

The Impact Of Organizational Change, Structure And Leadership On Employee Turnover: A Case Study

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ABSTRACT

Purpose - To provide the management team at BTSA Ltd with a practical guideline in managing organizational change through a designated lead change agent.

Design/Methodology/approach - This guideline was developed by analyzing various organizational behaviour variables which included organizational structure, leadership and organizational culture. The objective of the case study is to provide a pragmatic approach to dealing with transformational change, particularly the role and responsibility of leadership.

Findings – This case identifies a distinct correlation between each above stated variables and productivity/citizenship factors among employees. As a result of the takeover by an international conglomerate, BTSA Ltd was facing major changes and sustained a high level of employee turnover within the company, including the abrupt departure of their lead change agent. This resulted in a sharp decrease in TQM initiatives and major slowdown in R&D projects. The key findings have determined the core elements which explained the turnover issue and the impact of organizational change (for a small Canadian based firm acquired by a US conglomerate).

Originality/value - This case study is practical for mid-sized firms which are currently involved or will shortly be facing foreign control through a recent merger or acquisition. It provides management (of the acquired firm) with insight on the potential pitfalls involved in transformational changes and tools to mitigate a situation which can potentially lead to its downfall.

INTRODUCTION

In the age of worldwide globalization and growing competition many companies must sacrifice large parts of their secure traditions in order to remain sustainable in the future. BTSA Ltd., closely integrated with the life of a small town community, is a Canadian owned visionary company which was acquired by a large US conglomerate, MultiTech Global. The small firm is now challenged to adjusting to a new organizational culture and structure.

One major impact on BTSA Ltd. was the effect on its organizational structure. With the entrance of a new CEO in late 2001, MultiTech Global adopted a company wide “matrix” style of organizational reporting structure. According to Garg and Singh (2002) structural changes require a bold leadership. The leaders of structural changes must implement a process that ensures equity and due consideration to employees. Such changes are possible when leaders regularly turn around the organizations. “The secret of the organization has, as much to do with vision, values and culture, as it does with vertical reporting structures” (Ghoshal et al., 1995). Garg and Singh (2002) suggested “ultimately the greatest effort in meeting the renewal challenge is to change the culture of the

organization, i.e. method of thinking and working of employees of all levels. Culture represents a shared way of thinking and behaving within an organization.”

Culture is how we do things around here. Culture is often formalized in vision, values and mission (Garg and Singh, 2002).

Leaders are expected to pilot culture change and to lead by example. A powerful cultural communication tool is the socialization process. Most newcomers in the organization learn culture through socialization which is the processes by which newcomers are transformed from outsiders to participating, effective members of the organization (Feldman, 1981).

The scope of this case study is to analyze the impact of organizational change and leadership on employee turnover. In this study, organizational structure and organizational culture are considered as dependant and moderating variables of organizational change. The following variables will be examined: Organizational Change Organizational Structure, Leadership Organizational Culture

PROBLEM STATEMENT

The case study tested the following hypothesis: There has been a significant increase in employee turnover at BTSA Ltd. due to major organizational changes. This high turnover coupled with the departure of some key employees has resulted in the following outcomes:

- TQM (Total Quality Management) and Productivity initiatives decreased (due to loss of engineering staff lost).
- Delays in implementation of MRP / ERP systems.
- Reduction in process engineering efforts.
- Possible impact on New Product Introductions.
- Possible impact on BTSA Ltd.’s future leadership position due to brain drain (loss of experienced engineers and plant people)

The increase in employee turnover is primarily due to:

- The acquisition of BTSA Ltd. by a US conglomerate and subsequent transformational changes over the past 3 years.
- New leadership (recruited new Plant Director, the “change agent” in 2005).
- Cultural differences (large/complex corporation (MultiTech Global) versus small rural based firm BTSA Ltd.)
- Organizational Structure (changing from traditional hierarchal to matrix structure)

This case study is divided into four main sections:

- A literature overview of organizational change, organizational structure, leadership and organizational culture with respect to employee turnover;
- The problem definition;
- Discussion of the methodology and analysis of the key findings;
- Proposed recommendations based on research findings.

LITERATURE OVERVIEW

Organizational Change

To survive and insure perpetuity, companies must exchange large parts of their secure traditions for untried paths into the future (Wesley, 1996). Organizations experience three types of enduring change:

- Developmental Change: natural growth
- Transitional Change: evolve slowly to a “known state”
- Transformational Change: moving into the unknown

An organizational change in which the organization evolves slowly is called transitional change (J. Want, 2003). However, when faced with several challenges at the same time, most corporate leaders realize that controlled series of transitional changes just won't move their organizations fast enough (Wesley, 1996).

When transitional changes are not enough, organizations need to move to a radically different, and sometimes unknown, future state in what is perceived as one big change. This process is defined as transformational change (Schneider, 1987).

In small and old mature organization, the fixed norms of culture become a liability and may act as resistance to change because of fear amongst its employees (Garg and Singh, 2002). Another obstacle to change is mindset of employees at all levels (Robbins et al., 2001). Therefore, during transformational changes, small company faces challenges to adapt to big “one size fits all” matrix-based organizational structure.

Successful organizational change is a collaborative effort. Those who would implement significant transformations in the enterprise must also take responsibility for managing their relationships with the people who have the authority to determine the nature and shape of the company. The role of the implementer is that of a change agent because that person acts on behalf of principals (Wesley 1996). Firms that implement change should be aware that this may result in increased turnover, partly because changes in the pattern of work are likely to result in greater incidence of shocks (Lee et al., 1999).

The transformational change that some companies are faced with after its acquisition and during its integration may certainly result in some turnover among employees afraid of the unknown future amongst several factors and variables.

Organizational Structure

The central challenge of organization design is to divide the tasks of a firm into manageable, specialized jobs, yet coordinate the tasks so that the firm reaps the benefits of harmonious action (Rivkin and Siggelkow, 2003). One solution for addressing this challenge is to use a matrix organizational structure also characterized by cross functional teams.

The primary advantages of these organizational structures are their utility for coordination or integration, optimal use of technical specialists in project management, and flexibility in creating cross-functional teams to meet project or client requirements (McCollum and Sherman, 1991).

On the other hand, (Sy and D'Annunzio, 2005) stated that all matrix forms have inherent flaws and that CEOs adopt the matrix because they believe the strengths outweigh the flaws.

Matrix organizations are usually adopted for four primary reasons (Sy & Cote, 2004):

- To allows companies to focus on multiple business goals;
- To facilitate the management of information;

- To enable companies to establish economies of scale;
- To speed response to environmental demands.

However, according to Chennai (2006), the matrix structure exhibits a common characteristic; namely, dual lines of authority, responsibility and accountability that violate the traditional 'one-boss' principle of management. Therefore, matrix structures require strong horizontal integration through communication and coordination between departments.

Leadership

The definition of leadership according to the Global Leadership and Organizational Behaviour Effectiveness (GLOBE) study of 62 societies is “the ability of an individual to influence, motivate and enable others to contribute toward the effectiveness and success of organizations of which they are members” (House; Hanges; Javidan; Dorfman; Gupta, 2004).

Appelbaum, Hébert; Leroux, (1999) pointed out that among all the different classical leadership models; there are two leadership styles which emerge. “One is characterized by a more directive, authoritarian style of management that focuses on the task and initiating structure. The other is characterized by sharing of information, participation, consultation, delegation and joint decision making focused on employee orientation and consideration” (Vecchio and Appelbaum ,1995). These two styles are defined as task-oriented leadership and as people-oriented leadership.

The success of a transformational change depends largely on leadership commitment and roles. By extension, the success of these leaders depends more on vision than on analysis, more on learning than on knowing. Because this change is a move to the unknown, transformational change involves a risk and demands active relationship with management. Major organizational transformations require two separate leadership roles: one that sponsors and champions the change and another that plans and implements the process (Wesley, 1996).

The importance of the strong communication of the vision has also been identified as a “must have skills” for today’s leaders. Barrett (2006) found that the best business leaders have a common set of communication skills which are divided into three major groups: “core (strategy, writing, speaking), managerial (emotional intelligence, listening, coaching, teams, and meetings), and corporate (communicating with all internal and external stakeholders).” Transformational leaders are leaders able to communicate properly the vision of future with people-oriented leadership style (Griffith, 2004).

Organizational Culture

Organizational culture is the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization. Organizational values are beliefs and ideas about what kind of goals members of an organization should pursue and ideas about the appropriate types or standards of behaviour organizational members should use to achieve these goals. Organizational values develop organizational norms, guidelines or expectations that prescribe appropriate kinds of behaviour by employees in particular situations and hence control the behaviour of organizational members towards one another. (Hill and Jones, 2001).

Three levels of organizational culture are identified: artefacts, values, and basic assumptions.

- Artefacts refer to the visible symbols of culture, including personal enactment, ceremonies and rites, stories, rituals, and symbols;
- Values reflect people’s underlying beliefs of what should or should not be;
- Assumptions are the deeply held beliefs that guide behaviour and tell members how to perceive and think about things.

An organization's culture is composed of aspects of the organization that give it a particular climate or feel. Culture is to an organization what personality is to an individual. It is that distinctive constellation of beliefs, values, work styles, and relationships that distinguish one organization from another (Harrison and Stokes, 1992).

The following section highlights the interaction between organizational culture and employee turnover.

Culture And Employee Turnover

Numerous researchers have examined the effects of job enjoyment on worker satisfaction and turnover. In particular, it is well established that employee satisfaction is a closely related predictor of turnover (Bassett-Jones and Lloyd, 2005). The loss of employees is a disruptive event. Organizations often pursue innovative ways to reduce employee turnover, often with limited success (Bassett-Jones and Lloyd, 2005). Aspects relating to the nature of work itself, such as organizational commitment, compensation, overall job satisfaction, and job involvement, could also affect employee turnover. (Bassett-Jones and Lloyd, 2005).

People select jobs on the basis of value congruence. Employees were more likely to leave an organization if their personal attributes do not fit with one's job (Chan, 1996). Job fit and social environment are critical aspects of job embeddedness (Bassett-Jones and Lloyd, 2005). Some of these factors include:

- The extent to which people have links to other people or activities;
- The extent to which their jobs and communities are similar to or fit with the other aspects in their life spaces; and
- The ease with which links can be broken – what they would give up if they left, especially if they had to physically move to other cities or homes.

A variety of factors have been empirically associated with retention that is not attitudinal but organizational. Inducements to stay can derive from working with groups or on certain projects that create types of commitment other than the attraction a person has for his or her job or organization (Bassett-Jones and Lloyd, 2005)

AN ORGANIZATIONAL CASE STUDY: BTSA LTD. CORPORATION COMPANY OVERVIEW

BTSA Ltd. traces its origin back to 1895 the founder immigrated to North America and began manufacturing fire hose in New England. In the first half of this century the product represented a significant portion of the requirements in forestry and interior fire protection. The US plant expanded in size, and business increased to the point where a second manufacturing facility was built in Canada in 1914.

BTSA Ltd. was purchased by the Groupe Protective in 1972. The original plant was expanded several times over the years and finally it was retired in 1992. During that same year BTSA Ltd. invested \$3 million to build a new state of the art facility manufacturing centre. In December 1995, Groupe Protective was acquired by the Emerald Inc. Subsequently, in February 2000, a division of MultiTech Global purchased the Emerald Inc. It is important to note that sales revenues of BTSA Ltd. are \$60 million while MultiTech Global has revenues of \$40 Billion.

Problem To Be Solved

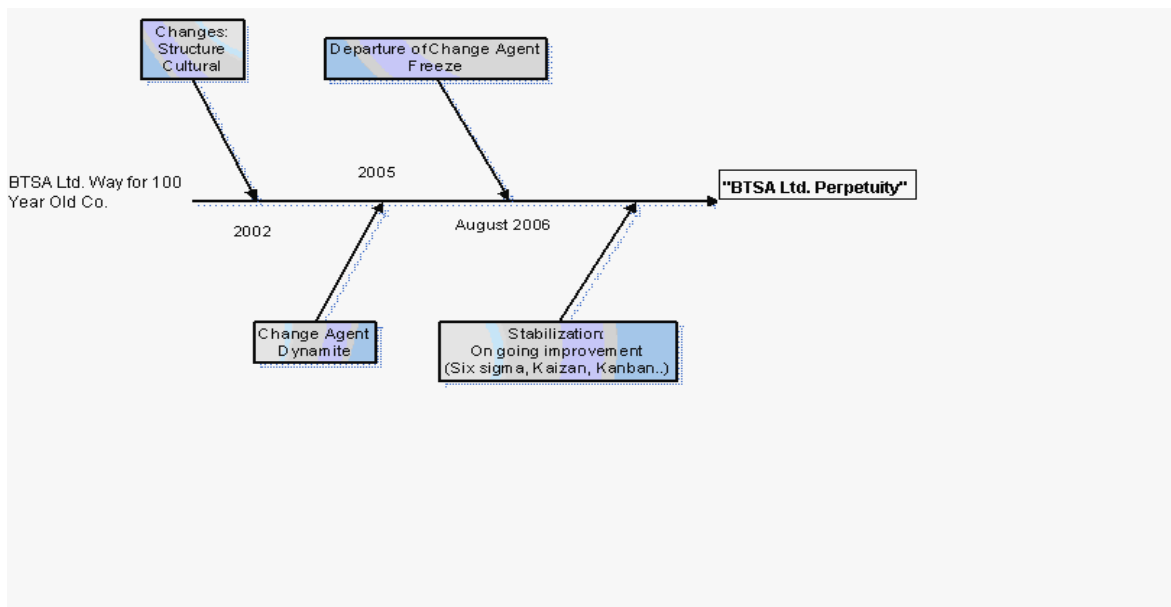
BTSA Ltd. is facing a transformational change imposed by its acquisition by MultiTech Global. The small company is facing a challenge to adapt to MultiTech's "one size fits all" matrix-based organizational structure. Over the years, the target change after MultiTech's acquisition impacted all areas of BTSA Ltd.:

- Structure: moved to Matrix organization.
- Technology: integration of MRP and ERP (not yet completed) which results in a less flexible and more formal way of working (less space for individual initiatives and creativity).

- Focus on TQM initiatives: Work processes such as Six Sigma with new tasks on reporting metrics to the corporate headquarters.
- People and cultural changes: introduction of US and public company culture; emphasis on university graduates and accredited professionals

While performing these required changes, BTSA Ltd. is facing a high level employee turnover. In addition to reaching the highest levels of employee turnover in recent years (e.g. than 23.58% in 2006) the research and development team of Engineers lost 80% of its staff. Of course, this has had a tremendous impact on BTSA Ltd.’s ability to pursue the implementation of productivity metrics and has protracted most of all innovative projects geared towards the development and launch of new products. The Engineering team is vital in their abilities to introduce innovative products and production processes. In fact, engineers tend to form a “distinct occupational group and have a strong need for growth and personal development compared to professional in other occupations” (Bigliardi, Petroni, Dormio, 2005). In effect, engineers possess a high need for learning and have a strong aspiration to be challenged (Allen and Klatz, 1995; Gordon and Bal, 2001).

Most importantly however, the new Plant Director, BTSA Ltd.’s ‘change agent’, abruptly left the company before finalizing the transformational changes. This leader was responsible for communicating the vision and bridging BTSA Ltd.’s plant with MultiTech Global. The major risk associated with the latter departure is regression. That is, the possibility of BTSA Ltd. regressing back to its previous cultural state. This high turnover in critical areas coupled with the departure of the ‘change agent’ during the transformation can lead to critical turnover and put at risk the perpetuity of BTSA Ltd. Corporation.



Problem Analysis And Findings Objectives (Key Questions)

The following key questions were critical to solving problems in the case study analysis:

- What is the cause of the recent increase in employee turnover at BTSA Ltd.?
- What is the impact of all the organizational change since 2002?
- How does a large US based \$45B corporation change (“MultiTech Globalize”) the local culture of a small, rural based \$60M Canadian company like BTSA Ltd. with only 130 employees?
- What is the impact of the change agent on the recent wave of employee turnover?
- What is best way for BTSA Ltd. to pursue continuous improvement, remain a leader in their niche market and achieve further growth and profitability?

Methodology (Approach)

The first step was to identify a core problem within the organization. This was accomplished through multiple interviews and discussion (email and phone and conference calls) with 45 employees in general as well as the current Division General Manager of BTSA Ltd., Human Resources director and the new Plant Director/change agent in particular. Increased employee turnover, especially in the critical engineering function was identified as one of BTSA Ltd.'s top problem.

Once the hypothesis was clarified, there were two directions followed in parallel:

- Some literature overview on the variables; organizational change, organizational structure, leadership and organizational culture as well as the outcome of measure which is employee turnover.
- Definition of questions for interviewing the key people in the organization.

Face to face interviews were conducted with all the key stakeholders. In addition, there was some gathering of quantitative data on employee turnover from the Human Resources department.

The literature review coupled with the gathered data provided the key findings for analysis. The final recommendations stem from the latest discovery and current knowledge in organizational behaviour theory.

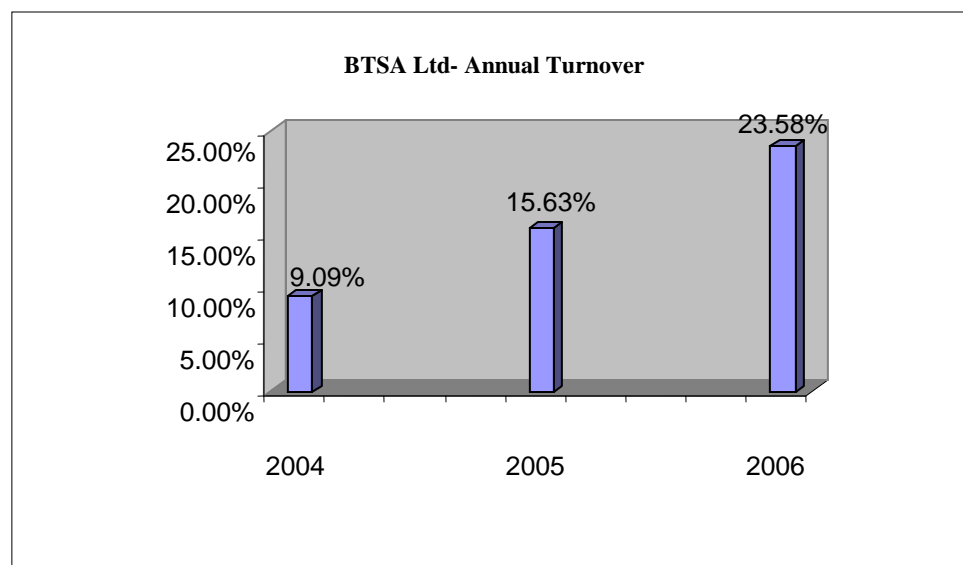


Figure 1: Quantitative Case Data: Employee turnover % over the last 3 years

Qualitative Investigation

The following interview questions were employed during the data collection of this study:

- Describe the history of BTSA Ltd. leading to the acquisition by MultiTech Global.
- What organizational changes has BTSA Ltd. experienced since it was acquired by MultiTech Global?
- How did BTSA Ltd.'s organizational structure evolve since 2002?
- What led to the decision to hire a new Plant Director, the change agent?

- What are the reasons for the increase in employee turnover at BTSA Ltd.?
- Who are the key people in BTSA Ltd.?
- Going forward, what are the concerns following Plant Director's sudden departure?
- What are the challenges facing the new leader?
- Are there more changes in progress at BTSA Ltd.?
- How did the BTSA Ltd. personnel react to Plant Director and the changes he undertook?

The analysis of the responses by BTSA Ltd. Senior Management is provided in the following sections.

Organizational Change

In today's turbulent environment of organizations, change has become synonymous with standard business practices as long-term organizational ends have to be reformulated on an ongoing basis (Appelbaum, 1998). In addition, the past few years have seen some major organizational change efforts directed by top managers at implementing TQM (Total Quality Management), or its derivatives like Six Sigma, across many large organizations. Six Sigma is a TQM approach initiated by Motorola in the 1980s and further propagated by General Electric (GE) in the 1990s, in which the quality improvement efforts and defect reductions are strongly linked to the overall corporate strategy (Williams et al., 2004).

Following the acquisition of BTSA Ltd. by MultiTech Global, transactional changes started to occur, however, it was business as usual for the first couple of years. But following the appointment of the former President and COO of a major US electronics-communications giant as Chairman and CEO of MultiTech Global, larger changes began. Under the new MultiTech Global regime, BTSA Ltd.'s organizational structure evolved from an autonomous business unit led by one General Manager to a matrix organizational corporate structure. BTSA Ltd. managers were now reporting to various corporate VPs and Directors versus a general manager in Canada.

MultiTech Global believes that TQM and continuous improvement is a necessity if BTSA Ltd. is to remain competitive and a leader in their niche market and achieve further growth and profitability.

Research indicates that TQM change requires *corporate transformation* since it impacts on mission and core values, affects the power distribution in the organization, impacts on structures, systems and procedures, affects interaction patterns and communication networks, and requires transformational leadership to implement. (Abraham et al., 1999).

BTSA Ltd. is a relatively small, "rural" based organization so most managers don't have the knowledge or skill set for dealing with a large US based corporation such as MultiTech Global, yet, it now had to comply with much higher standards of productivity and efficiency. Traditionally, BTSA Ltd.'s managers and supervisors were promoted from within the ranks of factory floor employees and many did not have any formal college or university degrees. Meantime, corporate MultiTech Global seeks experienced and educated professional managers.

Without the skills and abilities to match the requirements of the new structure, the structure can actually impede performance. Today's managers and employees must develop the skills and abilities to match the requirements of new organizational structures (Sy and Cote, 2004).

MultiTech Global felt BTSA Ltd. people did not have the technical skills and qualifications to work with or analyze data. Senior management admitted that "the place had to be shaken up" and that BTSA Ltd. needed a change in behaviour and way of doing things. Obviously when "shaking" a company, one can expect to lose some employees who don't want to change the way they where doing things and who are reluctant to change. This was anticipated by the management and is a normal phenomenon during transformational change. On the other hand, what the company attempts to avoid during this process is to minimize the potential of losing its 'star players'. One of the most visible change which happened to BTSA Ltd. was the change from a hierarchical structure to an organizational structure which is discussed in the next section.

Organization Structure: Changing From Hierarchical To Matrix

By its simplest definition, the matrix is a grid-like organizational structure that allows a company to address multiple business dimensions using multiple command structures. Organizations continue to adopt the matrix as a viable alternative to deal with their increasingly complex businesses as evidenced by its proliferation in a variety of industries, such as aerospace, automotive, banking, chemical, communications, computer, defence, electronics, financial, energy (Sy and D'Annunzio, 2005).

Under the new MultiTech Global regime, BTSA Ltd.'s organizational structure evolved from an autonomous business unit led by one General Manager to a Matrix organizational corporate structure. BTSA Ltd. managers now report to various corporate VPs and Directors versus a local General Manager in Canada.

One BTSA Ltd. manager commented that this change in structure was detrimental and time consuming. Concerns were raised regarding BTSA Ltd.'s ability to "turn on a dime" and innovate which may be compromised by this more burdensome corporate structure. A key manager commented; "Today the engineers spend half of their time filling reports required for various initiatives such as Six Sigma".

It was also pointed out that the matrix structure led to an initial drifting apart of the BTSA Ltd. management team. Statements were made in terms of the matrix structure being a "rigid" approach which creates giant silos. Actually, the matrix structure was one of the key underlying concerns expressed by most senior staff members (see graph below)

Organizational Structure Change Perception

Large-scale change requires the allocation of considerable resources in support of the change. Financial, human resources must be allocated to plan, monitor and implement the change. For example, additional human resources are required for setting up and running quality teams and transition management structures to manage the change process. Resources must also be directed toward training and special communication associated with the aims and process of change (Abraham et al., 1999).

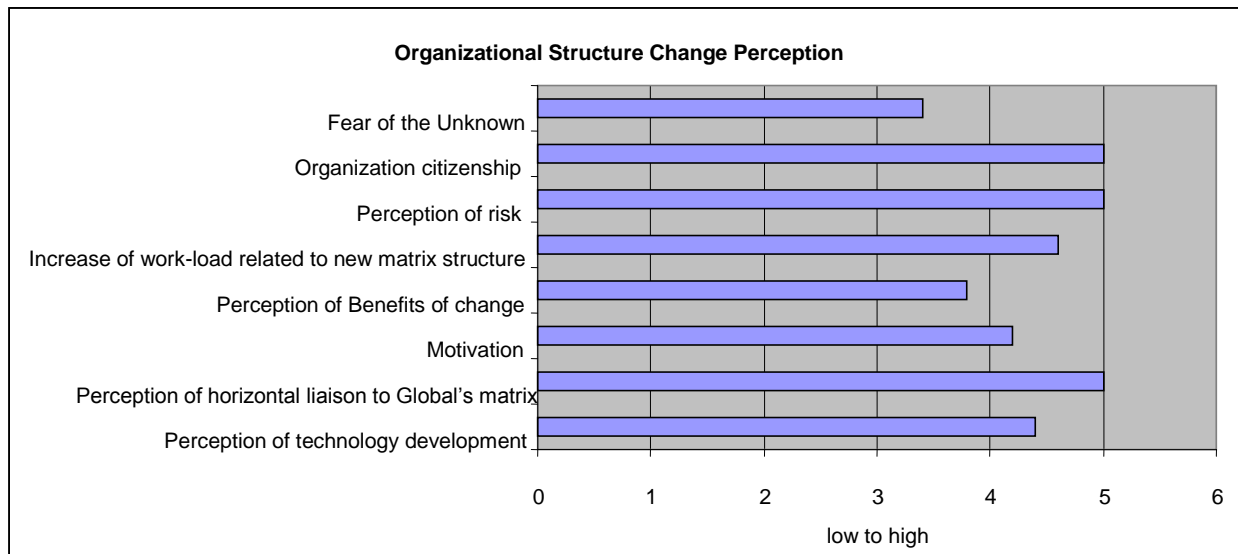


Figure 2: Organizational Structure Change Perception

BTSA Ltd. managers complained about the amount of time and effort required for obtaining corporate approvals and budget authorization for hiring additional staff or purchasing new equipment. BTSA Ltd.'s situation is consistent with other research findings. In a study of 294 top-level and mid-level managers from seven major multinational corporations in six industries were able to identify the top five contemporary challenges of the matrix organizational form: (1) misaligned goals, (2) unclear roles and responsibilities, (3) ambiguous authority, (4) lack of a matrix guardian, and (5) silo-focused employees (Sy and D'Annunzio, 2005).

As organizations adapt to changing business environments and customer demands, employees' roles and responsibilities must adapt as well (Ghoshal and Bartlett, 1990). For employees unaccustomed to change, this constant shifting creates uncertainty and confusion (Sy and D'Annunzio, 2005).

In addition to organizational structure change, the introduction of a person identified by Global as the change agent, created a new challenge: leadership, to be discussed next.

Leadership Change

Designing a superior structure does not ensure success, rather, successful management and leadership within a superior structure lead to success (Ghoshal and Bartlett, 1990). That is, leaders (in addition to other employees) must have the necessary skills and abilities to influence employee behaviours under the new structure as prerequisites (Sy and Cote, 2004).

Leader versus Manager

The role of managers versus leaders in the change process is a critical concept. Since an argument can be made to portray managers as task-oriented, organizations need to design how to incorporate leadership roles (essential to the change process) when managers are involved in influencing change-related activities. According to Appelbaum (Appelbaum and Wohl, 2000), leaders tend to be more visionary (Zeffane, 1996) and thrive on change. Leaders have a different perspective from managers on change in terms of:

Managers maintain the status quo; leaders find excitement in change;

- Managers want fast answers; leaders fire off fast questions;
- Managers are eager to learn so they get ahead; leaders establish learning environments so others can get ahead;
- Managers have a clear idea of the way things are done; leaders know what is really done and move into the unknown to see what is yet to be done ;
- Leadership roles are delegated from the workgroup; management roles are delegated down from the top of the organization;
- Leaders deal with vision, missions and the goals of the organization; managers are trained to keep organizations going in a straight line (Zeffane, 1996).

Currently, the leadership role for BTSA Ltd. is assumed by the General Manager based in Canada. In 2005, a major change in management structure whereby both the local BTSA Ltd. GM and Plant Manager were replaced by a single Plant Director. The new Plant Director was the passionate 'change agent' that the company had been trying to recruit for quite some time.

The plant's efficiency and numerous other metrics were improved as the new Plant Director successfully led several TQM initiatives such as Lean Manufacturing, SMED, Kaizen, and Kanban. A new MRP/ERP system is currently in the initial phases of implementation.

The new Plant Director tackled the most obvious improvements, inventory reduction. This is a critical factor for MultiTech Global and often clashes with market demands, particularly in BTSA Ltd.'s industry where the quantity of stock can either make or break the quarter financial results. In this instance, the Plant Director reduced

inventory by almost 33% within one year and achieved an EBIT growth of 20% or 2.6 times better than budget. The Plant Director was extremely talented at spotting inefficiencies and swiftly took measures to lean the factory. This was labelled as grabbing the “low hanging fruit” and as he succeeded with these early wins, he earned credibility and respect from the BTSA Ltd. management team, the plant employees and from the corporate MultiTech Global managers. Unfortunately, the new Plant Director recently resigned after only one year on the job. BTSA Ltd. does not yet have a substitute for him.

The feedback gathered regarding the departing Plant Director indicates that he made a significant positive impact at BTSA Ltd. Comments included;

- He understood both MultiTech Global’s objectives and “bridged” the gap between BTSA Ltd. and MultiTech Global’s structures. “He went to bat for BTSA Ltd. when dealing with MultiTech Global”. Furthermore he respected the BTSA Ltd. people
- Good communicator with good listening skills

Although the Plant Director had valuable leadership and soft skills, his role appears to match that of a manager’s position. Hints to this effect are comments made that the Plant Director was a “micro manager” and he spent a lot of time on the shop floor meeting supervisors and resolving day-to-day operational issues. The new Plant Director was very much focused “on the numbers”, the detailed data and as someone who “lives for manufacturing”.

Kouzes and Pozner (1990) have conducted surveys of more than 7,500 managers from a range of private and public organizations. Their research indicates that there are several crucial attributes that people expect leaders to demonstrate if they are to enlist others in a common cause and gain commitment to the actions required to thrive in the 1990s. Their study of leadership practices found that the most important behaviour describing leadership was the leader’s display of trust in others. The ability to challenge, inspire, enable and encourage must be demonstrated if leaders are to be viewed as capable. Leaders must be seen as forward-looking though demonstrating the ability to set or select a desirable destination for the organization (Abraham et al., 1999).

BTSA Ltd. is searching for a replacement to fill the Plant Director position. The concerns and risks voiced are the following;

- It is critical to get a new person quickly so as not to lose the momentum of the changes and improvements achieved over the last year.
- Fear that other senior people will also leave the BTSA Ltd. organization.
- The company feels they now need a different type of person, one that will fill the current Plant Director position short-term, with the intent that down the line, this new person becomes the successor or assumes the overall Leadership position for the division.
- The next Plant Director doesn’t have to be a ‘change agent’; instead, the person must keep the initiatives going forward and manage the process.

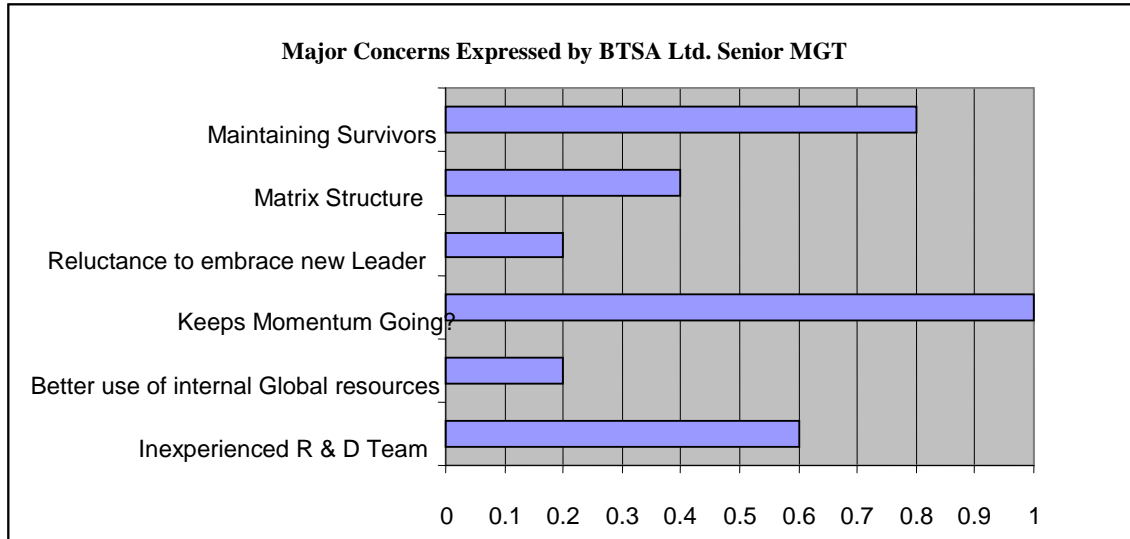


Figure 3: Major Concerns Expressed by BTSA Ltd. Senior Management

Key Factors Of Concern

It is interesting to note that every single respondent of BTSA Ltd.’s Senior Management staff singled out the “need to maintain momentum” as the most important concern for the company, with employee retention a close second. Having noted this, we can conclude that the Plant Director was definitely on the right track and that there is a need to select a new leader-manager perpetuating the momentum.

For the short-term, the division General Manager is spending half time in BTSA Ltd.’s Canadian location and the plant is temporarily managed by a seemingly competent yet still a young inexperienced industrial engineer who just joined BTSA Ltd. recently.

A study of 553 global manufacturers across a wide variety of industries found that what really separates the best performers from the rest was how people worked together, how decisions got made and how leadership was practiced - in other words, the role that senior executives played. Covey similarly indicates that the “task of leaders is to create a culture that values integrity and empowerment. Without that culture, you may have formal leaders but you won’t have true leadership” (Abraham et al., 1999).

Deal and Kennedy (1982), remind us that: “We need to remember that people make businesses work. And, we need to relearn old lessons about how culture ties people together and gives meaning and purpose to their day-to-day lives” (Pennington, 2003).

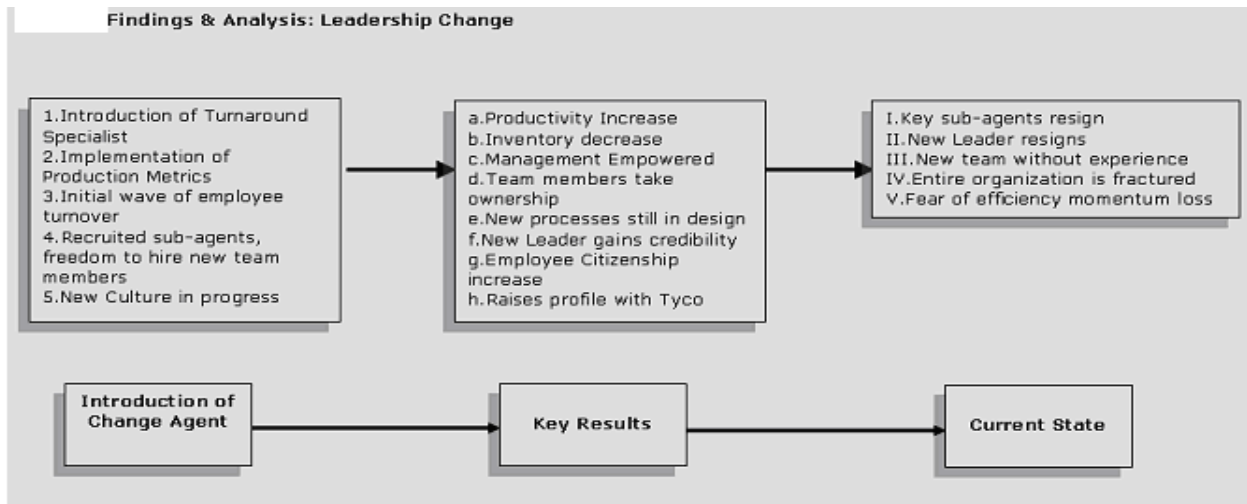


Figure 4: Leadership Change: Findings and Analysis

Organizational Culture

The institution of a quality culture is tantamount to transformational change in organizations (Abraham et al., 1999). Culture change is driven by a change in performance. An organization’s culture cannot be installed. It can be guided and influenced by the policies, practices, skills, and procedures that are implemented and reinforced. The only way to change the culture is to change the way individuals perform on a daily basis (Pennington, 2003). TQM was the first challenge to the culture.

TQM practices require a shared mindset (culture) that emphasizes customer satisfaction, shared leadership, and getting it right first time. TQM directly challenges and seeks to alter the culture or “the pattern of basic assumptions which given groups have invented, discovered or developed in learning to cope with problems of external adaptation and internal integration” (Abraham et al., 1999). “TQM means that the organization’s culture is defined by and supports the constant attainment of customer satisfaction through an integrated system of tools, techniques and training. “This process involves the continuous improvement of organizational processes, resulting in high quality products and services” (Appelbaum and Wohl, 2000).

BTSA Ltd. staff responded well to the Plant Director’s arrival and embraced the changes. The Plant Director deserves much credit for having influenced these changes while respecting and involving the BTSA Ltd.’s senior managers.

- Plant employees were volunteering to be next in line for improvement initiatives;
- The number of union employee grievances did not increase during the past year;
- Senior staff members believed and were convinced the changes benefited all;
- Synergies among all staff members increased;
- The Plan Director “went to bat for us”.

BTSA Ltd. has been active in Canada since 1914, when the BTSA Ltd. family selected this site to build their second plant. BTSA Ltd. has a long history of being socially responsible in this small rural community.

Over the last year, the new Plant Director contributed to re-establishing some traditional social activities such as the annual Christmas party, summer BBQ and employee golf tournament. These activities were previously cut back in context of MultiTech Global's aggressive expense cutting mission following the public wide corporate scandal of their Ex-CEO and company in 2001. Those activities are clearly organization culture artefacts that must be kept to insure better socialization and decrease the turnover. Organizational culture can also refer to the artefacts, perspectives, values, and assumptions shared by members of an organization (Knapp, 2006).

During the interviews and plant visit, the feedback on employee moral was positive and indicative of a collaborative culture. Comments were made about how BTSA Ltd. was a "family oriented business". With MultiTech Global's lavish corporate offices located in the US, the BTSA Ltd. plant located in a rural Canadian province seemed like a remote foreign nation for MultiTech Global. This was another reason why the flexible and multi cultured plant director was so quickly embraced by corporate. This also served as a political buffer between the BTSA Ltd. local staff and Corporate MultiTech Global. The analysis of the qualitative data failed to show a link between BTSA Ltd. culture and recent increase in employee turnover.

CONCLUSION

The study found a correlation among the changes in organizational structure, new leadership and the inherent cultural differences between BTSA Ltd. and MultiTech Global and the recent significant increase in employee turnover. The overall transformational changes at BTSA Ltd. contributed to the historical high levels of employee turnover.

On one hand, most of the turnover can be seen as a normal process while changing culture, structure and leadership. This type of turnover is considered as non-avoidable. On the other hand, there is some non desired and avoidable turnover at the management and engineer level which needs to be addressed.

BTSA Ltd.'s introduction of a change agent, notwithstanding its short duration, was just enough to "shake the tree". Albeit, the life span of a turnaround specialist is roughly between one to one and a half years. However, given the abrupt departure of Plant Director, the change agent has unfortunately left BTSA Ltd. in a state of fracture or shock, affecting both staff and culture.

ALTERNATIVES

There are many constraints which actually limit the possible number of alternatives available to BTSA Ltd. First off, we must be able to consider options which are within the General Manager's control. Secondly, MultiTech Global's organizational structure, corporate vision, and culture are core elements which must be integrated within the proposed solution. Time constraints are also critical in the analysis, given the current fractured state of BTSA Ltd. which imposes urgency upon management to deal with survivors and potential immediate repercussions.

One of the considered management alternative was to recruit a new Plant Director, but not as a change agent. Essentially, the new recruit would act as a 'calming' agent in order to settle the culture shock within management and stabilize the direction thereby reassuring staff that no further major changes are anticipated.

Another alternative would be to maintain the same strategy as previously taken, in other words, recruiting another Plant Director as a change agent and proceed to 'shake the tree' even more. This may prove to be detrimental since, as repeatedly stated, the company is wounded and further managerial 'bombardments' would deter any further loyalty by the so-called 'injured' survivors and risk losing more key staff members. Also there is a relationship between ethical climate and deviant behaviour in terms of how these organizational changes occur (Appelbaum et al, 2005).

While it is important to replace the change agent who left by another experimented leader, there are others immediate actions to take to nurture and retain key employees especially those in the management and engineer groups. The key recommendations are given in light of these constraints.

RECOMMENDATIONS

Based on the above information the following actions are recommend that take into account each stated constraint and include short and long-term strategies (ranked by priority):

1. Immediately create a cross functional change ‘team’ rather than depending on a single “change ‘agent” to move forwards the valuable TQM initiatives.

The BTSA Ltd. change team should include the R&D Director, Controller, HR Director, Sales and Marketing Director and the next Plant Director. Team development empowers organizational members to develop team planning actions in order to resolve problems. In addition, BTSA Ltd. should look into the possibility of introducing incentives and rewards for team activity rather than individual activity. This team based approach is beneficial in countering any innate negative effects of the matrix organizational structure by strengthening horizontal integration through communication and effective coordination between departments and other functional teams. This also addresses the concern of further losses of key employees.

2. Nourish the culture, respect the artefacts.

Accelerating the adoption of MultiTech Global’s culture is recommended, however, care should be taken when dealing with BTSA Ltd.’s deep rooted artefacts, values and assumptions. In order to maintain (or refreeze) this newly established culture and re-establish a state of equilibrium, the change team will need to be ‘sensitive’ in dealing with the survivors. MultiTech Global’s published Values, Mission and Goals are sound, however, the leaders and managers must “walk the talk” and behave accordingly.

3. Greater emphasis on ‘Training’, especially in the areas where TQM initiatives are dependent upon.

Most TQM related concepts such as Six Sigma, 5s, SMEAD, Lean manufacturing and Kanban are relatively new to BTSA Ltd. employees. Therefore, greater effort must be invested to ensure that employee skill levels are elevated or sufficient to support the desired transformational and technological changes.

4. Recruit (within the next year) and develop the next BTSA Ltd. Leader now and in Canada.

Research suggests that a leader and a manager are two, very distinct roles. On one hand, the manager is preoccupied with production efficiencies, whilst the Leader’s role is critical for elaborating and communicating the future vision for BTSA Ltd. Clearly, the current GM is still regarded as the top leader at BTSA Ltd. Evidence of this is the fact that in the interim, he is now spending (on average) 3 days a week in Canada to oversee the plant operations while a new Plant Director is recruited. The company should be planning to recruit a successor for this critical leadership role within the next year, well before the GM considers his retirement.

As potential future research, it would be interesting to actually perform new research on the attraction and retention of highly skilled employees such as Engineers (particularly in knowledge-based industries) in rural zones. Some specific profiles may be easier to attract and retain than others. This case study was a beginning in that challenge.

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