Case Problems in Management

Schuler and Huse

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Case Problems in Management

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To our families

Preface

Case Problems in Management was written to provide a single source of several diverse types of cases which can be used in several different courses in management and organization. The casebook incorporates some of the "classics" in cases such as "Chandler's Restaurant" and "Bob Knowlton" and several recent cases such as "Integrated Controls, Incorporated (A)" and "Piedmont." Although a majority of the cases are between three and eight pages, we included a few longer ones for the variety and the quality of the cases. "International Metals Corporation" and "Why Should My Conscience Bother Me" are two excellent cases which exceed the usual eight-page maximum.

The cases depict several organizational settings from hospitals to manufacturing companies and from relatively small companies to rather large companies, the largest being General Motors in the Lordstown case. Although we have categorized each case into a major section of management and organization topic, many of the cases could have been as appropriately placed into another section. Thus each case offers a great variety of management and organization topics which can be analyzed and discussed. As with many cases, those included here can be analyzed by students having relatively no background in management and organization to those having extensive background, either from previous course work or personal work experience. Therefore, this casebook should be appropriate for all levels of management and organization courses offered, not just in business administration but also in hospital administration, social work administration, and any other area of administrative science.

A great many colleagues have been especially helpful to us in the preparation of this casebook. Several sent us some of their favorite cases and others made several invaluable suggestions about the content of the book and the instructor's manual. Based upon the majority of the suggestions, we decided to incorporate all objectives, questions, and comments for each case in the instructor's manual. Many colleagues indicated this would give them the greatest latitude in using the cases in the book. In addition, where possible, solutions or follow-ups to cases were included in the instructor's manual. Several authors of the cases used graciously provided us with these solutions or follow-ups. We are grateful to them.

We would like to thank those individuals who provided us with their cases: Theodore Herbert, University of Akron; Ed Schuler, Stanley Works; Jan P. Muczyk, Donald Scotton, and Jeffrey Susbauer, The Cleveland State University; Ed Christensen, Southwestern Publishing Company; Margaret Fenn and Harry Knudson, University of Washington; W. F. Whyte, Cornell;

Jack Rettig, Oregon State University; Hak-Chong Lee, State University of New York at Albany; Jack Veiga, The University of Connecticut; James C. Conant, California State University; Sherman Tingey, Arizona State University; Robert J. House, University of Toronto; John R. Rizzo, Western Michigan University; Herb Shepard; Albert Rubinstein, Northwestern University; Alex Bavelas, Stanford Research Institute; Donald D. White, University of Arkansas; H. William Vroman, Tennessee Technological University; and S. K. Andolsun, Boston College.

The cooperation and assistance by several publishers were also greatly appreciated. The publishers are Macmillan Publishing Co., Inc.; Prentice-Hall, Inc.; University of Western Ontario; The Board of Trustees of the Leland Stanford Junior University; The Board of Trustees of the University of Wichita; Southwestern Publishing Company, Inc.; Holbrook Press, Inc.; McGraw-Hill Book Company; Business Week; Northwestern University; Winthrop Publishing Co.; Society for Applied Anthropology; Doubleday & Company, Inc.; The Fellows and President of Harvard College; Intercollegiate News and Views; and Houghton Mifflin Company.

In addition to those colleagues who provided us cases they had written, several sent in cases which are included in the case. Their cooperation along with those who sent us cases which were not used was appreciated. They are Don Vredenburgh, Wayne State University; Ramon Aldag, University of Wisconsin; Jeffrey Pfeffer, University of California-Berkeley; Art Bedeian, Auburn University; Will Money, Kent State University; Alan Randolph, University of South Carolina; Mahmoud Wahba, The City University of New York; Hank Sims, Bob Pitts, Chuck Snow, John Slocum, and Max Richards, The Pennsylvania State University; Larry Foster, Michigan State University; Ralph Katz, Massachusets Institute of Technology; Terry Beehr, Illinois State University; Paul D. Schaller, Microwave Associates; and Bill Hurley, Art Cullman, Chuck Hicks, Chuck Behling, Randy Bobbitt, and Jay Kim, The Ohio State University.

In the instructor's manual we have included several articles on the use, teaching, evaluation, and application of cases. Several colleagues indicated they had never used cases before, and would like it if they had some basic guidelines to get them started in the right direction in using cases. It was a combination of this feedback and the suggestion of Kay Bartol, University of Maryland, which resulted in the inclusion of the articles on using cases.

Finally we wish to thank those with whom we worked most closely during this project and who provided us with invaluable encouragement and support. Our editor and our production supervisor at West, and John W. Slocum, Jr. the consulting editor at West, all provided important assistance from the very beginning to the very end. The secretaries in the Word Processing Center at Ohio State headed by Roy Cromer did an excellent job in the preparation of the casebook and instructor's manual. We thank Eddie Roberts, Marianna Russell and Ronda Wetzel for their patience in typing and revising. A special thanks goes to the moral support and understanding Beryl J. Packer so kindly provided throughout the preparation of the casebook and instructor's manual.

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Part I

The Modern Manager

1. The Industrial Controls, Incorporated (A)*

Background and Philosophy of the Founder

Mr. Bauer had been a respected executive in one of the larger and most successful conglomerates. He rose to the position of Group Vice-President, and his career in the company appeared promising. After all, he had an undergraduate degree in mathematics, a Harvard MBA, a good deal of experience in a large firm, and a history of success. Yet, approximately twelve years ago, Mr. Bauer elected to acquire a small firm engaged in manufacturing controls for a wide range of industrial machines, doing about $200,000 worth of business annually.

Mr. Bauer intended from the very beginning to expand his firm from a small company to a medium-size enterprise. This he wanted to accomplish through retained earnings and occasional loans in order not to dilute his ownership and control. In fact, Industrial Controls, Incorporated did grow at an average rate of 20 per cent per year until 1974, when the company had sales in excess of $5,000,000 and employed 89 people (79 full-time and 10 part-time).

Evolution of the Firm

Stage 1. After acquiring Industrial Controls, Incorporated, Mr. Bauer hired a production manager. He selected a Mr. Dooley who had been a foreman in Mr. Bauer's former division at the conglomerate and was known to him as a hard worker. Dooley did not have a college degree but had some electronic training in the Navy and took several evening courses at a local university.

Four years after acquiring Industrial Controls, Incorporated, Mr. Bauer availed himself of the opportunity to acquire another small firm (a four-man operation) owned and operated by a Mr. Cotton, an engineer who held several patents on equipment similar to that manufactured by Industrial

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* This case was prepared by Donald W. Scotton, Chairman, Departments of Marketing and General Administration and Jan P. Muczyk, Department of Management and Labor, The Cleveland State University and is used here with their permission.

Controls, Incorporated, but more sophisticated. Prior to forming his own company, Mr. Cotton had been employed as a sales engineer in a large firm in a similar line of business. Mr. Bauer also hired Mr. Cotton as the Chief Engineer and salesman. Mr. Cotton was given the opportunity to purchase a small interest in the firm and took advantage of it.

As long as the firm was small, these three individuals and the Sales Manager were able to manage the operations quite well. They worked out of the same office in a small building, saw each other frequently, remembered important matters without writing them down, and informally coordinated all of the details of day-to-day operations with minimum of policy, procedures, and paper work. There was even no need for an organizational chart or formal job descriptions.

Stage 2. There was nothing so unique in what Industrial Controls, Incorporated was making and doing that could not be provided by any of a number of large corporations in the machine controls field. In fact, Industrial Controls, Incorporated was in competition with the larger companies when it came to producing and selling machine controls that had standard applications. Consequently, Industrial Controls, Incorporated had elected to carve out for itself a niche, viz., machine controls custom made to the specifications of a client and personalized service that the larger suppliers of more standardized equipment were not interested in providing.

Business continued to expand as the result of development of new and more complex lines of machine controls, and the operation was moved to a new and larger facility with individual offices for all corporate officers. Growth was further accelerated by the acquisition of several additional lines of related machine controls.

Up to this time, Mr. Bauer had been able to orchestrate the entire operation i.e., he was the glue that held everything together and gave it direction. It just happened that at this juncture of the company's evolution, Mr. Bauer became involved in a number of community affairs which took more and more of his time.

When the Sales Manager resigned, Mr. Cotton, because he liked selling above all else, was made the Vice President of Sales and Marketing. Mr. Daren, the Chief Development Engineer who had reported to Mr. Cotton, was elevated to the position of Chief Engineer in charge of research and development as well as application engineering. Mr. Daren earned this promotion primarily on the basis of being a brilliant circuit designer. He also sought the position, and may have left the organization if it were denied him. Mr. Daren continued to do a considerable amount of R & D and application engineering after his promotion. Mr. Dooley remained as the Production Manager but had a much larger operation.

It must be kept in mind that in a company producing sophisticated industrial equipment to customer specifications which are at times incomplete because the customer isn't certain about what he wants, the interdependence between Sales, Production, and Engineering is considerable.

At this point of the company's evolution, a number of problem areas required attention. The inventory of components increased from $400,000 to $1,200,000 in one year. Although some of the increase was justified by greater volume of business, the latter figure was deemed excessive. Engineering complained that it was not receiving accurate customer specifications from Sales as well as receiving late modifications of the specifications. Production was complaining that it was receiving inadequate engineering releases and not enough lead time for assembling and testing the equipment. Furthermore, Mr. Dooley argued that since most orders were customized, production inefficiencies and delays were inevitable. Mr. Dooley and Mr. Daren felt that Sales was not developing markets for more standardized items in larger quantities which in turn would ease the workload for Engineering and Production alike. Sales and Production felt that engineering was not giving them the support that was essential in this type of operation. When the Customer Service personnel needed assistance on a major equipment problem in the field, Engineering was reluctant to drop development and application work to assist with the problem. Customer Service personnel complained that Engineering was designing equipment that was difficult to service in the field. Sales believed that Engineering preferred to develop new product lines rather than perfect existing equipment. Manufacturing personnel complained that they were not getting the amount of assistance from Engineering required to assemble a product either designed or modified by the Engineering Department. Customer complaints also started arriving at an increasing rate.

Stage 3. In light of rapid growth and increased complexity of the product lines, Mr. Bauer decided to reorganize. As a first step, he hired Mr. Cline as an assistant to the president in order to augment his time. Mr. Cline had considerable experience in several manufacturing plants, in a consulting firm, and taught marketing courses part-time at a local university. Soon after, Mr. Bauer assigned Mr. Cline the responsibility for corporate planning. He also separated the marketing functions from Sales and put Mr. Cline in charge of the former.

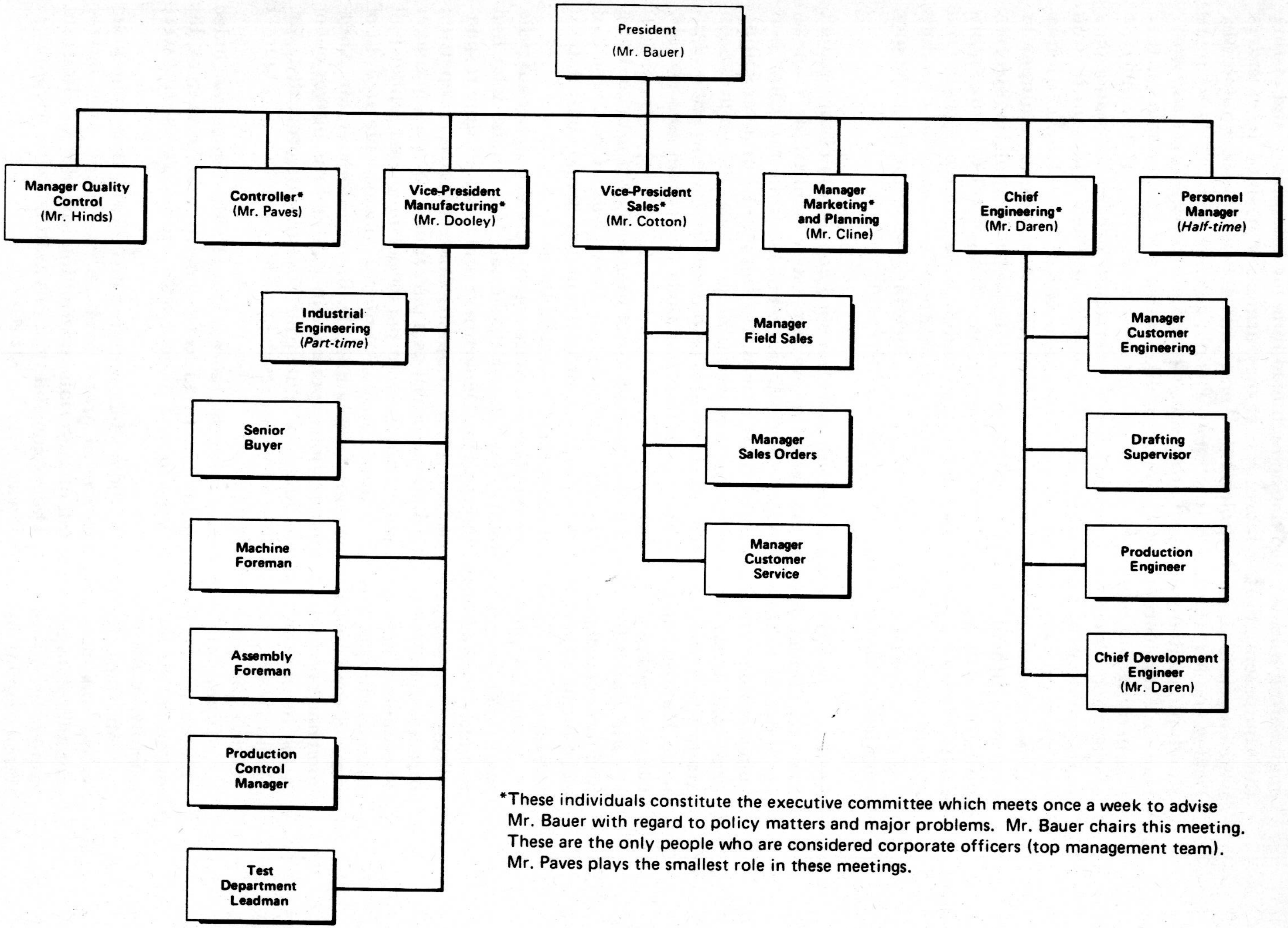
Mr. Bauer then hired a controller to assist in managing the accounting and financial aspects of the firm. Although Mr. Paves was a C.P.A. and had accounting experience, he was new to financial planning and control. Consequently, Mr. Bauer retained these responsibilities.

Since the product line had become more sophisticated and because the work load was now greater, Mr. Bauer appointed Mr. Hinds, who had formerly worked in the Engineering Department and had half-time responsibility for quality control, as a full-time Quality Control Manager reporting directly to him. Mr. Affermon was hired as a part-time Personnel Manager to establish personnel policy and handle personnel problems which had increased to the point that they were consuming a considerable amount of time of the operating personnel, including Mr. Bauer. Although Mr. Affermon had personnel administration experience in a larger firm, he was out of a job at the time he was hired by Industrial Controls, Incorporated. Mr. Dooley was given the title of Vice President of Manufacturing. Figure 1 reflects the current organization.

After a brief experience with the reorganization, Mr. Bauer concluded that something more fundamental had to be done in order to prepare his organization for future growth and to deal with the problems that were occupying his time.

Mr. Bauer believed, as did his fellow corporate officers, that a computer would aid them in a number of areas, such as processing sales orders, compiling an accurate bill of materials, controlling inventory, billing customers accurately, etc. The responsibility of integrating the new computer into company operations was given to Mr. Cline.

Mr. Bauer contemplated his future and that of the company. He concluded that he had the following choices:



*These individuals constitute the executive committee which meets once a week to advise Mr. Bauer with regard to policy matters and major problems. Mr. Bauer chairs this meeting. These are the only people who are considered corporate officers (top management team). Mr. Paves plays the smallest role in these meetings.

FIGURE 1. *(Partial Organization Chart).*

1. He could sell his firm to one of the companies which in the past expressed an interest in buying Industrial Controls, Incorporated.
2. He could become a chairman of the board and leave the operating decisions to someone else. But who?
3. He could stay with the same management team and get more personally involved in the operations of the firm by divesting himself of his outside interests.
4. He could hire a new cadre of managers and remain as chief executive officer or become chairman of the board.

Mr. Bauer had a strong sense of loyalty to his present key personnel who played a large role in building the company. Consequently, he opted for the third alternative but decided to seek outside help to aid him in overcoming the present problems and preparing the company for future growth.

Bring in Consultants

Mr. Bauer contacted two consultants who suggested performing a needs analysis first and a general approach to solving the firm's problems which would be made more specific after the needs analysis was completed. Messrs. Muzak and Ragu accepted the assignment and found that the motivation level of the managers and supervisors was very high. They worked long hours (including Saturdays and Sundays), but they were still getting behind. These men were seldom in their offices because of the day-to-day crises that came up. Cotton was on the phone with customers, manufacturer's representatives, and factory salesmen. Daren was designing and testing several pieces of equipment in order to make delivery dates. Dooley was on the shop floor helping the production people with their problems and expediting rush orders. Cline instead of Affermon was dealing with a number of personnel problems in addition to his other duties. Nobody had time to train his subordinates. Few people understood fully what Mr. Cline was doing, and no one knew what Mr. Affermon was doing.

Meetings were held frequently, but the consensus was that they were too long and at times unproductive. Personal conflicts were apparent between some people in Sales, Engineering, and Production who needed to interact in order to get the job done. A number of procedures that Mr. Bauer initiated were frequently ignored. In addition, some procedures that could have been routinized remained unnecessarily complex. Mr. Hinds proved to be an irritant to Engineering and Production, and even his subordinate questioned his competence in the job.

In spite of the problems that have been identified, the company experienced rapid growth and was profitable every year of its existence.

During the needs analysis, two things left a special impression on the consultants. First, when the managers were asked by Mr. Bauer some time earlier to formulate action plans for next year, most of them had trouble beginning and completing them. Second, all of the managers genuinely wanted to improve their effectiveness.

The consultants concluded that they should present Mr. Bauer with a list of major problems, their priorities, and a concrete action program for dealing with these problems.