

Chapter 37

Reflections on an Organizational Change Process in a Medium-Sized Bavarian Family Business

Mark J. Woodbridge

Mark Woodbridge GmbH, Germany

Regina H. Mulder

Universität Regensburg, Germany

ABSTRACT

The objective of the initial Organizational Change Workshop, conducted on behalf of a medium-sized family-owned business, was to reduce employee health costs. During the workshop, it was soon clear that the main cause of the problems was inefficient order-processing practices. The consultants correspondently revised their change approach. Previous experience was used (evidence informed), as well as information gathered during the complete assignment (evidence based), together enabling a successful re-organizational alignment and a subsequent reduction in health expenditure.

INTRODUCTION

The client of the organizational change (OC) project discussed in this reflective case history is a family-owned business located in the Alps outside Munich in Southern Germany. It was founded in 1984. They are in the carpentry and joinery business, manufacturing high-quality wood flooring and interiors; for example, for conference facilities, luxury homes, cruise ships and upper market yachts.

In other words, they work together with a rich and highly discerning clientele who can be very demanding and who are prone to change requirements at short notice. This type of customer usually has highly specialised needs and most assignments need to be “custom-designed and manufactured”. The German company works on the underlying premise that, for a price, anything is possible. A target group, which efficiently advised and pampered can be highly profitable - but, at the same time, is stressful to

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work with and satisfy completely. Due to the individual nature of the order book, there are few standard products. Especially the larger commissions usually necessitate their own research and development stage, prior to the actual manufacturing process.

The firm's expertise undoubtedly lies in its 'woodworking' ability, as well as a detailed understanding of how wood works/combines with colours and other design elements such as metal and fabric. The company has approximately 120 full-time employees and maintains sales offices or has partnerships in Germany, Austria, England, Spain, USA and Hong Kong.

Some 30 employees work in an office building and the remainder in the 35,000 m² production facility. Most of the employees are 'locals' living just a few minutes from the factory. Not uncommon, in remote Bavarian woodland regions, several are related by family. As in other similar areas in Europe, they are usually conservative by nature and adverse to change.

The company had had serious difficulties in fulfilling orders which, in turn, led to a shortage of liquidity, and additionally placed the employees under further pressure which subsequently led to a number of serious health issues. As a result, 'Woodbridge – making companies healthier' was retained to advise senior management how the company could rectify the current unsatisfactory position and be put on a long-term stable footing.

From the outset, as a result of discussions with senior management, it was clear the company was not performing efficiently and hence profitability was suffering. The precise causes were not initially clear. But, it was soon apparent that management at all levels was not particularly experienced, processes were poorly defined, and that whilst an organisational structure was theoretically in place it was not adequately defined or being adhered to. Consequently, morale was suffering and employees 'were taking care of themselves' and not functioning as a unified team. For example, those managing the company had generally risen through the ranks due to their practical woodworking ability. But, as is frequently the case in such companies in Germany, they had not received any specific management or leadership training. Particularly, the qualities of 'leadership' and 'teamwork' were lacking, as well as an understanding of how the various departments of the company interface – resulting in a so-called 'silo mentality'.

This combination led to ineffective working methods, relatively low productivity, duplication of effort; these then caused motivational issues throughout all levels of the company which, in turn, led to above average absenteeism and a variety of health-related issues and their associated high costs.

To compound matters, the company was the victim of its own success. A well-led sales team was able to grow the order book, but the additional volume of work simply added more pressure and increased the stress within the already inadequate structure – subsequently leading to serious delivery and quality issues and, as a result, dissatisfied customers with a need to be regularly placated.

ORGANIZATIONAL CHANGE PROJECT

Project Definition

Local management was particularly concerned about the aforementioned organizational health issues and, as an initial step, commissioned the advisors to research and implement a corporate health programme with the goals of reducing stress levels, improving employee productivity and motivation, while also reducing the costs arising from absenteeism and the medical charges referred to above.

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