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Bringing vision to life: culture development at cel

Professors Stephen D. Risavy and Karen MacMillan wrote this case 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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The meeting in August of 2017 between Cheryl Landsberg, the founder of Cisca Engineering Ltd. (CEL), and its president, Jeff Arvidson, was like any other until Landsberg said, “There’s one other thing: I’ve decided on my exit plan. I am going to work three days a week until June of next year and then I will fully retire.”

Arvidson saw this announcement as good news. Landsberg had been talking about fully retiring for many years, but now the decision was finally made. She was going to be gone in less than a year. Although the founder’s role in the day-to-day operations of CEL had been steadily decreasing over the past couple of years, she still had a significant influence on how the company was run. While Arvidson knew that Landsberg would be missed in many ways, her departure might give him the room to help develop the company’s culture even further, and Arvidson was eager to make the company as successful as possible.

As employee number four, Arvidson had a genuine affection for, and a deep understanding of, CEL. He had started there 13 years earlier as an engineering technologist and had grown with the company through a series of promotions. In 2013, when Landsberg decided to begin stepping back, she chose Arvidson to take on the position of president, giving him day-to-day responsibility for the 16 full-time and three part-time employees.

When Arvidson took on that role and began looking more broadly at what was happening in the organization, he realized that the company was hampered by a lack of knowledge in some areas. For instance, there was no long-term plan on how to scale up; instead, decisions were being made in isolation. Arvidson realized that his personal lack of knowledge in this area was a liability. No one in the company (including him) had formal training in how to grow a business.

After researching his options for remedying the situation, Arvidson approached Landsberg with the idea of pursuing a master’s degree in business administration (MBA), but Landsberg was not enthusiastic. She said, “Listen, Jeff, you don’t need that. We have been successful because we are technically strong and we provide exceptional quality and customer service. That’s all we need to focus on.”

Arvidson agreed that the company had been successful, but he remained convinced that a broader business education would be helpful. He continued to push, and eventually, Landsberg agreed to sponsor Arvidson’s MBA education through a part-time program at a local university. Arvidson was an eager student and learned a great deal. However, even after he graduated in 2016, he had little success in gaining the freedom to enact many of the things he had learned; Landsberg was reluctant to make any major changes in the way things were done at CEL.

Arvidson smiled as he thought about all of the ideas from his MBA studies that he would finally be able to put into action. Suddenly, he realized he had not responded to Landsberg’s announcement. He quickly said, “That’s great! I couldn’t be more pleased for you.” He paused and then added, “Wait a minute. I have one important question. What will happen with the company ownership?”

Landsberg had been thinking about succession planning for many years, and she and Arvidson had discussed various ownership-sharing options. Landsberg nodded and answered, “Thought you might ask that! My husband and I are comfortable with retaining 20 per cent ownership, while selling the other 80 per cent to you and the rest of our current team by the end of 2017.” That meant that Landsberg had agreed with Arvidson’s previous suggestion of an 80 per cent upfront purchase with the employees putting in 10 per cent of that 80 per cent purchase and the balance being paid through future dividends. Most employees would end up with a 4–6 per cent ownership share, with long-tenured employees owning closer to 7 per cent. Arvidson would have 12 per cent. The formula used to determine the allotments included a consideration of both salary and years of service to reward those employees who had most helped make the company successful. New employees would have the opportunity to participate in the ownership plan after two years of employment by purchasing shares from existing employees.

Arvidson thought to himself, “The employees are going to love this! They go above and beyond for us each and every day and really treat this company as if it were their own; this plan will help to solidify their commitment to CEL.” He knew employee ownership was consistent with the vision he had for the company, but ownership was not enough, he wanted to put a plan together to bring his vision and core values to the forefront and to build a culture that would make the company even stronger.

The Company

CEL was a Canadian engineering consulting firm that provided services related to the manufacture of pressure equipment. Customers were located in several countries, including Brazil, China, Germany, Israel, Italy, the Netherlands, Saudi Arabia, the United Kingdom, and the United States. Organizations from these countries built pressure vessels that they wanted to sell to Canadian firms. CEL had the technical expertise to verify that these pressure vessels were up to Canadian standards. CEL was able to hold an advantage over its competitors because it focused on delivering high-quality, customized services while providing an elite level of customer service.

Consulting services were specialized and fell into three main categories: finite element analysis (FEA), American Society of Mechanical Engineers (ASME) code pressure equipment design, and Canadian registration number (CRN) service. The FEA process involved using software to predict the stresses on the design components. Organizations that wanted to use products from other countries or provinces often needed an engineering consulting firm such as CEL to verify that the product could withstand a certain threshold of stress or pressure. This verification ensured that foreign-made products would be safe to use. Similarly, the ASME code pressure equipment design involved verifying the calculations of pressure equipment designed elsewhere. Finally, the CRN service helped customers obtain regulatory approval so that their products could be registered for use. For instance, if a manufacturer from another country wanted to sell pressurized equipment to a Canadian company, CEL would be hired to assess whether the equipment would meet Canadian regulatory requirements. Only after the equipment had been deemed satisfactory by a provincial jurisdiction could the equipment be officially registered and used in Canada. CEL was Canada’s largest supplier of combined design and registration services.

As an example of a typical CEL client interaction, a brewer of beer in Ontario wanted to buy a new large brewing vessel. The Canadian brewer hired a German firm to design and produce the vessel; however, Canadian credentials were needed to conduct an FEA to ensure that all parts of the vessel had been properly designed. CEL was called in to do that work and to also produce a fatigue analysis for the brewing vessel’s life cycle (e.g., one million cycles before replacement). This analysis was then written up in an FEA report consistent with Ontario’s provincial requirements. In conjunction with the FEA, the ASME code pressure vessel design step involved the German manufacturer sending CEL its full set of drawings and calculations. After CEL staff confirmed that the information met ASME standards, the documents received a stamp of approval from CEL, verifying that the product would meet Canadian standards. Lastly, CEL reviewed the brewing vessel design specifics to ensure that they met local registration requirements, and then CEL’s professional engineers submitted their calculations to the Technical Safety Standards Authority (TSSA) for approval. The TSSA then provided the German manufacturer with a CRN, which was attached to the nameplate of the brewing vessel. This nameplate with a CRN was a requirement for being able to use this vessel in Canada.

The Workplace

As a symbol of passing the torch, Arvidson prepared to move into Landsberg’s workspace, a glass-walled area near the front entrance of the office. He liked that it was easily accessible to both employees and visitors. This feature was consistent with the culture of the organization, which was low-key and transparent. Everyone dressed casually, and communication moved easily, both upward and downward. Employees knew they could approach any member of the company with problems, including Arvidson, and they often did. CEL’s leaders also tried to be transparent. Profit and loss statements were regularly shared with the entire team so that everyone had a good understanding of the financial state of the company.

CEL also tried to promote a culture of continuous learning and development. When someone on the team wanted to enrol in a course at a local college or university, it was fully paid for by the company; however, relatively few employees had taken advantage of these continuing education opportunities. Internally, employees were regularly encouraged to bring forward new ideas and to make the effort to learn from one another. For instance, one non-technical employee had an idea for making a programming task more efficient and effective, so he coordinated with the technical team members to put that idea into action. This type of cross-functional communication was appreciated in the company, and the employees often went outside of their functional area (i.e., quoting and general inquiries, engineering, final reviews, and administration) to share information and work together on projects.

Employees seemed to look forward to Thursdays, which meant barbecue lunch meetings where team members presented to the rest of the group what they were working on. The third Thursday of every month was considered especially fun because if the previous month had been profitable (which it had been for the past 80-plus months), the company would either order in lunch or take all of the employees out for lunch. Overall, employees at CEL had the opportunity to work on a variety of complex tasks and projects and to make decisions without having to run the decisions up a chain of command.

Although CEL lacked the big budgets enjoyed by some of the larger tech companies in the region, the leaders took steps to develop a tightly knit group. The company sponsored various team-building activities, including outings to drive go-carts, run paintball games, and attend cooking classes. The vast majority of employees attended even though these activities were optional and often held outside of working hours. One particularly memorable event was a camping trip at a remote, wooded location where the team members had to portage—manually carry their canoes overland—before canoeing to their campsite. That had been a real trek. Arvidson realized that these activities were easy to manage when the company had only a handful of employees, but as the company grew, he worried it would get tougher to keep everyone involved.

CEL offered flexible work hours, including occasional time to work from home, which had increased its ability to hire people who lived farther out of town. The company’s openness to working around people’s needs had also allowed CEL to hire people who were looking for a part-time work schedule (e.g., primary caregivers of young children).

In terms of pay, employees were compensated on an hourly basis, and they had the option of banking their hours if they worked more than 40 hours in a week. Formal performance reviews occurred twice a year (in the spring and fall) as yet another way to facilitate communication between employees and leaders. However, performance-related feedback did not wait for a formal review as positive and negative feedback was provided when events unfolded throughout the year. Moreover, employees had the opportunity to create individual goals as part of the performance review discussion. Nevertheless, although Arvidson wanted the performance review process to be a motivational opportunity, some still viewed it as a dreaded chore.

The company offered a no-cost benefits package that included dental coverage, supplementary health care, a CA$500 health care spending account, a retirement savings matching program, a minimum of three weeks of vacation per year, and extra paid vacation days during the December holiday season. Employees who stayed with the organization for five years were eligible for twice the regular retirement plan matching (increasing from 3 per cent to 6 per cent) and after 10 years of service, they received CA$5,000 toward a vacation, which was offered with every ensuing five years of employment.

The Lunchroom

Not surprisingly, Landsberg’s ownership proposal generated much discussion among the company’s employees. A couple of days after the announcement, three employees sat down to have lunch together, and discussion of the big changes came up yet again. Faizal Khan, operations manager, remarked:

We shouldn’t be worried about the changes that are coming. This has always been a great place to work. It is miles ahead of anywhere else that I’ve been—that’s why nobody ever leaves. The culture is amazing and I think that having ownership will only make us an even more collaborative and open group.

Ross Hall, a mechanical engineering technologist, agreed, but added:

Yeah, it is a good place to work. But I hope that we will keep things relaxed around here. Right now we set pretty realistic deadlines, and I don’t want to lose that. I also don’t want everybody around here to start micromanaging me.

Jessica Santos, a senior mechanical engineer, nodded as she said:

Nobody here is used to being told exactly how to do their job, so I doubt that will happen. Even if people did look at my work a little more, that could be good, right? We should all be interested in what everyone is doing. Personally, I like the idea of being an owner because it should mean we have higher job security, but I wonder where all of this will eventually take us. I mean, it sounds like we will have some say in where the company goes. That could mean we get bigger or maybe we will expand to different fields like structural or civil engineering, or maybe flow analysis.

Hall brought the conversation back to the ownership discussion and replied:

Who knows about the future; but in the short term, I wouldn’t be surprised if everyone shifted their focus to the bottom line and cutting costs. That’s fine, but I don’t want that to eat away at our work–life balance.

The conversation continued as they worked through their sandwiches.

The Issue

Besides talking among themselves, many employees were eager to discuss their ideas about the future with Arvidson, and he enjoyed hearing about their ideas as the weeks went on. But he knew it was his responsibility to set the company moving forward in a strong new direction. One morning, a month or so after Landsberg’s announcement, he arrived early to have some time to think quietly about the situation. Looking around his new office, Arvidson thought about what he wanted for the company, and how he could help bring CEL to a successful new phase in its evolution. One phrase popped in his mind: “Strategy determines direction.” He had heard that adage repeatedly throughout his MBA studies.

Arvidson knew that a company’s strategy needed to support the company’s vision statement and core values. But was that enough? Although the rest of the company might not have given it much thought, Arvidson was well aware of the vision and core values listed on the CEL website because he had written them himself (see Exhibit 1). While it was great that this information was posted on the website, if Arvidson was being honest, he knew that was as far as it went. People were not applying those values when making decisions. When he looked over the wording of the vision and core values, he had to admit that maybe they were not exactly perfect—but at least they were a good start. He wanted to figure out how to bring the ideas into focus and how to encourage employees to use those ideas daily to make the company even stronger, even more successful. Arvidson knew there had to be a way to make the vision and core values truly drive the culture of the company.

The time had finally arrived to take CEL to the next level. Arvidson wondered aloud, “Where do I start?”

Exhibit 1: Cisca Engineering Limited’s Vision and Core Values

**Vision**: Quality and customer service are the two cornerstones of our company, and we work to provide this to you whenever we interact. We use our experience to make your job better. We are committed to continuous improvement and learning, and provide opportunities for our employees to improve and develop.

**Core Values**:

* Honesty
* Commitment
* Accountability
* Relationships
* Education
* Teamwork
* Open-Mindedness

Source: Company files.