

MICHAEL PATTERSON (A)

David House wrote this case under the supervision of Elizabeth M. A. Grasby solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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It was late Thursday afternoon, June 11, 2008. Michael Patterson had a tough day at work and was cleaning up his desk before going home. He was thinking about next day's meeting with William Peake, the engineering and manufacturing department manager at Confederation Kitchen. The company had experienced declining earnings and had consequently reduced staff. There had been a number of changes to the organization's structure over the past several months, and Peake had called the meeting to discuss how these changes would affect Patterson. Patterson had heard a rumour about who his new supervisor would be, and he would not be happy if the rumour were true. Patterson had a number of concerns with the planned change but, with so much uncertainty in the business, he was unsure what, if anything, he should say to Peake about these concerns at tomorrow's meeting.

CONFEDERATION KITCHEN

Confederation Kitchen (Confederation), located in St. Catharines, Ontario, offered complete kitchen and bathroom design services, installations and renovations for existing homeowners and new home builders. The company also manufactured cabinets and other kitchen and bathroom accessories at its St. Catharines facility. These were sold across Canada and the United States. Confederation was founded in 1982 by sole owner Jim Allen, and the company currently employed 165 people, with Allen at the helm as general manager. Although profitable, the company suffered a significant drop in both revenue and profit in fiscal 2007, coinciding with a severe downturn¹ in the U.S. housing market. Although Canadian sales remained steady, new home sales in the United States dropped drastically, and the Canadian economy, as a whole, began to weaken. Consequently, Confederation's sales in both the new home installation and renovation sectors fell substantially from 2006.

¹ This was the "subprime mortgage crisis," which occurred when a significant percentage of homeowners in the United States found themselves unable to pay their mortgage payments while, at the same time, the value of their homes began to fall, leaving many with negative equity in their homes.

Jim Allen

Allen was a hands-on owner who had always been actively involved in running all facets of the business. He was often seen on job sites, inspecting the work and on the production floor chatting with employees, most of whom he knew by name. Allen thought of the staff as one big family, and he was very well liked. Although he could be demanding at times and occasionally asked employees to work overtime to meet tight deadlines for a customer, they were willing to work long hours to get the job done. On more than one occasion, Allen would be there when the job was finished to personally thank the employees for a job well done. In fact, sometimes he even brought in beer and pizza to express his appreciation for their efforts. Primarily due to Allen's leadership, Confederation had developed a culture of camaraderie, company loyalty and a strong work ethic. The employees enjoyed their work, and staff turnover was minimal.

For many years, the company had been organized with departments reporting directly to Allen as president and chief executive officer (see Exhibit 1). Most of the managers had been promoted from within the company, based on job experience and talent, and were well respected by the staff.

THE CHANGES

In 2005, Allen initiated a succession plan. He believed all his managers were competent, but he was unsure which one of them was the best candidate to manage the entire business if Allen were no longer involved in day-to-day activities. He decided to provide each manager with some exposure to the various functional areas of the business so that he could assess their abilities and skills and see whether one might eventually be able to run the entire company. Thus, the company structure was revised (see Exhibit 2), creating several new management positions under Allen as the general manager.

This structural adjustment began a period of frequent changes, with managers moving in and out of various positions. From the employees' viewpoint, the moves often seemed random and unjustified because some managers appeared to have little knowledge or understanding of their current department. Soon, morale declined as the moves created confusion and affected the quality of both products and services in the construction and manufacturing areas of the business. As one employee commented, "I don't know what's going on around here anymore. Every day I come to work, I seem to have a different boss, and each one has different ideas about how things should be run."

Allen slowly withdrew from the day-to-day management of Confederation, eventually appointing Aaron Rouse, an accredited accountant with 15 years' experience at the company and formerly the accounting manager, to the position of general manager in late 2006. Allen still maintained ownership of the company, but Rouse was given the latitude to run the operation as he wished. Within a few months, Rouse began to have difficulty in his new role. He was not an aggressive person by nature. Relaxed, friendly and thoughtful, he preferred to avoid confrontations and worked hard to make everybody happy with his decisions, occasionally even reversing decisions to please certain individuals. The employees liked him, but they were frustrated with his management style, and comments such as, "He's a nice guy but a little wishy-washy," were often heard. Rouse's difficulties became more pronounced when company sales declined in the autumn of 2007, and the company had to reduce staff by 20 per cent to improve profitability. Rouse's management style proved ineffective in this climate, so Allen was forced to replace him in early 2008.

Ericka Malden

In March 2008, Ericka Malden was hired from outside the company to be Confederation's general manager. She had come from a similar industry and had experience in both cost reduction and company downsizing. Malden had the reputation of being extremely bright, confident and achievement-oriented. She often made decisions quickly and appeared much more concerned about efficient operations and profitability than how the employees might think about or react to her actions. Once in place, Malden developed and implemented a plan to reduce staffing by the necessary 20 per cent, and she began its implementation in June 2008, three months after her arrival.

William Peake

As part of the reduced staff plan, Malden consolidated the management of the manufacturing and engineering departments under one manager, an outside hire, William Peake. Peake was a licensed professional engineer who had worked in the automotive industry. This industry had experienced regular downturns and was extremely competitive, so Peake had developed a great deal of expertise around implementing cost reduction initiatives. He was well organized and had a reputation as an excellent problem-solver. Like Malden, Peake tended to focus on the numerical metrics used to measure department and company performance, such as scrap rates, labour costs and profit margins, rather than on employees' concerns and problems. He was not thought of as a "people person" and at times, the employees felt he was uncomfortable dealing with their issues.

Michael Patterson

Patterson graduated from Fanshawe College, located in London, Ontario, in 1988, with a manufacturing engineering technician diploma. Soon after graduation, he started working with Confederation in the engineering department, where he was responsible for the quality assurance of manufactured product; he later moved into various areas of product and process design. During Allen's restructuring phase, Patterson was moved out of engineering into the customer service group, and he became responsible for field inspections, customer complaints, installation guides and other technical publications.

Patterson was considered to be a quiet, conscientious worker by both management and his peers. His recent performance reviews had been good and noted that he exceeded management's expectations in many areas; in fact, his last supervisor had often discussed with Patterson his potential for a management role (see Exhibit 3). Although the possibility for a management role was exciting to him, Patterson preferred technical work, and he had little interest in the office politics that were often involved in the management of the company.

Patterson had always been very direct in his communication with both his peers and supervisors. He commented; "I just tell it like it is. I'm not going to sugar-coat it to avoid hurting feelings or play political games." Unfortunately, this approach had not always been appreciated and had caused some troubles for him in the past. For example, in 2002, in a meeting that had been organized to correct a process issue, Patterson had expressed his opinion on a technical matter contradictory to the position of his supervisor, John McAteer.. Although Patterson expressed his ideas logically and unemotionally, McAteer had appeared very upset and emotional. McAteer never said anything to Patterson about the incident, but he gave Patterson a very poor annual performance review later that month and scheduled a further meeting to develop a plan for improvement within three months. He specifically wanted Patterson to focus on three areas of improvement: initiative, communication and achieving deadlines (see Exhibit 4).

Initially, the poor review had come as a surprise to Patterson, who had always done very well on performance assessments. After a few days stewing about the letter, Patterson concluded that McAteer was simply a poor supervisor, believing McAteer's technical and people skills were weak and that the only ideas McAteer liked were his own. Patterson felt that McAteer did not accept input from others and assigned tedious clerical jobs to his subordinates while he looked after the more interesting work. On top of this, Patterson had several more years' experience than did McAteer.

In spite of his feelings about McAteer, Patterson worked hard to make the required improvements within the three months. Shortly thereafter, when McAteer was transferred to a different area of the company, Patterson began reporting to a new supervisor, and his subsequent performance reviews showed no areas for concern.

THE MEETING

As part of the restructuring plan instituted by Malden, Patterson would be transferred from the customer service group to the engineering group as a product development technician (see Exhibit 5), reporting directly to the new engineering and manufacturing manager, William Peake. Although Patterson was reticent about working for Peake because he had little experience at Confederation, he had heard positive comments about his management skills and his ability to get things done.

Peake had set up a meeting with Patterson to talk about his new role. During lunch the day before the meeting, Patterson struck up a conversation with one of the technicians from the engineering department, Tim Snyder:

Snyder: "I hear you're moving back to engineering after your vacation in customer service."

Patterson: "Really funny! But seriously, I am looking forward to it. I'm meeting with the new manager, Bill Peake, tomorrow. He seems OK."

Snyder: "Yeah, he's not bad, but you won't be working for him. You'll be supervised directly by John McAteer. That's what I heard."

Patterson: "McAteer! I was told I would be reporting directly to Peake."

Snyder: "Well, you know how often plans change around here. I've got to get back to work."

Patterson sat down, stunned. He could not believe what he had just heard. When Patterson had worked with McAteer in the past, it had been a disaster, and now he was going to be supervised by him again! He was very worried that his abilities would be completely under-utilized working for McAteer and that this reassignment would have a negative affect on his career.

Was this rumour true? If so, should Patterson voice his concerns about McAteer to Peake? Was this the time to "make waves"? Should he just keep quiet and consider himself fortunate that he had a job? Patterson knew tactfulness was not his strongest point. If necessary, how should he present his concerns to Peake while not seeming to be a complainer or disrespectful so that Peake would best understand them. He had not known Peake for very long, but Patterson had heard that Peake did not like dealing with non-technical issues.

Patterson tried to focus on his work, but he was distracted and couldn't help think about his meeting tomorrow with William Peake.

Exhibit 1

ORGANIZATIONAL STRUCTURE OF CONFEDERATION KITCHEN PRE 2005

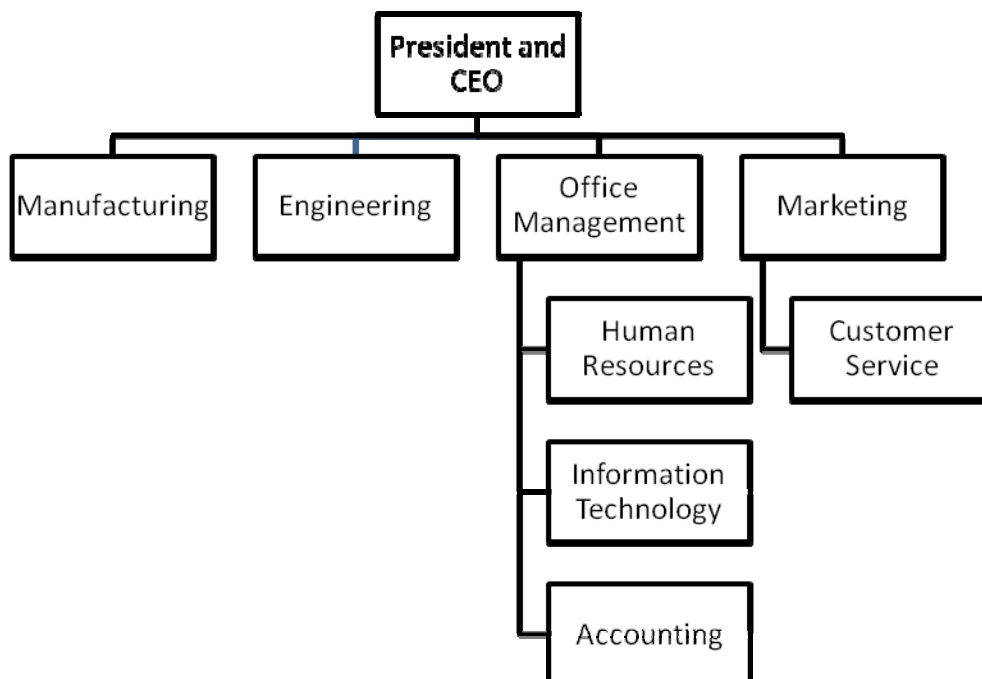
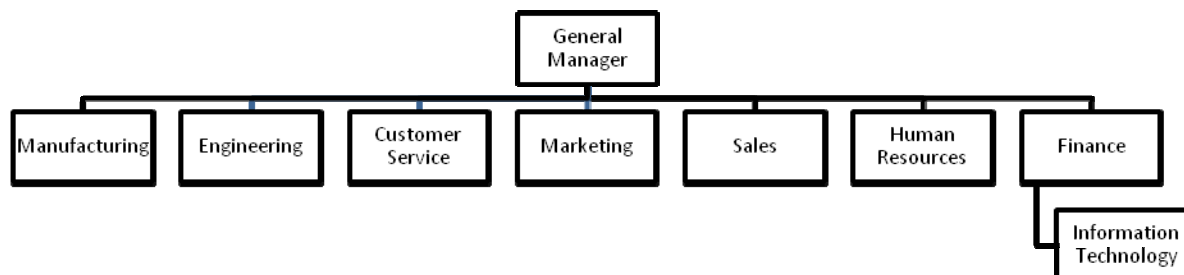


Exhibit 2

REVISED ORGANIZATIONAL STRUCTURE AS OF 2005



Source: Company files.

Exhibit 3

SALARY PERFORMANCE REVIEW FOR MICHAEL PATTERSON 2007

Attendance

Seldom absent. Consistently at work early. Very punctual. Does not take allowed breaks. No attendance issues. *Exceeds performance expectations.*

Dependability

Generally has sound reason for being away from work area. Excellent task-related time management skills. Can be trusted to do any job on own with little supervision. Manages tasks effectively. *Exceeds performance expectations.*

Quality of Work

Interested in job; rarely leaves tasks incomplete. Seldom makes mistakes; usually recognizes and corrects errors. Work area is always neat and orderly. Work is organized in an efficient manner. *Meets performance expectations.*

Job Knowledge

Knows current and related jobs. Catches on quickly and understands process rationale. Almost always able to recognize and troubleshoot problems. Although does not usually deal with directly, consistently demonstrates good customer service. Above average phone demeanour. Outstanding computer skills. *Exceeds performance expectations.*

Work Conduct

Shows sustained enthusiasm for job and related areas. Willingly accepts responsibility. Well-liked and respected. Consistently tries to promote goodwill and co-operation. Open to criticism and suggestions. Easy to reason with. Works in groups or alone and is strong-willed but co-operative. *Meets performance expectations.*

Quantity of Work

Consistently meets standards of position. Meets deadlines. Frequently takes initiative. Consistent productivity. *Meets performance expectations.*

Adaptability

Learns very quickly. Adjusts willingly to change. Demonstrates ability to reach sound and logical conclusions. Has a very versatile skill set and is able to work on a wide range of job functions. *Exceeds performance expectations.*

Potential for Leadership

Has skills and potential to take on additional responsibilities. *Meets performance expectations.*

Rating System

For each section, discuss the employee's performance and rate according to the following scale:

1. Immediate improvement required
2. Some room for improvement
3. Meets performance expectations
4. Exceeds performance expectations.

Source: Company files.

Exhibit 4

LETTER FROM JOHN MCATEER TO MICHAEL PATTERSON

December 2, 2002

PERSONAL AND CONFIDENTIAL

FROM: John McAteer
TO: Mike Patterson
Cc: Employee file

Mike, this letter will confirm our discussion in which you were advised that there are concerns regarding your performance as a Process Engineer. We will work with you to overcome these concerns by providing coaching on an ongoing basis. I hope that you will approach it as an opportunity to learn and grow in this role.

Although we will work with you to address the issues outlined below, the onus is on you to demonstrate the necessary improvements in order to meet the company's expectations. We will meet and discuss your progress over the next three months. If, at the end of this time, your performance is not satisfactory, we may consider changing your responsibilities to something more suited to your abilities.

Specifically, the areas where your performance requires immediate improvement are:

Initiative. There has been a lack of in-depth detail demonstrated on recent projects. You seem to focus on a high level overview of issues instead of the hands-on detailed approach required to be successful in making process improvements on the floor. The result has been an uneven and confusing implementation of projects.

Communication. There has been a lack of communication demonstrated between you and all parties involved in a project, most notably a lack of inclusivity of individuals with whom you have had past conflicts. Furthermore, written communication has lacked detail, clarity and direction.

Achieving Deadlines. You have not demonstrated the sense of urgency required to meet deadlines in projects assigned. Short-term delays can sometimes be expected, but when a deadline is in jeopardy, it is imperative that problems and a back-up plan are communicated to management so that other resources may be redistributed to avoid missing deadlines.

It is important that you demonstrate immediate improvement in your performance in these areas. It is also important that you demonstrate an ability to consistently maintain these improvements beyond this three-month period. We trust that you will grant this letter the seriousness with which it is intended and make a concerted effort to improve in these areas. My door is open and I encourage you to come and see me at any time.

I understand and agree that failure to meet and maintain the minimum position requirements will lead to further corrective action.

Signature

Date

Source: Company files.

Exhibit 5

MICHAEL PATTERSON'S REASSIGNMENT LETTER

May 22, 2008

To: Mr Michael Patterson
From: Bryan Gilbert
Re: Reassignment
Cc: Employee file

Mike,

This letter will confirm our discussion of May 22, 2008, when you were informed that, based on our current business realignment, you would be transferred to the Engineering Department as a product developer. In this new position, you will continue to support the development of service procedures and technical publications as well as work on new product initiatives.

As this is a lateral move, your base pay will be unaffected. Future adjustments in pay will be based on performance. In this position you will report directly to William Peake, Engineering and Manufacturing Manager.

Respectfully,

Bryan Gilbert
Customer Services Manager

Source: Company files.