

End Matter

Integrative Cases

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CASE 2 Managing Commitment in Demanding Jobs

LEARNING GOALS

This case will allow you to explore the challenges of managing critical employees who work in demanding jobs. As the lead management analyst employed by a holding company, you're responsible for examining management practices at a newly acquired firm. More specifically, you'll be looking into some problems related to the retention of key employees in this company. The search for the root causes of the acquisition's problems will require consideration of several interrelated factors having to do with the way the work, and the way people doing the work, are managed. After reading the case, you'll prepare a report for your boss that describes your findings and recommendations.

KEY WORDS COVERED

- Organizational commitment
- Forced ranking
- Transactional theory of stress
- Stressors
- Emotional intelligence
- Team diversity
- Cohesion
- Groupthink

THE SITUATION

The Lorean Group, an international holding company, recently acquired a controlling interest in Tiger Advertising. This advertising agency, which employs 6,644 people worldwide, has been successful since its inception in 1964. Revenues over the past four years have been flat, however, and costs of running the business have been climbing steadily. Tiger was acquired in spite of this recent decline in profits because of its reputation in the industry and its extended list of loyal clients. Lorean has a history of turning around

troubled acquisitions, and the belief is that Tiger can be saved as well.

The Lorean Group intends to let Tiger operate independently, though it seeks to understand the causes of the recent poor performance of the company. The Lorean Group recognizes that, although poor firm performance could be attributed to isolated incidents, most often there are systematic problems that require changes in practices and policies. You're a management analyst from Lorean, and your boss has given you the responsibility of analyzing the situation at Tiger and offering recommendations that will improve the firm's financial performance and its long-term prospects. You travel to Tiger's corporate headquarters and plan to spend four days meeting with people to gather information that will inform your recommendations.

Your first meeting with the Tiger top management team went fairly well. The first thing that struck you was this: Although the team members are quite different from each other in obvious ways, beneath the surface there is remarkable similarity. Of the seven members who compose this team, three have been with the company since its inception. The four newer members are much younger and came to the company more recently in response to the firm's rapid growth, due mostly to international expansion that occurred between 2002 and 2007. Despite the differences in age, company tenure, and their functional and industry backgrounds, the members of this team seem to be cut from the same cloth in that each is very businesslike, analytical, hard driving, and results-focused.

In your discussion regarding the company's expansion, William Collins, one of the founders, remarked, "The expansion was tough for us because of all the pressure and uncertainty, and to be honest, we really didn't jell together initially—I thought it was a big mistake to grow so fast and bring new people on board to manage this ship—but now we're past all that, we're very cohesive, and we share the same vision of how we do business. This is a good thing because when I retire in a couple of years, I'll know the company's in good hands." Everyone in the room seemed to nod in agreement. Another founder, Russell "Rusty" Gee, then looked squarely into your eyes and added, "I'm not exactly sure what you're looking to do here, but we've weathered lots of storms together. Yes, we've had a couple of rough years, but we're more than capable of handling things ourselves—this was part of the deal, wasn't it? We know this place better than anyone, so I can't imagine we'll seriously consider any recommendations that'll upset the apple cart." Rusty made the statement in a friendly way with a smile on his face, yet you could tell he was very serious.

Although you learned many things during that first meeting, two things stood out that suggested a real problem. First, turnover among creative team associates at Tiger is high: 35 percent each year for the last two years and 30 percent the year before that. The industry average is less than 20 percent, and it is even lower in the top firms. Creative team associates are vital to Tiger's success, so this retention issue is a big problem. Because the company's business model centers on advertising design rather than production or media services, creative team associates constitute the company's technical core. Although the Tiger top management team seems aware of the problem, they seem to rationalize it. As Jamie Waggner, VP of human resources, noted, "We hire the best and the brightest, so it's only natural that they occasionally get poached by other firms. We try our best to keep them, but during the last few years we haven't had the ability to compete with the salaries they're being offered elsewhere. Once things turn around for us, we'll be able to solve the turnover issue."

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You also learned the company has been sued three times recently. The cases involved associates who were passed over for promotion and who claimed that the work environment was so filled with stress that it made them ill and unable to work. Although you were aware of the first case because it was highly publicized, apparently Tiger went to great lengths to settle the two subsequent cases quickly before anything was disclosed. The first case was settled out of court as well, but not before it became an embarrassment to the company and its principals. You could tell from the tone of the conversation that the management team members are proud that they prevented word of the other two lawsuits from getting out. Before you have a chance to ask the question of whether anyone believes the turnover and lawsuits are related, Jamie volunteers the following. "We were really unlucky during that period. We hired three associates who didn't possess sufficient capabilities, and each had trouble coping in a way that would have led to better outcomes. Most everyone is drawn here because of the challenge inherent in the work that we do—we just have to do a better job in ruling out applicants who don't fit."

Your subsequent observations and discussions with the members of the creative teams did not reveal anything too far out of the norm as compared to other advertising agencies in terms of the immediate work context. Workload and time pressure are very high but not atypical for a large advertising agency. The creative teams typically include three to five associates and are led by a senior client

manager, who makes final design decisions after receiving input from the members. Although in your initial meeting Jamie referred to the teams as being self-managed, the senior client managers function more like traditional supervisors in that they assign specific tasks to each member during the projects. Because the support staff is kept to a minimum at the firm to keep costs down, associates also have to take care of a lot the administrative duties. In return, however, the members of the creative teams get to work on some highly visible projects for some very well-known clients.

You also note that the creative teams have autonomy to work wherever and whenever they need to. This arrangement gives employees a lot of flexibility, and working odd hours in strange locations has resulted in some stories of which everyone in the company is familiar. As an example, you heard a story of a creative team dinner meeting in a private room at a local restaurant. When the restaurant closed, the senior client manager handed the owner \$1,000 to let them stay and work, and the team stayed until the restaurant opened for lunch the next day. Although not everyone at the meeting was on-board with the idea initially, and in fact, one member had to leave because of a personal obligation, the team members came together and produced a very successful deliverable for one of the firm's largest clients. The senior manager who revealed this story did so with pride and remarked how it was a "fantastic team-building experience for those who chose to tough it out" and that it perfectly reflects the "company's 'work-hard, play-hard' mentality."

When you inquire about how the job performance of the creative associates is managed, you learn that toward the end of each calendar year, the senior client managers get together and spend an entire day on the evaluation process. The evaluations focus on the extent to which each associate contributed to the designs of the teams they worked on during the previous year. A list of all associates, ordered by their job performance scores, is generated. This list is then used to determine three categories, each of which is associated with some significant reward consequences. The top 10 percent get sizable bonuses, which typically amount to 50 percent of base pay, and are fast tracked to senior client manager. The next 30 percent get a 25 percent bonus and are considered "on-track" for promotion. The others get a small share of profit, but typically this amounts to 2 to 3 percent of their salary.

Bonus checks, and a letter explaining how the bonuses are distributed, are mailed to the associates' residential addresses at the beginning of the winter holiday. When you inquire about why the company distributes performance feedback this way, Jamie told you the following: "The associates work in teams and so they're understandably sensitive to differences in their bonuses. Although they're intended to send strong signals to the associates, we avoid bad feelings and conflict. By the time they get back from the holiday, it's not on their minds as much."

You had lunch with several senior client managers to gain their perspective on the company. Although this meeting started off well, they became a little defensive when the subject of the turnover and lawsuits came up. One remarked, "Around here, you're rewarded for paying your dues, for doing whatever it takes to deal with anything that gets thrown at you. Yes, it's demanding, and it requires sacrifice, but how else can we find out whether people have what it takes? Those of us sitting at this table with you are a product of this and it works—look at how successful we've been. We just can't tolerate hires who claim they can't take it or that it's abusive."

You also met with a group of creative team associates, and for the first time, you're exposed to a different perspective regarding what life is like at Tiger. As an example, one associate said, "I learned a lot from dealing with the pressure at the beginning, but the work is nonstop. They say it's "work-hard, play-hard," but even the play feels like work. Another associate chimed in, "The projects are great, but I never feel like I'm fully involved, I'm always on the periphery chipping in where I can." As a final example, a third associate stated, "It's definitely sink-or-swim around here, that's for sure. It's easier for some people who get plugged-in with a manager right away, but I've never seemed to gain favor with any of them regardless of how many hours I put in. To top it off, the crazy hours are creating a lot of work-family conflict, and the strains are really adding up."

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YOUR TASK

Your charge is to prepare a report for your boss that describes what you learned during your visit to Tiger. The report should begin with a description of Tiger Advertising and its current situation. The report should also describe the most important problems Tiger is

confronted with, as well as the causes of those problems, in terms of OB concepts and theories. In your report, ensure you cover the following issues.

1. Describe the diversity that's present in Tiger's top management team. Discuss how the team's diversity likely affects its functioning and its effectiveness.
2. Describe signs that groupthink is present in Tiger's top management team. In what ways is this groupthink problematic? What can be done to overcome these problems?
3. Describe the primary sources of stress the creative associates are experiencing. Explain how some of these stressors have led to Tiger's problems while others have led to its success.
4. What is the underlying general premise that senior client managers seem to have regarding the stressful demands at Tiger, and in what ways is this premise problematic?
5. Why are the perceptions of the managers and creative associates so different with respect to the nature of Tiger's management practices and policies? What role could emotional intelligence play in ameliorating some of these differences?
6. Based on your analysis of Tiger, does the company need a minor "tune-up" in regard to its practices and policies, or is a major overhaul in order? What three recommendations would most likely resolve Tiger's problems with organizational commitment and potential future litigation?

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