

METALWORKING COMPANY*: BUILDING A DYNAMIC ORGANISATION

Knowledge Dimension: Human Resource
Management & Organisation

Teaching Notes
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*Fictional company name

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Teaching Notes¹: Metalworking Company

- 1. The case suggests that the industry sector impacts the firm's approach towards innovation and dynamism. Elaborate how these two factors are related. Discuss the requirements concerning innovation and dynamism in different industries.**

As Metalworking Company seems to be the industry leader without actually being engaged in radical innovation activities, this raises some irritation and seems to be contradictory at first sight. According to the case description, Metalworking Company has no real need to be innovative since most of its product development projects are based on customer requests. Therefore, the lack of urgency moderates the company's innovative activities. Metalworking Company is dynamic and efficient enough to react to the markets current demands. However, another more problematic cause for the perceived lack of dynamism could be the headquarters in Germany. Statements like "Metalworking Company is a subsidiary and, thus, dependent on the decisions of the mother company" or, with regard to radically new product innovations, "in the end, the figures need to be right" reveal the difficult position of Metalworking Company. The firm would like to be innovative and dynamic, but these are not important factors valued by the mother company, whose only concern seems to be performance and revenues. This gives the impression that strategic and long term innovation endeavours do not match the mother company's business strategy.

- 2. Although Metalworking Company perceives itself as dynamic company, they see room for improvement. Which good practices can you identify from the case? Which practices need further improvement? Where are blind spots that have not yet been identified as problematic by Metalworking Company?**

First of all, the organisation tries hard to practice a participation strategy in order to incorporate employee ideas into production processes and product development. But so far this approach does not bring the expected results. Until recently, Metalworking Company was led by an authoritarian leader. The formerly strict hierarchical approach seems to be still deeply imprinted in the company's processes and structures. Employees are given the opportunity to submit ideas in the form of continuous improvement processes (CIP), but these

¹ Exemplary results from the regional Basic Trainings



ideas seldom exceed first- or middle level management. The low appreciation of ideas could be seen as one of the main reasons why CIP idea numbers are dropping. Furthermore, Metalworking Company switched to line production and employees working in production had to switch to shift operation mode. They were not exactly happy about working in shifts opposed to regular hours. Metalworking Company failed to address the staff's concerns properly and offered no adequate benefits (monetary or time) for working unpopular shifts. In the long run, this could lead to a reduction in the motivation and overall performance of the employees. Employees have to be included in such a process and the reasons of implementing shifts have to be well explained to them. In this matter, another circumstance has to be questioned: Why did the company implement line production in the first place? Metalworking Company strives for higher productivity but, at the same time, needs to integrate the contradictory approach of producing at batch size one.

Regarding the blind-spots of Metalworking Company, two key-issues can be identified, namely (1) a low fluctuation amongst employees: With a very solid staff, creative processes and out-of-the-box-thinking is hindered. The decreasing number of CIP and innovation ideas might be a result of little to no fluctuation; (2) Dominating influence of the mother company: Since nearly all decision-making power is located with the headquarter in Germany, there is a very real risk for the Austrian site to be "starved out", meaning they might lose important departments (such as R&D) or in the worst case, might be degraded to a simple production site.

- 3. Metalworking Company mentioned some issues that need improvement (e.g. production, product innovation, process innovation). Which explanations did Metalworking Company find for its issues? Which reasons do you see? Are there underlying issues that need to be addressed before working on these specific topics?**

To begin with, the leadership approaches to encourage the participation of employees at Metalworking Company have to be updated in order to enhance creative processes and decision making. Regarding this issue, theory and practice do not match. Next, the underutilised production line needs to be addressed. The shift to line production had severe repercussions. Personnel needs to be highly specialised on a certain line and can therefore not be used on other lines if needed. This might turn into a financial risk in the future, since personnel costs need to be payed anyways but operation at full capacity is not guaranteed. Additionally, the company's innovative process can be seen as problematic in some points:



- Timeline for innovations: Periods of ten years for major process innovations are comparably long. In between, the company performs incremental product upgrades, which is too little to be dynamic and stay at the state of the art.
- The CIP process: Ideas are not followed up on by the upper management. Because employees are not integrated and have no insight into the decision making process regarding their submitted ideas, they feel demotivated, leading to a decrease in number of submitted ideas.
- The 4-phase-model for product development: This model could be reconsidered because in many cases it is too late to involve the production only after the design process has already been completed. In this model, errors and production difficulties are recognised too late and cause unnecessary expenses. The example of the co-developed product with a university depicts this problem well: “For example, Metalworking Company won a competition hosted by a university with the development of a new product a couple of years ago, but failed to adequately position it on the market.”

Lastly, the biyearly exhibition where Metalworking Company connects with clients and potential customers and gathers new product ideas leaves room for discussion. This shows that the innovation process is strongly customer-driven. However, it could be dangerous to only please market needs with new products in two year intervals.

4. After having identified the areas for improvement, how would you deal with the issues regarding leadership & communication, innovation and production? How would you resolve underlying issues? Do you see more urgent development areas than mentioned in the case?

To resolve underlying issues the following points can be revealed: (1) leadership, (2) innovation and production, and (3) a platform for participation. Regarding leadership, a certain leadership style needs to be lived. Specifically, the communication between managers and employees for important decisions has to be done earlier. Additionally, managers need to rethink the inconsistencies in the company’s culture: participation vs. authoritarian leadership, participation in creative processes vs. general rulebook slowdown, achieving set key-performance indicators vs. trying new ideas. The management needs to address these issues, recognise them as such and work on a strategy on how to tackle them. A comparison of the company culture how it used to be, how it is now and where they want it to be might help Metalworking Company’s management to work on the presented issues.



Second, regarding the point of innovation and production, these two aspects have to be entangled. Therefore, the departments of R&D and production have to be brought together more tightly in order to strengthen their cooperation and start collaboration early on. A new department “product management” might help to manage the entire process. This would give a department the responsibility for process success and idea implementation. Lastly, with regard to the platform for participation, employees should be integrated in the implementation process of their ideas to raise moral and commitment. Also the management needs to be committed to this process and has to recognise its responsibilities. “Change processes cannot be initiated bottom-up, but must be carried top-down” is another statement that led to a discussion about the evolution of company cultures. Metalworking Company cannot abandon its former principles of a very strict hierarchy and authoritarian leadership. Therefore, employees still have imprinted the mind-set of “you decide and we follow”, which is counterproductive for a culture of participation.

5. Which activities regarding Human Resource Management (e.g. recruitment, selection, HR development, compensation, career paths, deployment of personnel) could be undertaken to resolve Metalworking Company’s issues?

First of all, the issue of leadership needs to be addressed. Managers can take trainings in leadership style and change management. The last resort would be to exchange managers, if the situation does not improve. Secondly, the future blind-spot of the company, which has not been previously mentioned, are the competences of lower management. This problem could equally be addressed with trainings. The teaching case states that “innovative capabilities barely develop further and only few managers possess broad and generalist knowledge that could widen the focus for sensing and seizing emergent opportunities”. Metalworking Company can address this issue in two ways: trainings (on-the job or externally) for managers to achieve generalist knowledge or hiring new managers who already possess the much needed generalist knowledge. The second option would probably take up more time and resources, but it would bring new people in with different ideas, work ethics and open minds. This could also help to improve the company culture.

Another HR-related improvement could be the implementation of new team structures. The fact that employees work to rule is partly caused because no responsibility is handed down. New team structures which give more autonomy and responsibility to the employees are one possible solution. Teams would have to be assembled with different roles and responsibilities (e.g. alpha leader, organiser or creative head). Lastly, providing employees with internal



career paths can increase commitment and the efficiency of the innovative processes. If long-term employees are given the opportunity to rise to higher levels of the hierarchy, they are given the position to implement their own ideas, thus making it more appealing to actually submit ideas.

6. Based on your analysis, develop a plan for dynamising Metalworking Company. Which issues should be addressed in which order? Who should be involved? How should they implement the changes?

First of all, the management of Metalworking Company on first higher-level and later lower-level should question and redefine the strived organisational culture in order to subsequently create a roadmap for it. Then, a leadership training for lower-level managers - external and on the job - to broaden their viewpoint and abilities as well as a training in leadership style and change management will ensure a better communication of the strategy especially for important changes that also affect the employees and their work. Additionally, a supporting new platform can be used for the general organisational communication. At the same time, the integration of employees in idea creation and decision making processes should be strengthened. The installed platform for communicating information top-down can be used for generating ideas bottom-up as well. The platform does not only serve for the documentation of ideas, but also enables the tracking of progress of initiated ideas. Employees are invited to discuss their ideas in regular idea circles and are integrated in idea implementation. All employees are informed if their ideas are selected for implementation and are notified about the reasons why ideas get rejected. Ideas which are picked should be presented by the idea generator at development circle to integrate employees in the planning and implementation process. Simultaneously to redefining the strategy for integrating employees, the adaption of 4-phase-model in product development can be started. Involving the production department earlier in the design process will bring the departments of R&D and production closer together. Last but not least, Metalworking Company should set up a timeline for its innovation processes and systematically deploy channels for continuously sensing innovation impulses.