

The people cried – a case of compassionate, transformational leadership

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ABSTRACT

The case involves leadership and management concepts that relate to strategic and tactical decision making and actions. Specifically, Ross, a new executive vice president and plant manager, initiates organizational transformation through empowerment of employees and use of their ideas to improve key performance indicators. The initiatives are very successful, and the employees are committed to improvement and to their new leader whom they trust and admire. However, when the plant loses a major contract, corporate executives ask for reduction in headcount which, in the past, has meant layoffs of hourly employees. This time, the reductions are from the top down (vice presidents, down through supervisors), and areas are re-structured to accommodate the reductions in headcount. When corporate executives ask for a second round of layoffs, Ross resigns. As he gives his farewell address at the end of each shift of work, the people have tears in their eyes. They note that many management people have left the plant either voluntarily or involuntarily, but this is the first time that the people cried.

Key Words: 5P's Model, Empowerment, Key Performance Indicators, Leadership, Management, Organizational Transformation; Strategic and Tactical Plans

Note: This is a field-researched case based upon an actual situation within a company. The names of the employees and the company are disguised.

THE CASE: INTRODUCTION

This case raises issues relating to leadership, decision making, organizational culture, key performance indicators, organizational transformation, alignment of corporate and plant management philosophies, and the requirement for a strategic leadership/management model (such as the 5P's Model) to assist in the alignment of key organizational elements and execution of the strategic and tactical plans.

Case Objectives

The teaching objectives of this case are: (1) to assist students in strengthening their leadership and management skills; (2) to enhance students' capabilities to analyze the decisions and actions of managers, to determine their strategic and tactical impact, and to offer suggestions for future decisions and actions; (3) to explain the impact of organizational culture on employee behavior and performance results; (4) to demonstrate the difficulties managers encounter during efforts to transform organizations; (5) to address the need for empowerment and accountability for results in the management of organizations; and (6) to address the need for horizontal and vertical alignment of top management teams.

Courses and Levels

This case is appropriate for use in management courses at the undergraduate and graduate level. It could be used in Strategy, Organizational Behavior, Managerial Skills, Principles of Management, Quality Management, and Organizational Transformation courses.

THE CASE: BACKGROUND

A new plant manager has introduced a plant improvement initiative and hired a vice president of improvement initiatives to assist him. They have involved management and non-management employees throughout the plant, and the initiative is working. As the teaming occurs, those involved are caring more about each other and their work. They are streamlining processes and improving relationships as they learn theories and tools related to their work and to the improvement initiative. Then the plant loses a major contract, and corporate starts asking for layoffs and re-structuring.

INFORMATION ON KEY PLAYERS

Key players are depicted on Chart 1 and include Ross, Executive Vice President & Plant Manager, and Laura, Vice President of Improvement Initiatives.

CASE SCENARIO

The people in the plant believed every word he said to them. They wanted to believe him, this executive vice president and plant manager, Ross, who came to them from New York by way of Florida. (The organizational chart is depicted in Chart 1.) Ross went straight to the shop floor. He walked among them. He became a part of them. He brought mahogany row to the machine shop. It was an unlikely alliance. For years, there had been layoffs, strikes, and all

the distrust that came with them. But Ross seemed different. Also, there was a new vice president named Laura on the plant manager's staff. She walked through the plant with Ross. She and Ross ate in the cafeteria with the union employees. She had an easy laughter that made everyone relax. No one knew exactly what Laura did, but her title was Vice President of Improvement Initiatives. Together she and Ross made the plant seem a special place to work, a place where the workers could actually challenge existing processes and offer innovative ideas.

There was now a comfortable look in the workers' eyes as Ross said to them: "You know, management does not know crap about the things you do out here in the machine shop. You run this place. Your ideas are the only ones that matter to me!" Glen, a machinist said, "Well, let's get on with it then. If you want this place to operate better, we can do that. But it won't work if we try to do it alone. You go back to your office, and your words mean nothing out here – not to us, not to our bosses."

There was a deafening silence. Then everyone laughed uneasily as they looked to see Ross' reaction. Suddenly, he burst into laughter and said, "Why would I want to be up there looking at reports that tell me what *might be happening* down here? I'd rather come down here and talk with y'all and *know for sure what's happening.*"

That's how it began in October, 1985 – two teams of hourly guys in the machine shop focused on improving the processes by which they did their work. They had found a soul mate, someone who cared about them and wanted to work with them, to be on **their** teams. Managers, directors, and supervisors observed this strange scenario cautiously, but Clyde, Vice President of Production, and Randy, Vice President of Quality, seemed energized by this sudden interest in people on the production floor. For the first time, a plant manager wanted the production people to give him ideas about how the plant should operate and to offer suggestions for improvement.

Ross and Laura pulled the machine shop people together after hours (paid them overtime) and asked: "What problems exist for you? Ross personally began writing their answers on a flip chart. After a little time had passed, he asked: "What can management do to help you solve these problems?" See Chart 2 for the answers to Ross' questions.

Ross asked the Machine Shop employees (management and non-management) what things they cared about passionately at work. Their responses were: safety, job security, product quality (so we don't have to do rework), co-workers, getting our work done fast so our bosses will leave us alone, and being respected. This time the Production Director over the Machine Shop wrote the responses on the flip chart. Ross and the members of his leadership team used these responses and others obtained in similar scenarios throughout the factory to revise the organization's core values.

He suggested to Production directors, managers and supervisors that all processes in every shop should have key performance indicators. He asked them to think about the core values, the things they care about and to ask themselves questions, such as "If we care about safety, how will we behave, and how will we measure our safety results? If we care about quality, how will we behave, and how will we measure our quality results? Who will track results?"

Ross involved vice presidents, directors, and people in the Training Department in teaching management and non-management employees about process ownership, management and improvement; leadership; empowerment; change management; quality theories and tools; and many other performance excellence concepts. He sent people to Quality courses taught by Dr. W. Edwards Deming and Dr. Joseph Juran and to other external courses such as Quality Function Deployment and Taguchi Methods. Also, he brought experts to the plant to teach a

variety of subjects such as Managing Agreement (The Abilene Paradox - Dr. Jerry Harvey), Leadership (The Leadership Challenge - Jim Kouzes and Barry Posner), and Innovation (Col. Rolf Smith).

For five years, everyone in the plant was involved in documenting, managing, and continuously improving the processes which they owned. Customers and suppliers were also involved in the improvement initiatives. For the first time in the history of the plant, the hourly union employees were involved in the development and execution of strategic and tactical plans. The stock price soared. Everything seemed so perfect.

Then the plant lost a bid for a major contract. Corporate asked Ross to lay off 20% of the people at the plant. Such a reduction in force had historically been from the bottom up. Ross was almost in tears as he discussed the situation with the members of his leadership team. Laura sat quietly as the vice presidents commented that this always happens. Sandy, the Vice President of Engineering said emphatically, "That's the reason you can't involve hourly people in strategic planning and suggestions for improvement. It just sets them up for disappointment in, and distrust of, management." Sam, Vice President of Finance, and Dan, Vice President of Marketing agreed.

As Vice President of Improvement Initiatives, Laura had always played a "behind the scenes" role. She had led the team that designed the improvement initiative system, and the intent was that Ross would be the formal leader of the system. Laura would be Ross' confidante and internal consultant, his executive coach. Therefore, after the meeting was over, Laura stayed to talk with Ross. She said, "Why do we have to lay off people from the bottom up?" She suggested, "Why don't we lay off people (or let them retire) from the top down? We have 12 vice presidents. Let's merge areas and have 7 vice presidents. We have 75 directors. Let's merge areas and have 25 directors. We have 150 managers. Let's merge areas and have 50 managers. We have 500 supervisors. Let's merge areas and have 100 supervisors. Let's keep all the hourly people and cross train them. Let's keep all the engineers and let them help us figure out how to get the next big contract." Ross' response was, "Laura, you are one of the 12 vice presidents. You know that this will not be easy." Laura replied, "Yes, but the hourly guys will know we care about them when some of us leave."

Ross, the Plant Manager and Earl, the Vice President of Human Resources (with input from Laura) executed the organizational restructuring in order to meet the Corporate-mandated goal of 20% reduction in employees and still retain the plant's continuous improvement strategy. To support the organizational restructuring, an "early out" program was developed that would allow people to retire early or simply leave to find another position.

Within six months, Corporate asked for another 20% reduction in headcount. With his attorney by his side, Ross flew to corporate headquarters and met with the CEO and his top executive team to ask for a delay in this headcount reduction until the next contract was acquired. When the CEO would not relent, Ross told him that it was a matter of integrity for him to stand up for people who had actually saved the plant during the contract loss. He then resigned as executive vice president and plant manager and let his attorney negotiate his settlement. When that was done, Ross called Laura first and told her to prepare her own exit strategy since he was no longer her boss because he had refused to lay off any more people. He asked Laura to call an all-plant meeting for the end of each shift for the next day.

At each of the shift meetings, Ross tried his best to convey hope for the future. He told the people that they had made a huge positive difference in the plant operations and that they should continue to operate the same way in the future. On each shift, as Laura looked around at

the people, they all had tears in their eyes. No one said a word. Obviously, word had gotten out at the plant that Ross had resigned. Over the years, many people had left this plant. Some had resigned. Some had been laid off or fired. This was the first time that the people cried.

Using scholarly journal articles, please answer the following questions (Include in text APA citations to substantiate your answers and an APA style reference page at the end of your case analysis):

1. Discuss various leadership/management styles (e.g., transactional, transformational, charismatic, authentic, etc.).
2. List and discuss at least 5 management concepts and theories that can be used in the analysis of this case.
3. Discuss the lack of alignment of corporate and plant management philosophies.
4. Based on Ross' actions, what type of manager is he? Justify your answer.
5. Based on Laura's actions, what type of manager is she? Justify your answer.
6. What did Ross do right? Justify your answer.
7. What mistakes did Ross make? Explain your answer.
8. What did Laura do right? Justify your answer.
9. What mistakes did Laura make? Explain your answer.
10. What other information do you need to better analyze this case?

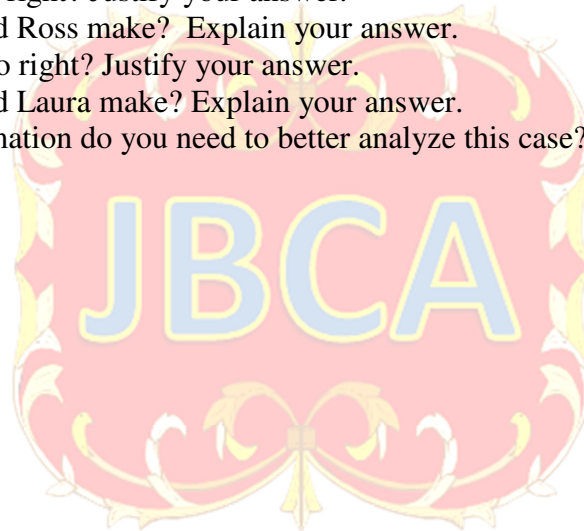
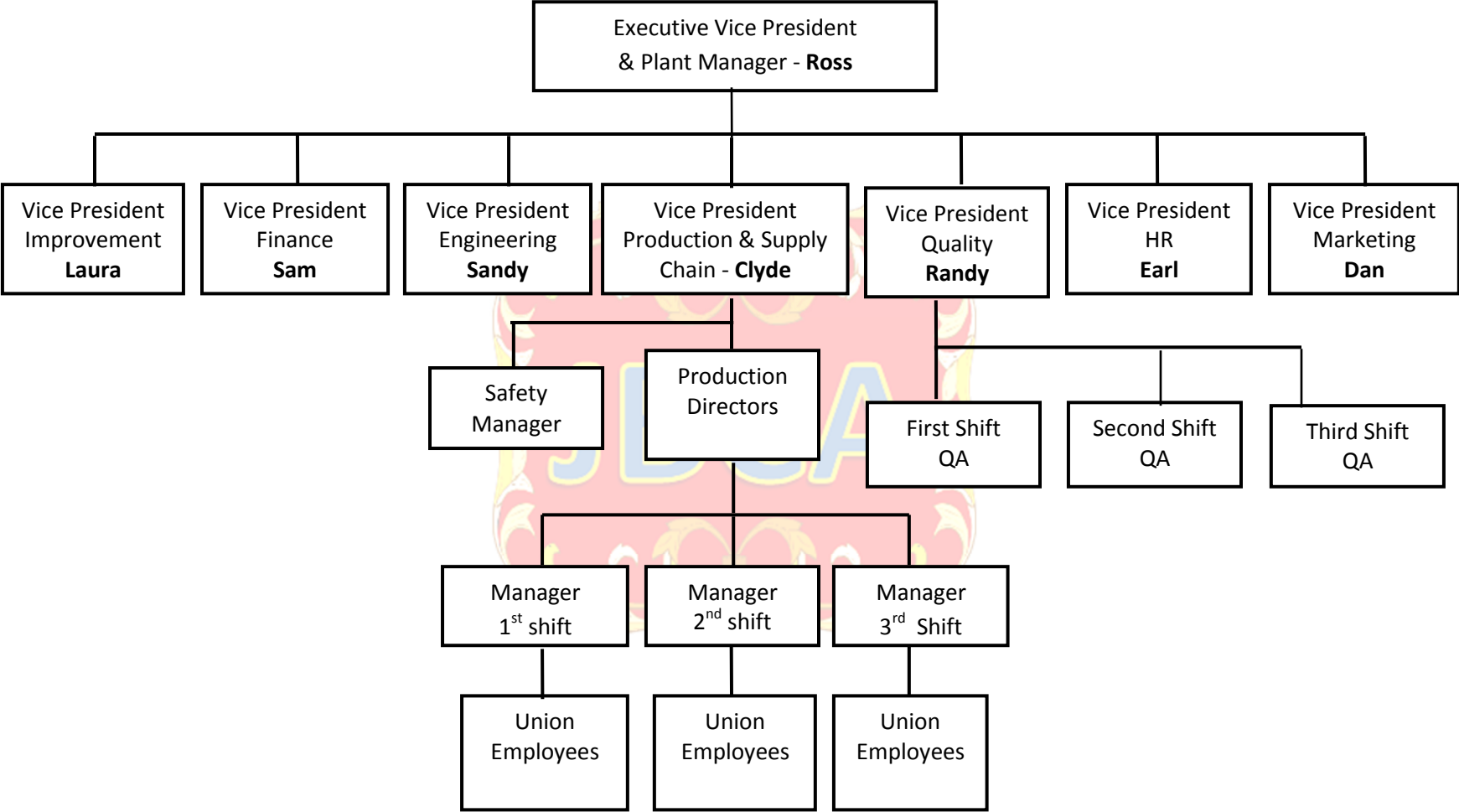


Chart 1: *Organizational Chart



*Note: There were 12 vice presidents, 75 directors, 150 managers, and 500 supervisors. Only selected positions are depicted on the organization chart.

Chart 2: Responses of Machine Shop Employees

Problems	Suggestions for Improvement	Expected Results	What Can Managers Do to Help?
Quality people have computers. Production people don't. We can't track our KPI's.	Provide Quality access to computers.	Production employees can track their KPI's and make improvements based on them.	Let Production share Quality's computers or buy some for Production.
Design Engineers, Industrial Engineers & Quality Engineers talk to our bosses. They don't talk to us or ask our opinions.	Develop integrated product development teams that include production, quality, & engineering personnel.	Improved cycle time; Improved relationships among internal customers and suppliers.	Support IPD teams.
We get demerits, but there's no system for merits.	System needs to focus on what employees do right.	Improved morale; Improved efficiency & effectiveness.	Re-design system to focus on what employees do right.
We only know our supervisors. We don't know who our managers and directors are.	Higher level managers should practice MBWA (management by walking around).	Improved relationships; Increased management knowledge of operations	Walk among the workers. Solicit ideas. Observe the operations as people work.
The lighting is bad over some of the machines.	Replace lighting.	Improved quality & efficiency.	Replace lighting, and ask what else needs to be done.
We know what the problems are with our machines. IE's have to evaluate the machines to find out.	Let Production people input to the maintenance data base.	Fewer work stoppages because of machine breakdowns	Trust & empower Production people.
IE's choose the machines for the shop floor.	Production people need to work with IE's to choose the machines.	Improved relationships & "buy-in" from people who participate.	Let Production people work with IE's to choose machines.

TEACHING NOTES/INSTRUCTORS MANUAL

Case Analysis and Suggested Answers to Questions

1. Discuss types of management and leadership.

Whetton and Cameron (2010) emphasize that “Managers cannot be successful without being good leaders, and leaders cannot be successful without being good managers” (p. 17). They describe management as hierarchy skills, such as managing stress and self-awareness and marketing skills, such as motivating and managing conflict. They note that leadership includes clan skills, such as communication and team building and adhocracy skills such as leading change and innovation. Management is applicable in times of stability and leadership during times of change (Whetton & Cameron, 2010).

Management style refers to characteristics consistently applied to the decision-making process (Poon, Evangelista, & Albaum, 2005). Vidic (2007) points out that most styles involve two components: task leadership (characterized by the establishment of expectations in the pursuit of goal attainment) and relationship leadership (i.e., leader-follower relationships). Vidic (2007) lists four leadership techniques: (1) delegation; (2) participation, i.e., involving followers in the decision-making process; (3) selling, i.e., explaining and persuading followers; and (4) telling, or providing specific instructions and close supervision. Management styles all include varying degrees of task and relationship behaviors that are manifested in a combination of actions (delegation, participation, selling, telling). Some of the distinguishing traits of a particular style may overlap with those of another.

Charismatic Leadership

Charismatic leadership refers to a leader’s ability to influence and transform others’ values, beliefs, needs, preferences and performance (Michaelis, Stegmaier, & Sonntag, 2009). “Charismatic leadership theory focuses on emotions and values, acknowledges the importance of symbolic behavior and the role of the leader in making events meaningful for followers” (Michaelis, et al., 2009, p. 401). Choi (2006) states that “A charismatic leader’s envisioning behavior influences followers’ need for achievement, and the leader’s empathic behavior stimulates followers’ need for affiliation” (p. 24).

Charismatic leaders are highly influential and inspire commitment and trust through the effective use of vision, mission, and trust (Humphreys, 2005). Followers tend to identify with charismatic leaders and are receptive to evaluating and changing the status quo. They are also more likely to focus on positive rather than negative aspects of change. In addition to their interactions with others, charismatic leaders tend to risk their personal well-being for the sake of the vision as they display intuition and timing in striving for achievements and subscribe to nontraditional problem-solving approaches (Whetton & Cameron, 2010). Charismatic leadership supports organizational change because it inspires the commitment of employees. Charisma is often a part of various types of leadership including transformational leadership.

Transformational Leadership

Going beyond short-term goals, transformational leadership strives to improve higher intrinsic needs (Bass, 1985; Bass, 1990; Bass & Avolio, 1993; Judge & Piccolo, 2004; Tichy &

Ulrich, 1984). Initiated and named by Burns (1978), transformational leadership was refined by Bass (1985). It was Bass (1985, 1990) who noted that transformational leaders look beyond their own personal self-interests and take actions that are in the best interest of their followers and their respective organizations. Burns (1978) emphasized that transformational leadership “occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality” (p. 20). He goes on to say that “transforming leadership ultimately becomes moral in that it raises the level of human conduct and ethical aspiration of both leader and led, and thus it has a transforming effect on both” (Burns, 1978, p. 20). Since transformational leaders act out of their personal value systems, they are able to unite their followers and influence their respective beliefs and actions (Bass, 1990; Burns, 1978; Humphreys & Einstein, 2003). It is out of their personal value systems that they exercise compassion for others, including followers and customers, and help others develop into compassionate, transformational leaders (Boyatzis, Smith, & Blaize, 2006).

Humphreys (2005) notes that transformational leadership is evidenced when leaders and followers are “engaged in such a way as to enhance the enthusiasm and morality of one another such that the goals of each become fused in the best interest of the organization” (p. 1411). Bass (1985) indicated that behaviors associated with transformational leadership are: (1) charisma, (2) inspiration, (3) intellectual stimulation, and (4) individual consideration. Avolio, Waldman, and Yammarino (1991) re-stated the four elements as the 4 I’s of transformation leadership, i.e., idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Van Eeden, Cilliers, & van Deventer (2008) emphasize that “the leader . . . designs appropriate strategies to develop individual followers to achieve higher levels of motivation, potential, and performance” (p. 255). Such development strategies help ensure long term organizational success and survival (Fulmer, Gibbs, & Goldsmith, 2000). Because transformational leadership works to improve an organization, it is especially important in times of needed change and growth (Vidic, 2007).

Servant Leadership

Related to the transformational style of leadership is servant leadership which places followers’ well-being over the interests of the leader and utilizes a sharing of power. Servant leaders are concerned with individuals’ self-esteem and self worth (Humphreys, 2005). In order to achieve organizational goals, servant leaders lead by example, serving as caring role models to others as a way to accomplish goals and support followers’ development (Block, 1993; Vidic, 2007). Humphreys (2005), Spears & Lawrence (2004) and Vidic (2007) list ten characteristics of servant leaders as developed by Spears (1994):

- Listening to needs of others as a necessary aspect of personal growth
- Empathy to understand followers and build trust and acceptance
- Healing as a means to integrate “wholeness” and trust within an organization
- Awareness of self, others, and organizational goals
- Persuasion instead of coercion
- Conceptualization of the larger organizational “picture”
- Foresight, or developing intuition about the future via understanding of the past
- Stewardship, recognizing that a leader should serve others and the organization
- Commitment to growth of the organization and of followers, and
- Building community to create a sense of organizational inclusion among followers.

There are commonalities in some of the characteristics of transformational and servant leadership. According to Humphreys (2005), the primary distinction is that servant leaders are more focused on the emotional needs of followers rather than the good of the organization, and transformational leaders are motivated chiefly by the well-being of the organization before that of followers. Whereas transformational leaders' initiatives utilize the 4 I's to stimulate proactive innovation in a dynamic environment, servant leaders' initiatives focus on sharing leadership, valuing and developing people, and preserving a more stable environment (Humphreys, 2005).

Authentic Leadership

Integral to both transformational and servant leadership is the concept of authentic leadership. Ilies, Morgeson, & Nahrgang (2005) state that "authentic leaders are deeply aware of their values and beliefs, they are self-confident, genuine, reliable and trustworthy, and they focus on building followers' strengths, broadening their thinking and creating a positive and engaging organizational context" (p. 374). Their self-awareness and trust in their own values, motives, and feelings are critical to understanding personal strengths and weaknesses, which leads to higher emotional intelligence and objectivity to create greater leadership effectiveness. Also important to authentic leadership is unbiased processing, i.e., leaders process information honestly, especially self-relevant information. The fundamental attribute of authentic leadership is integrity so that people's actions are in alignment with their values, and actions are not taken which are contrary to one's morals. Finally, authentic leadership requires striving for openness and trust in relationships (Ilies, et al., 2005). Barnard (1938, 1940) as discussed by Novicevic, Davis, Dorn, Buckley, and Brown (2005) indicated that authentic leadership has a technical aspect which involves the capability of leaders to perform their duties and a moral aspect which involves dependability, human conduct, and foresight related to purpose.

Transactional Leadership

The transactional leadership style is referred to as a social exchange process in which leaders give something to followers in exchange for something the leader wants. According to van Eeden, et al. (2008), "The leader clarifies what the followers need to do as their part of a transaction (successfully complete the task) to receive a reward or avoidance of punishment (satisfaction of the followers' needs) that is contingent on the fulfillment of the transaction (satisfying the leader's needs)" (p. 255). Transactional leadership focuses on making sure the group stays on task. As a result, it is supportive of the status quo (Vidic, 2007).

Transactional leadership encompasses three dimensions known as (1) contingent reward, (2) management by exception – active, and (3) management by exception – passive. Contingent reward involves the use of praise and rewards dependent on the followers' achievement of expectations (Vidic, 2007, Judge & Piccolo, 2004). Active management by exception implies that the leader proactively monitors behaviors and mitigates problems before the follower behavior results in negative results. With passive management by exception, leaders take action after the behavior has occurred (Judge & Piccolo, 2004).

Transactional leadership is useful in keeping the status quo, so it often results in a culture of low risk. Also, it is used in situations where failure would be catastrophic (Vidic, 2007). Transactional leaders value structure and are more task-oriented than people oriented, which can negatively affect a leader's ability to employ inspirational motivation (van Eeden, et. al., 2008).

Laissez-Faire Leadership

The avoidance of leadership is laissez-faire leadership which differs from passive management by exception only in that it does not take require taking any action at all (Judge & Piccolo, 2004). Leaders avoid all responsibility, avoid setting goals, hesitate in making decisions or taking action, do not clarify expectations, and are absent when needed to become involved (van Eeden, et al., 2008, Judge & Piccolo, 2004). This form of non-leadership is not well studied but is expected to be ineffective (Vidic, 2007). At the same time, it may allow for followers to self-manage (van Eeden, et. al., 2008).

Autocratic Leadership

The most dictatorial leadership style is the autocratic style. De Hoogh and Den Hartog (2009) note that autocratic leaders limit followers' input and autonomy, show little respect for followers' opinions and values, and tend to dominate and exert will to impose their ideas. This has the effect of decreasing followers' self-determination and sense of control. In addition, autocratic leaders have limited consideration for others and provide limited or no support for their followers (De Hoogh & Den Hartog, 2009). As a result, followers are presumed to feel little sense of empowerment or inspiration and may work only to avoid reprimands of their bosses. Like laissez-faire leadership, this style of management is presumed to be largely ineffective.

2. List and discuss at least 5 management concepts and theories that can be used in the analysis of this case.

Core Values

Throughout the case, core values are a recurring theme. Pryor, et al. (2007, 1998) and Pryor, et al. (2007) indicate that core values relay (1) what is important to the organization as well as (2) what organizational leaders care about passionately. Core values serve as the foundation for organizational culture and operating guidelines (Pryor, et al., 2007). Ferguson and Milliman (2008) suggest that there are two types of core values that work together in various degrees of balance. Organizational level values relate to output and processes (e.g., the customer is always right, a tenet aimed to guide all employee behavior). Psychological values are those components that address morality and aspirations (e.g., doing the right thing or compassion).

The study of organizational core values presents an interesting phenomenon. Various authors (Ferguson & Milliman, 2008; Van Rekom, van Riel, & Wierenga, 2006) indicate that while core values drive people's actions and motivations, the subjective nature of how they are internalized by each person may lead to differing results. Also, Van Rekom, et al. (2006) emphasize that "Values expressed through ideology need not to be the same as those substantiated in behavior. Employees may subscribe to a value, but may not know why they should stick to it and may not really know to live up to it" (p. 176). Employee input was valued by some members of the organization (Ross, Earl, Laura, and Randy) but not by others. When the economic landscape required layoffs, Sandy, the Vice President of Engineering was unequivocal in his conclusion that it was a poor decision to include employees' input as a major change component. The contrast of these two behaviors leads one to believe that the organization's approach to change initiatives is not adequately supported. The resulting

differences of opinion about the espoused core value of employee involvement may have been insufficiently communicated and thereby allowed subjectivity. Also, the lack of strategic and tactical alignment at the executive team level may have been a reason that this core value was insufficiently affirmed by some managers.

Empowerment and Participative Management

The plant's process improvement strategy was further strengthened through employee empowerment. Ross' engagement of all levels of employees seemed to bring new employee energy and enthusiasm. They were no longer "prisoners of work" as the employees felt free to engage in improvement strategies and most importantly, take ownership of their work (Pryor, Humphreys, & Taneja, 2008). When this happens "work is energizing" as members "ensure their own success through helping ensure their organization's long-term viability" (Pryor, et al., 2008, p. 24). Lok, Hung, Walsh, Wang, & Crawford's (2005) study reported that employee involvement is a key indicator of process improvement success.

Empowerment was an important theme throughout this case and was at the heart of the events surrounding the organization's change and the morale of its members. Yukl and Becker (2006) describe empowerment as a psychological condition in which members believe that they have the ability to develop their own work opportunities, be involved in decision-making, and perform meaningful work. The way in which the case's members achieved empowerment was through Ross' use of participative management (Greiner, 1973). Participation occurs when collaboration or influence is shared among members of an organization who are otherwise considered unequal (Kim, 2002).

Various authors (Greiner, 1973; Kim, 2002; Salahuddin, 2010; Yukl and Becker, 2006) note the relationship between participative management, empowerment, and positive results. According to Salahuddin (2010), "Participative leadership leads to quality decisions, consensus and acceptance, understanding of the decision by those responsible for implementing it, development of decision-making skills throughout the organization, enhanced motivation, job satisfaction, resolution of conflict, and team development" (p. 2). When Ross met with his production teams, sought and used their input, and let them drive the processes for change, he was utilizing participative management. Critical components such as worker feedback, task identity, and autonomy allowed workers to experience meaningfulness of their work, responsibility of work outcomes, and knowledge of work results. Worker feedback, task identity, and autonomy directly affect employee empowerment (Yukl & Becker, 2006).

Organizational Change

When Ross first came to the shop, he was met with skepticism which could reinforce the idea that people are resistant to change. However, this is not necessarily true. Van Dijk and van Dick (2009) indicate that resistance is generally to what people perceive to be probable negative consequences as a result of change. This is consistent with the case since layoffs and strikes had resulted from previous management changes. Further, van Dijk and van Dick (2009) propose that another key reason that employees resist change is because of self preservation based on management styles and communication and interaction with their managers. At first individuals and members of teams embraced the process changes because Ross demonstrated his value of their input and ideas and let them drive the change. Next, Ross and Laura did not accept the

corporate executives' proposed organizational change because (1) There were potentially significant negative effects and (2) they were not involved in the decision-making process. Otherwise, they may have better understood the reasons for the layoffs, and they may have been able to influence the outcome. Charismatic leadership (Choi, 2006) and transformational leadership (Bass, 1990) are leadership styles that are useful during periods of organizational change.

Organizational Restructuring

Corporate executives requested that Ross lay off 20% of workers at his plant. As an alternative, Laura proposed restructuring the number of areas, reducing upper and middle management, redefining job roles, and cross-training workers to meet plant objectives. When deciding on a restructuring strategy, firms should incorporate transaction cost economics into the decision-making strategy. This refers to assigning values to the different outcomes that could result from a given decision in order to compare them (Kulkarni & Fiet, 2007). The objective is to identify restructuring alternatives that will provide the greatest profitability and efficiency while eliminating waste and bureaucracy (Kulkarni & Fiet, 2007).

From information in the case, it seems that corporate executives did not use transaction cost economics or analyze the possible benefits of Laura's suggestions. Also, there was no discussion of the cost of layoffs of employees which can be significant. Layoffs often negatively impact morale so that workers experience much less organizational commitment, productivity, and positive workplace attitudes (Probst, 2004). Finally, corporate executives did not address issues of bureaucracy and waste, and they did not explore additional opportunities to consolidate regions and flatten/trim the management structure.

Trust

Another important concept in the case is trust, specifically trust in managers and their credibility (Douglas, 2010; Jones & George, 1998; Korsgaard, Brodt & Whitener, 2002; Kouzes & Posner, 2003; Michaelis, et al., 2009; Yoon & Ringquist, 2011). Trust in management exists when organizational members are willing to be vulnerable to them (Michaelis, et al., 2009). When Ross first came to the plant, the employees distrusted him because of their previous experiences with plant managers. Instead, they found a leader who was willing to be vulnerable to *them* by *trusting them* to be key drivers of processes. This reciprocal relationship fostered a mutual trust that resulted in much success in terms of process and quality improvement. The reason that trust had such a positive impact on the plant's output is that team members understood management's (Ross') good intentions; they were provided the opportunity to protect their self-interests; and they were afforded a sense of control (Michaelis, et al., 2009).

When the organizational members trusted management, they responded positively to Ross' promises of autonomy and involvement in decision-making and provided hard work and commitment. This type of relationship results in teams that have higher commitments to change, which contributes to innovative behavior and organizational success (Michaelis, et al., 2009).

Teamwork

Critical to the plant's change initiative success was the utilization of teamwork. When Ross first sought to understand the underlying issues at the plant, he worked with both

management and non-management people. He included vice presidents, directors, managers, supervisors; members of the training department, machine shop and other production employees, and other employees throughout the plant. Customers and suppliers were also involved. Integration of the different groups into the decision-making and improvement efforts was an important tactic as the diversity of each group's experiences and knowledge contributed to a wider variety of quality ideas and alternatives (Cannella, Park, & Lee, 2008). Further, obtaining the input of the different stakeholders intuitively makes sense from pragmatic process and empowerment standpoints. Cannella, et al. (2008) indicated that inclusion of the departmental managers was also effective as they "are likely to 'have a good perception of where the knowledge is and how to tap into it'" (p. 769). Similar to the interaction between managers and employees, when team members trust each other, they are more likely to be motivated, productive, and experience positive performance (de Jong & Elfring, 2010).

Motivation

There are many elements to motivation, and some have already been discussed (e.g., participative management and empowerment, trust in management, and teamwork. To further examine motivation, one can apply Herzberg's (1959, 1987) need theory of hygiene and growth needs. In the workplace, hygiene needs comprise of conditions of the job such as wages, rewards, company policies, and interpersonal relationships. Growth needs are more intrinsic and include such elements as responsibility, recognition and feedback, knowledge and training, and information (Lundberg, Gudmundson, & Andersson, 2009).

The case does not present enough information to ascertain how workers' hygiene needs in the form of wages and rewards were met. However, members seemed to be positively affected by the teamwork and interpersonal relationships at the plant. They were negatively affected by company policies regarding layoffs. Addressing employees' growth needs positively motivated the workers. Their responsibility in continuous improvement initiatives, involvement in training, and acquisition of inter-department knowledge seemed to relate to the intrinsic requirements of Herzberg's (1959, 1987) model.

Process and Quality Improvement

Process improvement is an integral element in this case because of its positive impact on member relationships. The plant had a business process management (BPM) initiative which Lok, et al. (2005) described as "the active and disciplined approach to the measurement and review of an organization's end-to-end processes with the aim of improving operational effectiveness" (p. 1358). Processes are separated into core and support processes and examined, e.g., when the team recorded their problems and areas for improvement. As part of BPM, continuous improvement measures are taken and changes in business processes are documented in an effort to achieve incremental organizational performance improvements (Lok, et al., 2005). The plant engaged in continuous improvement through its continual documentation, management and improvement of processes by its internal and external customer and suppliers.

Deming (1986) is revered as a pioneer of quality theory that involves improvements in processes, quality, productivity and costs. Increases in quality and productivity and decreases in costs improve an organization's ability to capture the market, stay in business, and provide more jobs. Wayhan, Khumawala, & Balderson (2010a,b) found that the principles of Total Quality

Management have an impact on financial performance, but only when coupled with a variety of other organizational capabilities. It would appear that the apparent success of the plant's continuous improvement measures would inevitably result in greater efficiencies that would drive the plant's competitiveness up in the marketplace. However, the plant lost the bid, suggesting otherwise.

3. Discuss the lack of alignment of corporate and plant management philosophies.

The plant had experienced a long history of layoffs, strikes, distrust, and adversarial relationships between labor and management. One key difference in the philosophies of plant management and corporate executives was the extent to which they valued employees. Corporate executives were willing to eliminate 20% of the plant's employees with no input as to whether it was the correct rightsizing strategy or how it would affect employee commitment and morale as well as output and performance. It is presumed that their decision was based on solely achieving an overhead reduction goal with little regard for consequences. The management style of corporate executives seems to be autocratic (De Hoogh & Den Hartog, 2009) or "director" style, i.e., high assertiveness, low responsiveness (Douglas, 1998).

In contrast, Ross valued employees and was highly collaborative. His management style was charismatic and transformational (Bass, 1990; Burns, 1978; Humphreys, 2001; Humphreys & Einstein, 2003) with an overriding style of "expresser" (Douglas, 1998). Plant employees worked for empowerment, intellectual stimulation, innovative risk-taking, and process improvements. The difference in the way the two entities valued worker contributions is best illustrated by the VP of Engineering's declaration that one should not involve hourly people in planning because they eventually will be disappointed. Ross' response might be, "Why do you assume you *have* to disappoint them? They are our most valuable resources!"

4. Based on Ross' actions, what type of manager is he? Justify your answer.

Ross' management style is charismatic and transformational. He is charismatic because he values the different interactions between team members affords the group. Also, he inspired individuals and team members and motivated them through his vision of a fundamental, grass-roots process improvement strategy. He also went against his own self-interests for the sake of his vision (that the business and strategy be driven by the knowledge workers) when he resigned instead of laying off more of his team members.

Ross is a transformational leader who values collaboration, growth for his team (through training and inter-department planning/process improvement), and leader-follower trust and commitment. He was a risk-taker, big picture person who was committed to engaging and empowering individuals and team members to create innovative improvements. Despite his self-sacrifice, Ross' overriding management style is more transformational than servant leadership because his motivation was concerned *primarily* with achieving organizational objectives, not simply valuing and serving his workers.

5. Based on Laura's actions, what type of manager is she? Justify your answer.

Laura is a servant leader whose philosophy and values were guided by service to the hourly workers. Morality and a sense of right versus wrong drove her motivation. She was also a

transformational leader who offered innovative ideas to restructure the entire company through consolidation of divisions, streamlining upper and middle management, redefining job roles, and cross training. Considering corporate management's past actions and current proposals, Laura's ideas were innovative and risky. Both Laura and Ross were authentic leaders who were true to their commitments and values. Laura volunteered her termination for the good of the workers, and Ross did resign in protest. Conflicts between self-interest and those of the organization may arise for a leader, and the reconciliation of this tension is fundamental to authenticity (Novicevic, et al., 2005).

6. What did Ross do right? Justify your answer.

Ross did many things right. The most significant was his personal interaction with, and empowerment and encouragement of, employees which resulted in efficiencies and increased profitability. His actions were in congruence with his values which created credibility with his team. As a result, he inspired and motivated them to be creative and own their processes. Ross maintained his integrity, and he trusted his team and they trusted him. That is why they cried when he resigned. From the beginning, Ross identified with the machine shop workers and built trust between them as a team and between them and management. Ross included all levels of workers in plant decisions. He showed them respect, gave consideration to their ideas, and made them feel like each person had value. Ross was very charismatic. He avoided negative backlash while making serious changes at the plant. Ross challenged everyone at the plant to improve their processes, and because he had previously earned their trust, they did this willingly. He fostered an atmosphere of continuous improvement and gave them tools needed for success. He provided training in process ownership, leadership, empowerment, change management, and quality theories and tools. When the plant lost the contract and corporate ordered him to reduce employees by 20%, he was open to ideas about how to most effectively achieve the reduction. Ross was a participative leader who kept people informed even when it was bad news.

7. What mistakes did Ross make? Explain your answer.

Ross' mistake was how he handled the final wave of layoffs. While his actions were admirable from an integrity standpoint, they did not change anything. His resignation created a "no win" scenario in which neither he nor the employees won. His team was now without a leader whom they trusted and revered, and the organization was at risk without his leadership and management capabilities. Finally, the 20% reduction was still likely to happen, so even with his resignation, he did not achieve his objective of saving his employees' jobs. Armed with data to highlight the folly of layoffs from an organizational performance standpoint, Ross should have employed a negotiating strategy. He should have presented an alternative plan or offered to revisit the existing plan if certain goals could not be met. If Ross' negotiating strategy was not successful, at least he may have learned the reasons why an immediate layoff was necessary (i.e., no one will have a job if the firm cannot operate profitably.)

While Ross was admired and respected within his plant, he did not spend enough time fostering a positive relationship with corporate executives. Management includes dealing with senior management (Higgs, 2006/2007), top management team interdependence (Barrick & Bradley, 2007), and executive team alignment (McKnight, 2009). If Ross had a better relationship with corporate executives, perhaps they would not have called for the second

reduction so quickly. The second request for the reduction in employees is where Ross lost the most credit. He spent five years establishing trust with his plant employees. Yet, in one day, he abandoned them. When Ross went to corporate to seek an extension on the reduction, he appears to have had honorable intentions, but when corporate said no, he just quit. Then he told Laura to prepare her own exit, which was not appropriate and not good leadership. Ross had established trust, and he was very respected by the workers and managers at his plant. He should have returned to the plant and stayed on as Plant Manager. He should have implemented the reductions and helped the plant recover from what would have been a tragedy for it.

8. What did Laura do right? Justify your answer.

Laura's ideas to cross-train, redefine roles, and restructure the organization were positive contributions. If her ideas had been implemented, the organization may have discovered new operational efficiencies, eliminated waste, and streamlined hierarchical bureaucracy. When Laura learned of the second round of employee reductions, instead of accepting the status quo, she offered an alternative plan that could have cost Laura her job.

Laura exhibits characteristics of a strategic, authentic, transformational leader. Her actions were compatible with the 5P's model which includes five elements, Purpose, Principles, Processes, People, and Performance (Pryor, White & Toombs, 2007, 1998; Pryor, Anderson, Toombs & Humphreys, 2007). She focused on the organization's Purpose, i.e., "the elements that constitute the strategic intention of the organization" (Pryor, et al., 2007, 1998; Pryor, et al., 2007). Laura's intent was to meet the requirement of the reduction without negatively impacting engineers and production workers as well as the organization's strategic and tactical plans. Laura also wanted to support the organization's Principles, i.e., "the guiding philosophies, assumptions, or attitudes about how the organization should operate and conduct business" (Pryor, et al., 2007, 1998; Pryor, et al., 2007). She suggested a Process, or steps designed to get the desired output. Her plan was to merge areas to reduce the number of vice presidents, directors, and supervisors. By retaining workers and implementing cross training, she was supporting the organization's Purpose, Principles, People and Processes to achieve the desired Performance. Laura seemed to understand the need for a strategic leadership model such as the 5P's Model (Pryor, et al., 2007, 1998; Pryor, et al., 2007) which requires the strategic and tactical use of Purpose, Principles, Processes, People and Performance as well as their alignment with each other.

9. What mistakes did Laura make? Explain your answer.

When the request came for the first reduction in employees, Laura only shared her ideas with Ross. If she had shared her ideas about how to handle the reduction with the entire leadership team, they could have brainstormed together and perhaps developed a better solution. By not doing so, not all of the other members of the leadership team were given an opportunity to impact the future of the plant. However, Laura had served as an internal consultant for Ross, so it is understandable that she would want to offer the suggestion to him first.

10. What other information do you need to better analyze this case?

More information is needed about the strategic and tactical planning model being used by corporate and the plant. If such a model is not being used, this could be a major cause of many

of the problems that corporate and the plant are experiencing. Also, to better analyze this case, more specifics are needed about corporate core values and culture. Knowing what corporate executives espouse as core values would be useful in determining the decisions and actions necessary to best align the plant's philosophies with those of corporate. The marketplace conditions, industry specifics, and macroeconomic environment for this organization would have been useful because they would potentially have implications for trends, future growth, plant structure, and needed changes.

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