Coxs container company (problem outline, analysis and recommendations case studie...

Problem Outline

Cox's Container Company (CCC) is a medium size manufacturing company that produces both large and small containers. In the last few years, the company's profitability has gone down due to increased competition from similar companies that have reduced CCC profit margins.

CCC needs to change its culture and structure if it is to remain profitable and therein lays the problem. The employees are not willing to implement the new changes and thus they are not cooperating. The new management team has not introduced the changes well since it has not consulted any of the employees. There has been no training on how to use the new system and key players such as Mr. Aziz the production manager have not been involved. The workers feel left out and are resisting the change while the new management feels angry because their changes are not being implemented.

Short term Problems

Managing the change process

Creating a new organizational structure

Finding the right organizational culture

Integrating the new department into the company

Motivating the employees to accept the new organizational structure

Long Term Problems

Full integration and acceptance of the new organizational structure and culture

Increasing CCC's profit margins

Problem Analysis

- Organizational Culture and Structure

According to Handy (1993) CCC has a power culture and a web structure. This means that the power of this web structure is based on one person who is at the center; in the case of CC this is Harold Cox its founder, this structure is a characteristic in family businesses such as CCC. The structure is highly competitive as is evidenced by the fact that most managers at CCC have been promoted from shop floor level, which implies that employees have to work very hard so as to get promoted.

Since most family businesses begin as simple structures that are highly flexible and informal, there are no bureaucracies (Bresnen & Marchington: 36) there are few rules and the workers have a lot of autonomy, their work is judged according to performance and not necessarily the means used (Handy, 1993). At CCC the situation is the same since the workers enjoy autonomy and as a production manager, Mr. Aziz put it, they see no need for change since their products have no defects and are delivered on time.

With the upcoming retirement of Mr. Cox who is at the center of the web, he has started relinquishing some of his power by only attending to strategic decisions instead of both structural and procedural decisions. As Handy observed this is a critical phase for CCC because " without the spider, the web breaks" (1993: 185) and the firm needs to change its structure and culture so as to fill the void that will be left by the retirement of Mr. Cox. It is the resistance to this change that is the root of CCC problems.

B) History and Ownership

CCC is owned by the Cox family, and they have been in the senior positions for over 47 years. With the retirement of MR. Cox a new department has been created and new managers have been employed. This means that the power has to shift from the center to the managers and the organization's structure and culture has to change so as to accommodate this shift in power. (Handy, 1993)

C) Size

When it was founded, CCC was a small company; it has since grown to a company with a 380 strong workforce and several departments. This increase in size leads to the crumbling of the web structure as a result of too many departments. CCC's structure needs to change so as to accommodate its new size.

D) Technology

CCC produces its containers in batches and units since it serves a wide array of customers from large hauling companies to companies that handle fragile goods. Bresnen and Marchington point out that these types of companies require flexibility and informality. However, the shift in the power structure has to be considered, this is what is causing the resistance to change at CCC.

E) Change

According to Bresnen and Marchington (63) there are two types of triggers to change;

Internal factors

This is illustrated by the Leavitt's Diamond of the related factors; structure,

technology, people and task. A change in one of these factors will lead to a change in all of the other factors. In the case of CCC, there has been a change in the people in the company because new managers have been employed. The structure has also changed because a new department has been created. These changes in people and structure will cause changes in the technology and tasks at CCC.

External factors

These are factors that are outside the organization such as market forces and changes in technology. In the case of CCC, their competitors have become more aggressive leading to a decrease in their profit margins. This increase in competitiveness can only be addressed by changes in CCC that will cause an increase in their profit margins possibly the imposition of stricter austerity measures.

Resistance to change

Bresnen and Marchington state that there are four causes of resistance to change;

Self- interest

This is seen in the form of the manager Mr. Aziz, who feels like a new central department is trying to create another new company. This means that his power is being threatened by the new managers. The new managers are complaining that he is not co-operating by not attending the meetings.

Misunderstanding and lack of trust

This is mainly caused by lack of information because the new managers did not involve Mr. Aziz and the other employees in the creation of the new system. Mr. Aziz is also not presenting his complaints in a rational manner; he instead uses random outbursts of anger. This leads to misunderstandings and lack of trust that inevitably lead to resistance.

Low tolerance to change

This is especially common in power culture organizations where the employees are used to autonomy. (Handy, 1993) In the case of CCC, under the new system, they now have to report to the administration department twice a day on the progress of their various projects. This is bound to create resistance to the change as the workers have lost their autonomy.

Alternatives

- CCC can fire Mr. Aziz since he is not co-operating with the new management and thus influencing the production department not to cooperate. In his place, CCC can employ a new production manager who will cooperate and help in shooing in the employees.

- The situation can continue as it is, sooner or later the employees and Mr. Aziz will have to cooperate because they ultimately want to maintain their jobs.

- Fire the new managers since they have failed in their role. In their place, CCC can employ new managers who will be willing to listen to the employees and know how to oversee organizational change

- CCC can maintain the old structure at the production department and also

integrate the new administration department; it can try to ensure that the two departments never cross paths so as to avoid conflict.

- The company can create a new culture that will be agreeable with both the new management and the production department. The organizational development method (OD) can be used. This will involve meetings between all the managers including Mr. Aziz and the employees.

Recommendations

The company needs to change its organizational culture and structure so as to fit with its new size, change in the power structure and compete effectively.

These changes can only be achieved using the organizational development method as it incorporates the views of the employees and those of the change agents so as to reach a consensus. This method will involve meetings between the change agents and the employees, team building and sensitivity training. (Bresnen & Marchington) The change agents will have to provide training and in the case of CCC this is training on how to use the system. The change agents will also have to provide sufficient information on how and why the changes are taking place so as to enable the employees to receive them better.

Change of organizations structure and culture

Handy (1993) observed that the growth of a company that has a power culture, inevitably paves the way for the role culture. This is because with growth comes the need for the definition of roles and redistribution of power from the center. This is already happening at CCC with the employment of

new managers and the retiring of the founder.

It is, therefore, important for CCC to embrace the role culture, if it is to survive. This culture entails job description, rules and procedures plus constant communication. It has distinct departments that carry out different roles, but are in constant communication with each other so as to ensure harmony. This is especially important for CCC since it already has distinct departments such as production and the newly created central administration department. Such a culture is also vital in companies where economies of scale are important such as CCC, which is trying to control its budget. The rules and procedures found in this culture will enable CCC to have more control over its operations as all the employees will have to report the progress of their work twice a day to the central administration department. (Handy, 1993)

So as to achieve flexibility, CCC will have to differentiate across its departments depending on their various needs. The central administrative department can maintain the role structure while the product design department can have a power structure. The production department can also have a power structure since it functions very well under that structure. (Handy, 1993)

In order to achieve harmony and unity of purpose, these differentiated departments should be integrated. This can be achieved through rules and procedures plus managerial supervision. This will ensure that the production department gets to maintain its autonomy while still employing austerity measures such as budget and production control through rules and supervision. (Handy, 1993)

The next step for CCC is to go through the three steps to achieving organizational change; unfreezing, changing behavior and refreezing. (Bresnen & Marchington)

Unfreezing

This is perhaps the most difficult step as it involves letting go of cultures and structures that were previously known. For CCC, this will entail relinquishing some of the autonomy that employees and managers have this will also include integrating new activities into their routines such as sending work reports twice a day.

For this to happen, the change agents will have to use incentives to motivate the employees, they maybe extrinsic in the form of physical prizes or promotions or they may be intrinsic. This motivation can be achieved through workshops that show employees how the company will be after the changes have been implemented. CCC can also create an employee of the month competition that will award the employee that adapts best. (Van Maanen, 1991)

Changing Behavior

This is where the actual change takes places. New structures are adopted and all employees and managers adopt the. For CCC this will involve more austerity measures, sending out work reports daily and adopting to a new culture.

Refreezing

This step ensures that no one backslides and all the changes are implemented to the letter. It involves embedding the changes into the organization through providing continuous training to reinforce the changes. For CCC, this entails ensuring that all the laid down rules and procedures are being followed to the letter. All employees in the production department should keep sending their twice daily work reports and all the new guidelines on budget control and production control should be followed. At this stage, minor changes can be made so as to ensure that everything runs smoothly. It is also important to mention the role of the internal change agents who are the new managers. They have to be honest, trustworthy and approachable. (Bresnen & Marchington) The new management has failed in this area because they have not interacted with the employees, and they do not seem approachable. Their trustworthiness is also in question since they did not involve the employees and one of their managers in the formulation of the new rules, one of the managers Mr. Long implemented a budget control that was being used by his former employer in a different industry. This is one of the major causes of the problems at CCC and the managers need to change their attitude and approach if the changes are to be effective.

Plan of Action

All managers will be involved including Mr. Aziz. The employees will also be involved. Mr. Cox will be invited to explain to the employees the situation that the company is in, they will listen to him more than they will listen to the new managers whom they don't know.

The whole process will take between 2- 3months. The first week will be spent on sharing ideas, team building and consensus building. The next weeks will be spent on implementing the changes and refreezing.

All departments will be affected. This includes production, sales and marketing as they will have to implement the new system and they will also have to follow the budget control guidelines.

These changes will cost the company loss of both time and money. Money will be spent on the training of the staff on how to use the system and the facilitation of the teambuilding activities. Time will also be spent during these activities. There will be opportunity costs for the time spent formulating and implementing the change. Overall the company is set to gain a lot from the new changes such as the ability to compete better and thus increase its profit margins.

REFERENCES

Bresnen, M & Marchington, M. People, Management & Organizations (Manchester Business School)

Corbett, J. M. (1994) Critical cases in organisational behaviour (Palgrave/Macmillan), pp. 154-155 (Case 33).

Handy, C. (1993) Understanding Organizations (London/ Penguin), pp. 180- 216

Van Maanen, J. (1991) " Chapter 4- The Smile Factory- Work at Disneyland" from Frost, Peter, J et al Reframing Organizational Culture pp. 58-76. Newbury Park, Sage publication