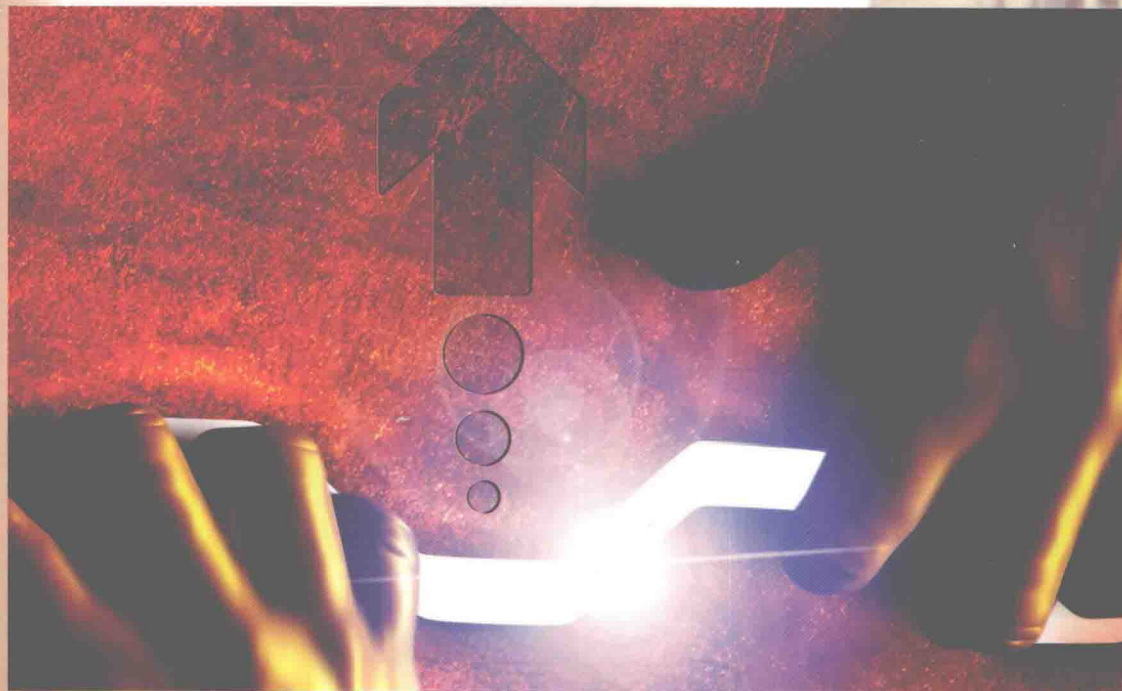


GERARD H. SEIJTS

CASES IN ORGANIZATIONAL BEHAVIOR



IVEY

Richard Ivey School of Business
The University of Western Ontario

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CASES IN ORGANIZATIONAL BEHAVIOR

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A SAGE Publications Series

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Paul W. Beamish

*Richard Ivey School of Business
The University of Western Ontario*

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As the title of this series suggests, these books all draw from the Ivey Business School's case collection. Ivey has long had the world's second largest collection of decision-oriented, field-based business cases. Well more than a million copies of Ivey cases are studied every year. There are more than 2,000 cases in Ivey's current collection, with more than 6,000 in the total collection. Each year approximately 200 new titles are registered at Ivey Publishing (www.ivey.uwo.ca/cases), and a similar number are retired. Nearly all Ivey cases have teaching notes available to qualified instructors. The cases included in this volume are all from the current collection.

The vision for the series was a result of conversations I had with Sage's Senior Editor, Al Bruckner, starting in September 2002. Over the subsequent months, we were able to shape a model for the books in the series that we felt would meet a market need.

Each volume in the series contains text and cases. "Some" text was deemed essential in order to provide a basic overview of the particular field and to place the selected cases in an appropriate context. We made a conscious decision to not include hundreds of pages of text material in each volume in recognition of the fact that many professors prefer to supplement basic text material with readings or lectures customized to their interests and to those of their students.

The editors of the books in this series are all highly qualified experts in their respective fields. I was delighted when each agreed to prepare a volume. We very much welcome your comments on this casebook.

—Paul W. Beamish
Series Editor

PREFACE

The overall objective of the *Cases in Organizational Behavior* casebook is to help students become effective leaders within effective organizations. The casebook can be used as a single text or serve as a supplement to a standard organizational behavior textbook. The casebook consists of 32 field-based cases. The cases describe complex organizational problems that require the attention of the decision maker described in the case. The cases involve a wide variety of organizational settings—industries, organizational size, and the countries involved. I suggest various assignment questions that should guide the students in preparing the case for class discussion. The cases are designed to develop an understanding of, and appreciation for, the various challenges, dilemmas, and constraints that decision makers face in real organizational settings. For example, how do you create a context that allows people to perform at their potential? How do you get the cooperation or commitment from others? How do you implement change so that organizations improve their position on the competitive landscape of their industries? How do you create a burning platform for change? How do you overcome resistance to change? How can team effectiveness be increased? What makes a great team leader? How do you use coaching to increase personal effectiveness? Together, the 32 cases provide the students opportunities to hone and practice various skills, including decision-making skills, application skills, planning skills, coaching skills, and oral communication skills. The cases are all based on actual events that occurred, although at times the decision makers and the organizations they work for have been disguised.

The casebook is divided into four modules. All modules and the cases focus on the behavior of people in organizations. The modules are building effective organizations, leading people, team management, and change management. I should point out that there are several integrative issues that each decision maker or leader faces in dealing with the organizational problems described in the case. Examples of such integrative issues include globalization, managing a diverse workforce, moral or ethical dilemmas, motivation, and leadership. These and other topics are integrated throughout several cases and are not emphasized in a single module or case. For example, there are several international cases, both in the building effective organizations and change management modules. Also, ethical issues or dilemmas are front and center in numerous cases, for example, in the managing people and change management modules. And most of the cases have leadership implications.

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A brief introduction to each module is provided, as well as a short description of the cases. Have fun!

ACKNOWLEDGMENTS

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The book is dedicated to my parents, Piet and Nel, and my wife, Jana. I thank them for their ongoing love and support.

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BUILDING EFFECTIVE ORGANIZATIONS

Brent Schlender (2004) encouraged readers of *Fortune* to try the following thought experiment: “What are the most significant innovations of the past 50 years?” Answers that come to mind may include the following: the VCR, the personal computer, genetically engineered medicine, telecommunications satellites, fiber optics, cell phones, the Internet, the ATM, the microwave oven, the cardiac stent, and the bar code. All these innovations have added value to our lives. But Schlender noted that the innovation that has brought those “miracles” is the modern corporation—companies such as GE, Intel, Pfizer, Microsoft, IBM, GM, and so forth. He argued that “without them and their proven ability to marshal and allocate resources, organize and harness the ingenuity of people, respond to commercial and social environments, and meet the ever more elaborate challenge of producing and distributing goods and providing services on a global scale, we would have far less innovation—and less wealth” (p. 104). Companies that have become successful and leaders in their respective industries have mastered the art of managing people and resources. And that accomplishment, Schlender argued, makes the corporation “the latest jewel in the crown of human endeavour.”

Jay R. Galbraith (1995), among the leading experts on organizational design and now at the Marshall School of Business, noted that organizational design decisions are critical to organizational effectiveness. That is, for companies to be truly effective requires that they be structurally aligned (see Figure 1.1). Misalignment among the building blocks of an organization is an impediment to organizational effectiveness. And designing effective organizations is a key task of the leader.

Michael Watkins (2003), a Harvard Business School professor, wrote that “the higher you climb in organizations, the more you take on the role of organizational architect, creating the context within which others can achieve superior performance. No matter how charismatic you are, you cannot hope to do much if the key elements in your unit are fundamentally out of alignment. You will feel like you are pushing a boulder uphill every day” (p. 130).

The focus in this module (and the seven cases) is on helping students to appreciate the importance of organizational design and to offer tools and ideas that will help them create effective units or organizations.

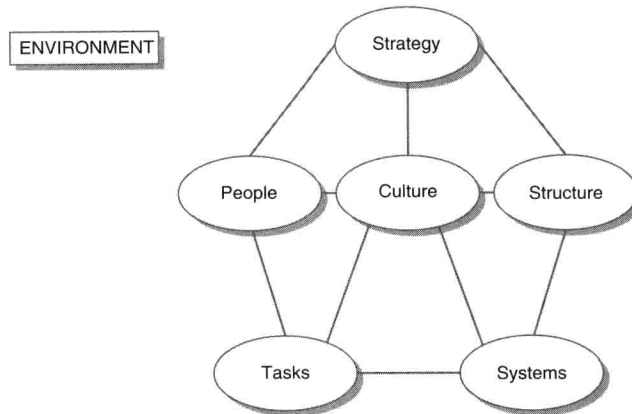


Figure 1.1 Organizational Design Framework

Leaders should start to think like organizational architects; their task is to create the context in which individuals can achieve their potential. Figure 1.1 identifies the six elements of organizational design.

- **Strategy**

Strategy refers to the chosen direction for an organization, or an organization's "formula for winning." Leaders should be concerned with the question, "What is our business, and how do we compete?" There are a multitude of strategies that organizations can adopt. Two examples include lowest-cost producer and differentiator. Organizational design experts have argued that in thinking about (re)designing organizations, we should always start with strategy. For example, how is our organization positioned vis-à-vis our competitors? How can we add value? What are our goals?

- **Structure**

Structure refers to the (in)formal system of tasks and reporting relationships that controls, coordinates, and motivates employees so that they cooperate to achieve the organization's goals. In essence, the organizational structure is the anatomy of the organization; it includes such things as organizational charts, the informal networks that exist, the differentiation versus the specialization dilemma, organizational forms, and decision rights.

- **Systems**

Systems are the processes and policies that complement the structure. Examples of systems include the ways data are shared, communication, human resources (HR) policies, and budgeting. The processes and policies that exist within an organization can be seen as the physiology of the organization.

- **Critical tasks**

Leaders have to define the jobs and role requirements that will help to achieve the organization's goals. Critical tasks also include the technologies and tools that are required for employees to complete their jobs or tasks.

- **People**

What characteristics—or knowledge, skills, and abilities—are required to accomplish tasks and achieve the organization's goals? This element of the organizational design

module contains the human resources element—the pool of knowledge, skills, motivation, needs, values, and attitudes on the part of people.

- Organizational culture

Culture refers to the set of core values, norms, and assumptions that controls or guides the way people and groups in an organization interact with each other and with people outside the organization. Organizations often have different cultures, even those that operate in the same industries; the airline industry is a good example.

The various components of the organizational design model need to “fit” or be aligned with one another. There are two kinds of fit:

- External fit (environment—strategy)

External fit addresses the question, “To what extent is the strategy that the organization adopted a reasonable response to environmental demands?” For example, all things considered, does it make sense to enter new markets? The question of external fit is of interest to organizational strategists; it is not the topic of organizational behavior.

- Internal fit (among components of the organization)

Internal fit addresses the following three questions: (a) Do the components of the model of organizational design allow for the effective implementation of the strategy and for performing the core activities of the organization? (b) Do the components of the model of organizational design allow for the effective use of the organization’s resources? (c) Is there a consistent message? For example, are the components of the model of organizational design reflective of the values underlying the organization?

Misalignment among the components will hurt organizational effectiveness. For example, a lack of fit among the various components can render even the best thought-out organizational strategies useless. John Kotter (1996) provided three common mistakes in the design of organizations.

<i>The vision is to:</i>	<i>The organizational structure is such that:</i>
Give more responsibility to lower-level employees Increase productivity to become a low-cost producer Speed everything up	Layers of middle-level managers criticize and question employees Huge staff groups at corporate headquarters are expensive and constantly initiate costly programs Independent, functional silos do not communicate and thus slow everything down

There are at least four implications that the model of organizational design suggests. It is important that leaders understand these implications. First, a change in strategy affects all other components of the model. As one (or more) element of the model changes, so too must others change to maintain fit or alignment. For example, the result of organizational change is more than just a refocus of strategies, business model, or goals. The entire design of the organization needs to be evaluated. Does the design still support the attainment of the organization’s goals?

Second, there is no “one size fits all” organizational design that all organizations should implement. A “good” organizational design for a particular organization is one that has high external and internal fit. Companies within the same industries can have different configurations and yet be highly successful.

Third, leaders have a tendency to focus on the “formal” systems to facilitate behavioral change and make sure that tasks are performed. For example, rewards are often seen as a driver of behavioral change; in reality, they are a reinforcer. All components of the organizational design model should be used as levers of behavioral change or individual performance. Too often, however, leaders focus on structure and rewards in isolation of culture, tasks, coaching, communication, and so forth.

Fourth, culture affects, and is affected by, all components in the model of organizational design. A big impediment to creating organizational change is culture. Culture changes slowly and must be managed in the long term through appropriate changes in strategy, structure, systems, tasks, and people.

The seven cases in this module deal with organizational design issues. For each of these cases, I urge students to think about the following four challenges or questions:

- Analyze the design of the unit or organization. Is there a fit among the components of the organizational design model?
- Identify specific areas for improving fit.
- Design plans for correcting the lack of fit.
- Think about how to best implement those plans.

Some students may feel that issues of organizational design are not relevant to those who are not in leadership positions. This is an incorrect assumption. For example, Watkins (2003) noted that even those people who do not have the authority to lead change so that alignment is achieved should take an active interest in organizational design: “A thorough understanding of organizational alignment can help you build credibility with people higher in the organization—and demonstrate your potential for more senior positions” (p. 131).

A brief description of each case is provided next, and specific assignment questions are suggested.

TROJAN TECHNOLOGIES INC.: ORGANIZATIONAL STRUCTURING FOR GROWTH AND CUSTOMER SERVICE

A group of Trojan Technologies Inc. employees grappled with the issue of how to structure the business to effectively interact with their customers and manage the company’s dramatic growth. The London, Ontario, manufacturer of ultraviolet water disinfecting systems believed that strong customer service was key to its recent and projected growth and had come to the realization that changes would have to be made to continue to achieve both simultaneously. Recent problems encountered included difficulties being experienced in training, career development, recruiting, customer service, and planned geographic and product line expansions. The group hoped to develop a structure to address these issues. The executive vice president was to lead the development and implementation of the new structure. The transition to the new structure was to coincide with the new fiscal year.

Assignment Questions

- Consider the organization’s fundamentals in terms of products and customers. Describe the importance of customer service and support, and consider the implications for the company’s

functions that directly interact with customers, given the historical and projected growth in the company.

- Given the decision to structure the company for growth using business teams, how would you decide the composition and delineation of the teams to achieve the growth and customer service objectives of the company?
- What concerns do you have with changing company structure, and how would you address them to ensure the new structure was successful?

BLINDS TO GO: STAFFING A RETAIL EXPANSION

Blinds To Go is a manufacturer and retailer of customized window coverings. The company has been steadily expanding the number of stores across North America. In the year 2000, the company was experiencing tremendous growth, with plans of adding 50 stores per year in Canada and the United States. The vice chairman is concerned with the lack of staff in some of these newly expanded stores. With plans of an initial public offering within the next 2 years, senior management must determine what changes need to be made to the recruitment strategy and how to develop staff that will help them achieve the company's growth objectives.

Assignment Questions

- Why is Blinds To Go having difficulty attracting and retaining retail staff?
- Are the elements of the organizational design at the retail store level "aligned" to facilitate the retention of new employees? Why?
- What recommendations would you give Blinds To Go to improve their staffing practices?

FIVE STAR BEER—PAY FOR PERFORMANCE

In June 1997, Tom McMullen (president of the Alliance Brewing Group) and Zhao Hui Shen (general manager of Five Star Brewing Co. Ltd.) met to discuss the "pay for performance" systems that Zhao had been implementing at Five Star's two breweries over the past several months. The president needed to determine whether these systems were properly designed to ensure that they are producing higher quality product at progressively lower costs. If not, he needed to consider how he might suggest that these and other systems be changed to achieve cost and quality objectives.

Assignment Questions

- Assess the organizational design of Five Star. In developing your assessment, consider the strategic, structural, human resource, and task elements at play, particularly as they relate to Zhao's performance-based compensation systems.
- Analyze Zhao's "bonus" compensation systems in detail. What likely impact will these systems have on quality at Five Star? What impact will they have on the sales force?
- As Tom McMullen, what suggestions would you give Mr. Zhao on how to improve these systems? What organizational design changes can realistically be made that will enhance quality and promote acceptance of the systems? How would you implement these changes?
- As an outside consultant to McMullen and Zhao, what would you recommend they do to change Five Star's culture from a "volume culture" to a "quality and profitability culture"?

JINJIAN GARMENT FACTORY: MOTIVATING GO-SLOW WORKERS

The case illustrates a typical labor-intensive industry that is characterized by furious competition and low employee loyalty. Jinjian Garment Factory is a large clothing manufacturer based in Shenzhen with distribution to Hong Kong and overseas. Although Shenzhen had become one of the most advanced garment manufacturing centers in the world, managers in this industry still had few effective ways of dealing with the collective and deliberate slow pace of work by the employees, motivating workers, and resolving the problem between seasonal production requirements and retention of skilled workers. However, the owner and managing director of the company must determine the reasons behind the deliberately slow pace of the workers, the pros and cons of the piecework system, and the methods he could adopt to motivate the workers effectively.

Assignment Questions

- Is the piecework system the most suitable wage system for factories in the Shenzhen garment manufacturing industry?
- What are the pros and cons of the piecework system?
- What industry is most suitable for the piecework system?
- How do you solve the dilemma facing the garment industry—that of seasonal production requirements versus retaining skilled workers?
- Do you agree with the severe quality punishment policy prevailing in the Shenzhen garment industry? If not, is there a better way to deal with the quality problem?
- If you were Mr. Lou, what would you do to increase worker productivity?

S-S TECHNOLOGIES INC. (COMPENSATION)

The owners of S-S Technologies Inc. were concerned with the rapid rate of growth facing their company. The company had revenues of \$6.3 million and employed 30 highly skilled workers. These numbers were expected to double or triple in the next couple of years. To determine how well the company was structured to achieve its future goals, they hired a consultant they had worked with successfully in the past. The consultant's major role was to make recommendations as to the appropriate organizational design (culture, people, layers of management and administrative systems) in the event that the company grew from 30 to 60 or even 120 employees. Among other issues, questions regarding compensation were surfacing, and the owners wanted to address these questions as soon as possible.

Assignment Questions

- What are the key success factors (things that the company has to do well) for S-S Technologies to attain high growth, high profits, and high morale?
- Describe S-S Technologies' compensation plan. Does it contribute to attracting and keeping key employees? What factors account for the highly skilled and committed workforce at S-S Technologies?
- How long can S-S Technologies continue with its existing compensation plan? Why?
- What recommendations would you make to Brock and the consultant regarding (a) base pay, (b) bonuses, and (c) "equity" for partners?
- What process would you recommend to obtain acceptance of the new compensation plan?