

Enterprise Management Leadership

One man's personal crusade to save a company – A project case study

This paper is an edited version of an article by A. Wyrcaan,
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Editor's Note

This edited version of Wyrcaan's original article from 25 years ago is presented here as a wonderful case study of a personal project. It demonstrates how leadership can fix even the most dysfunctional organization. The key is devising a plan and having the determination to carry it through. Although the case study describes the recovery of a small company, many of the situations described, and their rectification, could equally apply to a large complex project.

The author and country are European, but the text has been updated with North American spelling and the lesson is universal. You will find a selection of *Issues for Discussion* at the end.

Introduction

Is poor industrial performance the fault of the worker or its managers? Wanting to find out, an ex-consultant joined a small company at the bottom and found trouble at the top. Here is his story.

I am retired, and I live on the dividends and interest from investments bought from earned income and this, of course, stimulates an intense interest in the state of the economy. I should explain that, as a former managing director and sometime consultant, I have a reasonable track record and was considered competent to evaluate commercial, industrial and labor performance.

I have read so much of the intractability of production people, the stupidity of managements and the greed of financiers and the like, that I have been inclined to accept these allegations. But are our production forces truly lazy, greedy and unmanageable? Is industrial management really inept, corrupt, effete and lacking in stamina? The only way I could really find out was to get on the inside and see for myself.

I was not looking for a top management job for this study, I wanted to get in where the action was and do a job which would involve me in most aspects and at all levels of an undertaking. I was curious, too, to ascertain my own capabilities after some years away from this sort of activity. But how could I say: "I just want to see how well you perform?"

In any case this was a problem because, at fifty plus, it was questionable whether any company, large or small, would give me a job and even if they did, would it be representative for the study I had in mind? Indeed, would it furnish the opportunity I had in mind? However, I came to the conclusion that if the company was still alive under today's poor conditions, it must be fairly representative. And if not representative, then at least the plan would be an exercise in measuring my own deterioration, if any, after my lay-off.

I wrote some forty-nine applications without effect but persistence finally produced a result. Scanning the vacancies columns in a local newspaper, I found a company seeking the services of a "progress chaser". I promptly ignored the instruction to write in my application. Instead, I telephoned the company and in 25 minutes presented myself at the reception.

The Interview

My interview was with the Works Manager. I explained some of my very early experiences and described more particularly my imperative nature, which was, of course, the very necessary quality for a successful "chaser". I have been a chaser all my life. He decided that I should see the Chairman.

It was an agreeable meeting. I sensed what he wanted, so at once described those experiences that equated with the problem of production hold-ups through material and parts shortages, internal and external. Although the company had been operating for a great number of years it had never before employed a "progress chaser". Why this was so was not explained. The Chairman took me on a tour of the premises.

Here are some of the danger signals I spotted on that tour:

- A complete disregard by practically everyone in works and offices of the top man's presence.
- Conversation and/or inactivity continued quite unaffected in our presence.
- Many of those who were working stopped to appraise the "visitor".
- Gangways between benches and machines were cluttered, filth and rubbish lay everywhere around machines, benches and the yard.
- The babble among the groups gathered in front of the stores was extraordinary and continued unabated and unabashed.
- As for the main store itself, "dump" would be a more fitting description.

There was no production engineer in the company, and I wondered how it had survived. Antiquated equipment, outmoded methods dilatorily operated: the absence of any pattern or system of workflow offended my sense of order. The assembly shop, for instance, had itself become a disorganized extension of the main store, with valuable stock strewn everywhere.

I was shown the stock control system; embarrassingly no one could explain the significance of the entries on a card I had selected. It transpired that the lady doing the job had taken over when a former clerk had left. She said she was doing her best, but many of predecessor's figures were incomprehensible to her. She had not been instructed in the job; she had 'just picked it up'. The cost of the clerical labor involved in the entries on the card I had examined must have far exceeded that of the item of stock supposedly being controlled, about 1¢ each. I rifled through a number of the cards, and they seemed to be much of a kind, covered in a near illegible scrawl.

There were no job or batch cards, time or cost records or production control system of any kind. How was I to perform? I said nothing; just listened, asking the odd question here and there. This must have had an effect, for when we returned to the office my starting salary was voluntarily advanced by another \$10,000 a year. I filled in the official (and misprinted) application form.

Light days later, the day before I was due to start, the promised confirmation of the appointment arrived. This was thanks to the perspicacity of the Post Office that could find no such road as mine in the nearby town to which the letter had been wrongly addressed. But during this intervening period I had visited the Companies Registration Office and spent an interesting time studying the history and records of the company, and of the merchant bankers who had sunk a great deal of money into it.

In particular, I was interested in the charges against the company and in its awful financial record. I hoped that this could not be judged a typical small company for now it depended upon a joint stock bank

that had a first charge over all the assets of the manufacturing company. It also had first charge over the personal assets of the chairman who was the major shareholder. The merchant bank was unsecured. I found all this interesting, stimulating even. It was good to be involved again, even in a mess.

The first day

At starting time on the appointed day I presented myself at the Chairman's office. He was there at 9.00 AM and had ready a ruled sheet of foolscap paper on which he had personally penciled the part numbers of those items delaying completion of the specific products. But, there was no priority of urgency, no quantities, no indication of whether the part was made in the factory or bought out.

I asked him none of these questions, for I wanted the opportunity to dig out the information for myself and thus learn how the place functioned. I was glad, too, that no offer was made to delegate some person to initiate me into the intricacies of the organization or even to introduce me to the responsible individuals of the place. At least I did discover that it was known, I knew not by whom, that I was expected to be "chasing" that day. Such was my initiation. If what follows seems trivial and elementary, you will see that, in the circumstances, it could be no other way. So, with certain misgivings as to whether this company could be judged as a representative company in my quest to discover the truth about management and workers, I set to work at 9:10 AM.

With my list in hand, I made for the works foreman's office but he had not yet arrived. The works started at 8:00 AM, although his starting time was 9.00 AM. Instead, I went on to the stock control clerk (sort of). She was marshalling stock in the stores to issue to the works for a batch production. A cursory glance at the vital elements of the proposed issue showed that only 23 of the batch could be produced while the batch was for 250. Thus there were shortages of up to 227 on 17 of the 36 items required for the job.

Was it normal to make issues with such shortages? Or were the shortages expected before production would come to a halt at 23? She had no idea – she was just doing as Charlie said. Charlie was the Works Manager. I instructed her not to issue and to prepare a shortage list for me. She did not question my authority, which saved me tramping back to the Chairman (he had gone home, anyway). Together we tried to identify the exact position of the parts on my list: the batch number against which they were being produced; what had been issued; what was manufactured and what was bought out; as well as manufacturing works order numbers, purchasing order numbers, dates and vendors.

After 90 minutes I gave it up and again sought the foreman. He was having his tea. Through the mastication of a cheese sandwich assisted with copious draughts at the mug of tea, I learned that the chairman's list was "a lot of old cock". I folded the list and put it in my pocket. I got from the foreman a list of products that the Chairman and Works Manager had been nagging him for to satisfy complaining customers, thus I had made customer satisfaction my priority.

Having asked him to make a list of parts he needed to satisfy the list of orders given to me, I made for the sales department. The sales manager was not really the sales manager, he informed me; he had only been made sales manager when the Boss had sent him to France to sort out a technical problem. Who was the sales manager? There really wasn't one. Who handled the sales? That was the Boss. How? Because he knew all the customers.

I was finally directed to a typist who kept the customer sale order files. It was not possible to deduce

which of the orders had been partly or completely discharged. Some were with the receptionist/typist, who did the invoices, or with the shipping department, or with the filing clerk who did not actually file them; she merely brought them back for filing. I was certainly being given the runaround. This I expected. But their judgment of me was evidently not so critical as mine of them because I had only heard a background murmur: "Christ another one?" I went in search of the office allocated to me. It was sufficient for my needs and I spent my 35-minute lunch break eating my sandwiches and ruminating on my morning experiences.

From "chaser" to General Manager

At starting time in the afternoon I sought out the Works Manager. He, it transpired, was always 30 minutes late when the Boss was not around. I finally stood over him while he produced a list showing the priority of demands. Back to the Foreman who immediately flared up – the list was not a bit like the one he had prepared for me.

I told him I would work to the Works Manager list. Taking several items that were common to both lists, we extracted a number of parts that were stopping production. These were bought out. Off I went to the Buyer. He at once claimed they were not short, that deliveries had been made and that the works did not know what it was talking about. Despite this, he promptly added that he would chase the vendors himself.

I pointed out that stock control had no records of his transactions that could be relied upon. He at once claimed they were useless, but in the next breath had to admit he bought according to that record. So, what record could I go by?" "The Purchase Order Copy of course" he replied. "Let me see them" I demanded. "They are in the process of being collated" he responded. ("Collated" – nice word, that!)

I am not a particularly patient man and by now everyone had had their run at my expense. I thought that this fellow, the Buyer, would make as good an example as any. He was a tiny young man, and I am six feet, with a forceful manner, if I want. I said softly, so that his temporary typist would not hear: "Get out the copies of your orders on this list of shortages right now or I will haul you by the scruff of your neck in front of the chairman".

Finally, armed with information of a sort, I set about rousting vendors. What floated up to the surface from this stirring was remarkable. Apart from what it revealed about my company, I was taken aback by the attitude of the suppliers. It seemed that my old fashioned methods had long been dead.

My pressures of cajoling, harassing, and demanding shocked the vendors and my telephone conversations had a marked effect on people who chanced to overhear them. It served to show that I knew what it was all about. I had the company's transport chasing all over the place picking up stuff. I had vendors shipping by Securicor special service, passenger train and air freight. This company wanted parts and it got them.

After three days I went to see the Chairman. Briefly I explained that there was no reliable record of any sort that would enable me to "chase" with any measurable degree of profitable usefulness. I was not even assured that the works, on which I was finally forced to rely, did not already have the parts, mislaid, hidden, lost or even stolen. Most important of all, it was clear that I was bringing in stuff we could not use for a variety of causes not normally the concern of a "chaser". This, I pointed out, would exacerbate the cash flow problem. It was obvious that action must be initiated at once on Stock Control,

Purchasing, Production Control, Costing, Customer/Works Liaison, etc.

Without preamble, I was asked, only three days after joining, to take the job of General Manager. I did so on the undertaking that I would suffer no interference from him or his colleagues on the Board. Now I had the authority to delve and the opportunity to evaluate the attitudes of the work force and, most importantly, the reasons behind the attitudes.

Authority confused with management

The first revelation in my role as General Manager was that, in fact, there *was* a system for the management of sales orders, production programs, and stock control. However, there was nothing for job costing or any form of control on production irregularities and material wastages. That, of course, invalidated the other aspects of management, which had fallen into disuse for a variety of reasons. Either someone had left or been fired, and the function had ceased for this reason, or it was discontinued because the person responsible had let it lapse, knowing there was no enforcing machinery.

Authority had seemingly been confused with management. There was evidence of a confusion of instructions, commercial, management and technical, issued willy-nilly to all and everyone. There was no plan, other than the Boss's edict, for what would be produced over each 12-month period, and that program was never followed through anyway. There were no checks on the relevant aspects of getting the program produced. Certainly there was no way of telling whether there were resources available to meet the program in the first place.

Everyone from sales to production had their alibis for not doing what was thought necessary. Design changes and program changes to suit customers' demands were so many that all could shift their responsibilities back to the Chairman. It was impossible to be sure what had been ordered, or if it had been ordered at all. In such a climate of lies and counter lies, the main preoccupation was in creating excuses for not doing what was needed within the limitations of the organizational arrangements.

To add to the confusion, where there were shortages, which mainly evolved from procedural failings, the Boss would initiate an engineering change and introduce a substitution. The resulting obsolescence added to the general clutter. Needless to say, more often than not the purchasing department would fail to cancel material to the original specification. The cost was great, and the effect upon production from a morale point of view was disastrous. The constant changing damaged interest and, more importantly, caused assembly shops to become fitting shops, just making do all the time.

I learned, too, that new products were introduced to production without any preliminary trial runs to iron out the inevitable snags. Every product had an ever-growing list of design variations. The drawing office was becoming as large as the assembly shop. Surely this could not be a typical example of small business? Or could it?

Labor and management confrontation

Following my General Manager appointment, the staff became quiescent but not so the works. At once I had a visit from the shop steward. What was I going to do about wages, working conditions and the canteen? Wages, I observed, were not high as local rates went, but as a judge of effort I thought everyone grossly overpaid. While he spluttered and sought the appropriate union verbiage, I added that I intended to complete my study before deciding.

He reminded me of the company's statutory obligations on pay and welfare. Then he went on about the unfulfilled promises of the Boss. I sat through this as dispassionately as my intolerance would permit. Tolerance is "putting up with", and I was quite unprepared to put up with what I had observed for the past three days. He began to bluster and swear. I had no terms of reference from the Boss as to how I should manage, nor had I been advised of any problem with labor. But I had rightly or wrongly assumed the responsibility for everything. My reputation was at stake and I would suffer no interference from anyone that might in any way prevent me acting as I thought necessary.

Consequently, I said things that no doubt would have given heart failures to members of the Board. I told him that he would have to prove that his threats were made in the heat of the moment; otherwise I would give some thought to dismissing him. I told him that I was the manager and that meant managing – not doing what he or anyone else thought I should do. I told him that if he brought the place to a halt by striking, he and his union members would have to find other jobs, because the place would never open again. Then I gave him the economic facts of the company's life. I told him how much was owed by customers, how much the company owed vendors, how much was owed to the merchant bank and the joint stock bank, and gave my estimate of the likelihood of any of them getting their money back.

I admitted that, from what little I had seen, I could not fairly say that the situation was the workpeople's fault. I made no bones about the changes I proposed, which included getting more work for the money paid for labor. The shop steward was surprised by these confidences, and also interested, so I developed my theory about what I thought to be wrong, not only with this company but also probably with thousands of others.

I thought that the country's industry was over staffed for one reason or another, but mainly it came down to management. Because the extra and unnecessary bodies wanted more space, so industry was over-tooled, over-officed and over-factored and the expense of these burdens made our products uncompetitive abroad. My job was either to reduce labor in an effort to get costs down or, according to a very rough estimate I had made of the orders in the sales files, we had nine months work ahead of us working at twice the present rate. It was clear to him that, since the company was losing money as it was, my way was the only way in which jobs could be safeguarded. I even told him that I thought we could increase our prices to overseas customers by 25%.

I admitted that lack of sales research and common prudence had failed to recognize the need to pass on certain increases in cost that the market could stand. But such increases could not be used to maintain the workforce in its current slothful state. I explained my belief in the sales potentialities of as yet untapped markets. It is always good policy to tell everyone in companies all that they are capable of assimilating, not only to get their cooperation but also their interest and enthusiasm to make them feel through their knowledge a sharing of the burden. Above all, I stressed to the shop steward that this was not a case of them and us; it was 'we' – or sink.

With a promise to keep him advised on the profitability situation, which I hoped would soon develop with everyone's help; I ended the meeting stating another principle of management, as it should be. I dislike the indignity of people feeling compelled to come to a boss for more money. A better policy by far is constantly to review and reward every member of the organization. If people did not get increases, they should think about looking elsewhere unless they were inclined to improve their effort.

I gathered the "management team" together: Sales, Accounts, Works, Design and Engineering,

Production, and Purchasing. I informed them all of the confrontation with the shop steward, and repeated his dose, adding certain other facts of industrial life, namely, that the most important factor in the business was the customer. Without the customer we could not make a living and unless we had an organization that could put service to the customer before all else, we were all without a job. However, only through the development of an efficient happy, healthy and well-paid workforce could we all live and thrive.

All of this evoked looks of surprise and still more when I told the accountant to give the meeting the sorry facts concerning our financial position. It was clear enough, but I still had to spell out the extent of the weakness.

The business must be a winner

Left to myself, I wondered: had I sparked the enthusiasm necessary for recovery? Strange as it seemed, bearing in mind that none of them had any experience of me, I felt certain that not one would seek a job with another organization, as in their place I might have done. They were in the hands of a completely unknown quantity. I had nothing to lose. The fact that the place had survived at all, despite the current state of affairs, meant that the business must be a winner if it could be put in order, and this depended upon the manageability of the workforce. If they could not see that I was working for them as well, that would be their error of judgment.

It took two days to design a method for stock, stores and production control. With all hands to the wheel, it took four 12-hour days to write up stock control cards and a Saturday and Sunday to take stock under my personal supervision. There was almost as much unrecorded as there was indifferently recorded. Against recorded stock there was a 17% cost deficiency; 9% of which was found as unrecorded stock. The remainder of the unrecorded stock was obsolete and was equal to 12% of the now recorded useful stock – and stock represented the major asset.

I next sorted out the production program, made appropriate reservations on the stock control records and arranged for Purchasing to make good the deficiencies or cancel where over-covered. After this, I set about assessing the production capability in terms of time and analyzed each product for this element. This gave fair certainty about what could be produced, providing I had all the parts. More importantly, at last I could orientate production economically to suit customers' needs.

From this exercise I discovered that the programs were 29% in excess of the maximum potential of the works. It also revealed the over-cover on material; and, more importantly, showed that each new program had always ignored the shortfall on the previous one, and stock control had failed to carry forward the cover onto the new program. This factor, together with failure to organize production and control costs, had resulted in over-buying and under-producing, hence the cash flow problem.

Add to this the studious avoidance of available standard products around which the designs, in the main, could have been built, and you have the general picture of a small business in large confusion. It required no great mind to find the faults and nothing but applied determination to put them right. After dealing with and initiating the major remedies, I called all the senior people together, including the shop steward, and informed them that, having set up the method of control; I was now going to revert to my proper function as a General Manager. This was quite simply to succeed in my job by providing them with the facilities to succeed for it was on their success that I must depend.

I promised to provide the climate, tools, and encouragement, but not to do their jobs or accept their responsibilities. If they were in difficulties I would help. If they had let things go too far, and I had to take over, I would expect their resignation if I succeeded where they had failed.

At the end of four months

Now, what about the lazy, indolent, work shy production force? There had been a glorious clean up around the factory and the yard, the stores and the offices. Walls had been painted, windows could be seen through, the heating system had been put in order, and the lavatories were clean. On the production front, any job that would not flow was withdrawn to be ironed out by Design and Engineering before reintroduction to the shop. Internal and Goods inspection was nailed down. This and much more had been done with a will and almost a sense of excitement – there was so much to see for the effort. Apart from several early occasions, when I mentioned my discontent to the Works Manager about the lack of activity of some of the workforce, I had no cause at any time to complain of quality or quantity and certainly not behavior.

At the end of the fourth month I had the happy experience of going round telling individuals and groups how proud I was of their performance. Without overtime or cash incentive they had increased throughput by 140%. In a few more months we could clear the pressing debts, and I could do something about pay. Not one soul had asked for an increase over this period.

All very corny, you might say. To the management theorist, perhaps so, but when you get beyond the understanding of the lowest common intellectual denominator you lose touch, and when you lose touch you lose control. I kept my bargain, I would not go into the works without the manager, and I would not deal with anyone but department or section heads. To identify other problems, for months I dealt personally with incoming mail, which mainly revealed the delicate cash situation and customer discontent.

The Boss was delighted. When he went on his sales trips he carried with him a book detailing each client's outstanding orders and when they would be delivered. It detailed, too, the work-in-progress so that he could satisfy delivery questions on new enquiries and orders.

He was sufficiently impressed to offer me the Managing Director's job. I accepted. Unfortunately, his colleagues, whom he had not consulted, decided against it and so I promptly resigned. I was asked to see a director of the banking company. He informed me that I was his sort of man, whatever that meant. He certainly was not mine.

He had some weird notion that my appointment might be an embarrassment to the sale of the company, which was the only way in which they could recover the money they had put in. But how could it be offered for sale unless it was put into shape? He promised that I would be brought into the affairs of the company at monthly directors' meetings.

What was it that they could talk about that I did not already know or control? But I stayed on for the sake of my colleagues. I was in no hurry.

Conclusion

The meetings never materialized. Since there were certain matters for which I needed authority I insisted

on being appointed to the Board. I was told the bank would exercise its right to assume the major holding in a month, when I would become Managing Director. Two months passed without a word, and still I was in no position to control certain irregularities. Finally, I came to the conclusion that I had done what I had set out to do.

I had proved that people will respond to a fair and encouraging leadership; that the workforce, that is everyone, production and administrative, was not degenerate, but as good as whatever top management obtained. I am not arguing for the collective power of the production force, nor did I, in this experience, adopt any attitude based on this or any other such consideration.

I am not pro-labor. Naturally, from years of work in dealing with mismanagement, I have a tendency to be critical. I admit to protesting for years that managerially the country is badly served. After all a country is only as strong as its industrial resources, and what else do they depend on but management? So it is sad to conclude that, if you can take such a company as I have described as a representative example, then my experiment simply confirmed the long held view: "The fault lies at the top".

Issues for discussion

1. What were the author's personal objectives of his "crusade" and hence what Key Success Indicators can you identify for this "project"? Were they achieved? Was the outcome entirely satisfactory?
2. How did the author go about establishing a "candidate" for the study and what was his approach? Was this appropriate successful, or what would you have done?
3. As a "project practitioner", what lessons can you learn from the way the author's interview was conducted and how it unfolded?
4. What was the essential purpose of the author's first day on the job? What was the outcome? From a project perspective, what can you learn from this?
5. Track the logic sequence in the section: "From 'chaser' to General Manager". How would you describe the management style, the effects and the outcome? Was it justified and what might you have done?
6. How was "Authority confused with management"? Is this something that might arise in a "normal" project? Give your reasons.
7. What was the point of the "Labor and management confrontation"? What can you learn from this and how would you have handled it in a project context?
8. On what basis did the author conclude that: "the business must be a winner"? What were the elements of uncertainty and the author's assumptions? Was his conclusion justified?
9. Discuss the changes that had taken place by the end of four months, yet why did the author resign? Or was he pushed? What do you suppose was behind this state of affairs?
10. How would you describe the author's leadership style? What other style might he have adopted yet achieve the same results?
11. "Quality" is rarely mentioned in this account, but what part does it play and how is it reflected in the case study?
12. The company was obviously in trouble. Large complex projects sometimes suffer from the same malaise. How do you suppose this case study situation came about and hence what lessons can you draw from this case study?