

Team collapse at rwh essay sample



**ASSIGN
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Established in 1998 by Chris Richard, Gemma Wood and Lauren Hulme, Richard, Wood and Hulme LLP (“RWH”) is a financial services firm offering audit and taxation services to its clients with a mission of delivering excellent service and improving clients’ internal controls. Being a “team player” is an essential trait of a RWH employee because client audits are completed by teams. The client fee is flat, so the more efficiently and effectively the team members’ work, the higher the margins the firm realizes. The firm does not tolerate those with poor teamwork behaviors as evidenced by the fact that RWH has terminated only a handful of employees since the firm’s inception, and those terminations were mainly because those individuals were not able to work effectively in teams. The case is set in the Fall of 2008 at the height of the North American financial crisis and at a time when some of RWH’s clients are filing for bankruptcy and others are demanding reductions in audit fees. During this difficult economic time, RWH is opting to maintain existing staffing levels and as a result is losing money.

However, RWH views an event scheduled to occur in 2011, the conversion of Canadian financial reporting standards from GAAP to IFRS, as an attractive business opportunity and wants to maintain its current staffing level to take advantage of this future opportunity. During the Fall of 2008, RWH commenced the audit for Spector Industries Limited (“Spector”), an important client not due to the revenue it produces for the firm, but because a number of prominent Canadians sit on Spector’s board of directors. Wood has been the lead partner on the engagement since 2003. Founded in 1975, Spector is a luxury residential real estate developer in Toronto, Ontario. In the mid-2000s, during favorable market conditions, the company entered the

Vancouver and Toronto markets to build condominium developments after raising CDN\$275MM in a successful IPO in 2003. The company experienced difficulty entering these markets due to its reputation as a luxury home builder as well as intense competition among condominium developers. By the end of 2006, Spector had five total condominium developments under construction in Vancouver and Toronto.

Unit pre-sales for these projects were much slower than anticipated at 50-80% lower than the industry average, but in 2007 the company decreased the deposit required on a pre-sale from 25% to under 5%. Consumers reacted favorably to this promotion and by the middle of 2008, 80% of the units were pre-sold. After successful, on-time completion of the Spector audit in 2007, the successful, on-time completion of the 2008 audit for Spector is a challenge given the following current issues during the first two weeks of the audit: Planning for an audit is generally completed several weeks or even months ahead of time by the most senior associate on the audit team. In Spector's case for the 2008 audit, it was particularly important that planning for the audit was completed well in advance due to the current adverse economic circumstances (the looming recession in Canada, the collapse of the credit market and the housing bubble in the United States) combined with the nature of Spector's business activities. However, audit planning was started by an employee that left the firm soon after she started, leaving the remainder of the planning to be completed by another senior associate, Ellis, who along with other senior associates, did not have sufficient time to satisfactorily plan for the audit.

The audit would likely take a longer period of time to complete than the promised two and half weeks (the audit team completed the audit in this time frame in 2007) due to a) the expectation that extra work would be required related to possible asset and receivables write-downs as a result of the economic downturn; b) some accounting policies had been changed, which led to more time required from senior associates to help guide junior associates and co-op students through the company's new set of circumstances and c) since the tax team did not attend the planning meeting, Dee and Michaels had to allocate time to answer their questions during the audit. The audit team did not receive necessary information from Spector in a timely manner. It was not until the third day of the audit that the team began receiving the needed information.

For two days of the audit, Noth and Patel were likely not making any contributions during the time they should have been working from home (about 20 hours combined). Michaels had to restart 25 hours of work due to client revisions to forecasted financial information. The senior associates leading the audit refused to allow idle personnel at the firm to assist in speeding up the audit for fear that adding team member unfamiliar with Spector would cause further delays. Two of the senior associates, Ellis and Dee, were fired because they did not pass their chartered qualification exams, further reducing capacity dedicated to the Spector audit. Because all of these issues and adverse events that took place during the first two weeks of the audit, it is now the Friday prior to the Wednesday deadline and the audit is less than 50% complete. Key Players (all on the Spector audit team)

Genna Wood is a founding partner of RWH and also the engagement partner on the Spector audit. Adam Nguyen and Keri Feldman are senior managers and responsible for assisting Wood with client relations and reviewing audit engagement work. Jody Ellis is a senior associate and was a primary contact for the client. She also managed the senior associated who lacked her work experience as well as the junior associates. Kira Dee is a senior associate that assists with the junior associates and co-op students with resolving questions in addition to her own audit work. James Michaels is a senior associate with the same job responsibilities as Dee. Michaels has been a member of the engagement team for three years and as such, is very familiar with Spector's business. Heather Goodman, Mariana Faust and Scott Ireland are all junior associates. Adrian Noth, Arvind Patel and Caleb Oldman are all co-op students interning at RWH for their first or second co-op term.

PROBLEM ANALYSIS/DIAGNOSIS

The RWH team assigned to complete the two-and-a-half-week Spector audit in 2008 is well behind schedule, with less than 50% of the audit complete on the Friday prior to the following Wednesday deadline. At the current work pace and with no immediate resolution to the issues currently plaguing the team, it is highly unlikely the Wednesday deadline will be met. The 2008 Spector audit is much more complex and as such will take a much greater number of hours and a high level of cooperation among the team members to complete by the deadline. This is known since the 2007 Spector audit took the full two-and-a-half weeks to complete at only a slightly lower capacity level than the 2008 audit, and was completed at a time when economic conditions were stable and positive and planning was completed thoroughly

well in advance of the audit. Additionally, teamwork was strong and junior associates received a substantial amount of positive feedback and reinforcement during the 2007 audit, giving them motivation to work hard through the end of the audit.

The 2008 Spector audit has been plagued from the start beginning with inadequate firm planning combined with the poor economic circumstances, which has substantially increased the number of hours necessary to complete the audit in many different ways. However, poor teamwork and cooperation among the audit team members and also between the firm's management and the audit team has been the main source of detriment to the audit. Lack of teamwork and cooperation among the audit team members resulted in inadequate planning including not properly preparing the junior associates and co-op students, 20 hours of lost work as a result of lack of contributions from Noth and Patel, which would have nearly offset the 25 hours of lost work on Michaels part and the senior associates' refusal to bring on idle firm associates to add much needed capacity. Firm management is also to blame by creating low morale by making a decision that reduced capacity on the audit and failing to explain why the decision was made.

Michaels and the remainder of the audit team was not informed as to why Ellis and Dee were fired, meaning Fair Process¹ was not practiced in this situation, which has caused more junior associates to question the stability of their own jobs since at this point it is assumed that if one does not pass the chartered qualification exam, he or she will be fired. So instead of allocating their time to the Spector audit, these junior associates have opted

to use their time to study for the exam since passing this exam currently appears to be required in order to remain employed by the firm. However, the firm has not fired associates in the past for not passing the chartered qualification exam so the team was blindsided by this news and it is only assumed, not known, that the reason why the two senior associates were fired was because they did not pass the exam. To reiterate, at the current work pace and with no immediate resolution to the issues currently plaguing the team, it is highly unlikely the Wednesday deadline will be met.

ALTERNATIVE SOLUTIONS

Solution #1: Michaels will take over Ellis position on Spector's audit to continue working with the rest of team and complete the audit by November 19, 2008. Each junior associate will be team up with one co-op student intern, and report to Michaels. Michaels will be responsible for managing these three teams, and set deadline for each team for their daily tasks. They will meet each day at the end of the day and leave after they complete their daily task. Michaels will need to get the engagement planning from Nguyen initially. Then, Michaels will report to Nguyen and Feldman and provide them daily updates afterwards. Pros:

Michaels is a senior associate and he is very familiar with Spector's business. Michaels has passed his professional exam, so he does not need to worry about his job. Michaels has been a member of the engagement team and he knows how it worked in past three years. Michaels is very detail orientated and very thoughtful. He is motivated and has some good opinions. If Michaels can complete the audit on time, he has great opportunities to replace Ellis position in the firm. Nguyen is a senior manager and he knows

how to manage a team on this audit. Nguyen is very familiar with the Spector's status and planning since Ellis reported to him and gave him updates on daily basis. Cons:

Michaels lack of experience of managing teams

Michaels hasn't built good client relationship as Ellis did. Team may feel lack of support, and become more frustrated due to their overloaded work and timeline pressure. Patel will continue his complains. It was team of 9 members, now it becomes a team of 7 members. The audit is already behind the schedule, now it just adds more burden to each team member. Scott Ireland and Heather Goodman will have more workload and may not have time to study for their first professional examination. They will start worry about themselves for being fired if they fail the examination. In this case, they will not be able to focus on the audit. Since Ellis and Dee had very good reputation and good relationship with everyone in the firm, people may not think Michaels will be good fit to take over Ellis and Dee's position.

Therefore, it will also create a lot of pressure on Michaels. Solution #2:

Nguyen will take over Ellis position on Spector's audit for the last week.

Wood may hire Emma Watson as a contractor to fill in Dee's position until Spector's audit is completed. Feldman will cover Nguyen on their other two audits since Spector is a very important client and the audit has to be completed within a week. Michaels will work with Nguyen to manage the junior associates and co-op interns to complete the audit. Each junior associate will be team up with one co-op student intern. Each team will need to complete their daily tasks and report to Michaels before they can go home for that day. Michaels will report to Nguyen daily and provide updates.

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Michaels and Faust will work both Saturday and Sunday with three co-op interns, but Scott Ireland and Heather Goodman need to work Saturday to catch up, but they can have Sunday off to study. Pros:

Nguyen can replace Ellis position easily because he knows all the details which he was updated on daily basis by Ellis. Michaels is a senior associate and share the same team duties as Dee. So Michaels can take over Dee's work and assignments. The engagement can continue smoothly without interrupting.

Client may feel themselves important since RWH's senior manager get involved. Although Emma didn't like RWH's culture, she could be the best fit for the position since she has extensive experience and was involved in engagement planning. She can contribute more in this team than other senior colleagues who don't know about Spector's business. Goodman and Ireland only need to work on Saturday, but they still have Sunday off to study. Most of team member remain in their original position, only Michaels and Faust will take on more responsibilities. Cons:

Nguyen has to postpone his other two audits by a week, or Feldman has to cover for Nguyen on those two audits. Client may feel something not right because RWH's senior manager took over. Michaels' workload will be doubled, plus he has to restart his work from scratch because the client revised some financial forecast. Solution #3: Both Nguyen and Feldman will take in place of Ellis and Dee's position for a week, and prioritize Spector's audit first. Once Spector's audit is completed, they can go back to focus on their other two audits. Wood needs to have a meeting with the team and

explain the situation and changes on the team members and their responsibilities. Nguyen and Feldman will lead Michaels, three junior associates and three co-op interns to complete Spector's audit. Faust will assist Michaels to review Spector's revised financial information. All team members have to work both Saturdays and Sundays except Scott Ireland and Heather Goodman who will study for their professional exams. Pros:

Spector's audit will have sufficient support from the firm and Michaels and junior associates can relieve some of their frustration. Both Nguyen and Feldman are senior managers and they have experience of managing teams. Adding two senior managers to the team after the termination of Ellis and Dee will boost the confidence of the team on Spector's audit. Both Nguyen and Feldman are aware of the engagement plan and status of audit. It will be easy for them to pick up where it left. Since Ellis was the primary contact for the client, only the senior managers can replace her position and continue work with the client without lose the confidence from client side. Every team member will remain in their original position to make sure their original tasks can be completed on schedule. Ellis was involved in several other audits, and did not have time to help junior associates. Michaels only have this one audit at this time, so he can help junior associates' questions and requests, such as Patel requested a senior associate's help in order to complete his task. Team will feel fully supported and motivated.

Cons:

Nguyen and Feldman have to put their other two audits aside for a week. They may have to explain to the other two clients to postpone the audit completion date. Besides Ireland and Goodman, everyone else has to work

on the coming weekend in order to complete audit on time. No work-life balance

RECOMMENDED SOLUTION

We believe that solution #3 would be most beneficial to Richard, Wood and Hulme and its clients. This solution will ensure the completion of Spector's engagement. Genna Wood will need to conduct a meeting with the engagement team explaining the changes on the team members and their responsibilities. In order to better meet the looming deadline for Spector's audit, both Adam Nguyen and Keri Feldman will take on Ellis and Dee's responsibilities and will lead the engagement team which consists of James Michaels, three junior associates and three co-op interns; Mariana Faust will assist Michaels to review Spector's revised forecasted financial information. Nguyen and Feldman will prioritize their most important client; spend less time on their other two audits until Spector's engagement is completed. Nguyen and Feldman' experience of managing teams and their knowledge of Spector's audit will lessen the frustrations of other team members; this will demonstrate strong leadership and management's commitment to the team's goals and the firm's mission of delivering exceptional client service efficiently.

This will boost the team's low morale; will put the team back to the right track; it will enhance team's motivation and teamwork; Michaels will be able to help junior associates' the engagement team members will continue working on their assigned tasks, thus, making it possible to meet the November 19th deadline. Although, the solution offers more positive outcome, we cannot ignore the fact that it will result to a delay in Nguyen

and Feldman's two audits and will require engagement team except for Ireland and Goodman to work in the coming weekend, which can cause significant stress to the team members. The key to this solution is the three principles of fair process. It is critical that partners and management at Richard, Wood and Hulme, include its team members that are impacted by decisions, and maintain regular, face-to-face contact to encourage effective communication. By practicing fair process, it will allow RWH to see each of the team members' values and worth and expectations and it will build trust and relationship.

IMPLEMENTATION

We understand that RWH' low team's morale, poorly motivated members and greatly reduced employee performance is a result of lack of management support and strong leadership. Here are some steps we could take in an effort to boost team's morale and motivate members to increase productivity. RWH needs to form strong, effective relationships that are built on trust. When there's trust, morale is at its highest and teamwork and motivation become the rule. Morale is a critical success factor in how RWH team members deliver results. Open communication based on honesty, consistency, vulnerability, and respect, the engagement team will be able to focus selflessly on common results. This in turn will keep individual self-esteems and agendas in check. Encourage team members to voice their ideas and concerns to management without repercussions. Richard, Wood and Hulme needs to reward its members by offering benefits such as work life balance, extra days off, or flexible scheduling when key goals are met. RWH needs to implement mentoring program, to provide team members'

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opportunities for learning and development, as a way of helping them feel more secure and committed. Lastly, Richard, Wood and Hulme must actively respond to feedback, and recognize its team members' accomplishments.

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