Stone finch inc case study example

Business, Company

Abstract

Stone Finch Inc is a company that deals in the manufacture of wastewater and water industry and has been in existence for the last 25 years. This case study presents challenges the company is facing as talented employees seek to leave the company due to dwindling market shares and inability to fit in with subsidiary officers. The case examines the leadership of the company under Mr. Billings, presents an analysis of the entrepreneurial subsidiary concept as well as the problems that Mr. Billings is facing and how he should respond to them.

Introduction

This case study explains the challenges' facing Stone Finch Inc. Stone Finch Inc is a company that deals in the manufacture of wastewater and water industry and has been in existence for the last 25 years. This case study presents a brewing crisis where the company senior vice president and head of the Water Products Division Mr Eli Sanders presents his concerns over the operations of the company. Mr. Sanders is writing to the company CEO and president Mr. Jim Billings to inform him of three pending resignations of top salespeople because the morale in the once vibrant and leading Water Products Division is at an all-time low and that the division is no longer a market leader (Hamermesh & Collins 2010). These events can be attributed to the adoption of the concept of " strategic subsidiaries" by the Stone Finch Inc in spite of there being several unanswered questions about the fitness of the strategies to the organization. The strategy failed because the entire company used the manufacturing division as a cash cow to feed a proliferating number of subsidiaries which was not sustainable. 1. What is your assessment of Jim Billing's performance as president of Stone Finch, based on your thinking of this leadership style?

Billings was resolute in his plans. He believed that the subsidiaries which he championed held the key to the company's survival in times of slow-growth. He was confident in his strategy but he had a problem in executing the strategy. Billings admitted that the concerns raised by Sanders were genuine but he had no immediate response and he chanced upon once used by IBM. Billings decided that he would invite his employees to a talk about leadership, culture and attitudes towards subsidiaries. This way he hoped that the meeting would yield ideas that would help him respond to the challenges posed by Mr. Sanders. 2. What is your assessment of the entrepreneurial subsidiary concept? How can companies manage the contradictions of managing existing products and innovation simultaneously?

The entrepreneurial subsidiary concept is delicate and difficult to implement effectively. It means that some subsidiaries bear the burden of supporting others financially especially during times of low growth rates, off seasons and economic recessions. Subsidiaries start with market-seeking responsibilities where they sell the mother company's products in a localised market. As the mother company grows and the subsidiaries grow they start to develop capabilities and resources with each subsidiary having these features unique from other subsidiaries (Verbeke, Tavares-Lehmann & Tulder, 2011). Moreover, the market in which a subsidiary operates determines the response measures that the managers of that subsidiary makes in order to stay competitive in that market. This market could be characterised by demands that are unique from any other market elsewhere. The unique demands of markets are met in part through entrepreneurial efforts of the subsidiary managers.

Entrepreneurship in companies such as Stone Finch is associated with subsidiary initiatives. In this case if each subsidiary out of the two commonly featured in this case; Water products Division and the Solutions Division identifies an opportunity and then commits resources towards the exploitation of that opportunity then, that would be perfect subsidiary entrepreneurship. This concept of subsidiary entrepreneurship seems not to be the one at play at Stone Finch. The company has focussed on one of the division-the Water Products Division to be the cash cow whose proceeds support the other divisions of the business. This seems not to augur well with the industry in which Stone Finch operates. On one hand there are water products and on the other there is the solutions division. The fact that these two departments do not deal in the same products or services, draws in feature that make in hard for one of them to rely on the support of the other.

Companies can manage the contradictions of managing existing products and innovation simultaneously by exploiting the strengths that come through synergy in their operations (Verbeke, Tavares-Lehmann & Tulder, 2011). Each of the departments should go for strategic growth plans, either by co-working with the other department or executing solo growth strategies (Verbeke, Tavares-Lehmann & Tulder, 2011). For instance, in the case of Stone Finch, the Water Products Division and the Solutions Division should look for products and innovations that complement each other and market them jointly. This brings about synergy and boosts the sales volumes of each of the two in manner greater than each of them would manage to achieve individually. Moreover, they stand to cut on the marketing costs through cost-sharing.

On the contrary the subsidiaries should be wary of carrying out joint efforts that are contradicting and that may confuse their customers. Moreover it would be prudent if subsidiaries formed joint teams to champion for joint innovations, promotions and resources to boost their individual companies or with the intention of developing the mother company. 3. What are the major problems that Jim Billing currently faces? How serious are these problems? How quickly should Billings act? And why?

The major problems that Jim Billing is facing have to do with loss of market and the loss of morale among its employees. As one of the employees complained, the company used to pride itself in building deep relationships with its clients but the company is now losing more relationships than it was winning. The company was losing its ability to compete because there were minimal meaningful investments into the company’s production facilities for a period of 20 years. The best company was losing its best salespeople to its competitors Calgon and Veolia water. The loss of additional staff its rivals meant that they could increase their revenue growth and outperform Stone Finch.

The infusion of suddenly rich and intellectually energized individuals into the Solutions Division was gradually driving down morale among those who had not been invited to the “ wild ride” (Hamermesh & Collins 2010). Some employees openly declared their desire to leave the company over what they deemed as inability of the subsidiary officers to fit into their system and offer the company workable solution in subsidiary management. The employees complained of spending too much energy trying to do their work because they lacked support from the subsidiary officers. There was also a problem of market forecasting and the lack of back office integration brought about challenges in communication. As such the company was unable to leverage project synergies in collaboration, communication and coordination.

The employment of Beth Suarez as the vice president of Solutions Division was misinformed. She was seen to preside over the widening of the gap between the " haves" and the " have-nots" in the division. She was also seen as incompetent since several business and IT misalignments occurred during her time as the vice president in charge of the Solutions Division (Hamermesh & Collins 2010). 4. What should Jim Billings do?

Jim Billings should seek immediate consensus with his employees to avoid a further exodus. He should bring together the top managers of the company as well as involve the junior dissenting employees in the search for solutions to the problems facing their company. He should encourage open and candid communication in order to restore the faith of the employees that the company is led by visionary leaders. Moreover, he should assure the employees that their suggestions will be put into play once evaluated by all the company stakeholders. Where possible, the company can offer a salary increment and secure the workers on contracts to more secure jobs to ensure that it retains talent capable of turning the fate of the company.

Conclusion

This case study presents the challenges being faced in a water and wastewater company named Stone Finch. The challenges have got to do with the imminent departure of top salespeople from a key division of the company-the Water products Division. The departure was occasioned by subsidiary managers that are uncooperative and incompetent leading to the subsidiary's loss of market. This was in spite of that subsidiary being the one targeted to support the other during times of low growth. Mr. Billings, the company CEO practices adheres to a participative leadership style but he is quick to make decisions without fully addressing genuine concerns prior to starting a given initiative or executing a concept. The entrepreneurial subsidiaries that Mr. Billings wanted failed to work because of overreliance on one division to support other in spite of that division dealing in a range of products and services different from the others. To reverse the situation where employees want to leave, Billings should resort to intensive inclusionary measures and participative forums to seek solutions to the company's problems.

References

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Verbeke, A., Tavares-Lehmann, A. T., & Tulder, R. (2011). Entrepreneurship in the global firm. Bingley: Emerald.