

# 3

## TEAM MANAGEMENT

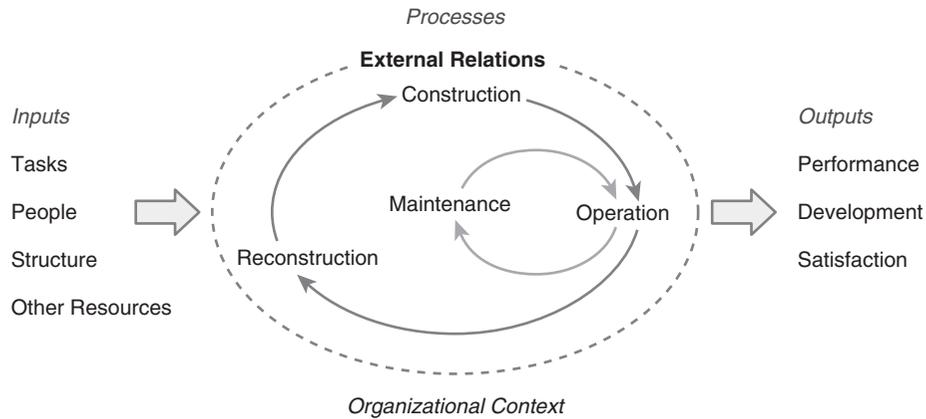
**M**ost individuals working in organizations are part of a team—cross-functional team, product group, guiding coalition that is responsible for driving organizational change, or individuals who start up a small business. There are numerous reasons why organizations implement team-based structures. For example, Leigh Thompson (2004) mentions the following:

- To meet performance challenges that demand responsiveness, speed, and quality. The reorganization of GE, starting in the 1980s under the leadership of Jack Welch, is an example.
- To make organizational structures and processes seamless to customers. For example, WestJet Airlines has a strong customer service focus, and the airline uses teams to “get things done.”
- To integrate people with specialized knowledge within units and across functions. Hewlett-Packard, for example, gets increased value from all pieces of the organization by bringing functional areas, suppliers, and customers together. Hewlett-Packard pursued this structure in an effort to gain viewpoints that would normally not be heard.
- To discover creative approaches to solve problems. Sometimes, one is too small a number to solve problems. The challenges that the crew of the *Apollo 13* faced are just one example.

In *The 17 Indisputable Laws of Teamwork*, John C. Maxwell (2001) writes that “the question is not, Will you participate in something that involves others? The question is, Will your involvement with others be successful?” (p. xi). Making teams effective is an important element of providing leadership. The focus on teams is appropriate also because the skills required to work effectively in teams have become necessary for hiring and promotion.

Organizations and their leaders have discovered numerous reasons some teams go straight to the top, whereas others derail. The seven cases presented in this module provide some answers to that question. The cases offer practical suggestions to better team performance. For example, what can team members do if the team is not performing at its potential? How can individuals maintain the momentum of the team as well as incorporate learning? The cases also offer thoughts as to how to design effective teams. What are the appropriate steps in setting up a team-based organization? The overall objective of the module is fourfold:

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**Figure 3.1** Model of Team Processes

- To understand the benefits of teams as well as potential problems of decision making in work teams
- To understand how effective teams form, develop, grow, and sometimes disintegrate
- To understand and develop competencies required for effective teamwork
- To provide insight how to improve the effectiveness of students' own team efforts

The CORE model presented in Figure 3.1 can serve as a framework for analyzing the functioning and performance of the teams described in the cases. The model was developed by Fernando Olivera and Linda Argote (1999). The various components of the model are described next. It should be acknowledged that although there is some temporal ordering of the stages, the model allows for overlaps and feedback loops.

- **Inputs**

Team members need to have the physical, financial, technological, and human resources to be successful. If the team does not have the resources to attain its goals or accomplish the work, then it will not perform well. How are resources allocated? Structure refers to organizational or team structure. For example, it makes a difference for team process and potential outputs whether all team members are on-site or are dispersed across countries, states, or provinces. Team leaders also need to give thought to the disposition of potential team members. For example, what are the critical knowledge, skills, and abilities that team members must possess? What is the ideal size of the team? To what extent is the team autonomous or self-managing? Does the organizational context support the self-managing role of teams? These (and other) inputs tend to be necessary but not sufficient for success.

- **Process**

Team processes refer to team interaction. These include construction, operation, and reconstruction practices. Processes inform people about how teams do their work. Process can be managed.

- Construction practices

The group comes “into being.” The following are examples of critical practices. Selecting members should be based on their skills, knowledge, and abilities or potential. Team members should think about establishing rules and sanctions of behavior. Taking a proactive approach is preferred over a reactive approach. What will team members do if others violate expectations? Common goals will need to be established, and team members need to commit to those goals. How can team leaders encourage members to sacrifice self-interest at the expense of focusing on the interests of the group? Team members begin to develop and share an understanding of team roles. Group norms begin to emerge; these norms guide subsequent behavior. Training is also critical at this stage, and technologies are implemented. In sum, team members create conditions for cohesiveness and positive performance norms; both contribute to team effectiveness.

- Operation practices

These are the activities of the group as it carries out its purpose. Examples include problem-solving and decision-making processes, conflict resolution, and task execution. The latter includes communication and coordination of activities of group members.

- Reconstruction practices

This means that teams learn through experience and from feedback; through learning or reflection, groups make changes that better the team. Reconstructing requires reflection. What is the team doing well? What works? What does not? Such reflection requires a team climate for open discussion. How does one create a climate that tolerates mistakes, and where it is okay to speak one’s mind?

- Outputs

Outcomes are the result of the team’s interaction. There are various outputs that are of interest: the “goodness” of team decisions, hard measures of actual team performance (e.g., sales revenue, number of new products developed, customer satisfaction, etc.), satisfaction with the team, and the desire to continue to work as a team.

- Organizational context and external relations

Teams are embedded in organizational context. The organization’s systems, policies, and procedures need to support the team. All too often, however, teams are “launched in a vacuum” (and leaders give little or no thought to organizational design issues). For example, leaders need to give thought to the following question: How should we reward individuals operating under a team-based structure? One should be careful not to fall victim to one of Stephen’s Kerr (1995) observations—in organizations, we hope for great teamwork, but we often reward individual-level behavior and performance. In sum, contextual variables can have a powerful effect on behavior, both at the individual and team levels. These variables must not be ignored in a team context. The more supportive the organizational context is of teams, the stronger the likelihood that teams will perform at high levels.

Several of the cases that are incorporated in this module address some of the classic errors or “sins of team building.” Examples include mal-selection, or selection of team members based on personalities and personal acquaintances rather than needed skills;

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impatience, or the failure to allow time for teams to develop; aimlessness, or the failure to set clear expectations about teamwork or performance goals for the team; inhibited communication systems, or the failure to establish open communications and the absence of a climate that values differing opinions; competitive mania; and powerlessness, or the failure to build confidence and ensure accountability. The insights gained through working on the cases should be a first step in helping students to prevent the above (and other) errors in the future.

### HAZELTON INTERNATIONAL

A consulting engineering firm, involved in a road construction project in Asia, is plagued with difficulties. The firm is working with the local government highway department on the project and has the status of adviser. Actual construction is done by the government department. The problems that the firm must contend with include technical problems, a budget process, differing objectives, and intercultural relations. Two years into the project, only 17 kilometers of the 245-kilometer highway were under construction. This case provides the background briefing for the in-basket exercise, “An International Project Manager’s Day.”

#### Assignment Questions

- Who are the stakeholders in this project, and what are their goals?
- What are the problems and their causes?

### AN INTERNATIONAL PROJECT MANAGER’S DAY (A)

The newly appointed project manager of a highway project in Southeast Asia has a variety of issues to contend with all at once. The project is fully described in the Hazelton International case. The Hazelton case can serve as a briefing and must be done before this one. This case provides the company schedule and infrastructure information. Decisions need to be made regarding the items in the project manager’s in-basket. These items are in the (B) case, which is included in the Instructor’s Manual.

#### Assignment Question

- Detailed instructions for the exercise (individual, team) will be distributed by the instructor.

### EPROCURE—THE PROJECT (A)

Two analysts have each been assigned to work on the conceptual and detail designs of two modules in a Web-based software solution. A week before the final design presentation, the analysts discover that their software designs are not integrated. The case focuses on the

frustrations of one of the analysts and her concerns about the working relationship with the other analyst. They have had personal differences and are both prospects for early promotion. She considers how the project came to this point and how the situation might have been avoided. Supplement “eProcure—Finishing the Project (B)” discusses the analyst’s strategies during the final week working on the design; supplement “eProcure—Conversation With Claire (C)” explores the analyst’s decision to confront her coworker, and supplement “eProcure—End of the Design Team (D)” focuses on the outcomes for both analysts after the project is complete. These supplements are included in the Instructor’s Manual.

### Assignment Questions

- Could Sonya have done anything differently to prevent the situation with Claire?
- How should Sonya handle the fact that Claire lied during a meeting to their manager? Should she say anything to Molly? Should she say anything to Claire? If so, what should she say and when?
- Do you think the fact that both Claire and Sonya are being considered for early promotion is the cause of contention on the team, or is there more to the problem?
- What could Molly have done to prevent this situation on her team in the first place? What should she do now as the manager? Do you think she even recognizes the problem yet?
- What impacts do the issues presented in the case have for staffing on consulting projects?

### SPAR APPLIED SYSTEMS (A)

The general manager must determine how to contend with a project overrun. The Avionics 2000 team had been working on their project for more than 2 years. In their presentation of the projected budget and schedule to the executives, the team identified a potential \$1 million overspend to satisfy their contract with Phoenix Helicopter International. Their original budget was \$3.5 million, of which \$2.5 million was provided by the company. When Stephen Miller, general manager of Spar Applied Systems, questioned team members during the presentation about what had caused the overrun, he was amazed that the team was unable to respond. He adjourned the meeting, returned to his office, and contemplated what to do. Supplemental cases—“Spar Applied Systems: The Red Team Enters (B)” and “Spar Applied Systems: Aftermath . . . Business as Usual (C)” —follow the sequence of events (and are included in the Instructor’s Manual).

### Assignment Questions

- How do the current and historical structures fit with the overall strategy of the Applied Systems Group?
- What is your evaluation of the current structure of the Applied Systems Group?
- What led to the budget overrun of the Avionics 2000 team?
- What does Stephen Miller need to know before he makes a decision on the future of Avionics 2000?
- What are the pressures on Stephen Miller to resolve this budget problem?
- As Stephen Miller, what would you do? Be specific about the sequence and timing of action steps.

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RICHARD IVEY SCHOOL OF  
BUSINESS—THE LEADER PROJECT (A) AND (B)

A student-run, not-for-profit program, Leading Education and Development in Emerging Regions (LEADER), sent teams of business students to teach Western business practices in the former Soviet Union. In preparation for the 3-week assignment at the end of the school term, the students were expected to participate in social events to build team spirit, as well as practical work, such as preparing teaching materials, making travel arrangements, and fund-raising. The program's annual budget was \$110,000, and each team member was expected to provide a minimum of \$250. Despite efforts to raise the needed funds, the program failed to reach its goal. As a result, team members were required to contribute \$1,800, substantially more than originally anticipated. Some of the team members quit, expressing their dissatisfaction with the increased financial obligation. Other team members are boasting about the little time they spent working on the project. The once successful program is facing a dilemma. How can it sustain enthusiasm, raise the needed funds, and recruit members who are willing to work to ensure its success? The supplement "Richard Ivey School of Business—The LEADER Project—Kiev Site (B)" explores a personality conflict that begins when one team begins preparation for its trip. The problem escalates when the team is teaching in Kiev, Ukraine. One of the team members wonders what role she can play in resolving the situation that threatens the success of the teaching assignment.

**Assignment Questions**

- Is the LEADER Project a viable operation?
- As Kaitlyn, what recommendations can you make to the executive directors to change the LEADER Project to make it more effective in its purpose?
- What are the causes for the conflicts within the team?
- How should Kaitlyn approach Dennis and Beth?

## ANTAR AUTOMOBILE COMPANY—PART I: THE AUTOMATION PROJECT

Rob Dander, a project manager in the Operational Research Department of an automobile assembly plant, must decide how he can most effectively redirect his team to meet management's deadline and design expectations. For 5 months, he had been supervising the work of three young company employees who were developing a simulated assembly line. However, because his current responsibilities left him in charge of four or five projects at a time, all in varying stages of completion, he had left his assistants to work together with very little intervention from him. None of the group members had ever dealt with the programming language that they were required to use. For two of the group members, this project was their first experience in creating computerized simulations. The group realized their progress was slow, but they attributed this to a number of "on-time" setbacks they had encountered in trying to acquaint themselves with the new language. As time passed, the group of assistants began to view the project as a personal battle and fought against the unforgiving computer, which monotonously rejected each program it was fed, sending the group back to the drawing board. The three soon lost their focus by trying to develop a model that had become far too cumbersome and uneconomical to complete their original

assignment. Dander is now facing the pressure of an uncompleted project and an unnecessarily elaborate design.

### Assignment Questions

- What sort of relationship (cohesive, neutral, hostile) do you think the group will build? Why?
- Will the group's output exceed, satisfy, or fall below Rob's expectations? Why?
- Will Mark Mancuso keep plant management (well, poorly) informed of the simulation's progress? Why?
- What will be the level of job satisfaction (high, medium, low) of the project assistants? Why?

## THE LEO BURNETT COMPANY LTD.: VIRTUAL TEAM MANAGEMENT

Leo Burnett Company Ltd. is a global advertising agency. The company is working with one of its largest clients to launch a new line of hair care products into the Canadian and Taiwanese test markets in preparation for a global rollout. Normally, once a brand has been launched, it is customary for the global brand center to turn over the responsibility for the brand and future campaigns to the local market offices. In this case, however, the brand launch was not successful. Team communications and the team dynamics have broken down in recent months, and the relationships are strained. Further complicating matters are a number of client and agency staffing changes that could jeopardize the stability of the team and the agency-client relationship. The global account director must decide whether she should proceed with the expected decision to modify the global team structure to give one of the teams more autonomy or whether she should maintain greater centralized control over the team. She must recommend how to move forward with the brand and determine what changes in team structure or management are necessary.

### Assignment Questions

- Assume the role of a Leo Burnett employee. (a) What is your everyday work environment like (assume this would normally involve face-to-face teams)? Specifically, consider how you would fill your day, what the office environment would be, what would determine your work priorities, and the nature of your relationship with your colleagues and your client(s). (b) How is this different from your role as part of the Forever Young virtual team?
- What are some of the difficulties that the Forever Young global advertising and communications team faced throughout the launch process? To what do you attribute these difficulties?
- As Janet Carmichael, do you now decentralize the team? Why or why not?

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## HAZELTON INTERNATIONAL

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*Lorna L. Wright*

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Dan Simpson, the incoming project manager of the Maralinga-Ladawan Highway Project, was both anxious and excited as he drove with John Anderson in their jeep up the rutted road to the river where they would wait for the ferry. John was the current manager and was taking Dan, his replacement, on a three-day site check of the project. During this trip John was also going to brief Dan on the history of the project and the problems he would encounter. Dan was anxious about the project because he had heard there were a number of messy problems, but was excited about the challenge of managing it.

Hazelton, a consulting engineering firm, was an adviser on the project and so far had little success in getting the client to heed its advice. After two years of operation, only 17 kilometres of the 245-kilometre highway were under construction.

### BACKGROUND

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Since 1965, Hazelton had successfully completed assignments in 46 countries across Africa, Asia, Europe, South and Central America, and the Caribbean region. A large proportion of the projects had been in Africa but the company was now turning attention to developing its Asian operations. Since the beginning, Hazelton had done only 10 projects in Asia—less than 10 per cent of all its projects.

Hazelton provided consulting services in transportation, housing and urban development, structural engineering, and municipal and environmental engineering, to both government and corporate clients around the world. Specific services included technical and economic

feasibility studies, financing, planning, architecture, preliminary and final engineering design, maintenance programming, construction supervision, project management and equipment procurement.

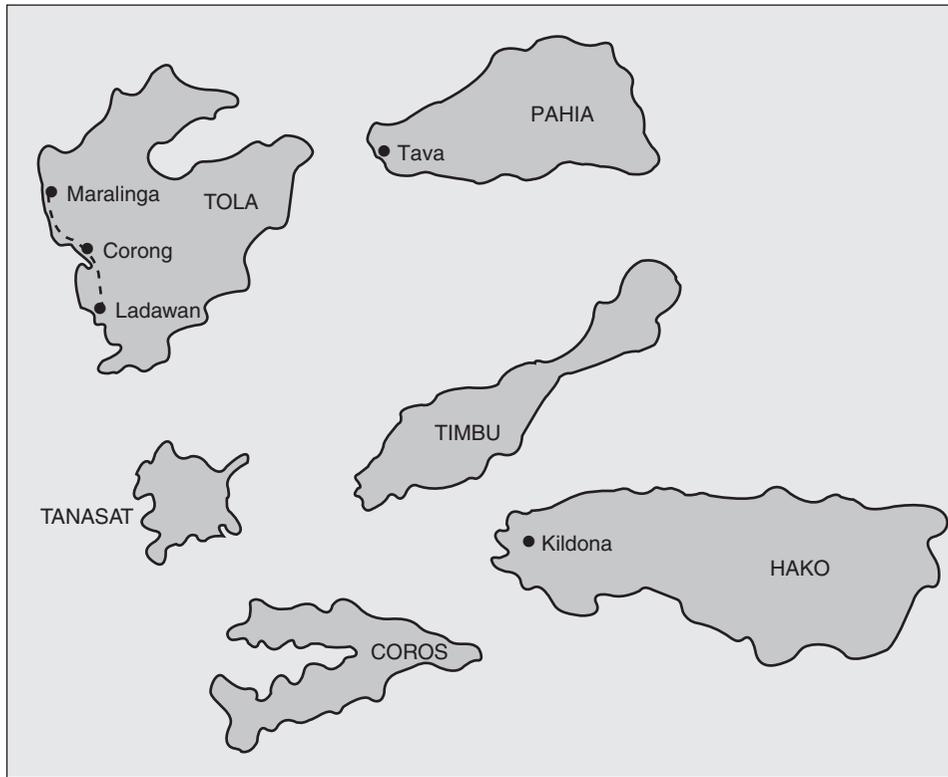
Projects ranged from extremely large (building an international airport) to very small, requiring the skill of only a single expert (advising on a housing project in Malaysia). The majority of these projects were funded by international lending agencies (ILAs) such as World Bank, African Development Bank and aid agencies like the U.S. Agency for International Development (USAID) and the Canadian International Development Agency (CIDA). The previous year Hazelton's worldwide annual fee volume exceeded US\$40 million.

Hazelton staffed its overseas projects with senior members of its permanent staff. In addition, experts with international experience and capabilities in the applicable language were used whenever possible. Both these principles had been adhered to in the Maralinga-Ladawan Project.

### MARALINGA-LADAWAN HIGHWAY PROJECT

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Soronga was a nation of islands in the Pacific Ocean. This project required design and construction supervision services for a 245-kilometre highway along the western coast of the island of Tola from Maralinga in the north to Ladawan in the south (see Exhibit 1). Sections of the highway past Ladawan were being reconstructed by other firms funded by aid agencies from Japan and Australia.



**Exhibit 1** Map of Soronga (Not to Scale)

In addition to supervising the project, Hazelton was responsible for a major training program for Sorongan engineers, mechanics, operators, and administrative staff.

This was the fifth largest project (\$1.6 million in fees) Hazelton had ever undertaken (see Exhibit 2). It was a joint venture with two other firms, Beauval Ltd. and McPherson Brothers International (MBI), whom Hazelton involved to strengthen its proposal. Hazelton acted as the lead firm on behalf of the consortium and assumed overall responsibility for the work. Over the life of the project, the three firms would send 22 expatriates, including highway designers, engineers, mechanics, and operators.

MBI was involved because it was a contractor and Hazelton felt it might need those types of

skills when dealing with a “force account” project. Usually, Hazelton supervised the project and left the actual construction to experienced contractors. This project was different. Force account meant that the construction workers would be government employees who would not be experienced in construction work.

Beauval had been working in Asia for 17 years and had established a base of operations in Kildona. It had done several projects on the island of Hako, but this would be the first on the island of Tola. This local experience helped the proposal gain acceptance both in the eyes of the financing agency, and the client, the Sorongan Highway Department (SHD).

The financing agency provided a combination loan and grant for the project and played a

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<i>Project</i>	<i>Location</i>	<i>Fee</i>
1. International airport	Africa	\$4 million
2. Highway supervision	South America	\$3.4 million
3. Highway feasibility	South America	\$2.25 million
4. Highway design	South America	\$2.25 million
5. Highway betterment	Sorongong	\$1.63 million
6. Secondary roads: graveling	Africa	\$1.32 million

**Exhibit 2** Hazelton's Six Largest Projects

significant role in the selection of the winning proposal. The grant portion paid for the salaries of the expatriates working on the project while the loan funds were for necessary equipment.

Under the contract's terms of reference, Hazelton personnel were sent as advisers on the techniques of road construction and equipment maintenance. The training component was to be the major part of the project with the actual construction being the training vehicle. The project was to last five years with Hazelton phasing out its experts in about four years. The Sorongans would be trained by that point to take over the project themselves. The training program would use formal classroom instruction and a system of counterparts. Each expatriate engineer or manager would have a counterpart Sorongan engineer or manager who worked closely with him in order for the expertise to be passed on. At the mechanic and operator levels, training programs would be set up involving both in-class instruction and on-the-job training.

SHD's responsibilities included providing counterpart staff, ensuring that there was housing built for the expatriates, and providing fuel and spare parts for the equipment that would be coming from Canada.

It was thought that a force account project—with government staff doing the work—would

be the best way to marry the financial agency's objective of training with the Sorongan government's aim of building a road. It was one of the first times that SHD had found itself in the role of contractor.

Hazelton was in the position of supervising one arm of the organization on behalf of another arm. It was working for the client as a supervising engineer, but the client also ran the construction. Hazelton was in the middle.

In Sorongong's development plans, this project was part of the emphasis on developing the transportation and communications sector. It was classed as a *betterment* project, meaning that Sorongong did not want undue resources going toward a "perfect" road in engineering terms; merely one that was better than the present one and that would last. An important objective also was to provide employment in Tola and permit easier access to the rest of Sorongong, because the province was a politically sensitive area and isolated from the rest of the country.

#### TOLA

Tola was the most westerly island of the Sorongan archipelago. It was isolated from the rest of the country because of rough terrain and

poor roads. It was a socially conservative province and fundamentalist in religion. The majority of Tolanese were very strict Moslems. The ulamas (Moslem religious leaders) played an important role in Tolanese society, perhaps more so than in any other part of Soronga.

Economically, the province lagged behind Hako, the main island. The economy was still dominated by labor-intensive agriculture. Large-scale industry was a very recent development with timbering providing the biggest share of exports. A liquefied natural gas plant and a cement factory were two new industries begun within the past two years.

From its earliest history, Tola had enjoyed a high degree of autonomy. In 1821, it signed a treaty with a European country guaranteeing its autonomy in commerce. This was revoked in 1871 when that European country signed a treaty with another European colonial power, recognizing the latter's sovereignty over the whole of Soronga. The Tolanese understood the implications of this treaty and tried to negotiate with their new master to retain Tola's autonomous standing. Neither side was willing to compromise, however, and in 1873 the European country declared war on Tola. This war continued for 50 years, and the fierce resistance of the Tolanese against colonization became a model for Soronga's own fight for independence later. Even after the Tolanese officially surrendered, this did not mean peace. Guerrilla warfare continued, led by the ulamas. With the advent of the Second World War and the arrival of the Japanese, resistance to the Europeans intensified. At the end of the war, the Japanese were expelled, and the European colonizers returned to Soronga, but not to Tola.

With the independence of Soronga, Tola theoretically formed part of the new nation, but in practice, it retained its regional social, economic, and political control. In 1961, however, the central government in Kildona dissolved the province of Tola and incorporated its territory into the region of West Pahia under a governor in Tava. Dissatisfaction with this move was so intense that the Tolanese proclaimed an independent Islamic

Republic in 1963. This rebellion lasted until 1971, when the central government sought a political solution by giving Tola provincial status again. In 1977, Kildona granted special status to the province in the areas of religion, culture, and education.

Tola's long periods of turmoil had left their mark on the province and on its relations with the rest of the country. It was deeply suspicious of outsiders (particularly those from Hako, since that was the seat of the central government), strongly independent and fiercely proud of its heritage and ethnic identity. Although all Tolanese could speak Sorongan because that was *the* only language used in the schools, they preferred to use their native language, Tolanese, amongst themselves. The central government in Kildona had recently become concerned about giving the province priority in development projects to strengthen the ties between the province and the rest of the country.

## PROGRESS OF THE PROJECT

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### The First Year

Negotiations on the project took longer than expected, and the project actually began almost a year after it was originally scheduled to start. Hazelton selected its personnel carefully. The project manager, Frank Kennedy, had been successful in a similar position in Central America. He had also successfully cleaned up a problem situation in Lesotho. In September, Frank and an administrator arrived in Soronga, followed a month later by the major design team, bringing the total expatriate contingent to 10 families. They spent a month learning the Sorongan language but had to stay in Kildona until December because there was no housing in Maralinga. The houses had not been finished; before they could be, an earthquake destroyed the complex. Eventually, housing was rented from Australian expatriates working for another company who were moving to a complex of their own.

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Hazelton was anxious to begin work, but no Sorongan project manager had been specified, and the vehicles did not arrive until late December. When the vehicles did arrive, the fuel tanks were empty and there was no fuel available. Neither was there provision in SHD's budget to buy fuel nor lubricants that year. The project would have to wait until the new fiscal year began on April 1 to have money allotted to it. Meanwhile, it would be a fight for funds.

### The Second Year

By the beginning of the year, the equipment was on site, but the Sorongan counterpart staff still were not. Hazelton had no control over SHD staff, since it had no line responsibility. When the SHD project manager finally arrived, he was reluctant to confront the staff. Senior SHD people on the project were Hakonese, whereas most of the people at the operator level were local Tolanese. There was not only the Hakonese-Tolanese strain but an unwillingness on the part of the senior staff to do anything that would stir up this politically volatile area.

Frank was having a difficult time. He was a construction man. There were 245 kilometres of road to build and nothing was being done. It galled him to have to report no progress month after month. If the construction could start, the training would quickly follow. On top of the project problems, Frank's wife was pregnant and had to stay in Singapore, where the medical facilities were better. His frustration increased, and he began confronting the Sorongan project manager, demanding action. His behavior became counter-productive and he had to be replaced. The person chosen as his replacement was John Anderson.

### John Anderson

John Anderson was a civil engineer who had worked for Hazelton for 15 years. He had a wealth of international experience in countries

as diverse as Thailand, Nigeria, Tanzania, and Kenya. He liked the overseas environment for a variety of reasons, not the least of which was the sense of adventure that went with working abroad. "You meet people who stand out from the average. You get interesting points of view."

Professionally, it was also an adventure. "You run across many different types of engineering and different ways of approaching it." This lent an air of excitement and interest to jobs that was lacking in domestic work. The challenge was greater, also, since one didn't have access to the same skills and tools at home: as John said, "You have to make do."

Even though he enjoyed overseas work, John had returned to headquarters as office manager for Hazelton. His family was a major factor in this decision. As his two children reached high school age, it became increasingly important for them to be settled and to receive schooling that would allow them to enter university. John had no intention of going overseas in the near future; however, when it became evident that a new project manager was needed for Soronga, loyalty prompted him to respond without hesitation when the company called.

John had been the manager of a similar project in Nigeria where he had done a superlative job. He had a placid, easy-going temperament and a preference for operating by subtle suggestions rather than direct demands. Hazelton's top management felt that if anyone could make a success of this project, John could.

### John's Perception of the Project

From the description of Maralinga in the original project document, John knew he would face problems from the beginning. However, when he arrived on site, it wasn't as bad as he'd expected. People were friendly, the housing was adequate, and there was access to an international school run by the Australians.

The work situation was different. The equipment that had come from Canada could not be used. Bridges to the construction sites had not

been built and the existing ones could not support the weight of the machines. The bridge work would have been done before the road project started. Roads had to be widened to take the construction equipment, but no provisions had been made to expropriate the land needed. Instructions were that the road must remain within the existing right-of-way. Technically, SHD could lay claim to 15 metres, but they had to pay compensation for any crops lost, even though those crops were planted on state land. Because of these problems, the biggest pieces of machinery, such as the crusher plant, had to be taken apart and moved piece by piece. Stripping a machine down for transportation took time, money, and labor—all in short supply.

The budgeting process presented another problem. It was done on an annual basis rather than for the entire project period. It was also done in meticulous detail. Every litre of fuel and every nut and bolt had to be included. The budget was extremely inflexible, too. Money allocated for fuel could not be used for spare parts if the need arose.

When the project was initially planned, there was plenty of money, but with the collapse of oil prices, the Sorongan economy was hit hard and restrictions on all projects were quickly instituted. Budgets were cut in half. The money originally planned was no longer available for the project. Further problems arose because the project was a force account. The government bureaucracy could not react quickly, and in construction fast reactions were important. Revisions needed to be approved quickly, but by the time the government approved a change, it was often too late.

The training component of the project had more than its share of problems. Counterpart training was difficult because Sorongan managers would arbitrarily reassign people to other jobs. Other counterparts would leave for more lucrative jobs elsewhere. Among the mechanics, poor supervision compounded the problems. Those who showed initiative were not encouraged and the spark soon died.

## John's Arrival on Site

John arrived in Soronga in March. SHD budgets were due soon after. This required a tremendous amount of negotiating. Expenses had to be identified specifically and in minute detail. By September, the process was completed, and the project finally, after more than a year, had funds to support it.

Shortly after John's arrival, the project was transferred from the maintenance section of SHD to the construction section. The Sorongan project manager changed and the parameters of the job began to change also.

SHD would not allow realignment of the road. To change the alignment would have meant getting property rights, which was an expensive, time-consuming process and inconsistent with a project that SHD saw as road improvement rather than road construction. This meant that half the design team had no work to do. Their roles had to be quickly changed. For example, the chief design engineer became costing, programming, and budgeting engineer.

The new SHD project manager was inexperienced in his post and concerned about saving money and staying within budget. Because of this, he was loath to hire more workers to run the machinery because the rainy season was coming and construction would slow down. The workers would have to be paid, but little work would be done. By October, with the rainy season in full swing, it was evident that the money allocated to the project was not going to be spent, and the project manager frantically began trying to increase activity. If this year's budget was not spent, it would be very difficult to get adequate funds for the next year. However, it was difficult to spend money in the last months because no preparatory work had been done. It took time to let tenders and hire trained staff.

The new SHD project manager was Hakonese, as was his predecessor. Neither understood the local Tolanese situation. Getting access to gravel and sand sites necessitated dealing with the local population, and this was not handled well, with

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the result that it took a long time to acquire land rights. The supervisors were also mainly Hakonese and could exercise little control over the workforce. Discipline was lax. Operators wouldn't begin doing any constructive work until 9:30 a.m. They would quit at 11:30 a.m. for a two-hour lunch and then finish for the day at 5:00 p.m. Drivers hauled material for private use during working hours. Fuel disappeared at an alarming rate. One morning when a water truck was inspected before being put into service, the Hazelton adviser discovered the water tank was full of fuel. No explanation as to how the fuel got there was forthcoming, and it soon vanished again.

Bridges were a problem. It had been almost two and one-half years since the original plans had been submitted, and SHD was now demanding changes. Substructures were not yet in place and the tenders had just been let. When they were finally received by midyear, SHD decided that Canadian steel was too expensive and they could do better elsewhere. The tendering process would have to be repeated, and SHD had not yet let the new tenders.

Although there was no real construction going on, training had begun. A training manager was on site, and the plan was to train the mechanics and equipment operators first. The entire program would consist of four phases. The first phase would involve 30 people for basic operator training. The second would take the best people from the first phase and train them further as mechanics. In the third phase, the best mechanics would train others. The fourth phase would upgrade skills previously learned. SHD cancelled the second phase of training because they considered it to be too costly and a waste of time. They wanted people to be physically working, not spending time in the classroom. Hazelton felt that both types of training were needed, and the cancellation raised difficulties with the financing agency, who considered the training needs paramount.

SHD, as a government agency, was not competitive with private companies in wages.

It was not only losing its best engineering people to better-paying jobs elsewhere, it could not attract qualified people at the lower levels. Its people, therefore, were inexperienced and had to be taught the basics of operating mechanical equipment. Ironically, equipment on the project was some of the most sophisticated available.

SHD was directing the construction, but there didn't seem to be any plan of attack. The SHD manager was rarely on site, and the crews suffered badly from a lack of direction. Time, materials, and people were being wasted because of this. Bits and pieces of work were being started at different points with no consideration given to identifying the critical areas.

In June, there was a push to get construction underway. There was a need to give the design people something to do and a desire to get the operators and mechanics moving, as well as the equipment, which had been sitting idle for several months. Finally, there was the natural desire to show the client some concrete results. Hazelton was losing the respect of the people around them. Most people were not aware that Hazelton was acting merely in an advisory capacity. The feeling was that they should be directing the operations. Since Hazelton was not taking charge, the company's competence was being questioned.

The rainy season was due to begin in September and would last until the end of December. This was always a period of slow progress because construction was impossible when it rained. Work had to be stopped every time it rained and frequently work that had been done before the rain had to be redone.

Besides the problem of no progress on construction, some of the expatriate staff were not doing the job they had been sent out to do. Because there was little design work, the design engineer was transformed into a costing and budgeting administrator. No bridges were being built, so the bridge engineer was idle. No training was being done, so the training manager was declared redundant and sent home.

It was difficult for Hazelton to fulfil even its advisory role because SHD personnel were not telling them what they were doing next. A communication gap was rapidly opening between SHD and Hazelton. Communication between SHD in Tola and SHD in Kildona was poor, also. It appeared that the Kildona headquarters was allowing the Tola one to sink or swim on its own. Little direction was forthcoming. It didn't seem as if SHD Kildona was allocating its best people to the project, either.

The one bright spot of the year was that the project was now under the construction section of SHD rather than the maintenance section, and, thus, they could understand the situation from a construction point of view. The feeling was that things would improve because now the people in headquarters at least understood what the field team was up against and what it was trying to accomplish.

### **The Third Year**

At the beginning of the year, there was little to be seen for the previous year's work.

The Hazelton staff and their Sorongan counterparts worked out of a small two-storey building in the SHD office compound in Maralinga. The Sorongans occupied the top floor and Hazelton, the bottom. A field camp trailer site had been set up in Corong, the halfway point between Maralinga and Ladawan. The plan was to move construction out from this area in both directions.

John, his mechanic supervisor, and the bridge engineer made the five-hour trip out to the site at the beginning of each week, returning to Maralinga and their families at the end of the week. The second mechanic and his wife lived on-site, whereas the erstwhile design engineer,

now in charge of budgeting and administration, stayed primarily in the Maralinga office.

SHD was beginning to rethink its position on using force account labor. There were signs that in the next fiscal year it might hire a contractor to do the actual work because the force account was obviously not satisfactory. SHD also underwent another change in project manager. The third person to fill that position was due on-site in April but arrived the end of May. The new manager began making plans to move the Sorongan base of operations to Corong. The Hazelton expatriates, for family reasons, would remain based in Maralinga.

The project now also underwent its third status change. It was being given back to the maintenance section of SHD again. The budget process had to be started again. Hazelton, in its advisory role, tried to impress on the SHD staff the advantages of planning ahead and working out the details of the next year's work so that there would be funds in the budget to support it.

Construction had at last started, even though in a desultory fashion. However, Ramadan, the month of fasting for Moslems, was looming on the horizon and this would slow progress. This meant no eating, no drinking, and no smoking for Moslems between sun-up and sundown, which had obvious consequences for a worker's energy level. Productivity dropped during this period. This had not been a major problem the previous year because not much work was being done. Following Ramadan, there would be only two months to work at normal speed before construction would have to slow again for the rainy season.

John's briefing of Dan having been completed, they continued the site check. John wanted Dan to inspect the existing bridges as they arrived at them.

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## AN INTERNATIONAL PROJECT MANAGER'S DAY (A)

*Lorna Wright*

*Henry W. Lane*

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### SITUATION

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The Maralinga-Ladawan Highway Project consists of 14 expatriate families and the Sorongan counterpart personnel. Half expatriates are engineers from Hazelton. The other expatriates are mechanics, engineers and other technical personnel from Beauval and MBI, the other two firms in the consortium. All expatriate personnel are under Hazelton's authority. This is the fifth largest project Hazelton has ever undertaken, with a fee of \$1.63 million.

You arrived in Maralinga late on March 28 with your spouse. There was no chance for a briefing before you left. Head office had said John Anderson, the outgoing project manager, would fill you in on all you needed to know.<sup>1</sup> They had also arranged for you to meet people connected with the project in Kildona.

On March 29, you visited the project office briefly and met the accountant/administrative assistant, Tawi, the secretary, Julip, and the office messenger/driver, Satun. You then left immediately on a three-day site check of the 245-kilometre highway with John. Meanwhile, your spouse has started settling in and investigating job prospects in Maralinga.

On your trip you stopped at the field office in Corong. Chris Williams, second mechanic and his wife, Beth, were living there. Chris was out at the timber company site to get help in recovering a grader that had toppled over the side of a ravine the night before, so you weren't able to see him. However, you met his Sorongan counterpart and he advised you that everything was going well, although they could use more manpower.

You noted that Corong did not have any telephone facilities. The only communication link, a single side-band radio, had been unserviceable

for the past few weeks. If you needed to contact Chris, it would involve a five-hour jeep ride to Corong to deliver the message.

You were able to see the haphazard way the work on the road was proceeding and witnessed the difficulty in finding appropriate gravel sites. Inspecting some of the bridges you had crossed made you shiver, too. Doing something about those would have to be a priority, before there was a fatality.

You returned to Maralinga on April 1 and met some of the staff and their families. Their comments made it clear that living conditions were less than ideal, the banking system make it difficult to get money transferred and converted into local currency (their salaries, paid in dollars, were deposited to their accounts at home), and the only school it was possible to send their children to was not appropriate for children who would have to return to the North American educational system.

That evening John left for another project on another continent. It is now Tuesday morning, April 2. This morning, while preparing breakfast with your spouse, the propane gas for your stove ran out. You have tried, unsuccessfully, on your way to work to get the gas cylinder filled, and have only now arrived at the office. It is 10 a.m. You have planned to have lunch with your spouse at noon and you are leaving for the airport at 2 p.m. for a week in Kildona to visit the Beauval office, the Sorongan Highway Department (SHD) people, and the International Aid Agency (IAA) representative for discussions concerning the history and future of this project (it takes about one-half hour to drive to the airport). This trip has been planned as part of your orientation to the job. Since the IAA representative and the senior man in the Beauval office were both

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
March 24	25	26	27	28 Arrival in Maralinga	29 Site check with John	30
31 → Return	April 1	2 Today	3	4 Visit to Kildona	5	6
7	8	9 Return to Maralinga	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	May 1	2	3	4

### Exhibit 1

Note: You are in a Muslim area. People do not work Friday afternoons. Saturday morning usually is a workday.

leaving for other postings at the end of the month, this may be the only opportunity you will have to spend time with them.

On your arrival at the office, Julip tells you that Jim, one of the surveyors, and his wife, Joyce, are arriving at 10:30 a.m. to discuss Joyce's medical problems with you. This is the first opportunity you have had to get into your office and do some work. You have about 30 minutes to go through the contents of your in-basket and take whatever action you feel is appropriate.

### INSTRUCTIONS

For the purpose of this exercise, you are to assume the position of Dan Simpson, the new project manager for the Maralinga-Ladawan Highway Project.

Please *write out* the action you choose on the Action Forms provided. Your action may

include writing letters, memos, telexes, or making phone calls. You may want to have meetings with certain individuals or receive reports from the office staff.

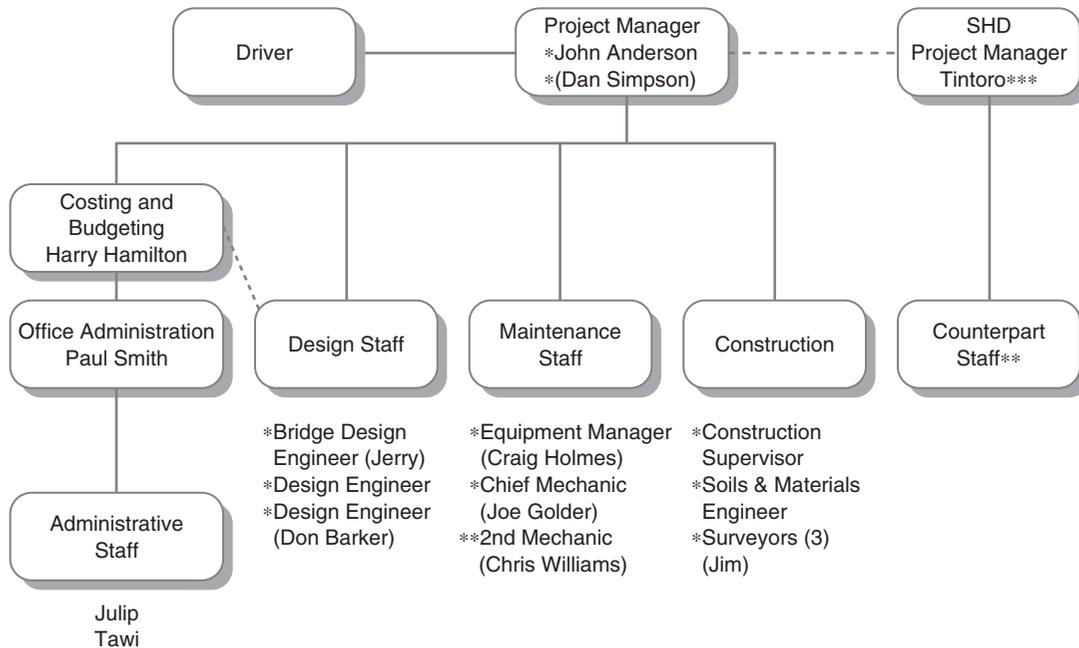
For example, if you decide to make a phone call, write out the purpose and content of the call on the Action Form. If you decide to have a meeting with one of the office staff or another individual, make a note of the basic agenda of things to be discussed and the date and time of the meeting. You also need to think about establishing priorities for the various issues.

To help you think of the time dimension, a calendar follows (see Exhibit 1). Also, Maralinga is 12 hours ahead of Eastern Standard Time.

### NOTE

1. See Hazelton International Limited, 9A84C040.

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**Exhibit 2***Notes:*

\* These people travel to Corong and other locations frequently.

\*\* Stationed in Corong.

\*\*\* Located on the floor above Dan Simpson in the same building.

The 2 expatriates responsible for the training component had been sent home. The remaining 6 expatriates called for under the contract had not yet arrived in Soronga and the 2 construction supervisors recently requested by SHD would be in addition to these 6 people.

Transportation Availability: (1) PROJECT OWNED – a) 1 Land Rover for administrative use by HQ Staff, b) 1 car shared by all the families, c) most trucks are in Corong, however there usually are some around Maralinga (2) PUBLIC – a) peddle-cabs are available for short distances (like getting to work), b) local “taxis” are mini-van type vehicles which are usually very over-crowded and which expatriates usually avoid, c) there are a few flights to Kildona each week.

## EPROCURE—THE PROJECT (A)

*Monica Kumar*

*Lyn Purdy*

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Sonya Richardson, tired and frustrated, sat at her desk and stared at the design documents spread in front of her. She had just finished a design

team meeting with her manager, Molly Berkson, and her fellow team member, Claire Bishop. Sonya and Claire had just presented Molly with

the software designs they had been working on for the past three weeks. During the meeting, they realized that the modules that Claire and Sonya had designed weren't integrated.

Sonya was extremely frustrated with what had just happened. She had spent day and night for the past three weeks working on her designs and putting together all the necessary documentation for the designs to be passed to the technical development team. She had also been preparing for the final design presentation, which was only a week away. She and Claire were scheduled to present the final software designs to the co-founders of eProcure and to the Excel Consulting managing partner in charge of the project. This presentation was her opportunity to prove herself to the leadership and now she felt she had messed everything up. Sonya realized that she and Claire would have to work closely together for the next week and make their best attempt at fixing the designs, redoing all of the design documentation and putting together a final presentation. If only they had figured this out sooner.

## COMPANY INFORMATION

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Sonya, Claire and Molly all worked for Excel Consulting, a leading, global provider of management and technology services and solutions. With more than 35,000 employees, a global reach including over 55 offices in 20 countries, and serving mainly Fortune 100 and Fortune 500 companies, Excel was one of the world's largest and most reputable consulting firms.

Excel's primary focuses were delivering innovative solutions to clients and providing exceptional client service. Excel delivered its services and solutions by organizing its professionals into focused industry groups. This industry focus allowed the firm's professionals to develop a thorough understanding of the client's industry, business issues and applicable technologies to deliver tailored solutions to each client. Each professional was further aligned to a specific service function, such as strategy, process, human performance or technology. This alignment

allowed an individual to develop specialized skills and knowledge in an area of expertise. The organizational structure encouraged a collaborative and team-based atmosphere. Most client teams included professionals from a similar industry focus, but from several different service function specialities.

Most Excel employees, however, displayed a variety of educational, cultural and geographical backgrounds, but most shared similar skills and attributes, including leadership, intelligence, innovation, integrity and dedication. Many professionals began their careers with Excel directly after completing an undergraduate degree; however, Excel hired experienced professionals as well. The career path at Excel generally made the following progression: analyst, consultant, manager, associate partner and partner. A new hire, directly after graduating with a university undergraduate degree, would begin as an analyst and then, typically after two years, would be promoted to consultant. After consultant, it would typically take another three years before a promotion to a manager position within the firm.

Along with its focus on client service, Excel also emphasized employee satisfaction. It conducted regular satisfaction surveys and had many corporate policies in place to help ensure work-life balance. These policies included flexible working hours and the assignment of professionals in the city of their home office to limit their travel. Partners and managers had the flexibility and discretion to implement these policies on their individual projects. In practice, most projects were unable to effectively implement these policies due to constrained project timelines and budgets. Balancing client service and employee satisfaction was a challenge at the firm and one that it shared with most consulting companies.

## CLIENT AND PROJECT INFORMATION

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eProcure, an Internet startup company based in Baltimore, Maryland, was founded by two former executives from a large diversified, multinational firm, who realized the critical need for a

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holistic sourcing/procurement solution. They founded eProcure in June 1999 to deliver a technology-based strategic sourcing solution for procuring goods and services. The Strategic eProcure (SeP) software that eProcure was building focused on providing purchasing professionals with the tools they needed to source and negotiate contracts with their suppliers online. The software incorporated the enabling technologies of online auctions, private bids and communication tools.

The vision of the eProcure solution was to allow purchasing professionals to electronically research, evaluate, plan and negotiate the lowest total cost for both direct and indirect goods and services. These goods and services could include both tactical and strategic buys within an organization. The SeP, Web-based software solution, was intended to enable buyers to analyse both internal purchasing and external industry data to determine and execute effective eNegotiation strategies. Those strategies could then be shared across the enterprise for repeat savings of money and time.

eProcure formed a strategic alliance with Excel Consulting in July 1999. Excel would contribute intellectual property in return for a percentage of equity ownership in eProcure. Excel had many years of experience in strategic sourcing through its numerous clients in a variety of industries. Currently strategic sourcing was a manual process. Excel would help clients research and analyse their internal and external data, and conduct negotiations with suppliers in order to procure goods and services in the most cost-efficient manner. These were long-term projects for Excel, typically ranging from three months to two years. Procurement and supply chain effectiveness was a very popular line of business for Excel as many large organizations had begun to shift their focus to operational cost savings. This partnership was seen as beneficial to both eProcure and Excel. eProcure needed Excel's experience and client base, and Excel was interested in getting more exposure to the booming startup industry.

In August 1999, a project team was formed in Baltimore, which included the eight eProcure

employees and 20 Excel consultants from all over North America. The team's mandate was to work together to design and develop the SeP software solution. All members were distributed amongst several smaller teams, including process design, technical design and technical development/infrastructure. Each of these teams included an Excel manager and several Excel consultants and/or analysts. The eProcure employees would rotate among the different teams and help when and where they were needed. The entire project was overseen by George Fry, an Excel partner, along with William Sheppard and Steve Miller, the eProcure co-founders.

### Sonya Richardson

Sonya was an analyst with Excel in the business process functional area, at the Toronto office. She began working with Excel in May 1998, right after graduating from the University of Western Ontario with an honors business administration degree from the Richard Ivey School of Business, The University of Western Ontario, London, Ontario Canada.

Sonya had received a personal phone call from Molly, a supply chain manager from the Atlanta office, asking her to join the design team of the eProcure project. Sonya had just completed a strategic sourcing project for a financial institution in Toronto, and her manager from this project had recommended her to Molly as a valuable resource for the eProcure project. Sonya was interested in the supply chain line of business and was excited about working on her first out-of-town project. Sonya also was up for early promotion to consultant in December 1999; therefore, she wanted to ensure that she took a role that would give her the opportunities and exposure to prove herself worthy of an early advancement. After listening to the role description, Sonya was pleased with the prospects and immediately accepted the role.

The design team was managed by Molly, and consisted of Claire Bishop, Maria Hodge and Sonya. Claire and Maria were both analysts from the Atlanta office. Claire began working with

Excel at the same time as Sonya and therefore she was also being considered for early promotion in December. Maria was a new analyst who had only been at the firm for two months.

During their first meeting with Molly, both Sonya and Claire were informed that they were responsible for the conceptual and detail designs of the SeP product. Since a technical tool had never been developed for strategic sourcing, there were no previous projects or experiences they could rely on. As such, Sonya and Claire needed to research and analyse the manual process, and creatively design a technical solution for it. Molly had decided that the software would consist of four main modules: internal analysis, supplier analysis, strategy and eNegotiation. Sonya was responsible for designing the first two modules since she had hands-on experience with these parts of the process and Claire was responsible for the other two modules. Since Maria was new to the firm, she was there to support both Sonya and Claire by conducting research and putting final design documents together. They were told that they had three weeks to work on the designs. Upon completion, they would make a presentation to George Fry, William Sheppard and Steve Miller. Molly asked for weekly status reports to be completed by all team members. She would use these status reports to update the project timeline and to inform other Excel team members of her team's progress.

### **Molly Berkson**

Molly was a senior manager with Excel in the supply chain line of business, at the Atlanta office. Molly had begun working with Excel in April 1993, after she graduated with an MBA from the University of Kansas.

Molly had been asked by George Fry to join the team in early August. She had worked on numerous strategic sourcing engagements throughout the firm and was considered an expert in the area. Due to her expertise, Molly had been assigned to lead the design efforts of the SeP software product. Her specific responsibilities

involved managing all design efforts for the project, including managing a team of three professionals and ensuring project deadlines and deliverables were met. In addition, since Molly was one of only a few people with strategic sourcing knowledge, she was responsible for assisting all of the teams by answering any questions and helping people to understand specific strategic sourcing concepts.

Although Molly was excited about the prospects of working for an Internet startup company, she wasn't very excited about leading the design team. As a senior manager she was beginning to look for opportunities to increase her exposure to senior executives both inside and outside the firm. She hoped to be promoted to associate partner in a year or two. Leading the design team would be similar to many of her past management roles and therefore Molly was concerned that this role might hold her back from other opportunities. Since she had worked with George in the past, and he had asked her personally to join the team, Molly found it difficult to refuse the role.

### **THE DESIGN**

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Sonya and Claire began working on the designs immediately after their first meeting with Molly. Three weeks was a short period of time to complete all the research, and designs and documentation. With the added pressure of making a final presentation to the co-founders and the Excel partner, Sonya was even more eager to get a head start. She intended to work extremely hard over the next few weeks in order to come up with the most impressive designs. Sonya knew this project was her chance to prove herself and make a positive impression on Molly and, more importantly, on George.

Sonya had worked on a strategic sourcing project in the past and was familiar with the Excel methodology. She had also developed relationships with other supply chain managers in the Toronto office, so she was able to call them for reference materials and help with any

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questions. Sonya felt uncomfortable approaching Molly with too many questions for a variety of reasons: Molly always seemed busy or preoccupied; Molly was never very friendly or warm towards her and Sonya didn't want to leave the impression that she needed a lot of help and couldn't handle the task herself. Sonya spent a lot of time researching the first few steps of the process and worked day and night trying to come up with good ideas for the designs. She had developed a good relationship with Maria, the junior analyst on her team. Maria was very helpful in conducting any research and putting together the documentation that was necessary.

Sonya thought it was important that she work together with Claire on the designs in order to integrate them, but she found Claire to be very secretive about her designs and any progress she had made with them. Sonya knew that Claire would have to spend more time upfront understanding the process because she didn't have any previous experience with strategic sourcing. Sonya had offered Claire help if she had any questions about the process, but Claire, only asked Molly any questions that she had. Although Sonya had tried to make several attempts to talk to and work with Claire on the designs, she had been unsuccessful.

Sonya felt that there was obvious tension on the team, but unfortunately, Claire had made no effort to get to know either Sonya or Maria. Sonya and Maria went for lunch together every day and whenever they asked Claire, she always responded that she was busy and went for lunch with Molly or with an eProcure employee instead. Maria found Claire difficult to deal with as well. In particular, Maria complained to Sonya that Claire treated her like her secretary, ordering her around to do research and to complete documents, instead of treating her as a colleague. Although Maria recognized that she was new to the firm, all three of them on the team were at the same analyst level.

Sonya had noticed that Claire and Molly had recently become very good friends. They often went to the gym together after work and met for coffee in the morning. This made Sonya feel very

uncomfortable because she knew that both she and Claire were up for early promotion within a few months. Sonya had never been the type of person to get ahead purely because of relationships with people. Although she always got along with everyone on her team, she was usually quieter and really focused on producing quality work. She believed that hard work and initiative would get her ahead, and she hoped that Molly would appreciate this too.

### RECENT EVENTS

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Three weeks had passed and Molly had scheduled a team meeting to go over the designs before the final presentation at the end of the week. Both Claire and Sonya had sent their documentation to Molly a few days before the meeting. Molly had been unable to look at anything before the meeting, however, because she had been busy helping other teams on the project. Sonya and Claire were supposed to practice presenting their designs to Molly and Maria during the meeting.

Sonya presented her designs first, since she had designed the first two modules. Molly was impressed with all the work she had done and congratulated Sonya for her efforts. Claire presented next, but within 15 minutes of the Claire's presentation, Molly told her to stop and asked "Why are the designs not integrated?"

Sonya wasn't sure how to respond. She didn't want to complain about Claire, but at the same time she didn't want it to seem like she had never thought about integrating the designs. As she was trying to think of a reasonable response to Molly's question, Claire immediately responded:

I realized the importance of integration early on and talked about it to Sonya within the first few days. I have been trying to find time with Sonya to sit down to discuss how to integrate the designs as smoothly as possible; however Sonya has been very busy working on her own designs and documentation. Therefore, I have been working on my designs by getting ideas from the eProcure employees and other Excel personnel and have

been concentrating on putting together as many creative ideas as possible for the product. My designs are very flexible and I can easily work with Sonya to make sure they are integrated by the end of the week.

Sonya couldn't believe that Claire had completely lied, but she felt that she couldn't say anything about it to Molly, especially during the team meeting. Therefore, Sonya just responded that she had thought the same and had also been very busy working on her designs. She also assured Molly that integration would not be a problem.

Molly told them that she wished they had approached her earlier with any questions or concerns; however, she now just wanted to be sure that they could integrate the designs within the next few days. It was Monday and the final presentation was exactly a week away. Molly wanted to see all of the final integrated designs by the end of Thursday. She informed the team to cancel their flights home as they would be staying in Baltimore for the weekend to finish. Molly then asked Claire to finish her presentation. After the presentation, she brainstormed various ideas for Claire and Sonya and provided them with her feedback on the designs. She was generally happy, but Claire's section needed a lot more work. The eNegotiation module was probably one of the toughest to design and therefore Molly asked that the entire team spend a few hours together to brainstorm ideas for the design in order to help Claire.

The meeting lasted about six hours in total and Molly asked the team get back to work and reconvene the next afternoon. She wanted to stay involved and make sure that she managed the rest of the week very closely. She was upset that the team had been unable to take the initiative to manage the design process on its own and she wondered why they had not been proactive in asking her questions and getting feedback during the process. She knew that she had been very busy lately helping other teams on the project, but she always thought of herself as accessible. The final presentation to the leadership would

be a reflection on her as well; therefore, Molly wanted to ensure that her team was able to integrate the designs and complete all of the necessary documentation before Thursday.

## NEXT STEPS

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Sonya left the meeting feeling very frustrated. She had spent so many weeks working on her designs and now she had to spend the rest of the week working on the integration of the designs. This weekend was her best friend's birthday and she had planned the party weeks in advance. Now Sonya would have to call her and explain that she wasn't going to be there. Work was definitely different than she had expected.

There were numerous issues that were bothering Sonya. First, she was upset that the team was in this situation in the first place. She had tried to speak to Claire earlier, but that obviously didn't work. She wondered what else she could have done. She realized that she probably should have spoken to Molly earlier, but she was afraid of the perception Molly may have developed of her if she had. Molly may have thought that she wasn't able to handle the responsibility and Sonya didn't want to jeopardize any chance of an early promotion. Sonya also wondered what Molly could have done to have prevented this from happening.

In addition, Sonya was upset with the relationship she had with Claire. It was difficult when team members didn't get along and now that they had to work very closely together for the rest of the week, she was worried about the impact their personal relationship would have on the final designs. She wondered how much of her relationship with Claire had to do with personal differences and to what extent it was based on both of them being up for early promotion at the same time. She knew that there was a sense of competition between them as soon as they had met. They were both trying to impress Molly and the leadership so they could be promoted earlier. Could Excel and the eProcure leadership team have managed this better?

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Sonya was definitely learning a lot from her first job out of Ivey. She realized that she needed to put these thoughts behind her right now and focus on the designs since she had a meeting with Molly the next afternoon. The first thing Sonya needed to

do was to talk to Claire. She wondered if she should say anything to Claire about her comments in the meeting or just forget about them and focus on working on the designs. Sonya decided to make the first move and to talk to Claire immediately.

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## SPAR APPLIED SYSTEMS (A)

*Laura Erskine*

*Jane Howell*

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Version: (A) 2002-03-13

By late March 1996, the Avionics 2000 Team had been working on their project for more than two years. In their presentation of the projected budget and schedule to Applied Systems executives, the team identified a potential \$1 million overspend in order to satisfy their contract with Phoenix Helicopter International. Their original budget was \$3.5 million, of which \$2.5 million was provided by the company. When Stephen Miller, General Manager of Spar Applied Systems, had questioned team members during the presentation about what had caused the overrun, he was amazed that the team was unable to respond. Stephen adjourned the meeting, returned to his office, and wondered what to do.

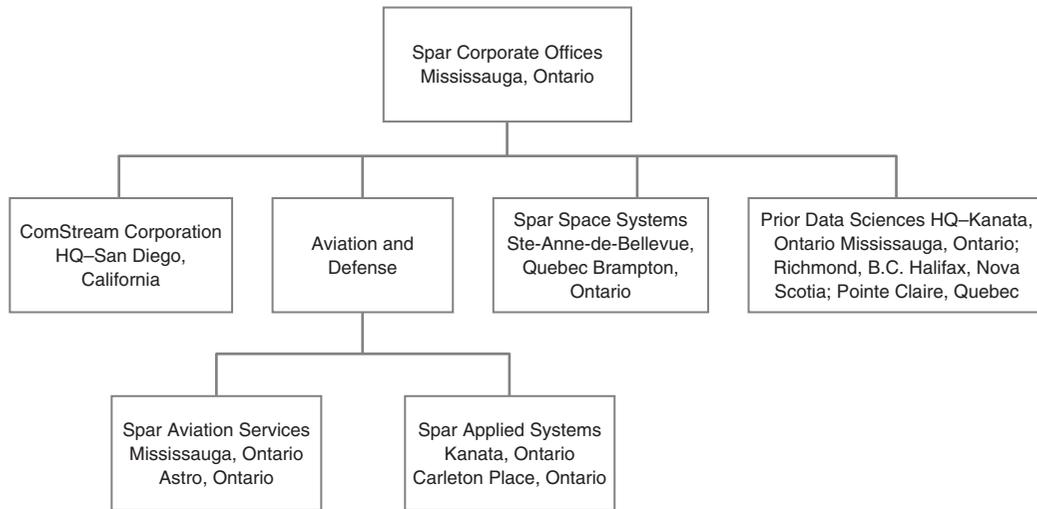
### SPAR AEROSPACE LIMITED

Spar Aerospace Limited was Canada's premier space company and was a recognized leader in the space-based communications, robotics, informatics, aviation and defense industries. The company began in 1968, as a spin-off from de Havilland Aircraft, and was re-organized into four decentralized business segments over a period of two decades: Space; Communications; Aviation and Defense; and Informatics (see Exhibit 1).

The company employed approximately 2,500 people worldwide and approximately 60 per cent of Spar's sales originated outside Canada. Spar's expertise enabled Canada to become the third country in outer space and the company continued to innovate with achievements such as communications satellites, the Canadarm, and compression of digital communication signals.

### SPAR APPLIED SYSTEMS

Spar's Aviation and Defense area featured two distinct businesses, one of which was Spar Applied Systems. Applied Systems Group (ASG) had been formed by a merger between Spar Defense Systems and the bankrupt Leigh Instruments Limited whose assets were acquired by Spar in 1990. ASG designed and supplied communication, flight safety, surveillance and navigation equipment to military organizations and commercial aviation customers around the world. It also offered advanced manufacturing services for complex electronic assemblies and systems. ASG operated out of two facilities in the Ottawa Valley: Kanata and Carleton Place; employed 340 people; and was the only non-unionized area of Spar.



**Exhibit 1** Spar Aerospace Limited Organizational Chart

Source: Company files

The flight safety systems products included deployable emergency locator beacons, and flight data and cockpit voice recorders which collected, monitored, and analyzed aircraft flight information to assess equipment condition and improve flight safety procedures. Communications and intelligence products included integrated shipboard naval communications systems, ground-based aircraft navigation beacons, and infra-red surveillance systems. Advanced manufacturing incorporated the assembly of high quality, low volume, highly complex electronic assemblies and systems to meet stringent military and space specifications. Applied Systems' customers included Canada's Department of National Defense, the U.S. Navy and Coast Guard, Smith Industries, Hughes Aircraft Company, McDonnell Douglas Aerospace, Eastman Kodak and many others.

#### THE LEIGH ACQUISITION

By 1992, Spar Defense and Leigh Instruments had been successfully merged under the leadership

of Jason Rigney, a consultant hired by Spar Aerospace. Jason's mandate had been to orchestrate the merger or, failing that outcome, to reorganize the work into the other Spar divisions because both Spar Defense and Leigh had been in serious financial difficulty prior to 1990. Leigh had declared bankruptcy and certain of its assets were sold to Spar Aerospace by the Receiver. Spar Defense was a fundamentally failing enterprise but it was protected financially through its relationship with Spar Aerospace. However, through Jason's leadership and his ability to put together the right mix of individuals and competencies, contracts were stabilized and Applied Systems began. By the time Stephen Miller replaced Jason Rigney as vice president and general manager of ASG in 1992, many of the contracts held by ASG were nearing completion and Stephen was faced with the necessity of generating new business.

In the narrow aerospace and defense markets, ASG was reliant on business decisions beyond its control. Commercial risk was being introduced to the aerospace industry and, for the first time, companies needed to balance the risk

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between themselves and the customers. The market was getting increasingly competitive and time to market was becoming a critical factor in winning bids. Competition was coming from larger-scale, highly flexible, and vertically integrated companies who were global in both strength and influence. Their capabilities, competencies and capacities overshadowed those at ASG.

### Stephen Miller

Stephen Miller joined ASG as its General Manager in September 1992. Before his move to ASG, Stephen had been a vice-president of Marketing and Government Relations in Spar's Corporate Office in Toronto, Ontario. Faced with an organization ill-prepared to compete in an increasingly commercial marketplace, Stephen saw an urgent need to change. When Stephen joined ASG in the fall of 1992, the organization had a hierarchical structure (see Exhibit 2 for a partial organization chart); people had very precise position descriptions which directed all of their actions; and activities were directed at completing programs on a "cost-plus"<sup>1</sup> basis with limited regard for budgets and schedules. Stephen had three personal objectives. First, he wanted to change the culture at ASG so dramatically that any future successors would not be able to go back to the way things were in the fall of 1992. Second, he wanted the division to make money for more than six months in a row. Finally, he wanted a long-term strategy that would make sense in a global context and eliminate the short-term planning with which the company was familiar. These three objectives would drive every decision Stephen made. If successful, these objectives would increase both the flexibility and resiliency of the organization. Stephen also wanted to create a culture that fostered teamwork, open communication, accountability, and recognition of performance in a skilled, challenged workforce. He felt that the workforce was capable of greater achievements if properly managed and motivated.

### ASG'S ORGANIZATIONAL TRANSFORMATION

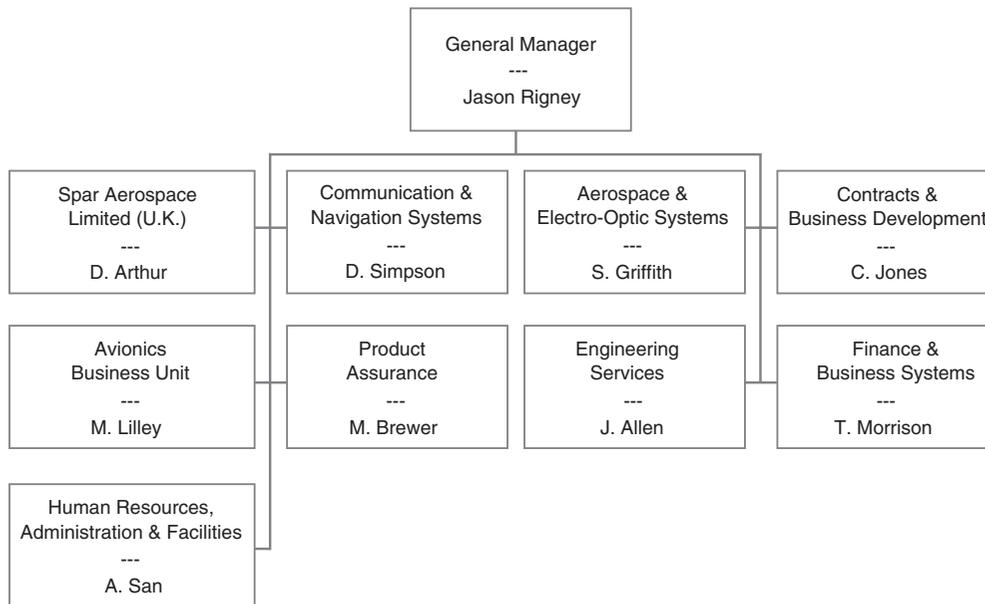
Organizational changes developed by a team of senior managers were introduced in stages over a four-year period and they affected many aspects of the company. Change was continuously occurring in different areas of ASG and the management team led by Stephen was not yet through.

#### i. Taking Care of Business (TCB)

To prepare the workforce for transformation and to get input regarding changes to various areas, TCB sessions were conducted in several phases. Beginning in January 1993, volunteer team members from all levels and skill areas of ASG responded to a Human Resources request to participate in restructuring workshops. These volunteers were empowered by ASG executives to operationalize the Strategic Plan; organize focus teams to study each area of the business; identify issues and actions that would dramatically impact growth; and recommend a new organizational structure that not only recognized core competencies but also introduced a new culture.

#### ii. Structure

When Stephen assumed the leadership of ASG in 1992, he found a company with multiple layers and organized around the programs underway at ASG. Each program was led by a program manager who maintained the budget, schedule, staffing, and task assignments of the project. Employees reported to the program manager who directed their tasks and evaluated their performance. The program manager assumed overall responsibility for the project and reported its progress to senior management and to the customer. By 1994, Stephen felt the leadership had the support and participation of a cross-section of employees to move ahead with radically different organizational structure based on business processes. In order to capture people's attention, July 4, 1994 was the day the management team chose to "set off some fireworks"



**Exhibit 2** Spar Applied Systems Executive Organizational Chart

Source: Company files.

with the introduction of a new structure. As a result of these initiatives, the division's organizational chart was eliminated.

The new organizational structure was process-focused and was centered around skill clusters from which resources were drawn to create products (see Exhibit 3 for a graphical representation). Customer satisfaction was the primary goal and employees at all three stages of the process (Getting the Business, Performing the Business, and Supporting the Business) were brought closer to their customers. This allowed both greater communication and better understanding of customer requirements. People were identified as Leaders of the various skill clusters but their role was to coach and mentor, not manage, the people in their clusters. As job titles disappeared, so did position descriptions. The resulting ambiguity caused many people to be unsure of their ultimate responsibility and accountability. Few employees truly understood

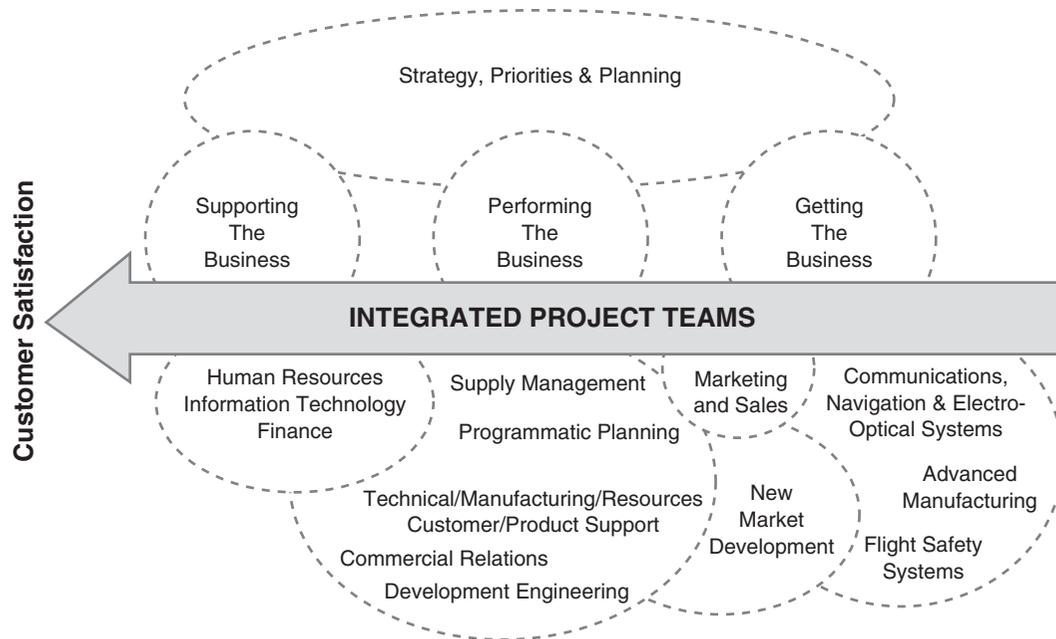
their place in a structure where boundaries were often unclear.

### iii. Integrated Program Teams (IPTs)

Another element in the change strategy was to encourage the development of project teams to deal directly with the customer for all business opportunities. Multidisciplinary IPTs were formed for projects in order to address issues quickly and resolve problems. They were responsible to both their customers and ASG for the successful realization of customer expectations.

An IPT was formed as soon as Marketing recognized a contract opportunity. Employees were drawn from different skill clusters based on the competencies required at the time. Each IPT worked with both the Market Development cluster and the Sales and Marketing clusters to estimate project requirements (scheduling, budgeting, and

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**Exhibit 3** ASG's Business/Process Structure  
 Source: Company files

personnel), to bid for new contracts, and to design and manufacture unique products.

Membership on an IPT was fluid because employees joined or departed from their teams according to their particular expertise and the stage of the project. Employees were frequently members of several IPTs at the same time. Team members represented a diagonal slice of levels and diverse competencies such as contract negotiation and creation; systems design; mechanical engineering; procurement; software engineering; qualification and testing; or manufacturing. Ideally, each team selected its own leader at the outset. Depending of the stage of the project (bidding, design, manufacturing), new leaders could be selected as required. Leadership skills, new to many employees, were offered through both formal training programs and practical experience.

In Stephen's vision, IPTs had responsibility for three kinds of business: repeat business, new business, and new product development.

Repeat business dealt with known products and processes so that the hours and materials required could be easily determined before a contract was signed and a due date imposed. New business usually included some front-end engineering to reconfigure existing technology. New product development, however, was the area in which IPTs were expected to shine. Once a contract was signed, the design would have to be created from scratch, move from engineering through testing and prototype, and finally into production. There were more risks to win business. Time in the marketplace was compressed and fixed price contracts had penalties for non-performance. By having everyone involved up front with the new IPT concept, management expected to reduce both the number and severity of errors throughout the process. Stephen recognized that not everyone supported or understood the IPT concept but he hoped that time and experience would validate the new idea.

As part of getting IPTs up and running smoothly, a comprehensive team skills development program was launched as part of RAPS (Real Achievers Pursuing Success). RAPS was created in the fall of 1994, by an outside consultant, to provide interpersonal training and soft skills development. Both management and employees felt that employee participation in the workshops was high. Stephen attributed this initial success to the involvement of the employees in creating the program but emphasized the need to get participation from more employees, especially engineers.

The organizational transformation had moved Applied Systems incredibly far in four years and most employees enthusiastically supported the changes. However, some employees left the organization, while others elected to stay but did not fully endorse the new systems and structures. The changes did not always occur in the way the leadership members had envisioned. The IPT was one of the concepts that was introduced with some rough spots along the way.

## AVIONICS 2000

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Because of the commitment to finding new business opportunities, R&D funding was dedicated to developing new products in the flight safety area—a philosophy endorsed and driven by Stephen, the General Manager. The Avionics 2000 project was identified as a prime business objective to pursue. Avionics 2000 integrated a deployable flight data recorder (FDR), cockpit voice recorder (CVR), and Emergency Locator Beacon (ELB) system. The technology (a very advanced version of a “black box”) originated from a project for the F/A-18 fighter aircraft of the United States Navy. This technology offered unique survival and recovery capability and it was suitable for use on commercial and military helicopters with possible future use on commercial aircraft. The memory and beacon automatically deployed from the airframe in an emergency and tumbled away from the accident

site. In the event that the accident took place over water, the system would float indefinitely. By combining the recorder and locator functions, installation, operation and maintenance costs would be reduced. The Avionics 2000 product would provide a cornerstone for the Flight Safety Systems business unit to grow over the next generation. Technologies developed and investments made would serve on other products in the future.

Avionics 2000 was a reincarnation of the black boxes that were created 25 years ago and the initial pressure came from within ASG to create an updated, more advanced and more integrated version for the military market. Late in 1993, ASG created a generic (R&D) project to develop technologies in six different areas related to the avionics business. They projected that these six critical components, called “nuggets,” could be developed and eventually combined to produce a final product advanced enough to suit the needs of a changing market. In the same time frame, an opportunity was identified with Phoenix Helicopter International, a major European helicopter assembler, and in 1994 a verbal contract to proceed on the research was received.

The change from a program manager structure to IPTs, initiated by Stephen, created difficulties for the Avionics 2000 team (see Exhibit 4 for a timeline of organizational change and team development). As the nugget technologies were being developed and early discussions with Phoenix were taking place, the technical aspects of the project were led by Mike Ellis, a systems engineer, and supported by Jeff Haner who was providing mechanical engineering expertise. Mike maintained the customer relationship and grew very close to his engineering counterparts at Phoenix. He saw the program as his “baby” and he readily accommodated customer requests to keep the project alive and moving forward. He was highly committed and regularly worked overtime on the Avionics 2000 project. Mike directed the project and, working with Jeff and Phoenix Helicopter Internationals, evaluated technology and developed components for 18 months before a contract

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<i>Organizational Changes</i>	<i>Timeline</i>	<i>Avionics 2000 Development</i>
Spar Defence and Leigh Industries are merged to create Spar Applied Systems	<b>1990</b>	
Stephen Miller joins ASG as General Manager	<b>Sept. 1992</b>	
25 per cent reduction in workforce TCB Initiatives begin	<b>Jan. 1993</b>  <b>Winter 1993–1994</b>  <b>Feb.– March 1994</b>	R&D money designated for Avionics 2000; Mike Ellis is identified as the leader of the project  Phoenix Helicopter is identified as a customer and a verbal contract to proceed is received
New process-driven structure	<b>July 4, 1994</b>	
IPTs and RAPS training are introduced	<b>Fall 1994</b>  <b>April– Sept. 1995</b>  <b>Aug. 1995</b>  <b>Sept–Oct. 1995</b>  <b>Jan. 1996</b>	Avionics 2000 Steering Team created  Contract with Phoenix is signed  New Avionics 2000 team members are added; co-leadership established (Mike Ellis and Hugh Greene)  Symposium leads to scope changes
Jonathon Martin appointed CEO of Spar Aerospace Limited	<b>March 1996</b>	Mike presents the Avionics 2000 ETC to management

**Exhibit 4** Parallel Development of the Organization and the Avionics 2000 Project

Source: Casewriter notes

was formally signed in August 1995. During those 18 months, the project was continuously evolving. Its staffing, with the exception of Mike, was very ad hoc. The contract that was signed in August was based on a fixed price for a deliverable product.

#### THE AVIONICS 2000 STEERING TEAM

Since it was one of the first IPTs, management felt that a steering team of leadership members would be helpful. The role of the Steering Team

was to act as an enabling body to focus on both development of the team and the issues introduced with the IPT concept. In an e-mail message during the summer of 1995, Stephen asked five leaders to form the Avionics 2000 Steering Team: Charles Hall represented the avionics business unit, Joe Rivers represented supply management and procurement, Duncan Pound represented finance, Sean Dunleavy represented engineering research and development, and Gord Johnson represented integrated resources and manufacturing. In January 1996, the integrated resources and manufacturing representation

<i>Name</i>	<i>Title</i>	<i>Degree/ designation</i>	<i>College/ University</i>	<i>Years @ SPAR</i>	<i>Years @ ASG</i>	<i>Came from . . .</i>
CHARLES HALL	Leader, Avionics Business Unit	B.E.Sc. (mechanical) MBA	Canadian Military College U. of Western Ontario	1.5	1.5	Engineering Consulting
JOE RIVERS	Leader, Supply Management	Cert. Electronic Technologist, LIRM desig. (currently)	Algonquin College	2.4	2.4	Electronics
NEAL MCCORD	Leader, Finance	B.A.	McGill University	5.2	5.2	Telecommunications, Electronics
SEAN DUNLEAVY	Leader, Engineering— R&D	Masters Eng. PhD (currently)	McGill University Queens University	3.5	3.5	Telecommunications, Spar
GORD JOHNSON	Leader, Integrated Resources	H.B.A. (Fine Arts) MBA	University of Windsor Ottawa University	3.8	3.8	Telecommunications, Electronics
TODD MACDOUGALL	Leader, Integrated Resources	B.E. Sc. (electrical)	University of Edinburgh	5.1	5.1	Defence Electronics, Telecommunications, Government

**Exhibit 5** AVIONICS 2000 Steering Team Membership and Profiles

Source: Casewriter interviews, Company files.

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changed to Todd MacDougall as a result of staff movement. The Steering Team was to act as a council to the Avionics 2000 team of Mike, Jeff, and their supporting players. The Avionics 2000 Steering Team met once in August to recognize and choose additional team members after the contract was signed and again once the overrun was announced.

### THE AVIONICS 2000 INTEGRATED PROGRAM TEAM

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Eighteen months following the development of the technology, in August 1995, the team signed a contract with Phoenix. ASG and the Steering Team wanted to include people from manufacturing in order to create a concurrent engineering team, and to add people from test engineering, procurement, and market development. Mike Ellis remained the leader of the IPT; however, Sean Dunleavy worried about the issue of programmatic. Since Sean knew that Mike resisted program management duties, Hugh Greene was selected by Sean and Gord as the manufacturing representative to act as a co-leader to take care of programmatic issues. Hugh had many years of experience and he was more willing to devote some time to managing the budget and schedule than was Mike, who was more interested in the systems design aspects. Jeff Haner continued his role of mechanical engineering while Michael Lex became the official representative from Business Development. Edward Evans was responsible for electrical engineering and Claude Ste-Pierre had expertise in software development (see Exhibit 6 for profiles of the full team). The new IPT was directed by the Steering Team to develop a new Estimate to Complete (ETC) in August and again in November. However, the IPT was so busy meeting the deadlines agreed upon in the contract that they were not able to find the time to complete the ETC.

Mike had strong ties with Phoenix's engineers and was intimately familiar with the technology being developed for the Avionics 2000. It was difficult for him to give up some of his closeness to the project in order to make the new team

members feel welcome. The genesis of the Avionics 2000 project had occurred before many of the organizational changes at ASG and many wished for the old way to resurface. The team experienced difficulty finding the time to participate in team skills training sessions. As well, planning and scheduling activities were challenging. To complete their project on time, most of the 20 to 25 engineers involved would have to work many hours of overtime each week. The engineers felt that taking time away from their design work was not adding value to the project. Without a program manager, the question of ultimate responsibility was not clear in many people's minds.

Because the Avionics 2000 was so different from any other product in existence, it did not meet any of the existing international regulations. It was clear that new regulations would have to be developed. A major change in scope occurred in January 1996 as a result of a symposium that included representatives from Spar Applied Systems, Phoenix Helicopter International, Transport Canada, CAA (Civil Aviation Authority—U.K.), FAA (Federal Aviation Authority—U.S.A.), and National Transportation Safety Board (U.S.A.). Standards and regulations agreed upon during the symposium almost tripled the standards being used by ASG engineers and resulted in a redesign of the project. The Avionics 2000 model had to withstand fire at 1,100 degrees Celsius for 30 minutes, maintain a beacon signal for 150 hours, and withstand a shock of such a grade that the testing facility had to be redesigned. All of these changes, like those introduced previously by Phoenix, were readily accommodated by Mike and the team without making equivalent changes to the existing budget and schedule.

### THE ESTIMATE TO COMPLETE (ETC)

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The Steering Team asked the Avionics 2000 team to prepare a new ETC when the contract was signed and again when the team was formalized, but several delays (including Christmas, the January symposium, deadlines for deliverables,

Name	Role	Degree/ designation	College/ University	Years @ SPAR	Years with team	Came from . . .
MIKE ELLIS	Systems Engineering	M.E.Sc. (electrical)	N/A*	3	3	Space
JEFF HANER	Systems Engineering	N/A	some college	5	3	Telecommunications, Space
TODD WOODCROFT	Leader, Commercial Services	N/A	N/A	8.8	1.5	Telecommunications, Government
MICHAEL LEKX	Business/Market Development, Strategic Planning	Engineering	Community College	6	1.5	Spar
CLAUDE STE-PIERRE	Software Development	B.E.Sc. (electrical)	University of Ottawa	1.5	1.4	Software Consulting
EDWARD EVANS	Electrical Engineering Systems Design	B.E.Sc.	Technical University (Nova Scotia)	2	1.5	Telecommunications, Spar
HUGH GREENE	Manufacturing— Configuration & Documentation Management, Bills of Material	RAF ground electronics training	N/A	5	0.5	Defence Electronics, Communications

### Exhibit 6 AVIONICS 2000 Team Membership and Profiles

Source: Casewriter interviews, Company files.

\*N/A = information not available

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and lack of Steering Team pressure) had postponed the presentation until mid-March 1996. Mike Ellis continued his commitment to the project and he was the sole presenter from the Avionics 2000 team. The presentation to Stephen Miller, Sean Dunleavy, and other leaders included data which surprised most of the people present. The budget was close to being spent, production had not started, and Mike had not allowed for contingencies such as delays in material procurement and difficulties in the manufacturability of the design. Neither Mike nor any of the other team members present were able to explain the reasons for the overrun, a fact which was more alarming than the actual overrun. It became immediately apparent to Stephen and some of the other leaders at the presentation that the ETC needed more careful research because, if Mike's data were accurate, the project would need an additional \$1 million from shareholders.

While Stephen sat listening to the presentation by the Avionics 2000 team, he knew that the second quarter forecast would have to be submitted to Corporate Headquarters within the next two weeks. In addition to projections of lower revenues, less impressive profit numbers, and overexpenditures in other areas, Stephen was now informed that a product on which the Flight Safety Services business unit had based their future would be over budget by close to \$1 million. He had been promoting the product

and the spin-off opportunities to other Spar divisions and the corporate office and he was worried about the impact of the presentation by Mike. Stephen was also hoping for acquisition funding to be released by Corporate Headquarters in order to achieve some of the growth goals set by ASG in their strategic plan. He needed R&D money on an annual basis to develop new products and new markets. Finally, as of April 1996, Jonathon Martin would be the new CEO of Spar Aerospace and Stephen was concerned that a program out of control would affect requests for extra shareholders' money.

Stephen wondered whether this project was worth continuing or not. If the answer to that was yes, should the team stay intact, should the leadership be changed, or should the team itself be changed in some fashion? Trying not to show his frustration, Stephen adjourned the meeting and said to the leadership members present, "I would like us to reconvene in an hour."

## NOTE

1. Cost-plus contracts are structured such that the customer pays the costs of the supplier and adds a percentage or fee on top of the cost of the materials and labor. This differs from a fixed-price contract where the total value has been determined in advance and the profit margin for the supplier is determined by how closely they predict and stick to their costs.

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## RICHARD IVEY SCHOOL OF BUSINESS—THE LEADER PROJECT (A)

*Krista Ewing*

*Joerg Dietz*

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Version: (A) 2003-10-02

On May 4, 2001, at Pearson International Airport in Toronto, Kaitlyn Johnston, along with two other members of her team, boarded a plane

to Kiev in Ukraine. The team's three-week assignment was to teach western business practices to Ukrainian students. The team was one

of several sent by a not-for-profit, student-run initiative, called Leading Education and Development in Emerging Regions (LEADER), to the former Soviet Union (FSU). Kaitlyn thought that she should be excited, but she felt disillusioned. LEADER, located at the Richard Ivey School of Business (Ivey), The University of Western Ontario, in London, Ontario, Canada, experienced severe funding and morale problems. As a result, many members did not do their jobs and some jumped ship. Members had to pay \$1,800 out of their own pockets to finance the foreign assignment, significantly more than the initially expected \$250.

#### RICHARD IVEY SCHOOL OF BUSINESS

The *Financial Times*, the *Wall Street Journal* and *Business Week* ranked Ivey as the best MBA program in Canada and among the top 30 MBA programs worldwide. Ivey relied on the case method to fulfill its mission “to develop business leaders who think globally, act strategically and contribute to the societies in which they operate.” With 74 faculty members and more than 1,400 students from more than 65 countries, Ivey offered HBA, MBA, Executive MBA and PhD programs.

Ivey prided itself on its global image. A recent article by Associate Dean Paul Beamish<sup>1</sup> listed the following statistics:

- One in seven students participates in an international exchange.
- 45 per cent of student client field projects involve international business issues.
- 43 per cent of students are landed immigrants or visa students.
- Faculty originate from the United States, Canada, the United Kingdom, Germany, France, Holland, New Zealand, Mexico, India and elsewhere.
- 31 per cent of Ivey cases have international (non-Canada/U.S.) content.
- Cases have been translated into German, Korean, Russian, Ukrainian and Spanish.

#### THE LEADER PROJECT

##### Overview

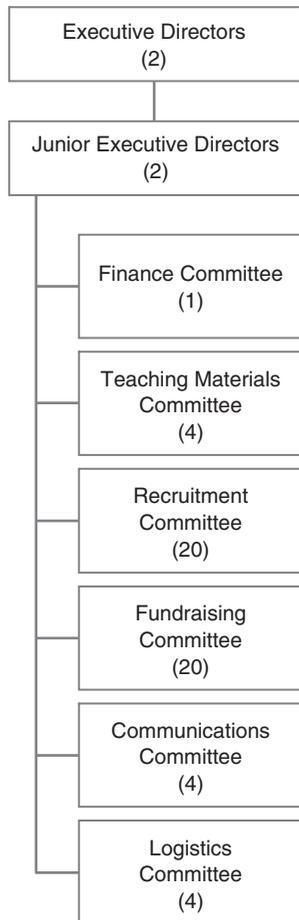
In 1990, Scott Hellofs and Paul Fitzgerald, two then-Ivey MBA students, founded LEADER. This student-run initiative annually sent 40 to 55 volunteers to the FSU to teach basic western business practices to a diverse audience (students, executives, government officials and academics). Specifically, LEADER’s objectives were:

1. To teach basic finance, marketing and general management skills to students, entrepreneurs, managers, joint venture partners and academics,
2. To provide an understanding of western business practices in moving towards a global economy,
3. To enhance Canadian competitiveness by providing its members with experience in the cultural and business environments of emerging markets,
4. To develop its members’ understanding of the economy, culture and competitive environment of rapidly developing markets, and to communicate this understanding to others in Canada and
5. To act as ambassadors for Canada and Canadian business.

LEADER taught its classes in the FSU using cases. The case method required students to solve real-world business problems so that they learned business skills in an applied fashion. Since 1991, more than 400 LEADER members had taught more than 3,500 students in various parts of the FSU. In 2001, LEADER teams went to 11 sites in three former Soviet republics.

Exhibit 1 shows LEADER’s organizational design. The top-management team (executive) consisted of two executive directors (EDs), who were second-year MBA students, two junior executive directors (JEDs), who were first-year students elected by their fellow members and the chairs of the divisional committees. These committees were fundraising, communications, finance, teacher training and recruitment, logistics and teaching materials. The executive met

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**Exhibit 1** Leader Organizational Structure

Source: LEADER Organizational Chart, 2001.

Note: There were 52 LEADER members in 2001. Because Kaitlyn Johnson served on two committees, the number of members adds up to 53. With the exception of the executive directors and the junior executive directors, each member also served on a teaching team.

weekly to co-ordinate LEADER's activities. LEADER members, who were not on the executive, participated on a committee. The committees met according to their needs. Each member, with the exception of the executive directors, was also on a teaching team.

The academic year, which ran from September to April, determined LEADER's business cycle and membership terms. Members were with LEADER for a maximum of two years (their term as students at Ivey). Recruitment and selection started in September, and the teams went on their foreign assignments in the academic summer break, usually in May. At a partner school's location in the FSU, each team taught a three-week course comprising three one-week modules (finance, marketing and general management), which culminated in a group business plan presentation. Most members completed two foreign teaching assignments: one after their first year at Ivey and one after their second year at Ivey.

### Recruitment and Selection of LEADER Members, Sites and Teams

Each year in September, LEADER made presentations to first- and second-year MBA students and second-year HBA students. Moreover, interested students could attend informal LEADER functions to learn more about the program. In October, interested students applied, submitting a résumé and two to three short essays that described their potential contribution to LEADER. Annually, more than 100 students applied for the 20 to 25 available spots. The recruitment committee reviewed the applications and shortlisted 50 to 60 students for interviews. The interviewers, who were second-year LEADER members, held 30-minute interviews with each applicant, primarily asking several situational questions based on four competencies: teamwork, coaching, adaptability and ethics (see Exhibit 2 for the interview guide). After an interview, the interviewers rated the applicant on a scale ranging from "Do not Recommend" to "Highly Recommend." In early November, after completion of the interviews, the recruitment committee selected the new LEADER members on the basis of the interview ratings, whereby about 75 per cent of the selected applicants were first-year students to ensure the continuity of LEADER.

In January, the EDs and JEDs assigned the members to their teams and teaching locations in the FSU. Each teaching location required one team of four to eight students, depending on class size and number of classes to be taught. First, the EDs and JEDs picked the “site leader.” The person chosen for this assignment was the liaison with the partner school prior to and during the teaching assignment at the assigned site. Moreover, the site leader was this site’s team leader, which included the responsibilities of ensuring members’ safety and effective team functioning (see Exhibit 3 for site leader responsibilities). Site leaders were typically second-year members, who were particularly involved with LEADER and who also served as chairs of divisional committees. Second, the EDs and JEDs assigned the other members to the site teams on basis of five criteria: (1) Second-year members’ preferences for sites (second-year members had the right to pick their top five site choices), (2) Assignment of second-year members to sites different from their first-year sites; (3) Gender balance at each site; (4) First-year and second-year membership balance at each site and (5) Personality fit at each site with the intention to reduce the conflict potential.

### **LEADER Activities at Ivey**

The vast majority of the work was completed prior to the foreign assignments. The activities included marketing, preparation of teaching materials, teacher training, determining logistics and securing financial resources.

The logistics committee co-ordinated the travel arrangements for the entire team, applied for the necessary entry visas, researched and documented emergency procedures for all the sites and wrote manuals for each site, which included helpful tips from site alumni. The committee required its members to commit approximately five hours per week for the months of January and February to complete the booking, then another four to five hours per week throughout April to co-ordinate any last-minute travel

changes, write, edit and publish the manuals, finalize hotel, train and air travel for all the members, and distribute tickets, passports and entry visas.

The recruitment committee was responsible for the development and planning of presentations to students and faculty to increase interest in LEADER, reviewing applicants’ résumés and essays, scheduling and conducting interviews and ultimately selecting the 20 to 25 new LEADER members. It required its members to put in about four hours per week for a couple of months each fall.

The teacher training committee co-ordinated and conducted mock teaching sessions, provided cultural sensitivity training, taught basics of the Russian and Ukrainian languages and determined the curriculum to be taught in the FSU. It required its members to commit approximately three hours per week over a five-week period in January and February.

In addition, throughout the year, LEADER members, particularly those on the fundraising committee, tried to raise LEADER’s annual budget of \$110,000 (see Exhibit 4). The \$110,000 budget translated into costs per member and the foreign assignment of approximately \$2,500, consisting mostly of airfare, entry visas and teaching materials (the partner schools at each site provided accommodations and meals). In the past, the Canadian government through its Canadian International Development Agency (CIDA) had sponsored up to 50 per cent of LEADER’s budget. With CIDA’s change of focus away from the FSU to other emerging economies, CIDA stopped supporting LEADER. As a result, the fundraising committee required an intense ongoing commitment of three to five hours per week from its members throughout the year. For example, the fundraising committee organized a “Vodka Tasting” event, called corporations with operations in the FSU approached LEADER and Ivey alumni for donations, applied for grants from foundations with an interest in the FSU and presented the LEADER Project as a charitable cause to many large multinational

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Candidates will be rated on three core competencies—Teamwork, Coaching and Adaptability—and on an Ethics question.\*\* In answering the questions provided under each competency and in conjunction with the individual's résumé, evaluate the candidate's level of competency on a scale of 1 to 4, where 1 is a low rating and 4 is a high rating. Please read these descriptions carefully as they are critical to maintaining consistency in our selection criteria and in providing justification for selection decisions. Note each competency level builds on the description of the previous levels.

**At the start of the interview**, give a very brief outline of the project. Include a description of a team site, and the positions of site leader and ED. This is important information for the person to have in order to adequately answer the ethics question.

**Suggested Format:**

- 5 min – small talk
- 20 min – interview questions
- 5 min – candidate's questions

**Interviewer:** \_\_\_\_\_

**Interviewee:** \_\_\_\_\_

Section	Rating
Teamwork	
Coaching	
Adaptability	
TOTAL SCORE	
Ethics (Pass/Fail)	

Overall assessment of the interview:

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Highly  
Recommend

Recommend

Not a good fit

\*In order to protect the integrity of the LEADER Project interview process, only one of the four competencies has been included, and questions/scenarios may have been slightly altered.

\*\*A fail on the Ethics question will result automatically in an unsuccessful overall assessment.

**Competency: Coaching**

Looks like . . .

**Level 1:** effective communication and presentation skills; has a professional conduct and is mature—coaching is not about telling people what to do it is about helping others to see what they need to do to become more successful

**Level 2:** all of the above; facilitates others' participation; reassures and encourages others after a setback; approachable

**Level 3:** all of the above; relevant work experiences that can be shared in the classroom; assesses abilities of the group and adapts course content to the appropriate level; gives positive and negative feedback in behavioural rather than personal terms;

**Level 4:** all of the above; ability to influence others through the use of persuasive arguments and presentation skills

**Questions:**

Tell me about a time when you gave feedback to reinforce someone's ineffective performance?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Scenario: On the second day of teaching, after a brief lecture, you launch into the case, but to your dismay no one raises a hand. How would you handle the situation?

**Notes:**

**154 • CASES IN ORGANIZATIONAL BEHAVIOR****Responsibilities of Site Leaders**

The position of site leader is a critical factor to the success of the project. To be effective, the site leader must consider the following issues and begin the design of strategies and contingency plans immediately upon selection:

**Operations and Timeline**

Many norms and rules of behaviour among team members, partners and students will be established in the first week of the program. Final details may need to be settled or changes may occur with accommodations, transportation, materials, classrooms, teaching partners, translators, meals, cultural trips, visas, etc.

**Safety**

The site leader must ensure the safety of each LEADER participant on the team. A site leader can expect to deal with any of the following issues: bribery of private and public officials, robbery, the pervasive arm of the Mafia, illegal solicitation, abduction, and in a worst case scenario, widespread social unrest and potential evacuation of team members.

Other safety issues concern the health of the participants including viral and toxic contamination of food and water, injury due to accident, psychological and psychiatric instabilities, culture shock and other personal issues.

**Partner Relationship**

The relationship with the local partner is key to the site's success. This begins with initial selection of the partner, contact before arrival, first impressions upon arrival, meetings, idea development, problem solving during the stay and any followup required. We are in fact joint venturing with these partners and the foundation of that relationship is based on trust. Fortunately, several sites have a "history" of trust upon which to draw, while other sites will require that trust be developed this year.

**Diplomacy**

The site leader is responsible for the site team and the site team represents LEADER Project, the Richard Ivey School of Business and Canada. We will be judged whether we like it or not, on our behaviour both inside and outside the classroom. It is the role model behaviour of the site leader upon which our team members will base their behaviour.

**Culture**

The site leader has an opportunity to set the culture of the site environment. A site culture can be developed which combines professional demeanour with sensitivity to cultural differences, a desire to exchange and learn on both sides with the opportunity to meet and get to know our hosts personally, and respect for a long serious and rich history of the republics with a fun, upbeat, relaxed and positive attitude.

LEADER has tried to arrange cultural programs and lectures beforehand through the local partners. However, you may arrive on site and find that nothing has been set up. Site leaders should try to arrange with cultural programs, plant tours, company tours, political lectures etc. throughout the program.

**Current Opportunities**

The site leader's role is to exploit as many opportunities as possible in developing the profile of the Project. This includes media exposure, contact with government, business and political officials, and contact with foreigners travelling in the area.

**Future Opportunities**

There is an opportunity of project development with existing partners by planning for next year. It may also include the development of new partners, as well.

**Counselling**

Many changes will occur to individuals over the course of our stay in the FSU. Some people will have no trouble adjusting, while others will have difficulty and need someone to hear them out, lend support and be a friend. Participants will be dealing with many issues such as culture shock, worry about future job prospects, worry about family, spouses, significant others, etc. . . . Site leaders will need to keep an eye out for these feelings and offer a sympathetic ear when needed.

**A Sense of Perspective**

The ideal site leaders will do their best in balancing these issues and others while keeping the overall project objectives in perspective.

**Exhibit 3** From Leader Emergency Site Guide, 2001

businesses. Simultaneously, LEADER lobbied Ivey officials for support. Charging the partner schools and their students was another option that LEADER considered. Moreover, members always had to provide a minimum of \$250 out of their own pockets. Now, despite considerable effort, however, individual members had to top up their initial contribution of \$250 to \$1,800 to compensate for the lack of external funding.

Historically, in any given year, about two to four of LEADER's members did not return for their second year. This year, however, the attrition was higher, as about half of the returning members quit LEADER, largely blaming their dissatisfaction on the increased financial obligation. One first-year member also quit and others seriously considered it. The first-year member, who had quit, also had tried to convince other first-year members to quit based on the change in financial commitment. She said:

In the information sessions the directors told us that we would only be required to give a deposit of \$250 to show our commitment to the program. Now they are backtracking and telling us that they quoted a "best-case scenario," but that the balance

would come out of our own pockets. They misrepresented the situation, and I think that we should quit, en masse, showing our displeasure.

Overall, the morale of the group was very low, with few members attending the meetings of their committees.

The site leaders usually initiated site team activities, such as dinners and other site gatherings. Site alumni (members who had previously taught at the site) made presentations about the site's school and its community. LEADER did not co-ordinate these activities, leaving it up to the site leaders to decide their extent and contents. This year, the site leaders of some teams did not schedule any team activities.

**THE FORMER SOVIET UNION (FSU)**

In 2001, LEADER had sites in three countries that formerly belonged to the Soviet Republic: Russia, Ukraine and Belarus. In its entirety, the FSU countries comprised the majority of the land mass of Eastern Europe and Northwestern Asia. Many FSU countries were rich in mineral

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Group	LEADER BUDGET Description	2001 Actual \$	2002 Budget \$
		students	45
<b>REVENUE</b>			
<b>Fundraising</b>	Corporate Donations	19,500	18,500
	Fundraising Events	6,649	31,000
	Alumni/Individual Donation	9,348	15,000
	Private Benefactor	25,000	
	MBA Association	10,000	
	Public Foundations	5,100	5,000
<b>Student Contribution</b>	Year 2000–2002	33,869	31,821
<b>Other</b>	Interest	821	100
	Previous Years Forwarded	—	
<b>TOTAL REVENUE</b>		<b>110,287</b>	<b>101,421</b>
Difference		0	
<b>EXPENSES</b>			
<b>Logistics</b>			
	Visa Photos	810	800
	Flights @ \$1,300.00	74,220	66,798
	Accommodation at Central Meeting Place	—	—
	Visas	10,505	12,195
	Emergency Site Funds	4,560	3,600
<b>Recruiting</b>	Introductory Dinner	957	950
	Mixer		700
<b>Communications</b>			
	Report Covers	883	100
	Hats & Tees	1,250	1,300
	Website Development	52	500
	Video Camera		1,800
<b>Treasurer</b>	Quicken 2001 (to upgrade from Quicken '94)	—	–80
	Cheques / Web Charge	96	70
	Cheques / Stamps	37	50

Exhibit 4 Leader Budget

(Continued)

<b>Social</b>	Executive Selection	160	200
	Site Olympics	648	700
	Meeting Snacks	26	30
<b>Teaching Materials</b>	Translation	560	600
	Teacher Training	41	50
	Site Bags & Teaching Materials	1,303	1,000
<b>New</b>	Carry Forward	5,000	—
	Board Formation		500
<b>Sub Total</b>		<b>101,108</b>	<b>92,023</b>
<b>Overhead-UWO Account</b>			
<b>Approx</b>			
	Case Printing and Duplicating (all in)	6,768	7,500
	Postage	27	300
	Supplies	—	100
	Telephone & Long Distance	0	300
	Telephone Equipment Rental \$38/month	662	480
	Overhead	1,724	1,724
<b>Sub Total</b>		<b>9,181</b>	<b>10,404</b>
<b>TOTAL EXPENSES</b>		<b>110,287</b>	<b>102,427</b>

**Exhibit 4** Leader Budget

Note: Numbers have been rounded to the nearest dollar value.

deposits and fossil fuels, but agriculture still constituted a significant portion of their economies. The economic and political development of the former FSU countries generally had been slow, as a strong communist sentiment still permeated all levels of government. North American oil companies had recently begun to form joint ventures in the FSU, whose oil and gas resources were alternatives to those of the politically unstable Middle East.

**Russia**

With a population of 146 million, Russia was home to four LEADER sites in Omsk, Ekaterinburg, Nizhni Tagil (pronounced: nish'-nee tag-il') and Obninsk (pronounced: ob'-minsk). In the early years after the fall of communism in 1989 and the subsequent disintegration of the Soviet Republic, the Russian economy had been very unstable and only slowly developing. An

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unstable banking and monetary system, high crime rates, the dominance of mafia-type organizations in many parts of the country and government corruption contributed to this slow start. Since the 1998 Russian stock market crash, foreign investment had been sluggish, as these investments often depreciated rapidly. In the first six months of 2001, however, the economy showed marginal signs of stability. Russia's economy grew by five per cent, although the inflation rate was still at about 20 per cent. President Putin, elected in 2000, acknowledged the challenges Russia's economy faced and led a change initiative to overhaul it.

### Belarus

In Belarus (which translates as White Russia), LEADER had two teaching sites in the city of Minsk. Throughout its history, Belarus, which had a population of 10.5 million, had been caught in the middle of political tug of wars, being at one time, or another a part of Russia, Poland, the Union of Soviet Socialist Republics, Romania, Lithuania, Hitler's Germany and independent. In 1944, Stalin's army liberated Belarus from Nazi rule. The destruction of the Second World War had left Belarus without an infrastructure, but under Stalin's rule a heaving manufacturing industry developed. In 1986, the Chernobyl disaster led to widespread nuclear contamination in Belarus, a fact that government only acknowledged three years later. Belarus gained independence in 1991 and reformed its constitution in 1996; however, President Lukashenki, elected in 1996, imposed a policy of "market socialism." In 1997, he halted privatization and re-imposed government-controlled price setting and foreign exchange controls. Belarus had very few foreign investments and its inflation of about 30 per cent was among the highest in the FSU countries.

### Ukraine

Ukraine, which had a population of 49 million people, had three LEADER sites: Kiev

(pronounced: either keev' or kee'-ev), Lviv (pronounced: le-veev') and Dnipropetrovsk (pronounced: de-nee'-pro pe'-trovsk). Ukraine had a historically strained relationship with Russia due to Russian rule for the majority of the previous two centuries and two Soviet-induced artificial famines that killed 8 million people. In many places, Ukrainian had replaced Russian as the official and only language. After Russia, Ukraine was economically the second largest FSU country. Having been known as the Soviet breadbasket, Ukraine's main industry remained agriculture. President Kuchma, who was elected in 1994, initiated substantial economic reforms and privatizations. Recent events, however, such as the earlier mentioned 1998 Russian stock market crash and the global recession had slowed economic improvements. Ukraine was still in arrears on wage and pension payments and the economy had been stagnant, while the inflation rate reached 20 per cent.

### The Leader Site in Kiev

Kiev was the capital of Ukraine. It had a population of three million people and was located more or less in the center of Ukraine. Despite near total destruction in the Second World War, the city had retained large portions of its pre-war appearance after decades of extensive restorations. Kiev was a very clean and manicured city. In May, lilacs and chestnut trees in full bloom decorated the streets, once leading former U.S.S.R. President Gorbachev to describe Kiev as "the city built in a garden." Kiev had wide boulevards and many parks that the citizens frequently used for picnics and other social gatherings. The sidewalks and streets, many of which were made of cobblestone, ran up and down very steep hills. The level of crime was generally low with the exception of the occasional pickpocket. New cars were only one sign of an improving standard of living.

LEADER had been in Kiev since 1993, when it partnered with the International Center of Privatization, Investment and Management. In 2001, the school, which was located in northwestern

Kiev, was a private institution that charged students approximately US\$5,000 per year to attend an undergraduate degree program or an executive training program. The school's pro-rector was a Ukrainian-Canadian who earlier in his career had founded and led the MBA Program at the University of New Brunswick.

The school's facilities were in good condition. One large building was the school's home, which included several classrooms, a lecture theatre and two computer labs. The main computer lab held 25 computers with high-speed connections to the Internet, and the other (which was reserved for visiting dignitaries and business leaders) held five computers with Internet connections. The school also had a "Canadian Business Library," which housed many reference books on market-based business practices, GMAT preparation, Canadian maps, and Canadian university application forms for MBA and other programs. The equipment of the school included many amenities such as photocopiers, whiteboards, overhead projectors and computer projectors.

LEADER had developed a strong relationship to the school. Students viewed the LEADER program as a valuable component of their degrees. In 2001, successful completion of the LEADER Project had become a requirement for graduation from the school's programs.

At the school, LEADER taught two classes with a total of 40 students, which required a team of four instructors. The day class of undergraduate business students ran from 9:00 a.m. through to 3:00 p.m. The evening class of 15 business executives ran from 6:00 p.m. to 9:00 p.m.

### **Kaitlyn Johnston**

The 29-year-old Kaitlyn was a first-year LEADER member, who had just completed her first year in Ivey's MBA program. Prior to attending Ivey, she had received a Bachelor of Arts in psychology from the University of Western Ontario and, for five years, had worked for the Royal Bank of Canada in various managerial capacities. She had been married for two years, spending the weeks in London and the

weekends usually with her husband in Toronto. She did not have a job lined up for the summer after the foreign assignment with LEADER.

Kaitlyn said about her involvement in LEADER:

It is a good fit with my previous experience. I have been on voluntary foreign assignments in South-east Asia and Central America with the Waterloo, Ontario-based International Development Agency named World Accord. LEADER allows me to continue international philanthropic work in a different region. I can help LEADER in several ways. I am a friendly person who generally gets along with everybody, and I have the ability to smooth over explosive situations. These attributes will help me to build affiliation among team members. Moreover, in the classroom I am comfortable speaking to a crowd.

As a member of the logistics committee, since November 2000, Kaitlyn had spent about five hours per week working on logistics. In addition, she had helped out with fundraising initiatives, including preparing and delivering presentations to her former employers, and writing letters to corporations in the FSU. Overall, Kaitlyn had dedicated between eight and 10 hours per week for LEADER-related activities.

### **CURRENT SITUATION**

Walking on the gangway, Kaitlyn felt heavy-hearted. The excitement that she had felt when LEADER accepted her into the project had vanished. Despite the concerted efforts of the fundraising committee, LEADER had been unsuccessful in raising any significant funds. Furthermore, the number of members, who, like Kaitlyn, were deeply committed to LEADER and had put in the work to get this year's teams underway, had shrunk to 15. Recent meetings of these core LEADER members had ended with discussions about how LEADER had to change if it was to survive. How could LEADER raise more money and recruit members, who carried their share of the load? What other alternatives

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might LEADER consider to achieve its objectives? How would LEADER's struggles affect the team on their foreign assignments?

Kaitlyn overheard her other two teammates, the site leader Dennis Graydon and Kevin Rae, joking about who had gotten away with the least amount of work on LEADER this year. Kaitlyn bristled at this attitude and became increasingly

concerned that the next month would turn into a failure.

## NOTE

1. Paul Beamish, "Think Global," *In Touch*, Winter 2002, pg. 23.

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## RICHARD IVEY SCHOOL OF BUSINESS—THE LEADER PROJECT—KIEV SITE (B)

*Krista Ewing*

*Joerg Dietz*

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On May 10, 2001, after five days of her three-week foreign assignment, Kaitlyn Johnston returned from a tour of the nightlife in Kiev, Ukraine. She was concerned that her team's leader, Dennis Graydon, had abruptly left the evening's tour. Subsequently, Kaitlyn had to repeatedly assure the local host (a student in their class) that Dennis' departure was not his fault. Kaitlyn, in fact, knew that Dennis had left because he was still angry with Beth Reese, another team member. When Kaitlyn had spoken to Beth, however, Beth responded that she did not know why Dennis would be upset with her. Kaitlyn pondered what had gone wrong between Dennis and Beth and how she could resolve the situation.

### THE LEADER TEAM

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In addition to Kaitlyn Johnston, the three other team members were Dennis Graydon, Kevin Rae and Beth Reese.

### Dennis Graydon

Dennis Graydon, the site leader, was 27 years old and had just graduated from the MBA program at the Richard Ivey School of Business (Ivey), The University of Western Ontario, London, Ontario Canada, on the Dean's List. Before entering Ivey, Dennis had graduated from the University of Toronto with a Bachelor of Arts in history. For three years, he had worked as an Air Canada flight attendant and for his family's small business. Upon returning from Kiev, he would marry at the end of June and join Accenture as a strategy consultant. Dennis viewed himself as a competitor, "who would not lose gracefully." His Ivey classmates viewed him as an opinionated and confident individual who was eager to debate.

Dennis was very vocal about his decision to join Leading Education and Development in Emerging Regions (LEADER): "I wanted to beef up my resume. Participating in LEADER made me more attractive to the consulting firms, for which I wanted to work." Dennis was a "natural"

teacher, who was very comfortable in front of a crowd and delivered the teaching material very clearly. Kaitlyn valued Dennis's teaching ability, but noted his lack of patience with team members.

Dennis, who was a member of LEADER's recruitment committee, boasted that he had only put in three hours in total for committee activities last fall, saying "the 'eager beavers' could do the recruiting without him."

### **Kevin Rae**

The 32-year-old Kevin was also a recent graduate of the Ivey MBA program. Prior to entering Ivey, Kevin had graduated from the University of Alberta with a Bachelor of Arts in history and had spent five years as a manager with CP Hotels (now Fairmont Hotels). In Kiev, in addition to his LEADER duties, he studied for his certified financial analyst exams scheduled for mid-June. Upon returning from Kiev, Kevin would move to Toronto to join Royal Bank Dominion Securities in their mergers and acquisitions department.

Kevin had initially joined LEADER to have the opportunity to experience another culture. After having this experience in his first LEADER year, he said the following about this year's foreign assignment: "I am only returning because of my loyalty for one of the executive directors. Otherwise I would have dropped out of LEADER."

LEADER members valued Kevin's calm demeanor and quiet sense of humor. In the classroom, he generally was serious and formal, but showed a strong ability to assess situations, carefully position statements and suspend judgment. Kevin had been an active member of LEADER's teacher training committee, but did not participate in other LEADER activities.

### **Beth Reese**

The 25-year-old Beth Reese had just finished her first year in Ivey's MBA program. Before attending Ivey, Beth had graduated from McGill University with a Bachelor of Science in chemical

engineering and had worked three years for a Montreal-based manufacturing company that produced airplane parts. Upon returning from the FSU, Beth would join a marketing research company as a summer intern.

Beth told Kaitlyn about LEADER:

I am interested in LEADER because of the opportunity to spend time in the region where my parents originated and had to leave during World War II.

Beth and Kaitlyn had been in the same section during their first year at Ivey. They played squash weekly, worked on group assignments together and interacted at social gatherings. Beth was committed and intense in her studies throughout the year. Kaitlyn saw Beth as very independent, in fact, defiantly so. In previous interactions with Beth, Kaitlyn had difficulties reaching any kind of agreement because Beth tended to play the devil's advocate, stubbornly holding on to her positions.

Beth had been a member of LEADER's fundraising committee. She had worked very hard on the committee throughout the year, diligently following every possible lead for funds. She had not, however, participated in other functions with LEADER. In fact, her concern about LEADER's changing financial situation had caused her to consider seriously joining the crusade to drop out of LEADER, based on misrepresentation.

### **PRE-DEPARTURE OCCURRENCES**

In early January 2001, the team members had learned about their site assignment. On February 6, 2001, Dennis organized the first team meeting at an on-campus restaurant. He saw the meeting an opportunity to meet each other in an informal setting. At the meeting, Dennis said that although he was the site leader, LEADER was not his first priority and that he was not concerned with micro-managing the team because they were all adults, who did not need babysitting. He would

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schedule only one more meeting. Moreover, a Kiev alumnus was present and informed the team about the particularities of the site. The meeting took only about 30 minutes, but after the Kiev alumnus' presentation, each team member expressed excitement about the upcoming foreign assignment.

The next team meeting took place on March 19. Dennis scheduled this meeting for further team development and specifically to arrange the travel to Kiev and the teaching schedules. By e-mail, Dennis had suggested an off-campus site, but Beth ignored this suggestion, indicating her availability to meet on-campus. Dennis sent another e-mail reiterating that he wanted to go to an off-campus location and asked Kaitlyn to "break the tie." Kaitlyn sided with Dennis. Dennis, however, remained angry over the miscommunication with Beth.

At the meeting, Beth, to the surprise of her teammates, had her own agenda. While Dennis attempted to outline the items that needed to be resolved in the meeting, Beth asked the team to adjust its travel plans to accommodate her personal post-LEADER travel arrangements. She stated that she had reserved flights for herself that departed five hours after the flights already reserved for the Kiev team. If the rest of the team was not able to change its itineraries, Beth stated that she would travel alone to Kiev because this schedule allowed her to travel with her boyfriend after LEADER, while giving him the cheapest fare. Next, Beth requested a teaching schedule that allowed her to sightsee during the foreign assignment. Finally, Beth stated that her boyfriend might visit her in Kiev, which constituted a violation of LEADER policy. Dennis and Kaitlyn reacted with increasing agitation, shaking their heads in disbelief. Kevin remained calm and suggested that the team should try to accommodate Beth's boyfriend. Throughout the evening, the other team members tried to convince Beth of the merit of traveling as a team. In the end, the team agreed to accommodate Beth, if she needed to make alternate travel arrangements. Moreover, Beth would teach the day class throughout the project and Kaitlyn would teach the evening class. Dennis and Kevin opted

to "flip for the teaching schedules" once they arrived in Kiev.

After the meeting, while Dennis gave Kaitlyn a ride home, he asked her: "How well do you know Beth?"

Kaitlyn responded by saying:

I think I know her pretty well, but I must say that I was shocked by what happened tonight. It seemed that Beth wanted everything to benefit her and was not really interested in what would be fair to the rest of the team.

Dennis said: "I'm really trying to keep an open mind, but I can tell you that I will not be able to put up with this 'me' attitude for much longer."

Kaitlyn replied:

She is on the fundraising team and I am sure that she is making a big deal about her travel plans now in order to make arrangements that will minimize the cost. I'm sure that once she is certain about her plans she will settle in and be more focused on the team.

On Friday, March 30, LEADER's annual "Site Olympics," organized by the LEADER executive, took place. The purpose of the Site Olympics was to create an opportunity for the teams to bond. Traditionally, each site team went for dinner first and then arrived in a team uniform for an evening of "mental Olympics." The event was a series of timed challenges including Trivial Pursuit, Pictionary and charades, which pitted one site team against another in a quest for the most wins. The day of the event, Dennis had still not arranged the team's participation, when Kaitlyn called him. Dennis said that he would go, but would not have time to meet before the event and would have to make it an early night. Moreover, Kevin would not be available. Kaitlyn considered discussing the team's situation with Dennis, but decided not to press the issue, as she did not know Dennis very well. Instead, she told him that it would be a good idea to attend, and asked if he could pick her and Beth up prior to the event. In the end, Dennis picked up Kaitlyn, but Beth decided that

she would prefer to walk there alone. The team, without Kevin, participated in the event, but did not have uniforms. Dennis was continually irritated with Beth who kept wandering off, causing hold ups in the competition. Immediately after the event, Dennis wanted to leave, so in order to get a ride home, Kaitlyn left too. In the car, Dennis again commented on how easily Beth got to him. Kaitlyn thought if only Dennis and Beth got to know each other, they would get along fine. She felt that just by having conversations with Dennis, she got to know him better all the time.

## ON-SITE DEVELOPMENTS

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### Arrival

On Sunday, May 6, after 12 hours of travel, Kaitlyn, Dennis, and Kevin arrived in Kiev. They waited three hours for Beth who arrived on a different flight. Kaitlyn had learned more about Dennis and Kevin during their travel and now felt significantly more comfortable with them as teammates.

After collecting Beth's luggage, the team headed to its quarters for the next three weeks on a bus sent by the host school. The accommodations, which were a 20-minute tram ride from the school, were modest, consisting of two rooms in opposite wings on one floor of a hotel. Each room had two small twin beds, a desk and a bathroom. Kaitlyn and Beth were in one room and Dennis and Kevin were in the other. There was neither refrigeration nor kitchen facilities available. The tap water was not drinkable and was rarely warm enough for showers. Kaitlyn wondered about the food supply, which was supplied by the partner school. It was picked up at noon daily at the school, with the entire weekend supply provided on Friday. Otherwise, the team had to visit local restaurants.

After a short rest, the team headed out together to explore their surroundings and to find a place to eat. Currency exchanges were not open and the team did not find a restaurant that accepted credit cards. Moreover, restaurants could not

legally accept U.S. currency. After several hours of walking in the dark, the team finally stumbled upon a "bankomat," obtained local currency and went to a restaurant for dinner.

### The Early Days

The next day, the team toured Kiev with the site hostess and in the evening, prepared for the first day of classes. A coin toss meant that Dennis had to team up with Beth to teach the day class, and Kevin and Kaitlyn would teach in the evenings. Beth prepared on her own, whereas the rest of the team prepared together. Moreover, Beth prepared all cases, independent of whether she would teach them or not. She continued this habit throughout the assignment.

On May 8, the team taught for the first time. The team members considered their first day of teaching as a success and looked forward to the next day. In the evening, after the teaching preparation and dinner, Dennis and Kaitlyn played cards and Beth read a book, while Kevin rested in the other room to recover from the illness he contracted by brushing his teeth with tap water. Dennis, Kaitlyn and Beth chatted in a relaxed fashion about networks, but suddenly the conversation became loud, as Beth and Dennis engaged in a tense debate. Beth stated that a network served instrumental purposes, that she felt no obligation to reciprocate favors and that she did not worry about the long-term implications of her approach to networks. Dennis responded that her attitude toward networks was short-sighted. Over the course of an hour-long debate, Dennis showed his frustration, saying that Beth just could not be serious. Eventually, he also showed his anger, saying that Beth had to be out of her mind. Beth reacted by stating that Dennis, and also Kaitlyn, were ganging up on her. Kaitlyn finally asked Beth and Dennis to stop their debate, and mentioned that the next day's May Day celebrations required them to get up early.

On May 9, because of the May Day celebrations, there were no classes. Kevin stayed in bed all day, still recovering from his illness. Beth said that she also felt sick and did not want to go to

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the celebrations, so Dennis and Kaitlyn were the only ones to head out to the city for the parades.

On May 10, in the afternoon, while Kaitlyn sent e-mails from the partner school's computer lab, Dennis entered the room, his face bright red with fury. Kaitlyn asked Dennis if he wanted to talk things over, while having ice cream. As they exited the school, Dennis erupted in a tirade over Beth, ending with the words:

You need to find a way to make sure that I don't snap! I have three more weeks of teaching with her and that seems like it will be way too long, right now.

At the ice cream stand, he told Kaitlyn, what had happened that morning between him and Beth:

Can you believe it? On the tram ride in to the school this morning, she wanted to start another debate with me. I had a hard enough time to endure the thought of having to teach with her, and then this. So, I said that I was not interested in a conversation, which led to another angry exchange. One thing is clear for me: I will limit conversation with Beth to teaching-related issues.

Dennis concluded his conversation with Kaitlyn by reiterating that working with Beth would be very difficult and asked Kaitlyn to be a mediator.

Back at school, Kaitlyn tried to resume her e-mailing activities, but found herself recounting the discussion she just had with Dennis. He placed a lot of responsibility on her to bring the team back together. She decided to address the conflict later, and instead, left to meet Kevin to discuss the teaching plan for that evening.

### THE TOUR OF KIEV'S NIGHTLIFE

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After Kevin and Kaitlyn had finished teaching the evening class, the team went on an earlier scheduled tour of Kiev with a student as a host. About an hour into the evening, Dennis abruptly asked the host directions to the subway and left. For the remainder of the evening, Kaitlyn repeatedly reassured the host that Dennis's sudden departure was not his fault, and that he was neither boring nor offensive.

Kaitlyn was very disappointed about the way the evening had turned out. After her earlier conversation with Dennis, and on the basis of his behavior throughout the tour, it was evident to Kaitlyn that he had left because of Beth. She felt that the rift between Beth and Dennis had now started to impact the team's relationship with students. How could Beth and Dennis provide the students in the day class with a rich educational and cultural exchange, when they could not get along? What were the potential consequences for the relationship with the partner school?

As they returned home from the tour, Kaitlyn spoke to Beth:

Are you aware that we have a problem? It does not bode well for us if problems in the team affect our relationship with the students. Look at our host: He is very upset and still does not understand why Dennis left.

Beth replied:

Come on, Kaitlyn, that is the student's problem. Dennis probably had an upset stomach. We might have arguments, but I do not see how that affects our students.

Kaitlyn answered:

Is that what you believe? You think that he left because he felt sick? Don't you realize that he left because he was not able to hide how upset he was with you?

Beth simply replied, "Why would he be upset with me?"

### WHAT NEXT?

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Kaitlyn was sitting on her bed. What had gone wrong in this team? Was it just a matter of personality conflict between Beth and Dennis? Was Dennis a good site leader? Was it Kaitlyn's responsibility to get more involved, or should she just allow the executive directors to smooth over the situation when they arrived on Saturday?

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## ANTAR AUTOMOBILE COMPANY<sup>1</sup>—PART I: THE AUTOMATION PROJECT

*Roy McLennan*

*Al Mikalachki*

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Version: (A) 2002–11–29

In early January, Rob Dander, a project manager in the Operational Research Department (ORD) of an automobile assembly plant, had been assigned the job of managing a computer project which would lead to the development of a more automated system. For five months he had been supervising the work of three young company employees who were developing a simulated assembly line. However, because Rob's current responsibilities left him in charge of four or five projects at a time, all in varying stages of completion, he had left his assistants to work together with very little intervention from him. As a result, by May he was facing the pressure of an uncompleted project and an unnecessarily elaborate design. As project manager, Rob had to decide quickly how he could most effectively redirect his assistants' energies so the team could meet management's deadline and design expectations.

### PROJECT OBJECTIVES

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Senior management at Antar, an automobile manufacturing plant located in Southwestern Ontario, had recently decided to revamp their manufacturing process in a plan which included the installation of a robotics system that would complement a scaled-down version of the manually-run assembly line. Antar's biggest task lay in determining the most effective locations for the robots along the line and the optimum number of robots to be utilized. This project was very important, because manufacturing costs had to be cut in order to keep pace with an extremely

competitive market. Antar hoped that, when coordinated with its Just-In-Time inventory system, the new production line would give the company a financial advantage over its competitors.

Management decided to assign the task of simulating the new line to the ORD, a unit located in a separate departmental building a few miles from the plant. The ORD would run a full-scale simulation of the entire manufacturing process and determine the working requirements that would optimize production while lowering costs. A major concern of management was to establish a programme that would occupy minimal computer time and which could easily adapt to changing parameters and inputs. A secondary objective was to use the simulation to train operators on how to manipulate the new computer monitors which automation would bring. Management had a high interest in the way the project turned out.

### PERSONNEL

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Rob Dander, a 40-year-old ORD project manager, had been an operational research (OR) specialist in the North American automobile industry for a number of years. When he undertook the latest Antar project, he decided that the simulation would use a new programming language called LATOC, which had not been used before in the Department.

Rob was assigned the services of three assistants: Susan Wright, Dan Vincent, and Mark Mancuso. These company employees, who had not met each other before, had obtained degrees

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from local universities in the Southwestern Ontario region. Susan, who was 23 and married, had worked in the ORD for a few months, and was interested in computer simulation. Before joining the staff at Antar, she had worked for another large automobile manufacturer in the region.

Dan Vincent, who was 22 and single, had joined Antar one year earlier, after completing his university degree. Dan had only been in the ORD for a few weeks, and his experience with computers was limited. He brought to the group the systems engineering skills that were important to the project. About the time the project began, he decided to return to school the following September to enter a PhD program, but he decided not to share his decision with his colleagues until he had received his acceptance into the program.

Mark Mancuso was 25 and married. His employment with Antar was into its third year, all spent at an operational level in the plant. At one time, he had unsuccessfully requested a transfer period in the ORD. He was now being released from his regular work-study duties for the duration of the manufacturing revamping project so he could provide basic data and expertise on assembling operations. During the initial stages of the decision to automate, Mark had taken part in an inconclusive study to determine the number of robots needed. He had no understanding of computers, and upon appointment to the task group was given instructions to provide a tight link between the project and plant management, essentially to keep management well informed on the simulation's progress. The plant still issued his salary, which was \$1,000 higher than Dan's, and \$2,000 higher than Susan's.

#### PROCEDURE

Normal OR procedure, when inexperienced assistants began work on a project, was for the project manager to provide a strong lead in constructing a rough model of the process under investigated. The manager would then hand

the project over to assistants for refinement and conversion to a detailed expression in a computer language. However, Rob decided that this particular situation would be best served if the assistants were left to learn model building, in a computer language, on a trial and error basis. As each assistant reported for duty to Rob, he gave him or her a LATOC manual, and instructions to work through it and to build a working understanding of the language.

Susan was the first to acquaint herself with the new language, beginning her studies approximately two weeks prior to Mark's arrival. Dan joined two weeks later. After reporting to Rob for duty, Dan took his LATOC manual and disappeared immediately into a back room. He returned to the project room when Rob went to see him some days later.

Following an initial two-day briefing, Rob spent only a few moments each day with the assistants, usually calling them into his office twice a week for discussions. This routine, however, lasted only a few weeks, after which Rob left his assistants largely to their own devices, to build the simulation model for the assembly line, and express it in LATOC. He seemed confident in their ability to get the task done without considerable involvement on his part.

The assistants worked together, mostly in the same project room, until the middle of the year. Their room was simply furnished, containing about half a dozen chairs and desks. Three or four other members of the ORD shared the room with them. Two of these were women programmers working to prepare the compiler for LATOC, a task which would keep them in the room until mid-June. Periodically, Susan, Dan, and Mark made trips to another part of the building to test their programme on the ORD's computer.

For the most part, hours were from nine to five; however, there were very few rules, leaving project assistants relatively free to set their own work pace. ORD management had an informal policy of rewarding competent job performance on an individual basis by giving an annual increase in salary. Poor performance was penalized by withholding salary increments.

Working in the ORD involved a lot of running around. Project Managers were often away at company plants to discuss projects; the computer was routinely operated late in the night, sometimes early in the morning, and at times, around the clock. People who had worked together the previous night might not begin work until 10:00 a.m. or 11:00 a.m. the following morning.

Coffee breaks were taken on a non-scheduled basis, wherever personnel happened to be working. At lunchtime, all the project assistants,

programmers and typists gathered to eat in one small lunchroom inside the building. The room was pleasant and could cater to approximately two dozen people. Project Managers had a small dining room of their own.

#### NOTE

1. Antar Automobile Company is a revision of the Chamberlain Steel Co. case written by Professor Roy McLennan.

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## THE LEO BURNETT COMPANY LTD.: VIRTUAL TEAM MANAGEMENT

*Elizabeth O'Neil*

*Joerg Dietz*

*Fernando Olivera*

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On July 2, 2001, Janet Carmichael, global account director for The Leo Burnett Company Ltd. (LB), United Kingdom, sat in her office wondering how to structure her global advertising team. The team was responsible for the introduction of a skin care product of one of LB's most important clients, Ontann Beauty Care (OBC). The product had launched in the Canadian and Taiwanese test markets earlier that year. Taiwanese sales and awareness levels for the product had been high but were low for the Canadian market. Typically, at this stage in the launch process, Carmichael would decentralize the communications management in each market, but the poor performance in the Canadian market left her with a difficult decision: should she maintain centralized control over the Canadian side of her team? In three days, she would leave for meetings at LB's

Toronto, Canada, office, where the team would expect her decision.

#### THE LEO BURNETT COMPANY LTD. BACKGROUND

LB, which was founded in Chicago in 1935, was one of North America's premier advertising agencies. It had created numerous well-recognized North American brand icons, including The Marlboro Man, Kellogg's Tony the Tiger, and the Pillsbury Dough Boy.

By 1999, LB had expanded around the globe to include 93 offices in 83 markets. The company employed approximately 9,000 people, and worldwide revenues were approximately US\$9 billion. In 2000, LB merged with two other

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Traditional core agency services included:

#### **Account Management**

Account management worked in close partnership with planning, creative, media, production and the client to craft tightly focused advertising strategies, based on a deep understanding of the client's products, goals and competition, as well as insights into contemporary consumer behavior.

#### **Creative Services**

In most LB offices, creative was the largest department. Creatives focused its visual art and copywriting talents on turning strategic insights into advertising ideas. This department was a key part of each client's brand team and often interacted with both clients and clients' customers.

#### **Planning**

Planners conducted research to gain insights about the consumer and the marketplace. They also provided valuable input to the strategic and creative agency processes in the form of the implications raised by that research, specifically combining that learning with information about a given product, the social context in which it fit and the psychology of the people who used it.

#### **Media**

Starcom was the media division for LB's parent holding company. Its role was to identify the most influential and efficient media vehicles to deliver brand communications to the appropriate audience.

#### **Production**

Production staff brought creative ideas to life with the highest quality execution in television, cinema, radio, print, outdoor, direct, point of sale, interactive or any other medium.

In addition to these core services, most offices also offered expertise in more specialized services, including:

- B2B Technology Marketing
- Direct and Database Marketing
- Health-care Marketing
- Interactive Marketing
- Multicultural Marketing
- Public Relations
- Sales Promotion and Event Marketing

### **Exhibit 1** LB Agency Services

global agencies to form blcom3 (the actual company name), one of the largest advertising holding companies in the world, but each LB office retained the Leo Burnett company name.

#### **LB Services and Products**

As a full-service agency, LB offered the complete range of marketing and communications services and products (see Exhibits 1 and 2). The

company's marketing philosophy was to build "brand belief." The idea driving this philosophy was that true loyalty went beyond mere buying behavior. LB defined "believers" as customers who demonstrated both a believing attitude and loyal purchase behavior. The company strove to convert buyers into believers by building lasting customer affinity for the brand.

One of the most important measures of an agency's success was the quality of the creative

### **Traditional Advertising Products**

**Television Broadcast Advertising**—Usually 30-second (:30s) or 60-second (:60s) TV ads that ran during local or national television programming. This also included sponsoring specific programs, which usually consisted of a five-second announcement before or after the show, i.e., “This program is brought to you by . . .” accompanied by the visual of the sponsoring company’s logo.

**Radio Broadcast Advertising**—Usually 15-, 20-, or 30-second (:15s, :20s, :30s) radio ads that were placed throughout local or national radio programming. Radio ads could include sponsoring specific programs, which usually consisted of a five-second announcement before or after the show, i.e. “This program brought to you by . . .”

**Print Advertising**—Included black and white and color print ads in local, national or trade newspapers, journals and magazines. Magazine ads could be single-page ads or double-page spreads (two pages facing each other.)

### **Non-Traditional or “Below the Line” Advertising Products**

**Direct Marketing**—Normally a series of mail-out items (letters, post cards, product samples, etc.) sent to a specifically targeted population(s) called “cells”, e.g., companies might send promotional mail-outs to current customers, former customers who have not shopped with the company for a period or time, and new prospective customers—each of these groups would be considered a cell.

**Digital or Interactive Marketing**—Any marketing efforts that were delivered to the consumer online or by wireless networks (e.g., hand-held wireless devices). This could include Web site design and production, banner advertising and promotions on other Web sites, e-mail marketing, and internal corporate marketing tools such as customer relationship marketing or database building tools.

**Collateral**—Any piece of print material that was not strictly advertising, for instance brochures, annual reports, posters, flyers and in-store materials.

**Promotions**—Any marketing effort that included a time-limited offer or incentive to either purchase a product or offer personal data. Promotions could involve advertising, direct marketing, interactive marketing, product packaging and/or outdoor marketing.

## **Exhibit 2** LB Agency Products

product that was developed to connect brands to their end consumers. Each local office strove to produce outstanding creative advertising to break through the clutter of marketing messages that the general public was subjected to daily and truly reach the consumer in a memorable way. Award shows were held nationally and internationally to recognize this effort, one of the most prestigious being the annual festival in Cannes, France. With each award, individual employees (usually the art director and copy writer who had worked together to develop the ad) were recognized, as was the local agency office where they worked. These creative accolades were instrumental in helping an office win new client business. Even within the global

LB network, awards were given to the local offices that produced the most outstanding creative work.

### **LB Internal Team Structures**

A multidisciplinary team serviced each brand. Each team had representatives from all core areas of the agency as well as members from the specialized services as appropriate for the brand. In most cases, team members had two sets of reporting lines.

First and formally, they directly reported to the supervisor of their home department (for example, account management). It was this formal supervisor who was responsible for

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conducting performance evaluations and assigning and managing an employee's workload.

Informally, the team members reported to a project team leader, the senior account services person, who usually was an account director or a vice-president of client services director. It was this team leader's responsibility to manage the project in question, ensure that the client was satisfied with project progress, and build and manage the overall relationship between the client and the agency. Employees on the project team would be responsible to this person for meeting project deadlines and managing their individual client relationships. This team leader would often provide input to a team member's performance evaluation, along with other agency colleagues (see Exhibit 3).

At any given time, an agency employee typically worked on two or three different brand teams, virtually all of them face-to-face teams servicing local clients.

### LB Typical Office Environment

Most LB employees were young (in their 20s and 30s) and worked about 60 hours per week. Client needs and project deadlines dictated work priorities, and the volume of work often required late nights at the office. Agency office environments were often open-concept and social. Employees spent many hours each day up and about, discussing projects with colleagues and responding to client requests. The pace was fast and the general spirit was one of camaraderie; it was common for LB employees to socialize together after a late night at the office.

### LB Toronto

LB's Toronto office was founded in 1952 to service the Canadian arms of the Chicago-based clients. It was LB's first expansion beyond Chicago. In 2001, it employed a staff of approximately 200 people and billings were approximately \$200 million.

### LB United Kingdom

LB acquired its London, United Kingdom, office in the mid-1970s as part of an expansion into Europe. By 2001, the office had grown to over 350 employees and billings were approximately \$400 million. London was also the regional LB headquarters for all European, Middle Eastern and African offices.

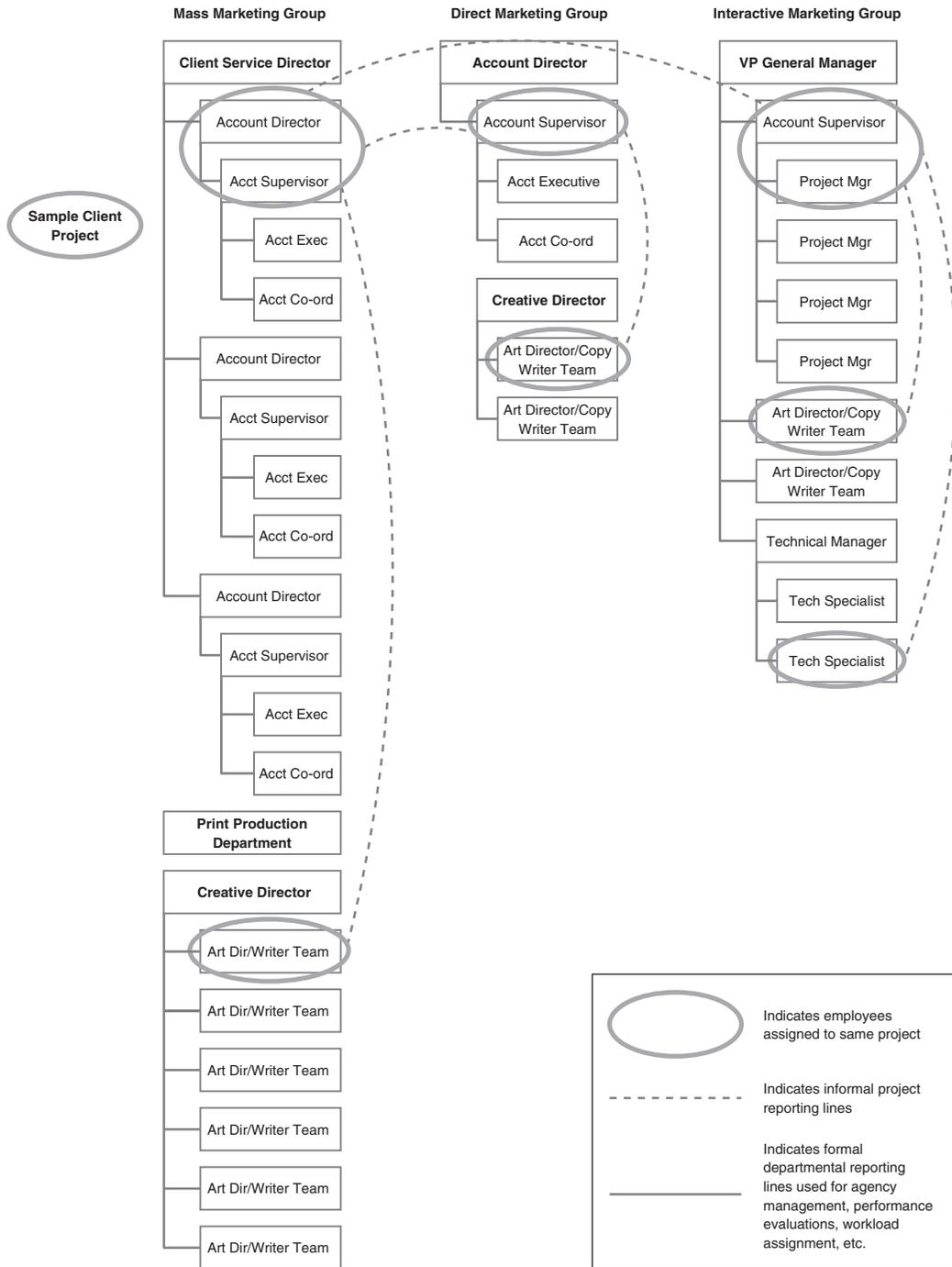
### LB'S RELATIONSHIP WITH ONTANN BEAUTY CARE

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#### Ontann Beauty Care (OBC)

OBC was a leading global manufacturer of health and beauty care products. In the late 1990s, OBC made a strategic decision to centralize the global marketing of its brands and products, designating a global team to define the global strategy for a given brand and develop the core communication materials as templates for local markets to follow. Local offices were given the responsibility for adapting the global materials and developing local "below the line" (BTL) materials which would synergize with the global vision and creative templates. Below the line materials included direct marketing, in-store materials, digital marketing, public relations and promotions (that is, everything except strict advertising). In practice, on established brands with well-defined communication templates and strong local knowledge, some local markets (at least key regional markets) were awarded more opportunity to develop their own communication material. The global team, however, retained veto power to ensure all communications were building a consistent personality and look for the brand.

Each OBC global office had as many teams as it had brands. An OBC brand team usually consisted of the global category director, the brand manager and an assistant brand manager, plus a representative from each of the various departments: marketing technology, consumer, trade/distribution, PR, sales, product development, and production.



 Indicates employees assigned to same project  
 Indicates informal project reporting lines  
 Indicates formal departmental reporting lines used for agency management, performance evaluations, workload assignment, etc.

**Exhibit 3** LB Agency Formal And Informal Reporting Lines

### Relationship Between LB and OBC

OBC, which, like LB, was founded in Chicago, was one of LB's original clients. In 2001, as one of the top three LB clients worldwide, OBC did business with most LB offices. OBC, however, awarded its business to advertising agencies brand-by-brand. As a result, other advertising agencies also had business with OBC. Competition among advertising agencies for OBC business was strong, in particular when they had to work together on joint brand promotions.

OBC had been a client of LB's Toronto office since 1958 and of LB's London office since its acquisition in the mid-1970s. Both the Toronto and London offices initially developed advertising and communications materials for various OBC facial care brands and eventually also worked on OBC's skin care brands.

To better service OBC, LB also centralized its decision making for this client's brands and appointed expanded and strengthened global teams with the power to make global decisions. For its other clients, LB's global teams were significantly smaller, tending to consist simply of one very senior LB manager who shared learning from across the globe with a given client's senior management.

### A NEW OBC BRAND: FOREVER YOUNG

In the fall of 1998, the OBC London office announced a new skin care line called "Forever Young." Product formulas were based on a newly patented process that addressed the needs of aging skin. For OBC, this brand presented an opportunity to address a new market segment: the rapidly growing population of people over the age of 50. The product line was more extensive than other OBC skin care brands. It also represented the company's first foray into premium priced skin care products. Product cost, on average, was double that of most other OBC brands, falling between drug store products and designer products. OBC launched Forever Young to be its next big global launch and awarded the Forever

Young advertising and brand communications business to LB.

### GLOBAL ADVERTISING AND COMMUNICATIONS TEAM FOR FOREVER YOUNG

#### Team Formation

For LB, a successful launch of this new product would significantly increase revenues and the likelihood of acquiring additional global OBC brands. An unsuccessful launch would risk the relationship with OBC that LB had built over so many years. LB management in Chicago decided that LB London would be the global team headquarters. This decision reflected the experience that the London office had in leading global business teams and the proximity to the OBC global team for Forever Young. It was also likely that the United Kingdom would be the test market for the new product.

In LB's London office, Janet Carmichael was assigned as brand team leader for the Forever Young product line effective January 1, 1999. Carmichael was the global account director for OBC. The 41-year-old Carmichael, a Canadian, had begun her career at LB Toronto as an account executive in 1985, after completing an MBA degree at the University of Toronto. In 1987, Carmichael moved to Europe, where she continued her career with LB. She became an account supervisor in Italy, an account director in Belgium, and finally a regional and global account director in Germany before taking on a global account director role on OBC brands in the United Kingdom in 1996. She was very familiar with OBC's business and had built excellent relationships with the OBC skin care client group.

LB's initial Forever Young brand team had six members who all were employees of the London office: Carmichael as the team leader, an account director, an account executive (she formally supervised these two employees), the agency's creative director, and two "creatives" (an art director and a copy writer). Carmichael outlined

a project timetable (see Exhibit 4). The LB team worked with the OBC team on consumer research, market exploration, brand creative concepts (creative), packaging samples and global copy testing throughout North America and Europe. Carmichael viewed marketing a new product to a new consumer segment in a crowded category as challenging; however, after several months of testing, LB's Forever Young brand team developed a unique creative concept that was well received by OBC.

In the fall of 1999, OBC decided that the United Kingdom would be the lead market for another skin care product. Because North America was a priority for the Forever Young brand and Canada was "clean" (that is, OBC was not testing other products in Canada at that time), Canada became the new primary test market for Forever Young. In addition, Canadians' personal skin care habits and the distribution process for skin care products were more reflective of overall Western practices (i.e., the Western world) than were those in other potential test markets. Taiwan became the secondary test market for Asian consumers. These choices were consistent with OBC's interest in global brand validation.

In keeping with OBC's team structures, LB maintained the global brand team in London and, in January of 2000, formed satellite teams in Toronto, Canada, and Taipei, Taiwan, to manage material execution in their local markets. It was up to the LB Toronto and Taipei offices to determine their members in the Forever Young satellite teams. In Taipei, Cathy Lee, an account director who was particularly interested in the assignment, took the lead on local agency activities. In Toronto, Geoff Davids, an account supervisor from the direct marketing group, was assigned to lead the Toronto team. The global brand team and the two satellite teams now formed the LB side of the global advertising and communications team for Forever Young (see Exhibit 5).

### **Kick-off Meeting**

In February 2000, a face-to-face kick-off meeting took place in Toronto with the intent to

bring all senior members of LB's and OBC's London, Toronto, and Taipei teams onto the same page regarding the new brand and the status of the launch process. One or two senior representatives from OBC London, Toronto, and Taipei participated in the meeting. From LB, the complete London team participated, along with Geoff Davids and a senior agency representative from the Toronto office, and Cathy Lee and a senior agency representative from the Taipei office. Carmichael and her U.K. team members shared their initial brand creative concepts, which had already garnered admiration throughout the LB network, and their knowledge about the product and target audience.

It was decided that Davids and Lee would serve as the main links to LB's London-based global brand team. Specifically, Davids and Lee reported to Annabel Forin, Carmichael's account director in the United Kingdom. Forin then reported to Carmichael and OBC's London team. Besides Forin, Carmichael's primary contacts would be Annabelle Manning, the global creative director at LB United Kingdom and Sarah Jones, OBC's global vice-president of skin care in London. All work produced by LB's satellite teams would require approval from LB's London team.

### **The Creative Assignments**

The creative assignments for the Canadian and Taiwanese teams were slightly different from each other. Normally, the global team would produce a creative template for a brand (meaning the design of the advertising and communications materials), which would then be passed to the satellite teams to be adapted for the local market.

In the Taiwanese market, this would be the case. The Taiwanese LB team would be responsible for adapting the advertising materials, which would include re-filming the television ad to star an Asian actress, as well as retaking photos for the print ads, again, to demonstrate product benefits on Asian skin. The brand message (meaning the text in print ads and the vocal

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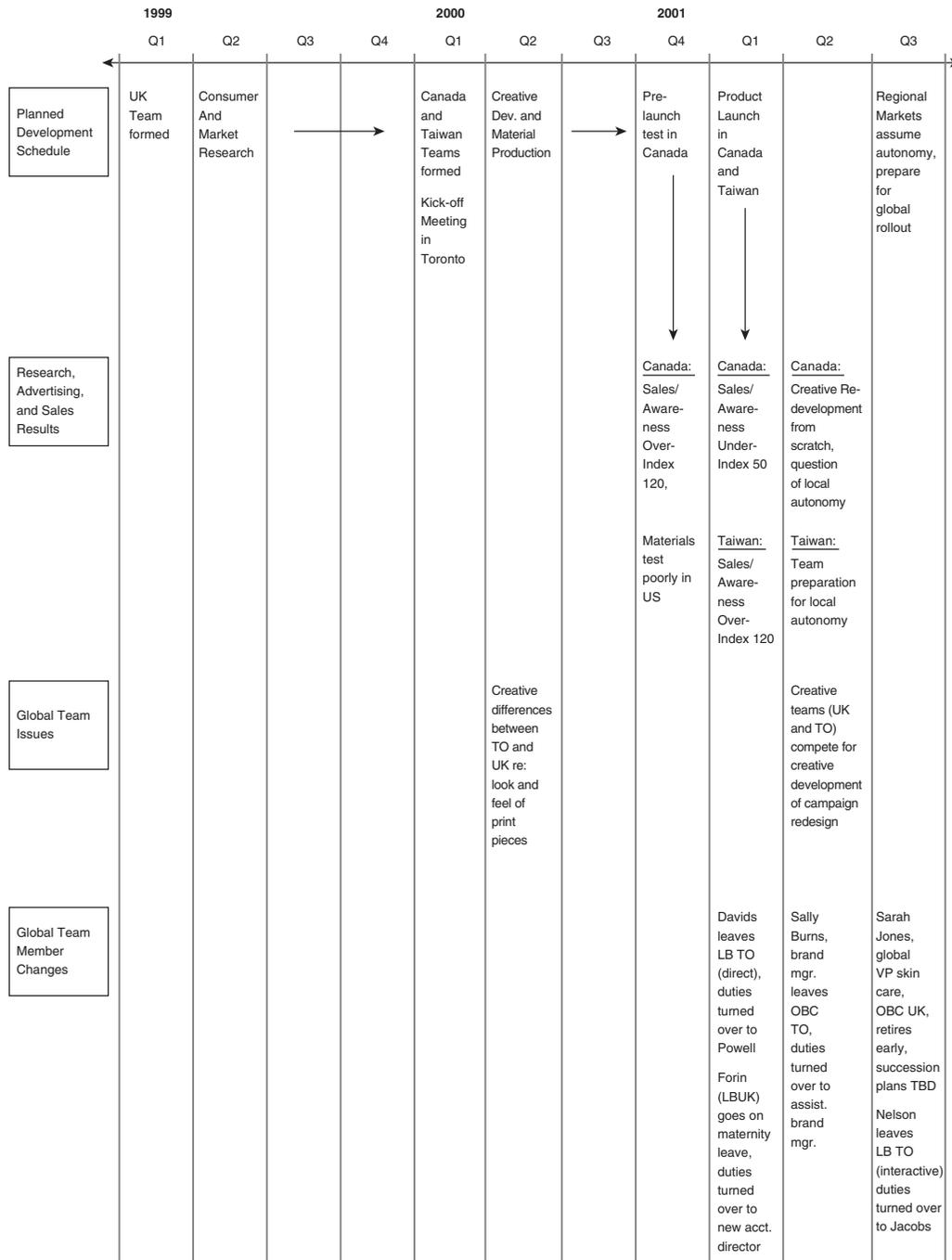
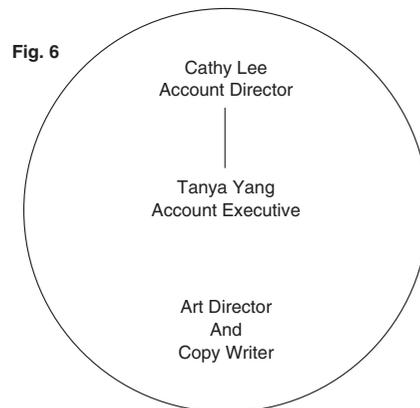
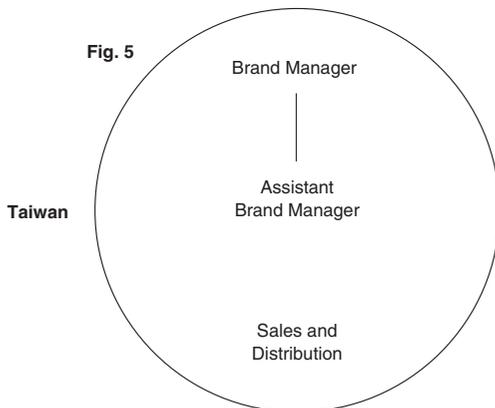
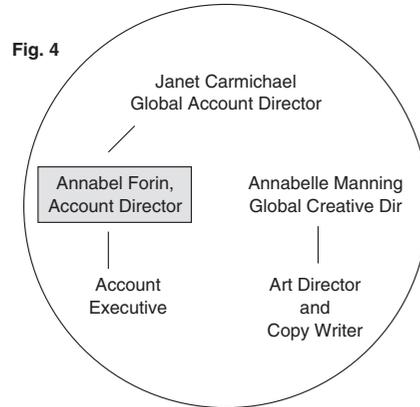
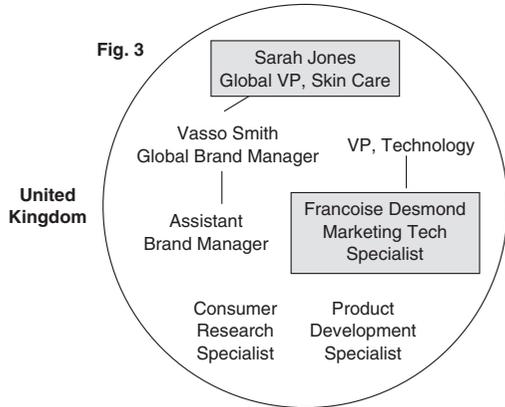
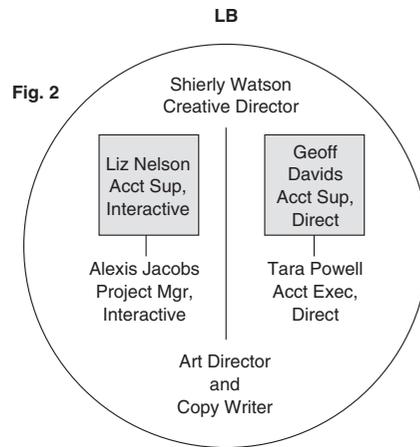
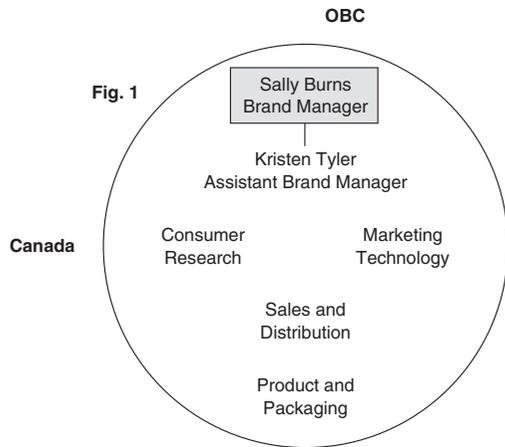


Exhibit 4 Brand Development Chronology



— Main Reporting Lines

Positions that changed by July 2001

**Exhibit 5** The Global Forever Young Team

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message in television ads) would be adapted to appeal to the Taiwanese audience.

In Toronto, however, the assignment broke from this traditional format. The LB team in London would produce English television and print advertising, which would be used in the Canadian market. The LB team in Toronto would design and produce the direct marketing and Web site materials because the London office did not have strong in-house capabilities in these areas. While the Toronto office would have control of the design of these communication pieces, the U.K. office would require that certain elements be incorporated into the design (for example, specific photos and colors), in order for the pieces to be visually consistent with the print advertising.

### EVENTS LEADING UP TO THE LAUNCH

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#### **LB's Taipei Office**

After returning to Taipei from the kick-off meeting, Lee formed her local team, which consisted of an account executive (Tanya Yang) and a creative team (one art director and one copy writer). In co-operation with OBC's Taipei team, Lee and her team focused first on recreating the television ad. The ad followed the original creative idea developed in the United Kingdom but used a popular Taiwanese actress in the lead. The character differentiation was necessary to demonstrate the product's benefit to Asian skin because the original ad featured a blond, Caucasian actress as the lead. The team moved on to adapt the brand's print advertising and direct marketing pieces and developed a public relations campaign to meet local market needs. These communication elements were visually and strategically consistent with the television ad as they incorporated photos of the same Taiwanese actress.

Throughout this process, the Taipei team regularly updated LB's and OBC's London teams about its progress. Although all work required U.K. approval, the Taiwanese team worked with a significant amount of autonomy because of

the cultural differences present in its market. Carmichael and Manning occasionally travelled to Taiwan to meet with the team and approve its creative work, which they generally received well. In addition, the Taipei team communicated with the London offices through videoconference calls and e-mail. The LB Taipei and Toronto teams had contact with each other only during the global team videoconference meetings, held every two months.

#### **LB's Toronto Office**

After the kick-off meeting, Davids, with the approval of LB's Toronto management, assigned representatives from the direct marketing group and the interactive marketing group to the brand team. This included account management (Tara Powell, account executive for direct; and Liz Nelson, account supervisor; and Alexis Jacobs, project manager for interactive) and creative staff (Shirley Watson, creative director; and one copy writer from each of the direct and interactive groups).

In co-operation with OBC's Toronto team, the LB Toronto team was responsible for developing a full communication plan for its local market. Along with running the television and print ads developed in the United Kingdom, the team would focus on producing the brand's below the line materials (i.e., direct mail, Web site). These communication elements served as the education pieces that supplemented the TV ad. Davids conducted an internal team debrief, outlining the information he had received at the kick-off meeting. From this, the team developed a communications plan that, in Carmichael's opinion, was "on-brief" (i.e., consistent with the original brand strategic direction) and included some very innovative thinking.

Next, the team began determining a creative look and feel for the direct mail pieces. The look and feel could be different from the television creative but had to be consistent across all of the paper-based (print ads, direct mail pieces and in-store materials) and online communication elements. The creatives in LB's Toronto team

developed the direct marketing materials, and simultaneously the creatives in LB's U.K. team developed the print advertising. The two sides' creative work evolved in different directions, but each side hoped that the other would adapt their look and feel. Eventually, however, LB's Toronto team told its London counterpart to "figure it out," and they would follow London's lead. Communication between the two sides mostly flowed through Davids and Forin to Carmichael. Carmichael, however, had received a copy of the following e-mail from Watson to Davids:

Geoff, as you know, it's always a challenge to work with someone else's art direction. I don't think the model that London chose is right for this market, and the photography we have to work with doesn't have as contemporary a feel as I would like.

This would be easier if I could connect directly with Annabelle [Manning] but she's on the road so much of the time it's hard to catch her. We weren't asked for our opinion initially and, given the timing constraints at this point, we don't have much choice but to use what they've sent us, but could you please convey to Annabel [Forin] that in the future, if possible, we'd like to have the chance to input on the photography before it's taken? It will help us develop good direct mail creative.

For now, though, I think we'll be able to do something with what they've sent us. Thanks.

There had been other challenges for LB's Toronto team. Davids described an incident that had occurred when his direct marketing team tried to present its creative concept to the team in the United Kingdom during a videoconference meeting:

Our direct mail concept was a three-panel, folded piece. We sent two flat files to the United Kingdom via e-mail, which were to be cut out, pasted back-to-back [to form the front and back of the piece] and then folded into thirds. It took us *so* long to explain how to do that—somehow we just weren't getting through! Our colleagues in London cut and folded and pasted in different places, and what should have been a simple preliminary procedure took up 45 minutes of our one-hour videoconference meeting!

By the time we actually got around to discussing the layout of the piece, everyone on the call was frustrated. That's never a good frame of mind to be in when reviewing and critiquing a new layout. It's too bad our clients were on that call as well.

A greater challenge came in September 2000, when the team was behind schedule in the development of the Web site after encountering difficulties with OBC's technology standards. The budgeting for the Web site development came out of the global budget, not the local budget. This meant that the members of LB's Toronto team who were responsible for the Web site development ("interactive marketing") received directions from OBC's London team. The budgeting for direct marketing, however, came out of the local budget, and the members of LB's Toronto team, who were responsible for the development of the direct marketing materials, dealt with OBC's Toronto team. The instructions from these two OBC teams were often inconsistent. Compounding matters, the two OBC client teams repeatedly requested changes of the Web and direct marketing materials, which made these materials even more different from each other and forced the LB Toronto team into extremely tight timeframes.

Carmichael learned about this sort of difficulty mostly through the direct supervisors of the team members. She frequently received calls from LB Toronto's Interactive Marketing Group and Direct Marketing Group senior managers. Carmichael repeatedly had to explain the basic project components to these senior managers and wished that the members of LB's Toronto team would just follow the team communications protocol and forward their concerns to Davids, who would then take up matters as necessary with the U.K. team.

#### CANADIAN PRE-LAUNCH TEST

Despite these challenges, LB's Toronto team produced the materials in time for the Canadian pre-launch test in October of 2000. The pre-launch test was a launch of the complete

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communications program (TV ad, newspaper inserts, distribution of trial packs, direct mail, and a Web site launch) in a market whose media could be completely isolated. A small town in the interior of British Columbia, Canada's most westerly province, met these conditions. In terms of product trial and product sales as a percentage of market share, the test indexed 120 against its objectives, which had a base index of 100. Subsequently, OBC and LB decided to move immediately into research to test the advertising in the U.S. market. The global OBC and LB teams worked with their Canadian counterparts to conduct this research, the results of which were very poor. As a result, OBC London required that LB's London and Toronto teams revised the advertising materials even before the Canadian launch.

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#### CANADIAN NATIONAL LAUNCH

The days before the launch were panic-filled, as LB's London and Toronto teams scrambled to revise the advertising. In February 2001, the campaign was launched in Canada with the following elements:

- One 30-second TV ad;
- One direct mail piece;
- The English Web site;
- Product samples available from the Web from direct mail piece, and from an in-store coupon;
- Specially designed in-store displays;
- Trial-sized package bundles (one week's worth);
- A public relations campaign; and
- Five print ads in national magazines.

Research following the national launch showed that the brand did not perform well among Canadian consumers. It indexed 50 against a base index of 100. Because of the success of the Canadian pre-launch test, OBC and LB were surprised. The Forever Young global advertising and communications team attributed the discrepancy between the pre-launch test and national launch, in part, to the fact that the pre-launch test conditions were not replicable on a

national scale. The audience penetration in the small B.C. town, the pre-test site, was significantly greater than it was in the national launch. OBC decided that the results of the Canadian launch were below "action standards," meaning that OBC would not even consider a rollout into the U.S. market at the current time.

The tension levels on both LB's side and OBC's side of the Forever Young global advertising and communications team were high. LB's future business on the brand was in jeopardy. The OBC side was under tremendous pressure internally to improve brand trial and market share metrics and already planned to decentralize the local teams for the global product rollout. Despite numerous revisions to the advertising, it never tested well enough to convince OBC that a U.S. or European launch would be successful.

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#### A DIFFERENT STORY IN ASIA

In Taiwan, the product launch was successful. Test results showed that the brand was indexing 120 per cent against brand objectives. Research also showed that Taiwanese consumers, in contrast to Canadian consumers, did not perceive some of the advertising elements as "violent." Moreover, in Taiwan, overall research scores in terms of "likeability" and "whether or not the advertising would inspire you to try the product" were higher, leading to higher sales. By June of 2001, the Taiwanese team was ready to take on more local-market responsibility and move into the post-launch phase of the advertising campaign. This phase would involve creating new ads to build on the initial success and grow sales in the market.

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#### RECOVERY PLAN FOR CANADA

By June of 2001, LB needed to take drastic measures to develop a new Forever Young campaign in order to improve the brand's performance in the Canadian marketplace. Whereas, before the launch, there had been a clear division

of responsibilities (with the United Kingdom developing the television and print advertising and Canada developing direct marketing, in-store and Web site communications), now the global LB team in London decided that it would be necessary to have all hands on deck. New creative teams from the mass advertising department in the Toronto office, as well as supplementary creative teams from the London office, were briefed to develop new campaign ideas. Each team had only three weeks to develop their new ideas, less than half of the eight weeks they would normally have, and the teams had to work independent of each other. The London and Toronto creative teams had to present their concepts to the entire global OBC and LB team at the same time. Subsequently, the results of market research would determine the winning creative concept. Squabbling between the offices began over which team would present first, which office received what compensation for the development, and whether or not overall remuneration packages were fair. Moreover, the communication between the account services members of LB's London and Toronto teams, which was the primary communication channel between the two agencies, became less frequent, less candid and more formal. The presentations took place on June 25, 2001, in Toronto. Watson, the creative director in Toronto commented:

This process has been exciting, but we're near the ends of our collective ropes now. We have a new mass advertising creative team [who specialized in TV ads] on the business in Toronto, and they're being expected to produce world-class creative results for a brand they've only heard about for the past few days. They don't—and couldn't possibly—have the same passion for the brand that the direct marketing creative team members have after working on it for so long. I'm having a hard time motivating them to work under these tight timelines.

We're even more isolated now in Toronto. Our connection to the creative teams and the global creative director in London was distant at best, and now it's non-existent. And our relationship with the local OBC client feels very remote, too.

Still, we're moving forward with our work. We're trying to learn from the Taiwanese experience and are considering what success we would have with a nationally recognized actress starring in our television ads.

## EVOLUTION OF THE FOREVER YOUNG GLOBAL ADVERTISING AND COMMUNICATIONS TEAM

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### Personnel Changes

Between January and June of 2001, numerous personnel changes in the Forever Young global advertising and communications team occurred (see Exhibit 5). In LB's London office, Forin, the U.K. account director, had been replaced following her departure for maternity leave. In OBC's London office, Sarah Jones, the global vice-president for skin care, took early retirement without putting a succession plan in place. In LB's Toronto office, Davids, the Toronto brand team leader, had left the agency. Tara Powell, who had reported to Davids, took on his responsibilities, but she had not met most of the global team members. Liz Nelson, the account supervisor for interactive, left LB's Toronto office to return to school. Alexis Jacobs, who had managed the Web site development, took over her responsibilities. Powell and Jacobs did not have close relationships with their international counterparts. At OBC Toronto, Sally Burns, the local brand manager, who had been LB's main contact in the local market and had been with the brand since inception, left OBC. LB's and OBC's Taiwanese teams remained stable over time. Cathy Lee worked with a team that was nearly identical to her initial team.

### Communications

Early on (between February and May 2000), Carmichael had orchestrated frequent face-to-face meetings to ensure clarity of communication and sufficient information sharing. In the following months, the team relied on videoconferences and phone calls, with visits back and

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forth between London and Toronto on occasion. Since early 2001, the team had relied increasingly on e-mails and telephone calls to communicate. In June 2001, Carmichael noted that the communication had become more formal, and she had lost the feeling of being part of a global team. She wondered if giving the LB's Toronto team more autonomy to develop the brand in their market would help the brand progress. Working together as a smaller team might improve the Toronto group's team dynamic as well. Carmichael was concerned that the current discord between LB's London and Toronto offices would negatively affect the relationship to OBC.

### Budget Problems

The extra creative teams assigned to the redevelopment of the brand's television advertising and the unexpected changes to the Forever Young communication materials had meant that LB's costs to staff the project had been higher than originally estimated and higher than the revenues that had been negotiated with OBC. Since OBC did not want to pay more for its advertising than had been originally budgeted, LB faced tremendous internal pressure to finish the project as soon as possible. This situation created conflict between LB and OBC in the United Kingdom, who was responsible for negotiating LB's overall fees. Because all fees were paid to the global brand office (in this case, LB's London office) and then transferred to the local satellite teams, this situation also created conflict between LB's London and Toronto teams, who had both expended additional staff time to revise the advertising materials and wanted "fair" compensation.

### WHAT NEXT?

In three days, Carmichael had to leave for Toronto to sit in research sessions to test the recently presented new creative concepts. In the

meetings that followed, she would present to the team her recommendation for how to move forward with the brand. Carmichael reviewed the brand events and team interaction of the past two years (see Exhibit 4) to determine the best global team structure for salvaging the Forever Young brand and maintaining the relationship between OBC and LB.

Carmichael felt torn in her loyalties. On the one hand, she was Canadian and knew LB's Toronto office well—she knew that LB's Toronto brand team worked hard, and she wished them every success. On the other hand, she had now worked in LB's London office for several years, and she had always liked the creative that the U.K. team had initially produced. If she maintained the current form of centralized control of the team, either creative concept might be chosen; however, if she decentralized team control, the Toronto team would almost certainly choose their own creative concept for the television ads. Since the creative direction chosen now would become the brand's advertising in most North American and European markets, it needed to be top calibre. Carmichael thought this posed a risk if the creative development was left to the new Toronto-based mass advertising creative team. It would be a shame to lose the U.K. team's original creative concept.

In making her decision on whether to decentralize the team, Carmichael considered the following:

1. Where was the knowledge necessary to create a competitive advantage for the brand in Canada? Would it be in the Canadian marketplace because they understood the market, or would it be in London because they had more in-depth knowledge of the brand?
2. Where was the client responsibility, and where should it be? Now that the London-based global vice-president of skin care was retiring, the client was considering creating a virtual global team to manage the brand, headquartered in the United States but composed of members of the original United Kingdom OBC team, in preparation for a U.S. launch. If the client team had

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its headquarters in North America, should LB also structure its team this way?

3. If Carmichael decentralized the brand and gave the Toronto team greater autonomy, who would lead the brand in Toronto now that Davids had left the agency? How would the necessary knowledge be imparted to the new leader?

4. If they remained centralized, would the team make it through before it self-destructed? How much would this risk the client relationship? To what extent would it strain the already tight budget?

Carmichael had to make a decision that was best for the brand, LB and OBC.

