Management practice ca1 handup

Business, Management

Management Practice CA1 Handup first week after Easter Typed, 3-5 pages please CA: Case study: Brownloaf MacTaggart: control and power in a management consultancy Background Brownloaf MacTaggart (BM) is the engineering consulting division of Watkins International, a large international firm of chartered accountants and management consultants. Watkins was established as a chartered accountancy practice in 1893. Following decades of moderate growth it entered the management consultancy market in 1955 primarily as a ‘ spin-off’ from audit and taxation work.

In the following years this diversification proved to be profitable. What had started as a very small sideline activity has developed into a multidivisional management consultancy business employing in the UK alone some 700 people. Worldwide Watkins employs around 70 000 people through a network of firms and associate firms. The international firm has at least one office in most countries, and in the early 1990s has established new offices, particularly in Eastern Europe.

Watkins has endeavoured to grow primarily by acquisition and internal growth, but acquisition has been by far the most successful strategy, particularly in the 1980s when a software development company and BM were acquired. The firm now has five consultancy divisions in the UK covering informationtechnologyand software engineering; public sector management; financial services and treasury; leisure and retailing; and general engineering. Brownloaf MacTaggart and Co. had started business in 1962 as a two-man partnership.

Alex MacTaggart had been a successful production engineer, who had assiduously built up a long list of good contacts while working for blue-chip engineering companies. Duncan Brownloaf had been a successful engineering company salesman selling diverse products such as hydraulic pit props and mining pump equipment. The two men combined their undoubted strengths by taking small premises in Walsall, in the West Midlands. The business flourished and in 1977, now employing 20 people, two additional employees were admitted into partnership: Heinrich Grubber, a German national, and William Smallpiece, a native of Shropshire.

Having admitted the two new partners, both founder partners were beginning to think of retirement. Duncan Brownloaf'shealthwas failing and perhaps it was time for a change. In 1980 the company moved into bigger offices in the heart of Birmingham. One month after the move both Alex MacTaggart and Duncan Brownloaf were gone. It was suggested, although never proven, that both men suffered a ' palace coup' led by Heinrich Grubber. The BM name was continued, after all the goodwill generated was considerable, and Heinrich Grubber and William Smallpiece set about planning for the future.

For some time both partners worried about future strategy. Should they stay as a small stand-alone company or actively seek merger or acquisition? In 1988 the future direction was effectively settled. Watkins International had been looking to acquire an existing engineering consulting company. Merger negotiations were started with BM. These negotiations proved to be unusually protracted. Besides issues of partner capital, there were a number of issues surrounding managerial autonomy.

Surprisingly, merger was nearly aborted by the insistence of the BM partners that young Eric Reliant be admitted into partnership. The partnership qualities of Eric were not immediately obvious to the senior partners of Watkins. A redemptive new age traveller, he tended to be seen as a disorganised blue sky thinker (or ‘ head in the clouds’ visionary). Underneath, however, he was an artful schemer who had carefully flattered and fawned around the BM partners. What he lacked in technical engineering skills he more than made up for in low-life cunning.

With agreement reached on the admission to partnership of Eric Reliant, the way to merger was clear. Following the merger life appeared to continue much as before. BM continued to occupy the same premises, and to all intents and purposes operated as the same company. The BM name was retained for the sound commercial reasons of client goodwill and recognition, but now operated as the Brownloaf MacTaggart Division of Watkins International. For eighteen months it was business as usual. The head office of Watkins was two miles away – in many respects out of sight and out of mind.

Surprisingly Watkins did not rein in its new division. Procedures stayed more or less the same although the house style of reports to clients now had to conform to strict and elaborate Watkins requirements. The name of the overall firm had changed but the three partners continued to behave as if BM was an independent company. Heinrich Grubber was particularly proud of now being a partner in an international firm with all the apparent prestige and jet travel this implied. The situation Watkins International began to introduce firm-wide standardised practices early in 1990.

First the time sheet recording system linked to client billing was changed from a manual system to a computerised system; later, standardised routines and forms were introduced for a number of administrative procedures, including holiday requests, staff appraisal, expenses and assignment control. All curricula vitae were placed into a computerised database linked to a proposal (or bidding for work) administration system. Updating of each curriculum vitae takes place after each consultancy assignment by the project manager completing the relevant form and sending it to the marketing department.

Surprisingly, despite the relative sophistication of this system, matching the personnel with the requisite experience to project requirements is rather hit and miss, and depends more on an informal reward and punishment system (consultants who conform to the companycultureare rewarded with interesting and prestigious assignments, which may helpcareeradvancement, while consultants who do not conform, for whatever reason, can be impeded by a succession of mediocre or difficult projects).

BM employees began to recall nostalgically the ‘ old days’ of BM before merger. Little did they know that more was yet to come. In May 1991 Watkins secured three floors of a prestigious office block located adjacent to their head office in Birmingham. This office block consists of ten floors, four of which are occupied by a commercial bank and architectural practice. All Watkins’ management consultancy divisions were located, in August and September 1991, on to one floor of the new office.

Some 700 people (including all management consultancy support staff such as accounts, personnel and office management) are housed in a huge open plan office (although partners have individual, if small, offices). Individual consultants are assigned to a desk; each desk accommodates at least two consultants. If both consultants are working in the office, working space becomes a simple matter of early desk possession. All consultants are required to log on to a computerised staff locations system, which records contact telephone numbers and physical location for every hour of the working day.

The same system acts as a message recording point when consultants are working outside the office. The change from a relatively small office away from the main management consultancy to the big companyenvironmentcame as quite a shock to several BM staff. For many staff there was a realisation, perhaps for the first time, that they were working in a large, rather impersonal, increasingly automated and tightly regulated environment. Above all they were expected to sink or swim in a fiercely competitive environment.

There was also a realisation among staff, and indeed the BM partners, that although they may be well known in the engineering industry, within the Watkins empire they were minute in terms of size of turnover, number of projects, number of employees and profitability. In 1992, in order to improve its competitive advantage in a stagnant management consultancy market (by being seen to conform to the highest service quality delivery standards) Watkins introduced a new quality management system, in an effort to secure BS 5750 Part 1 certification (the British Standards quality award).

This new system required a complete rethink of the way consultancy assignments are managed, and introduced an essentially mechanistic approach to quality management based on an accountant's view of correct filing, record keeping and random assignment audits. Elaborate quality procedures became progressively refined during 1992 and became encapsulated in a beautifully printed Watkins Quality Manual.

This manual was revised five times in as many months, and not surprisingly, many consultants became confused as the quality system appeared to be used by partners as part of a reward and punishment system; it is all too easy to miss completion of a form or a section of a form, neglect to obtain a partner's signature on a form or miss a quality plan review. The threat of periodic quality audits hangs over every consultant and, instead of using the quality management system as a means of improving services to clients, many consultants have become increasingly antagonistic towards it.

The whole quality management system has become a bureaucratic nightmare instead of the aid to successful service quality and client satisfaction it should be. Recruitment policy within Watkins is generally rudimentary but calculated. There is no shortage of well-qualified applicants. In normal economic conditions the Watkins management consultancy thrives on a constant inflow and outflow of bright young staff, although in the past three years recession has generally slowed down this movement such that Watkins has made around five per cent of its management consultants redundant since the end of 1992.

The typical management consultant is aged around 30, with a few years' professional accounting or industrial experience. He (for the typical consultant tends to be male, although exceptionally gifted women are being recruited in greater numbers) generally has a first degree from a well-known university plus an MBA from one of the top three British business schools.

Occasionally an accounting qualification has also been obtained. He or she is also highly motivated with an almost obsessional ambition to climb the career ladder.

Because of this obsession with success, the typical consultant is prepared to work all hours of the day and night, and working at weekends in the office is thought to be particularly important, provided, of course, a partner is made aware of this fact. Entrants to the BM Division are somewhat different to the typical Watkins consultant. A typical BM consultant is aged around 29 to 33; has a first degree in engineering, usually from one of three universities, plus membership of a professional engineering institution, such as the Institution of Mechanical Engineers. Possession of a higher degree is rare.

As a consequence, the average BM consultant and partner are less well qualified than other Watkins consultants and partners. A climate of almost anti-intellectualism has therefore flourished in the BM Division, particularly since the merger with the Watkins empire, along the crude lines of ' we're only the oily engineers – ignorant but proud of it'. As with the Watkins company as a whole there is never a shortage of young hopefuls eager to join the ranks of BM and as such, the BM partners have over the years developed a callous and cavalier attitude to personnel management.

Such attitude by the partnership would have been unthinkable during the time of Alex MacTaggart and Duncan Brownloaf. The Watkins management consultancy personnel function is small and subordinate to the wishes of the partners. Motivationof staff is rarely considered and their well-being is secondary to the business of improving profitability. Heinrich Grubber, in particular, takes a cool and calculating approach to staff management. He tends to select bright new consultants and then invariably burn them out with sustainedhard workuntil the next young person comes along to take their place.

It takes around eighteen months to two years of relentless hard work in the BM Division for the true nature of the situation to dawn on the more perceptive consultant – basically promotion to the next grade is rarer than a Norwegian parrot and, while one or two consultants have recently been promoted from consultant to senior consultant, only one person in the past fifteen years has been promoted from senior consultant to managing consultant. The allocation of consultancy assignments within the BM Division is based primarily on either ‘ the warm body’ principle (who is available) or as part of a none too subtle punishment and reward system.

Generally there is a perceived hierarchy of jobs, ranging from an international assignment in some exotic location, working for Heinrich Grubber and the well-respected associate Nigel Redcoat (rated as a top job) to the managing of a small engineering business under receivership, working for Eric Reliant and the loathed and feared associate, Rupert Wormwood, famous for his unprincipled ways and ill-disguised alcoholic binges (most certainly a low-rated job).

A succession of either top-rated jobs for prestigious clients or small insignificant jobs managed by poor job managers can make or break a Watkins career in around four months. Advancement in the steadily deteriorating atmosphere of the BM Division is always likely to be a rather haphazard process. Surprisingly, technical engineering skills per se are not the key to career success in this organisation. Advancement, if it comes at all, may occur by a combination of conformity to, compliance with, and dependence on the sub-culture of the BM Division, within the wider culture of the Watkins company.

Conformity, compliance and dependency can be demonstrated in a number of ways – being seen to work all hours in the office; flattery of the partners resulting in appalling sycophancy; exercising personalresponsibilityby undertaking small marketing and selling exercises designed to bring in new assignments; completing already time-pressured projects before schedule and under budget (which generally can only be achieved by under-recording time expended on a project), and the honing of good old-fashioned Machiavellian techniques of back stabbing.

It is against the background of difficult trading conditions in an environment that is uncertain, together with the absorption of a relatively small firm into an international management company with all its standardised procedures, and where mistrust, intimidation and fear are common emotions, that this case is developed. Activity brief 1 Identify the different ways in which managerial control and power are being exercised in both Watkins International as a whole and the BM Division in particular. Having identified the different aspects of managerial control, examine how appropriate these are in managing the different types of employees in Watkins International. 3 Explore the nature of the apparent dichotomy and tensions created in allowing highly qualified creative and essentially autonomous consultants room to reach creative solutions to client problems (often under considerable time pressures within an uncertain environment) and the employing organisation’s need for order, stability and reliability. Considering the

Watkins International approach to quality assurance, which appears to be primarily bureaucratic and perhaps at variance with the image management consultants would wish to present to clients, is this likely to affect the way consultants consider and make recommendations for the implementation of total quality management systems in client organisations?