Executive Case Summary of Growth at Stein, Bodello and Associates

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Background

Stein, Bodello and Associates started out as a small, consulting civil engineering firm and grew rapidly after inception. The company was originally founded by Dan Stein who has an extensive background in business and engineering. Joe Bodello, also with a strong background in engineering, joined the firm shortly after its creation and became one of the senior partners along with Stein. The firm also has two junior partners, John Lahey and Robert Waters. Changes came so quickly that the company was not equipped well enough to move forward successfully. They faced challenges throughout the organization that its newly established staff was not prepared for and as a result, some unhappiness developed. Many employees felt as though they were ignored and were not valuable contributors to the company.

In addition to the partners, the firm houses a board of directors who are responsible for the overall management of the firm comprised of Stein, Bodello and Lahey. Despite having three members on the board, few issues are passed if they do not meet Stein’s approval. The four partners also form a separate management committee that serves as an advisory group for the board of directors to deal with business management issues such as marketing and profitability. Stein, Bodello and another senior associate also comprise a personnel committee to advise the board of directors on issues related to the management of personnel. Too many of the same people are a part of the different decision making teams and have managed to leave key players out of important decisions being made for the company.
During the earlier years of the firm, the senior partners performed all of the management functions of the business from engineering to fieldwork to report writing, but as the firm grew, the structure began to change. The senior partners began performing less engineering work while senior staff level associates and employees became project managers responsible for seeing projects through to completion. In some cases, junior level associates acted as project managers as well. Project managers were not always given access to all of the tools they needed to successfully complete projects, such as budget information, and would then be reprimanded for exceeding the budget after the project was completed. In an effort to formalize the process, the firm hired an MBA to manage the business office and make changes to accounting and business processes. The changes in business practices are becoming increasingly frustrating for the staff. Some of the changes seem trivial and appear without explanation. They are unaware of who to communicate any issues to or how to gain resolution.

While the internal structure and policies were being changed, the firm began to outgrow its current facility and Stein began to design a new office layout for relocation. The firm moved to a new facility with an open concept layout that further frustrated the staff. The partners were almost completely removed from the rest of the staff, and other employees were in areas where they were now distracted by noise and no longer had privacy. All of these changes were not well received and employee satisfaction was at an all-time low. As a result, the ad hoc committee (herein referred to as TAHC) was formed by a group of senior-level employees to try to appeal to the management committee on behalf of all employees and request that changes be made to improve employee satisfaction and morale while continuing to provide high quality engineering to their clients.
Problem Identification

The move to a new location highlighted the need for organizational restructuring at Stein, Bodello and Associates and emphasized the need for creating identifiable roles among management. An identifiable organizational culture needs to be established and the employees of Stein, Bodello and Associates need to understand and agree with how the company functions and is managed. Their work environment also needs to be able to provide employees with a general satisfaction and room for creativity and productivity.

TAHC immediately recognized that the management committee would likely be very resistant to any suggestions about change so recommendations should be carefully constructed. A lot of money was invested on new office space so the management committee may become defensive at first sign of what they feel is confrontation. Any recommendations to change the structure of the company or office space could be interpreted as an insult or deemed a waste of time. However, TAHC exhibits strong, shared leadership skills that are expected to help get the message across to the employees and partners of the firm.

Long range, the physical restructuring of the firm will take time to complete, as will rebuilding the trust and relationships among staff members. The staff no longer feels comfortable, welcome or appreciated, so it will take more than relocating desks to show investment in the satisfaction of employees. In addition to organizational restructuring, policy and procedures will need to be addressed and formatted to be consistently applied among the many different departments within Stein, Bordello and Associates.

The biggest indicator that there is a significant problem at Stein, Bodello and Associates is evident in their extremely low employee satisfaction and morale. The staff no longer feels
content at work and expressed that their current office space no longer held the ‘homey’ feel of previous days. Employees admit that the new office layout and space is a major point of contention for them, though they were not entirely satisfied prior to the move. When employees are unhappy in the workplace, evidence will develop that there is a lack in motivation and productivity among the staff (Winston, 2014). Due to a lack of communication among the different departments in the firm, frustrations about budget problems are apparent. People are not receiving the information that they need from the other areas in order to perform their jobs at their fullest potential. Lack of continuing to apply new policies and reverting to 'old' way of doing things happens often, partly due to not being consulted when policies are being changed and established. Most of the staff feels they are left out of the decision-making process, whether that includes the development of new accounting policies or the addition of showers in the new facility, and feel they are not valued or considered by the senior partners.

The opportunities that exist in the internal environment are abundant. The firm has the chance to make a big impact, and turn frustrated, dissatisfied employees into high-performing, motivated employees, having a positive effect on organizational culture. Failure to make changes could result in a loss to external environments via turnover, as those dissatisfied employees could leave and find employment with competing firms (Allen & Bryant, 2012).

**Identification of Problem Causes**

Originating when the firm began to grow, the problems that were identified at Stein, Bodello and Associates occurred because the firm lost focus of a true, meaningful vision for its future. As commented by someone on the staff, "Instead of insisting on quality engineering as in the past, the firm was now satisfied with 'adequate' engineering at a profit." To successfully
refocus the firm, organizational behavior practices should be implemented. The firm needs to establish a motivating workplace. They should do this through job enrichment, employing task significance, autonomy, feedback and task identity (McShane & Von Glinow, 2009).

The organization has failed to make the best decision and judgment concerning employees in regards to satisfaction and contentment at the firm. According to research studies explained in a 1989 article by Ircha and Tolliver, restructuring to an open layout can be costly, but not necessarily with monetary loss. The cost can come from the need for additional training, increased need for communication due to new office layout, increased worker stress and decreased employee satisfaction, job burnout and inconsistent decisions. After reviewing the research studies performed by numerous companies, Ircha and Tolliver came to the conclusion that an open or organic structure may not be the best decision for engineering firms. It is an option, but may not be the most efficient. Complete bureaucracy is not the most efficient either, so a combination or matrix structure may be the most beneficial. According to the article, "A matrix structure with open communications and flexible working relations for project teams (but close control of disciplines) would be an appropriate response... It could be argued that the use of... project teams results in greater flexibility and increased capacity for analyzing technical problems and meeting customer needs. Further, matrix structures may also produce innovations which result in a greater ability to solve problems..." One of the root causes of the problems faced by Stein, Bodello and Associates lies with the firm’s failure to provide a workplace that is conducive to productivity and efficiency. The current setup, both structurally and organizationally, could undermine creativity (McShane & Von Glinow, 2009). A workplace environment has a lot to do with one’s own personality and comfort levels. If our environment is aligned with our personality, we are more inclined to be most productive and satisfied with our
jobs (Winston, 2014). It is evident that the employees have become dissatisfied and unmotivated from the many recent unwelcomed changes at Stein, Bordello and Associates.

Fault could also be found with the decision-making of the senior partners. Stein is guilty of wearing perceptual blinders and fails to see there is a problem until it is too late. He explains away or ignores negative information, possibly to protect his self-esteem. Employee involvement in the decision-making process is not optimized at the source of any decision knowledge or decision commitment levels (McShane & Von Glinow, 2009). These failures in the decision-making process are also root causes of the problems at the firm and highlight the lack of directional leadership and organizational culture found at Stein, Bordello and Associates.

**Recommendations**

TAHC created an anonymous survey and distributed it to all employees. Surveys based on employees’ opinions can be used as a strategic business management tool. This survey provided insight into how things are going in the organization and what needs to be improved so that levels of employee motivation can be increased. It also shows what needs to be done to increase productivity and what we can do to help retain our employees (Oehler & Van Rooy, 2013). Questions on the survey surrounded the overall level of satisfaction and offered employees a chance to explain their thoughts on where the firm had room for improvement. TAHC discovered that employees are most dissatisfied with the current office layout and management structure. They lack motivation because they feel they are not being included as a part of the overall vision and results of the company. We also found that several employees are looking for new employment simply because their needs are not being met. Specific feedback from the survey included a request to add a shower room to the new office for staff to use when
returning from fieldwork, reducing noise and distractions in the office, providing budget and payroll information to project managers, and including staff in decision-making regarding policy changes, which are all requests that have been made before.

With the evident shortcomings of the current ‘open’ structure at Stein, Bodello and Associates, TAHC researched the pros and cons of various organizational structures including functional, product and matrix models. We found that the opposite side of the current structure would be a bureaucratic structure, which could also hinder creativity and productivity (Ircha & Tolliver, 1989). After some consideration of client needs and the previous happy, homey, and well-balanced organizational culture that Stein, Bodello and Associates had prior to their rapid expansion, TAHC developed a hybrid functional management structure to recommend to the management committee (Appendix A). We recommend creating multiple management teams throughout the organization, including an executive management team comprised of the senior partners and a senior management team comprised of the junior partners. Beyond the partners, teams should be formed functionally by engineering, finance, project management and marketing, as well as keeping TAHC; however, they should be converted to a management committee responsible for issues, human resources, communication and complaint resolution throughout the organization. The newly formed management committee, previously known as TAHC, should act as a liaison and mediator for staff to ensure that all employees feel as though they have voices that will continue to be heard after successful implementation of all recommendations, if the need should ever arise. This will allow each employee to have a clear understanding of who to report to with any issues they experience. Each team would be its own self-directed team with shared leadership. Previously the Board of Directors of Stein, Bordello and Associate’s consisted solely of the partners in the company. We would propose now that the
Board of Directors should be comprised of one member (the team lead) from each department to ensure that everyone’s votes are being heard. Each department would have its own lead manager that would be responsible for escalating any issues to the Senior Management Team, comprised of John Lahey and Robert Waters. If they are unable to reach a decision on an issue, the end vote would be decided by Executive Management Team, comprised of Dan Stein and Joe Bordello.

TAHC also recommends that each newly developed management department be responsible for the development and implementation, as well as revision if needed, of the policies and procedures of their department, subsequent to approval by executive and senior management through round table discussion. TAHC would act as an auditor to ensure each department updated documents on a quarterly basis and would request opinions and ideas from those in each department for anything they were not satisfied with. Each department would have its own administrative assistant responsible for communicating this information among the other teams. Among these procedural documents would, for example, be the explanation of policy requiring the Financial Management team to be responsible for any financial information transmitted among the firm and that they would generate reports to those that needed it on an as needed basis to ensure that project managers received the information they needed. Each department would have said policies and procedures explaining how and what they contribute as a whole to the firm.

In addition to the changes to the organizational structure recommended by TAHC, a new office layout was carefully constructed (Appendix B). While reconstructing the office would be timely and costly, TAHC found in our research that it would be more costly to lose employees to competitors and have to recruit, hire and train new employees to replace them. Employee turnover, especially from those who take years of knowledge, education and valuable skill with
them, can be extremely costly, disruptive and damaging to organizational success. The newly proposed office layout would give each team the space they needed to perform their duties at their fullest potential and once again create a competitive advantage across the entire industry. Employees can be retained when they feel their efforts are valued and are treated respectfully (Allen & Bryant, 2012). The new office layout will also balance privacy while allowing opportunities for social interactions which will help to improve overall morale with the company.

Changing the organizational structure recommended by TAHC should repair Stein, Bodello and Associate’s organizational culture to one that is once again appreciated by its employees. They should become committed to performing high quality engineering, and will support the company’s values, customs and expectations. Employees will arrive to work each day ready to begin a new day and exhibit excitement for what is to come for the company, as they will feel more involved and included in the overall end result the company as a whole provides its customers. Morale, employee satisfaction and contentment should improve and the partners will likely find themselves happier as well. They say that happy employees lead to happy customers and in order for Stein, Bordello and Associates to remain a profitable and successful engineering firm, their employees must come first.
Bibliography


Appendix A

Note: New proposed organizational structure. New distinct teams are being formed for clearly identifiable roles and responsibilities. Each department (marketing, project management, management committee, financial management and engineering management) will all have a clearly defined manager to report any issues to the Senior Management Team. Those members would then escalate any issues that could not be resolve to Executive Management.
Appendix B

Note: New proposed office layout. Each department will have its own identifiable area to grant privacy to work as a team yet allow for social interaction. Showers have been added to the rest areas to allow engineers to return to work and be refreshed. The engineers and project managers will have spaces with room separators to allow their “loud nature” not to distract members of the other teams.