

## **A new direction for Delta Pacific: A case study**

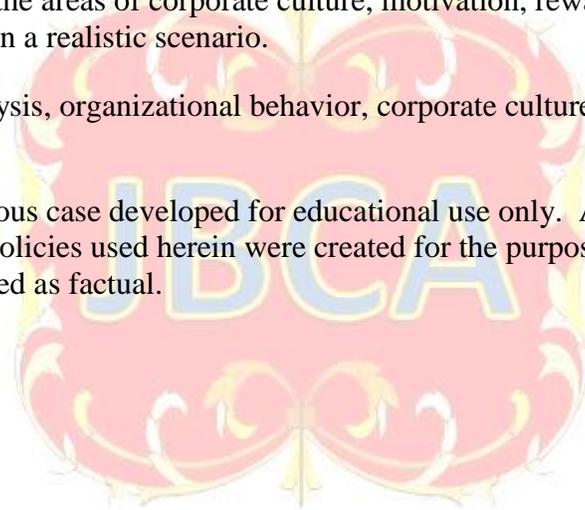
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### **ABSTRACT**

Time in the classroom is largely spent providing students with theories, concepts and models. Exams frequently consist of multiple choice questions asking students to reiterate those concepts. One way to build analytical skills and ensure students advance beyond memorization of facts to an application of theory is through the use of case analysis. This case presents the challenges facing an organization as it transitions from its traditional business model to one that incorporates greater reliance on the knowledge of its workforce. The focus of this case is on the role of the organizational behavioral system in facilitating a successful transition to the new corporate strategy. The case of the Delta Pacific Company provides an opportunity for students to apply organizational behavior concepts in the areas of corporate culture, motivation, rewards, leadership, and change management in a realistic scenario.

Keywords: case analysis, organizational behavior, corporate culture, motivation, change management

Note: This is a fictitious case developed for educational use only. All statements, names, numbers, dates, and policies used herein were created for the purposes of this case and should not be construed as factual.



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## **INTRODUCTION**

In a global business environment where organizations can no longer rely on traditional factors that historically lead to a competitive advantage such as access to proprietary technology, exclusive rights to raw materials or proximity to customers and markets, many organizations have re-structured to capitalize on new success factors. In the United States that has resulted in a shift in many cases from product or service-based businesses to knowledge-based businesses (OECD, 1996; Powell & Snellman, 2004). Powell & Snellman (2004) define the key components of a knowledge economy as "...a greater reliance on intellectual capabilities than on physical inputs or natural resources..." (p. 201). This case presents the challenges facing an organization as it transitions from its traditional business model to one that incorporates greater reliance on the knowledge of its workforce. The focus of this case is on the role of the organizational behavioral system in facilitating a successful transition to the new corporate strategy.

## **SUGGESTED AUDIENCE**

This case is intended for both undergraduate and graduate management students. It can be applied in the context of organizational behavior, leadership, or change management. It can be utilized in varied scenarios. Because it is relatively short, it is likely best used as a comprehensive final exam for OB. However, it could also be used as either an individual or a team-based assignment. The questions posed to the students can be designed to focus on certain aspects of the case (motivation, leadership, change etc.) to meet the needs of the course and assignment.

## **THE CASE SCENARIO**

The Delta Pacific Company (DPC) has a long history of success. The company has been at the fore front in the development of information technology since the 1970s and led the market in technology development, manufacturing and sales throughout the 1980s to the mid-1990s. DPC was a success story. They consistently met or exceeded their profit targets, successfully integrated new technology into their products, and they were considered one of the best employers in the country. With generous benefit packages, a high quality of work life, industry leading salaries, and a corporate culture that considered its employees to be part of a family, potential employees were lined up for opportunities to join DPC.

However, with the advent of globalization, freer trade, and low cost overseas labor, DPC found itself slowly losing market share for its primary product: computer hardware. DPC had prided itself on producing and selling the best products and training its sales force to develop long term relationships with clients that brought them back year in and year out for DPC's technology. Along with hardware, DPC also sold service contracts and training classes for the end users of their products. By the late 1990s it became clear to the leadership at DPC that they could no longer compete with less expensive products being produced overseas. At one time they could sell their higher priced goods on the premise that they were of higher quality, but that was no longer the case. Foreign-made products were now being produced to match or even surpass the

quality standards set by DPC. However, conversations between sales representatives and their clients did indicate one thing: the clients valued the personal interaction they had with the sales reps and the personalized advice that they could provide to their clients to help them to reach their goals. DPC recognized that they needed to make a change and they believed they had a new vision for their company.

As they entered the 21<sup>st</sup> century DPC moved away from hardware solutions to business challenges and shifted instead towards knowledge-based solutions. Rather than selling equipment, DPC began to market the extensive knowledge of their workforce. DPC would no longer sell the equipment; they would instead provide integrated knowledge-based solutions to information management problems. Essentially they would become a consulting firm that would assist their clients to set up systems that would facilitate information management. But now their solutions would go beyond hardware and encompass software, organizational design, data collection management, work flow and overall information management re-engineering. Sales reps underwent significant training to prepare them for their new roles. However, the redesigned jobs were not a good fit for all of the sales reps. Some moved on to other types of positions within the company, but others left to pursue opportunities elsewhere.

As expected, profitability declined during the initial introduction of this new organization mission as employees became accustomed to their new roles. Due to the time taken to train employees, they were spending less time in the field with their clients generating revenue and more time in the classroom being oriented to their new roles. However, the decline persisted much longer than anticipated and the company's leadership team, board of directors and the shareholders were growing impatient with the slow returns. It became increasingly apparent that while the training, resources, and equipment were in place, significant changes in the organizational behavior system at DPC were necessary to ensure long term success.

## **TEACHING NOTE**

### **Case Overview**

This case presents the challenges faced by an organization that is transitioning to a new business model that relies upon the knowledge and expertise of its employees to build customer relationships rather than on the products and services that they supply. The learning curve for the implementation of the new model is extending well-beyond what was initially anticipated by the leadership at DPC and they suspect that the issues are due to changes required in the organizational behavior system. Students are asked to assume the role of a consultant who will make recommendations to DPC's leadership team that will facilitate successful implementation of the new business model. In so doing they will address factors such as organizational culture, motivation, rewards, leadership, and change management.

### **Learning Objectives**

1. Utilize analytical skills to diagnose organizational problems.

2. Apply organizational theories and concepts to design and implement interventions to resolve organizational issues.
3. Evaluate effectiveness of strategic choices to ensure that they are consistent with organizational objectives.

### Case Questions

Students are to assume the role of a consultant hired by DPC's leadership when answering the questions to this case. They should focus on making specific, detailed recommendations to assist the company in achieving its goal of effectively implementing its new business model. Responses to the questions should reference theories/concepts/processes that will help the company and its employees to adapt to the new direction and new work environment. Do not just reiterate a theory; explain how it applies to the case and why it is the best approach. Responses are graded on both the effectiveness and relevance of the recommendations as well as the quality of the explanation that accompanies each recommendation.

1. The case indicates that DPC has traditionally had a "...corporate culture that considered its employees to be part of a family...". Do you believe that this is the best culture for the organization going forward? Why or why not?
2. As the sales representatives at DPC take on their new roles in the organization some are very excited about their new positions and new opportunities for growth, while others are reluctant to assume these new responsibilities. The level of motivation to excel in the new position varies among the employees. Using expectancy theory and equity theory, explain why two employees may have entirely different reactions – one works harder than ever while the other decreases effort. Use each theory to explain each reaction – in other words, use expectancy theory to explain why one employee would increase effort and why the other would decrease effort and then provide the same arguments using equity theory.
3. DPC must develop a new reward system to facilitate the transition to its new business model. Rewards will play an important part in achieving employee buy-in. What recommendations would you make to ensure that the organization incorporates both extrinsic and intrinsic rewards? How important is it for managers to understand the individual needs of their employees in administering the reward system?
4. Effective leadership is one of the most important determinants of the success of an organization. Research has addressed traits, behaviors and situational theories of leadership. More recent studies have examined charismatic, transformational and transactional leadership. Compare and contrast these three leadership styles. How can DPC benefit from transactional and transformational leaders? Recent research has asserted that leaders are not always necessary. What characteristics can substitute for leadership?

5. Based on the information provided in this case, it appears that the anticipated change at DPC has stalled. Discuss why employees may be resisting this organizational change and how it can be overcome. How can DPC build employee support for the change? How would you implement Lewin's three-stage model for change?

While these five questions provide a starting point for analysis, other areas to consider include communication, work design, conflict management, stress management and team development.

### **Suggested Answers to Case Questions**

1. This question gives students the opportunity to demonstrate their knowledge of different types of corporate cultures including the clan culture, bureaucratic culture, entrepreneurial culture and market culture. Students should discuss the current culture (likely most closely aligned with the clan culture), its strengths and weaknesses, and then make specific recommendations about the type of culture they feel would be most effective in the future. It is likely that most will recommend either an entrepreneurial culture or a market culture. The important element is for the students to make a clear argument, by displaying their understanding of the different types of culture, as to why one would, in their opinion, be superior over another. There is also an opportunity here for students to discuss how they might begin to address the long, slow process of culture change.
2. In this question students should first clearly explain the mechanics of both expectancy theory (expectancy, instrumentality, and valence) and equity theory (comparing one's ratio of outcomes to inputs to a referent other). However beyond the explanation of the theory, students must demonstrate that they can apply the theory within the context of the question. One possible application may be that the employee who is motivated to work harder believes that he/she can achieve the required performance level (has been trained, has the necessary skills, believes he/she has management support, has the needed resources), believes that if he/she achieves the required performance level a reward will be received (through past experience, watching others, trust in management) and the employee values the reward offered. Therefore positive expectancy, instrumentality and valence are likely to lead to higher motivation. The opposite could be said of the employee with lower motivation levels.

In the application of equity theory the student would need to explain the various inputs (education, effort, seniority, goal attainment, hours worked, difficulty of the job) and outcomes the employee might consider (pay, promotion, more interesting work, flexible work hours, psychological rewards) when making a comparison to another employee. It is important for the student to recognize that these are perceptions that may or may not be accurate; thus motivation can be impacted by inaccurate attributions. The manager must play a role in trying to

shape and guide the validity of these comparisons.

3. This question gives students the opportunity to discuss different types of reward systems including individual, team and organization-wide rewards. Students should discuss how to integrate these different levels of rewards into the workplace and the potential strengths and weaknesses of each. For example, an emphasis on individual rewards ensures a clear link between rewards and performance (assuming that performance can be effectively measured) but may negatively impact team building activities. While team-based rewards encourage cooperation and achievement towards a common goal, free-riders or social loafers must be identified and excluded from the reward process (there may be some opportunity here to discuss peer evaluations). Finally organization-wide reward systems (like profit sharing) are designed to make employees think more like owners, but their distant “line of sight” between behavior and reward can reduce their effectiveness as a motivational tool.

Students should discuss the importance of both extrinsic rewards (such as salary, benefits, status, recognition) and intrinsic rewards (such as challenging work, autonomy, opportunities for growth and achievement). Students should indicate the potential limitations of extrinsic rewards (less immediately satisfying, potential for extrinsic rewards to negatively impact intrinsic satisfaction). However they should also consider that while money has an instrumental value that is potentially satiable (there is only so much that can be acquired with money), there is some expectation that symbolic value of money (the knowledge that one make more money than another and that the company regards his/her services and abilities highly) may be insatiable for some employees. Achieving the right balance is important and recommendations will vary among employees. Students should discuss the importance of individual needs with respect to some of the primary theorists in this area (Maslow, Alderfer, and Herzberg). They must recognize that to motivate an employee, managers must understand employee needs, recognize that these needs change over time, and that they will differ among employees. They must recognize that individuals are not always motivated by what the manager thinks should motivate them, and that employees are not always motivated by more of what they already have.

4. In this question students should first demonstrate their knowledge of charismatic, transformational and transactional leadership. But rather than simply defining each they need to identify similarities and differences and explain where each type of leadership is most effective. Of particular interest is the explanation students will provide regarding the roles of transactional and transformational leadership. Lussier and Achua (2010) provide an excellent discussion outlining the differences (pp. 352-355). While transformational leaders motivate employees by appealing to their higher ideals and their need for self-actualization by presenting a compelling vision for the future, transactional leaders focus more on the leader-follower exchange (LMX) by helping employees determine what needs to get done in order to achieve the desired results. Students should expand

on these ideas to discuss in detail how these different leadership styles co-exist in the organization and how both are necessary for success, referring in particular to the facts of this case. Students are also asked to discuss factors that can, in some cases, substitute for strong leadership such as employees with significant education and experience levels, structured tasks, cohesive work groups, and self-managed teams. They should provide examples of how these factors can impact the effectiveness of the leader.

5. There are many reasons for employees to resist change and these generally fall into three categories: logical (e.g., time needed to adjust and learn new skills, possibility of less desirable conditions), psychological/emotional (e.g., fear of unknown, loss of status, low tolerance for change), and sociological (e.g., change in social interactions). This list is by no means exhaustive but provides some examples. It is important for students to recognize that these threats may be real or perceived; but regardless they ultimately impact employee behavior and the ability of the organization to effectively implement the desired change. Again, there are many ways organizations can try to build support for change, and students should identify several alternatives and explain why they would be the best choice for DPC. For example, employee participation in the change effort, celebrating small victories and sharing rewards, improving corporate communication, and/or addressing leadership behavior at all levels of the organization (again, this is not an exhaustive list but some examples to consider). Students should discuss Lewin's (1947) three-stage model for organizational change (unfreeze, change, refreeze) and apply it to the facts of this case.

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