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SÄBU HOLZBAU GMBH: From a LEADERSHIP CRISIS to qualitative growth (A)

Dietmar Sternad wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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“Something is not quite right here anymore—and we must do something about it,” thought Christine Machacek at the beginning of 2013. Machacek was the owner and managing director of SÄBU Holzbau GmbH (SÄBU), a construction company in Bavaria, Germany, with around 40 employees and €7.5 million[[1]](#footnote-1) in yearly turnover. SÄBU specialized in erecting public buildings using an innovative, prefabricated module construction technology. Three key employees had just decided to leave the company. One of them had worked at SÄBU for 19 years.

Machacek had been feeling lonely in her management position for a while. She had been making all the important decisions on her own because she feared incurring too much risk or spending too much money. The consequence was that she was caught in the operative business to such an extent that development projects in different parts of the company could not be implemented due to the number of issues that remained undecided. Moreover, Machacek received a lot of negative feedback from customers because the company was unable to meet the agreed deadlines. As a consequence, customers also began to question the invoices that they received, and payment morale decreased considerably.

Employees were also disgruntled, complaining that they did not know what they were allowed to do and not do. One of the former employees succinctly summarized the situation at SÄBU in one word: *“chaos—*there was a constant loss of information, people were getting loud in meetings, and customers were sending furious e-mails*.*”[[2]](#footnote-2) Together with a colleague, the former employee had tried to address the chaos in the distribution of tasks and in the internal communication several times, but it was all in vain. Finally, he did not feel able to cope with the situation anymore and resigned.[[3]](#footnote-3) After the third key employee left SÄBU, Machacek knew that she urgently needed to find a way to lead the company out of its crisis situation.

ABOUT SÄBU HOLZBAU GMBH

In 1924, Jakob Buchen founded the Buchen Sawmill (*Sägewerk Buchen* in German, abbreviated as SÄBU) in Morsbach in the German state of North Rhine-Westfalia. Over the following decades, the company restructured and extended its product portfolio several times. Product offerings included, for example, wooden storage boxes, prefabricated wooden houses, garden sheds, and construction trailers.

To extend market coverage, a new plant was opened in Ebenhofen in Southern Germany in the 1960s. Wilhelma Klein, the founder’s daughter, took over leadership of the new plant, which was soon legally and economically separated from the founding firm, becoming SÄBU Holzbau GmbH. During the 1990s, this company specialized in turnkey projects based on innovative timber construction systems, used especially for public sector buildings, such as schools, childcare facilities, and administrative offices. The company also constructed high quality log houses—a business area that was later abandoned.

Machacek became managing director of the company in 1998. About the same time, Friedrich Nagel joined SÄBU. He soon took over the role of an authorized officer for the company.[[4]](#footnote-4) Colleagues described the second member of SÄBU’s top management team as “a very creative and innovative person” and as “a tinkerer who always tries to find new technical solutions and improvements.”

Nagel was one of the main driving forces behind the development of SÄBU’s innovative modular timber construction system. With the new system, the company prefabricated walls, ceilings, and base elements. These elements could then be combined in the plant into complete building modules. This enabled SÄBU to realize larger projects in short construction periods—shorter even than those of competitors that worked with steel modules. SÄBU also made further leaps forward by developing construction systems based on innovative combinations of the building materials timber, concrete, and steel.

INNOVATIVE MODULAR CONSTRUCTION TECHNOLOGY

Timber construction systems, hybrid construction, and modular designs were the three main pillars of the innovative SÄBU building concept.

In timber construction systems, parts of the building were industrially prefabricated, thus reducing costs and building time. A further advantage of this construction method was the ability to produce parts of the building independent of weather conditions, under constant temperatures, and under continuous quality control. It was also possible to integrate sanitary, heating, and electrical installations as well as windows and insulation layers directly in the plant. This enabled SÄBU to erect functional buildings in extremely short construction periods with low levels of emissions and noise exposure.

SÄBU was a pioneer in the field of hybrid construction, in which the excellent insulating properties and ecological advantages of timber were combined with the advantages of concrete and steel in strength, fire protection, and acoustic protection. The building shell consisted of timber elements while the ceilings were made out of concrete, a building material that could bridge large spans and function as a heat reservoir. SÄBU’s hybrid construction method generated buildings that excelled in energy efficiency and met Germany’s high standards for passive houses (zero-energy buildings).

The company’s modular designs used room modules that were made with a primary supporting framework of timber or steel. The modules could be flexibly combined, facilitating rapid and cost-efficient construction of individually adapted functional buildings. There were, however, two major preconditions for the system to work effectively: precise planning and exact coordination of all production and assembly steps. The modular construction system was particularly suitable for extending buildings, adding stories, and dismantling and relocating buildings.

ENVIRONMENTAL AND QUALITY MANAGEMENT

At SÄBU, traditional craftsmanship was combined with modern manufacturing processes. The company generally used construction materials that were environmentally friendly and did not have harmful effects on health. For example, all timber that was used came from sustainable, PEFC-certified,[[5]](#footnote-5) forestry sources. Other building materials also needed to meet high environmental standards by means of an environmental product declaration.

SÄBU’s management was always striving to systematically ensure that the company’s products and processes conformed with high quality standards. Examples included comprehensive inspection of incoming goods and extensive supervision of the construction by a project manager at the building site. Twice a year, the processed materials were checked in unannounced external quality controls that were conducted by an independent, officially accredited, testing institute. Assembly at the building site was also externally assessed, on a voluntary basis. SÄBU had received an external quality assurance certification for industrialized building and pre-fabricated houses.

WORKING WITH CUSTOMERS AND PARTNERS

SÄBU’s primary customers were in the public sector. The competitive tendering procedures were conducted based on legal regulations. Price was usually one of the main deciding criteria. With its innovative hybrid construction technology, SÄBU was able to match the prices of much larger competitors at the same or even a higher quality level.

The management of SÄBU closely monitored market trends. Tenders in the public sector were analyzed to understand customer requirements and trends. If it was possible to meet the requirements of a tender with the SÄBU hybrid construction system in a cost-efficient way, the company would make a calculation and submit an offer.

SÄBU offered fixed prices and completion dates. When the company made a submission for a tender, it committed to consulting the customer in a clear and honest way. During this phase, it was critically important to impress upon the customer that it would be working with a very competent partner if it chose to work with SÄBU. Therefore, the company had a highly qualified sales team whose members considered themselves to be a technical complement to the customer’s organizational structures. From the very beginning when an order was received, members of the planning team were included in the communication with the customer.

SÄBU was almost exclusively working as a general contractor. The customers ordered turnkey buildings and SÄBU was a single source for all construction services. To complete the building in time and in the agreed quality, a team of engineers, technicians, carpenters, joiners, and commercial employees needed to co-operate in a well-coordinated way. In addition, SÄBU needed to closely co-operate with partner firms that were responsible for different construction services, such as electrical and sanitary installations. The suppliers and subcontractors were selected not only on the basis of price, but also on the basis of their reliability and quality. SÄBU preferred to work in long-term partnerships. “Thus, the partners know what we are expecting of them, and we know that we can rely on them,” Machacek explained.

“I CANNOT WORK LIKE THIS ANYMORE”

After three key employees left the company, SÄBU’s top management team realized that there was an urgent need for change. “I wanted to move forward and Christine Machacek said ‛yes,’ but she did not do ‛yes,’” said Nagel. “I sold too many products and that is how we overburdened the employees. They simply could not manage it anymore.” Nagel wanted innovation and growth while Machacek preferred to be on the safe side and avoid taking risks. He noted, “I always wanted to accelerate, and she was constantly on the brake.”

The problems at work continued to haunt Machacek at night. One night, she had a dream in which Nagel said to her, “I have a new company car. Let us go for a drive.” He sped up into the mountains, driving around dangerous curves. Machacek was terrified and, indeed, the car was too fast and eventually left the roadway. The car went down the slope, but, luckily, it got stuck so that both were able to leave the car unharmed. After climbing back up to the road, Nagel just said, “Mrs. Machacek, we have a meeting. We need a new car.”

Nagel was astonished when Machacek told him about her dream. As it happened, he also had a dream at the same time. In Nagel’s dream, he was travelling to a business meeting in Stuttgart on a small motorbike. The motorbike first had a flat tire and then also ran out of fuel so that Nagel was unable to make it to the meeting on time. “My interpretation of this dream,” said Nagel, “is that the owner–manager was unable to provide me with the necessary resources to perform well in my job.”

At that point in time, Machacek realized that something needed to be fundamentally changed in the company. “I cannot work like this anymore,” she thought. “All the decisions are piling up here with me—all the problems, the overload.” Was there a way out? “I will never let consultants into my house,” was one of Machacek’s maxims that the SÄBU team had heard over and over again. For the first time, Machacek considered whether she should abandon her own precept.

1. € = EUR = euro; €1 = US$1.12 on September 30, 2016. [↑](#footnote-ref-1)
2. Katja Scherer, "Einer für alle," *impulse—Das Unternehmer-Magazin*, April 2017, 25–34 (translated by the case author). [↑](#footnote-ref-2)
3. Ibid. [↑](#footnote-ref-3)
4. An authorized officer (or “Prokurist” in German) is a member of the management team of a German company who has been authorized by the company to officially perform legal acts (e.g., sign contracts) associated with the business operations on its behalf. [↑](#footnote-ref-4)
5. PEFC, the Programme for the Endorsement of Forest Certification, was an international, non-profit, non-governmental organization that used independent third-party certification to promote sustainable forest management. PEFC (website), accessed March 11, 2019, www.pefc.org. [↑](#footnote-ref-5)