this seemed a pretty wise move. Explains Touche Ross’s Robert Ellis:

‘Our report said there were low sales; an incomplete product; and that some or all suppliers had the company on stop because credit terms had not been met. We told the board that if they put in more money, it would only pay off the credit already granted and that it needed still more investment to get the product right.’

The shareholders appointed a new chief executive from GEC, Brian Moore, who set about trying to diversify around the existing product, while putting on the pressure to release the more powerful versions. In September 1983, Morgan resigned from the Dragon board, having already advised the WDA not to put in any more money.

GEC, while willing to market the Dragon computer, would have nothing to do with the company itself. In the end, Hill Samuel lost patience in May 1984 and called in Touche Ross as receivers. Ellis as receiver summarizes Dragon's situation as 'a classic Catch-22. The new product was far from complete and those computers that did go out into the market had technical problems. They were working on getting the technology right, under great pressure from the investors to get the product onto the market'.

There were so many returns from retailers that year's sales were negative.

Ellis rapidly reduced the workforce from 250 to 100, to reduce the 'unsustainable weekly drain in wages', leaving only what he perceived to be 'the core of the company - enough people to fulfil the few orders the company had, and some technical experts - so we had something we could sell'.

Several interested buyers appeared, among them Tandy and Hitachi. But it was a subsidiary of a Spanish regional development board, Eurohard, which bought the assets of the company, paying just over £1 million for them (rather more than Ellis had expected). The Spaniards had the intention of emulating the successful BBC micro project, to produce a relatively unsophisticated, reliable learning machine. They bought the patent rights and the entire factory contents: plant and machinery, testing equipment and work in progress. Dragon was boxed into containers and shipped to Spain, leaving only an empty building for the WDA to rent again.

'All I wanted was a factory left clean and tidy,' says Ellis. 'I got paid in a series of tranches, depending on how many containers arrived at the dock.'

The WDA lost £1 million, and Prutec lost nearly £7 million. Other losers included the Water Authorities' Pension Fund. Ellis is philosophical about it.

'That's the cost of research and development investment. In all **these failed hi-tech companies,** the asset value is small compared to the investment'.

SAIM WORKSHEET

CASE STUDY 1.3: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY 1.3: ANALYSIS (Summary of Key Points)

CASE STUDY C1.4 WARDLE STOREYS

When **Brian Taylor** arrived at the Bernard Wardle company in May 1980, the situation was desperate. 'It was losing £300,000 in a good month, £400,000 in a bad one. The company was on the short road to bankruptcy,' he recalls.

In the winter there was no heating oil to heat the offices, managers had to wear overcoats. In an effort to save money, water was taken from a stream to avoid paying water rates.

Since 1980 the company, now Wardle Storeys, has been transformed. It has been called 'Britain's sharpest industrial turnaround'. As **managing director, Taylor** has transformed large scale losses into sizeable profits. There is heating in the offices, a Bentley Turbo R outside, and the water rates are paid on time.

Taylor was brought in by Graham Ferguson Lacy, who had paid £6 million for the ailing plastic sheeting manufacturer earlier in 1980. Lacy, the 'millionaire evangelist', entrepreneur and financier, anticipated that Taylor could manage a turnaround of Wardle within six months.

This optimism quickly gave way to the **shock of reality.**

Taylor recalls his first day: 'I arrived at 7.30 on a Tuesday morning and I sat and went through the latest set of management accounts. By about 10.30 I'd come to the view that it wasn't a matter of how long it would take to turn the company, around but whether it could be saved. If you set down the figures now you would decide it was plain crazy to try to save it.' Taylor's' initial view was borne out by a £5 million loss in the sixteen months to the end of March 1981.

Bernard Wardle had previously been relatively successful. It had expanded by acquisition throughout the Sixties and Seventies. But, in 1980 Wardle Storeys felt the brunt of the recession that hit the automotive industry.

Taylor provides a forceful insight into the mistakes that were made:

'By 1980 it was in a much worse state than anyone realized. It was very clear what had gone wrong. Some things were internal, self-inflicted injuries. Others were external over which it had little or no control. It was heavily dependent on the automotive industry and, in particular, on the British automotive industry. Because of that, when the industry virtually stopped producing cars in 1980 - 1, volume obviously got hit very hard. In fact, over 60 per cent of Wardles's sales were to the automotive industry.

Wardle's attempts at diversification had also been unsuccessful.

Argues Taylor:

'It could have reorganised in good times and cut down the number of production facilities much earlier. It need not have gone off on some of its diversification projects with borrowed money. Wardle had gone into a plastic bottle company in Holland which was losing a lot of money. It also had a noise insulation business, which really had very little value.'

Wardle had also diversified into garden and leisure products with little understanding of those markets. It fully equipped itself with expensive overheads before the sales materilized. As most of the products were manufactured outside the company, margins were wafer thin.

These problems were worsened by speculative, long-term agreements for raw materials, which the company had entered into. Wardle had a large forward commitment to raw materials stock, which it had agreed to buy at prices which were higher than the market rate and at volumes larger than the company could generate.

Management had, in effect, gambled on raw material prices and inflation.

Taylor sums up:

'There were enough stupid mistakes for a large company to make and hit trouble. For a very small company, it really was wrong, and an almost successful attempt at suicide.'

Solving the problems was a challenging task. Taylor closed the factories at Caernarvon and Blackburn, as well as the company's head office at Knutsford.

'It was clear what had to be done: some of the factories had to be taken out, the head count had to be reduced very fast, some of the products we had to get out of, and we had to get rid of the Dutch subsidiary,' he says.

The discipline of managing an ailing company provided a valuable lesson for Taylor:

'Running a business for cash gives you a **different approach to life altogether** and it's one most managers are not used to.'

But it wasn't just a dynamic life-saving operation. The **long-term survival** of the company was the real challenge, claims Taylor:

'We couldn't just say, cut it all back and that's that. Within eighteen months or two years the whole thing would have drifted down a bit further.

By 1982 Wardle was breaking even, but had substantial borrowings to contend with. Taylor realized that future growth into profitability depended on overcoming this difficulty. He recalls:

'The borrowings were huge. New money needed to be brought, in and the only way I could think of was to do a buyout'.

In fact, the idea of a management buyout had materiliazed towards the end of 1981. It was not until October 1982 that it went ahead. The buyout from parent company NCC Energy was financed by a consortium of leading institutions and the Wardle management team. Taylor himself put in £70,000.

Not surprisingly it was difficult to convince institutions that a company, which had been spectacularly unsuccessful just two years previously, was now a worthwhile investment. Says Taylor:

'We had only shown that we could save a business from ruin. We hadn't shown that we could make it successful. It was the early days of buyouts and many people wanted proof positive that you could produce gold bricks out of cucumbers. Lots of institutions threw us out.'

It didn't help that Wardle was in an unfashionable business, such as pvc sheet production. But the buyout team had some cards in its hands.

It was basically selling proven management capability; and it had a plan, unfulfilled at the time, to buy a competitor, Storeys Industrial Products.

In the end, Citicorp Venture Capital, Electra Investment Trust, Fountain Capital Development Fund and the British Rail Pension Fund were sufficiently impressed to finance the buyout, taking 63 per cent of the equity. If profit targets were met, the management were then to take over 51 per cent control.

The key to meeting the profit targets was the acquisition of Storeys, which had been a Turner and Newall subsidiary since 1977. Says Taylor:

'It became obvious that if we could put Wardle together with Storeys, we would have a strength of market sector and product type and be able to create a potent force in the market place which didn't rely too heavily on commodity products. It was an integral part of the recovery. We were making use of under-utilized capacity and bringing it up to utilization. It made Wardle less reliant on the automotive sector and, of course, it also brought in the physical possibility of value added products we could put into our marketing effort.'

Negotiations had been going on simultaneously with the buyout. In February 1983 the deal finally went ahead and Wardle Storeys came into being.

Again the problems were large. Although production, logistical and efficiency advantages as well as the relatively cheap price made Storeys an attractive proposition, it, too, was losing money - around £300,000 a month.

The purchase and integration of Storeys cost £4 million. Almost £3 million of this was spent on redundancy costs - the Lancaster plant was closed and a total of 1,500 jobs were lost. Merger and rationalization took just six months, including the transfer of technology, product lines, relocation of large machines and reorganization of transportation. Some of the plant and equipment and most of the product lines were transferred to the Wardle factories at Earby and Brantham.

The process of recovery reached another landmark in November 1984 when Wardle Storey returned to the Stock Market with a price tag of £20.4 million. The sale of seven million shares was heavily oversubscribed and Brian Taylor turned the £70,000 he had borrowed in 1982 to £6.6 million just two years later. He observed at the time:

'The consistent factor had been **management style**, working for profits and cash, and now we are going public, for earnings per share.'

The most striking feature of the company's recovery has been its financial management. Taylor previously worked on the turnaround of Wilkinson Match's Safety and Protection Division. In six years, return on net assets was raised from virtually zero to 60 per cent. He believes in 'good sound old Victoria management principles' and provides a simple management philosophy.

'Management is the same as it always has been', he says.

'It's just that the aids to management differ. At one time someone ran the East India company, before there was such things as computers. But they evolved a management style which was successful. This is no more than the Japanese, Germans or anybody does. They pay **great attention to detail and quality**. They do not chase marvellous strategic concepts all around the sky. They actually **get into the business**, and **run the hell out of it.**'

In the half year to the end of February 1988, Wardle Storeys' pre-tax profits were up 38 per cent to £7.6 million. Its technical products division almost doubled its operating profit.

This has been achieved through organic growth and a number of successful acquisitions. In April 1987 Wardle acquired Weston Hyde Products' coated fabrics business. In June 1986 Wardle acquired RFD, a manufacturer of life-rafts, dinghies and parachutes. This 'gave us a wider segment of business interest and got us into the defence industry', says Taylor.

The only blot on the company's recent record has been the abortive £62 million bid for Chamberlain Phipps, the shoe components and adhesives company, early in 1987, which cost the company £1.5 million.

Year to 31 August	Turnover £ million	Pre-tax profit £ million	Started earnings per share (pence)	Gross dividend per share (pence)
1984	39.8	3.15	16.7	-
1985	40.5	4.02	19.1	7.14
1986	44.8	5.6	23.6	8.45
1987	69.0	12.7	35.2	12.33

Wardle Storeys remains firmly rooted in a traditional manufacturing sector with 35 per cent of its sales being coated fabrics and laminated products with the rest plastic sheeting. The automotive industry now accounts for 24 per cent of sales with Wardle making plastic and sound insulation for Jaguar and Rolls Royce, as well as sun visors for the Ford Sierra. The level of its diversification can be seen in the nursery market where Wardle is the leading supplier of washable linings for prams and push chairs to companies such as Mothercare. It is also sells shop awnings, flow tiles, protective clothing, bath panels, and a range of stationery products.

The company has recently been described as a small version of BTR. Brian Taylor remains a realist:

'It may sound smug and pompous but there's no such thing as yesterday's hero. You've got to make it work next year.'

SAIM WORKSHEET

CASE STUDY C1.4: ANALYSIS (Summary of Key Points)

SAIM WORKSHEET

CASE STUDY C1.4: ANALYSIS (Summary of Key Points)

PART C

BUSINESS
{MANAGERIAL}
FAILURES.

LESSONS.

CASE STUDY C1.1 Lessons

Curtain Dream is a signal example of the entrepreneurial venture that grows too fast for its managers to handle. Among the critical problems:

- Its management neglected financial controls and internal controls of all sorts.
- Monitoring by the investors was slack.
- The company was dominated by one autocratic executive and an uncritical friend.
- Curtain Dream had to a large extent been promoted to investors on the back of its own public relations.
- Whitehead 'liked a high profile' says McKaller.

McKellar sums up the main lessons as:

They grew a business that didn't have a proper infrastructure for controlled growth. They grew too fast, in too cavalier a fashion.

Failure was inevitable'.

CASE STUDY C1.2 Lessons

The Compsoft failure was by no means inevitable, explains Bristow.

If played differently, Compsoft's 'power without programming' niche could have stood the firm in good stead well into the Nineties.

'Compsoft's real power lay in its easy-to-use man-machine interface', he says.

'They could have profited from that even after the database battle had been played out, by grafting the screens training and consultancy on to the new, standardized, database packages of the Nineties'.

'To compete in the software market, you must either find a niche and be everything you can be to one group of customers, or you can try to compete on a global scale', says Bristow.

A niche strategy may be less glamorous than attempting to take over the world, but it can be just as profitable.

Horgan and Kiersley apparently did not see it that way. They chose to abandon Compsoft's niche and aim for a share of the larger market, in direct competition with some very large firms.

And, that, says Bristow, 'its not a comfortable place to be in for the long term'.

CASE STUDY C1-3 Lessons

- Dragon's management placed too much reliance on the original product. It assumed it would have a much longer lifetime than was in fact the case. It also decided it could handle the development of future versions itself, but lacked the skills to do so. There was no contingency plan for delays in bringing product enhancements on stream.

Comments Ellis: 'You should never start something in a relatively new field if you can't complete it. In any venture, the assumptions in your plan have to be wide enough to cover these kinds of uncertainties. The investors, too, should be assured that if all these uncertainties go against the company, the business will still make a profit'.

- Top management didn't understand either the computer business or the toy business. The latter is subject to sudden fads that disappear as quickly as they arrive; the former was and is subject to rapid product obsolesce. As Chris Lewis, a consultant with PA Technology, expresses it:

- 'If you don't have the resources to run with the rest of the pack, you shouldn't enter the race'.

'It needs a special kind of **fast-moving management** to prosper in the home electronics industry', adds another observer. 'Dragon didn't have that sort of team.'

- Research and development resources were pulled in two directions. Lewis again:

'In the computer industry in particular you must segregate your development activities from product support. You can't afford to take the development people off the next product to support the current one.'

A logical course for Dragon would have been to subcontract the new product development while concentrating in -house efforts on getting the current product right.

- The project was underfunded from the start. Comments a former manager at the plant:

'We didn't have the technical or financial backing to maintain a lead in the technology.'

- Inadequate financial controls, particularly in the contracts with retailers, made it difficult for top management to know how serious matters were, let alone to deal with the problems.

- Top management refused to face the reality of the situation. Although Morgan advised them to stop manufacturing, in favour of having the product made more cheaply in the Far East, both Clarke and the then chairman dismissed the idea, on the grounds that Dragon was a manufacturing company.

Yet this one decision could have saved the company had it been taken early enough.

CASE STUDY C1.4 Lessons

Most of Bernard Wardle's problems can be summed up as a **failure of vision**. Faced with declining demand in its core markets, the company switched attention to a series of investments in areas it knew nothing about, and to which it could bring little in the way of special expertise.

While top **management's attention** was diverted by ill-judged, unhealthy acquisitions, the rationalization and modernization of the existing businesses was **neglected**. Acquisitions appear to have been **opportunistic,** rather than part of a carefully development growth plan.

- Even a very healthy company is ill-advised to expose itself extensively to the **fluctuations** of the commodities **markets.**

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