

CASE STUDY ANALYSIS OF CAMBELL & BAILYN'S BOSTON OFFICE: MANAGING THE REORGANIZATION

EXECUTIVE SUMMARY

This case was about the issues of discouragement on internal collaboration, process complication, and limitation in competitive advantages at Campbell and Bailyn's Boston Office, which were created by the formation of the KAT team and the implementation of the Performance Management System. We recommend using the hybrid model where each member of the sales team is allowed to specialize in more than one area.

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Managing Organizational Change

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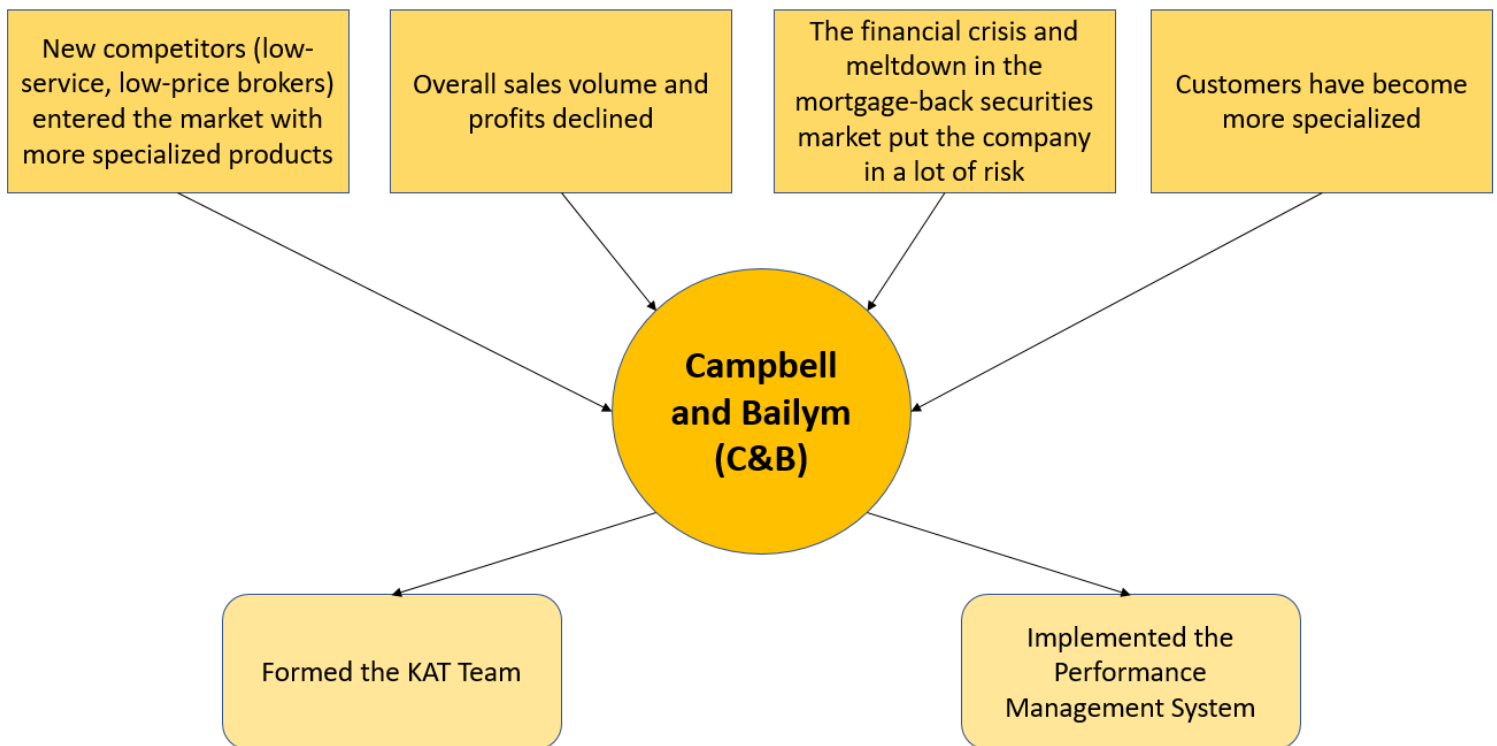
SITUATION ANALYSIS

Campbell and Bailyn (C&B), founded in the early 1900s and based in New York, was one of the renowned investment banks in the world. One of the fastest growing divisions in the company was the bond division. This division had eight major offices across the globe and after the New York headquarters, the Boston office is the largest in terms of size and performance. The banking industry has transformed rapidly over the last ten years. New competitors, many of which are low-service, low-price brokers, have entered the market with new products that tailor toward specific needs of different types of customers. Moreover, customers have become more specialized because they started to rely on the advice of in-house analysts who tracked esoteric bonds and bond derivatives. As a result, the overall profit margin declined and it became much harder for salespeople in traditional investment banks to sell and maintain the same volume as they had in the past.

With my track record and experience in bond sales, I was promoted to be Regional Sales Manager in 2003 with the primary role of supporting, coaching and growing the sales team for the Boston office of Campbell. In 2007, the financial crisis and the meltdown in the mortgage-back securities market put our sales team and their clients in a lot of risks and uncertainty. I had to make two strategic changes to help the company grow market share and profitability. The first solution, Key Account Team (KAT), was created in the taxable bond group. Five top sales generalists were combined into a new key account team and each salesperson was assigned a specialty sub-segment of the firm's product offering. This solution resulted in confusion for half of the customers. Moreover, generalists who transitioned to specialists felt threatened because it could significantly impact their career paths and commission packages. The second solution, Performance Management System, was formed to enforce the engagement between regionals

sales offices and product managers, researchers and traders in New York. This solution brings unfair advantage and frustration to salespeople in regard to their compensation arrangements. Even though these solutions resulted in a major uptick in profit margins versus 2006, I still need to solve the internal challenges to make this model sustainable. Good!

Exhibit 1



PROBLEM DIAGNOSIS

The new KAT team was created to provide better service quality to customers. However, it brought both additional value and confusion to the customers. Besides the benefit of receiving advice from specialized salespeople, customers had to deal with multiple people instead of a single contact person. This problem reduced productivity because a large deal would require more people involved and more procedures. (Are you calling this issue a “problem” or a “consequence” ?) The formation of the KAT team failed to leverage the expertise

from the existing specialist team. (So, this is the “problem”?) The consequence is that salespeople were forced to spend more time fulfilling the requests in-house instead of going-out to meet with customers which was an important part in the process to close more sales. OK

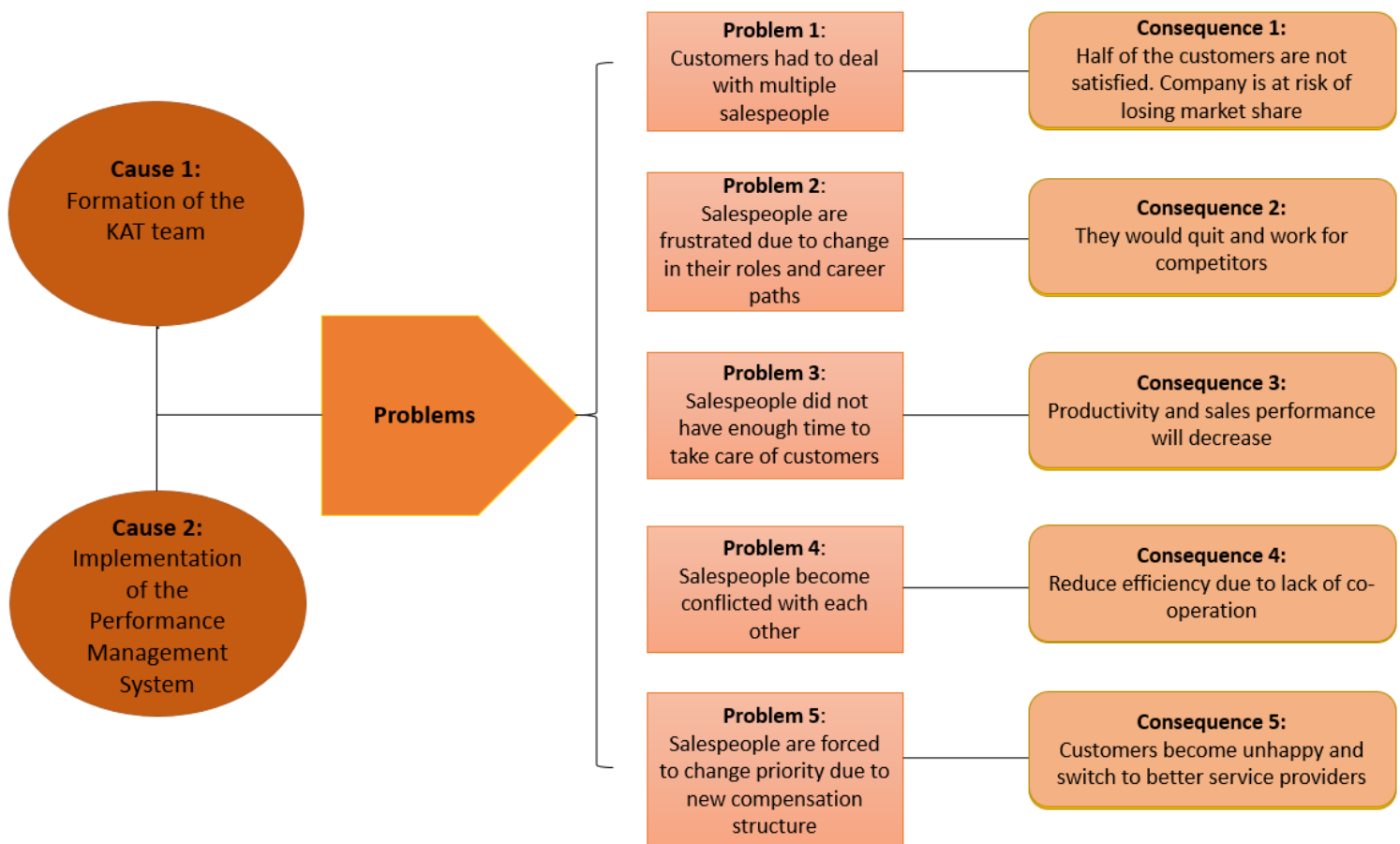
When each salesperson was assigned only one specialty, it limited his/her natural ability. As the salespeople were not allowed to expand their sales to other investment products outside of their assigned specialty, one of the consequences is that it limited their ability to growth their customer base and created disadvantages for them in the complete market. In addition, with the new structure, for the first time in their careers, these salespeople would have to share customers with each other. This problem led to conflicts and frustrations among these salespeople because they would not trust their colleagues to take good care of their customers. As a result, they might quit and work for competitors. Ross (2006) notes that “Another roadblock to trust occurs when team members don’t know whether their colleagues are taking good care of business.” Good use of theoretical concept to support your analysis.

The new Performance Management System changed that way that salespeople are compensated and forced them to focus more on relationships inside the company. Good point. The consequence of this problem is that they would not have enough time to focus on generating sales and taking care of the customers. As a result, the customers would become dissatisfied with their service and stop doing business with them. Good.

Both the KAT team and Performance Management System increased the level of complexity and confusion for customers, and salespeople. The company could face the risk of losing its market share and competitive advantage if they fail

to build an effective operation process that supports the growth of its customers and salespeople. I have come to believe the major causes that led to these problems are the decisions that led to the improper implementations of the KAT team and Performance Management System and the lack of communication and supervision between management and salespeople. Rogers & Blenko (2006) believe that “The decision marker is the single point of accountability who must bring the decision to closure and commit the organization to act on it.”

Exhibit 2



ALTERNATIVE SOLUTIONS

I identified several solutions to my current problem, the following are three of these solutions that are feasible and can be carried out immediately:

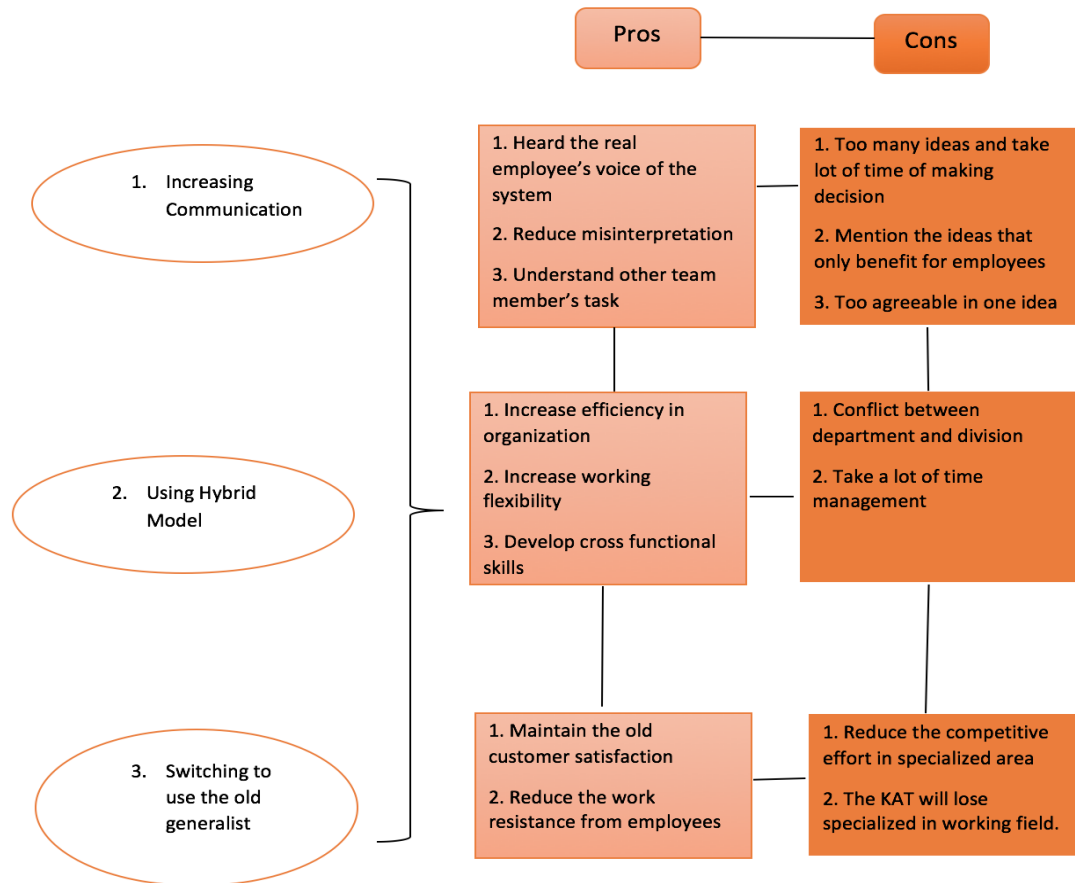
First, we should increase communication among team members and allow the employees to provide feedbacks of the system. Moreover, we should set up a weekly meeting for update on the progress and the problem that employees met when they use the system in real world. For the Pro's part, we will get the real feedbacks from his employees on the performance of the system. The power of communication will help them to reduce the misinterpretation which led to incorrect actions. Furthermore, there are different backgrounds of employees in a team, therefore, when team members talk and share their work with each other, they will better understand about the tasks and challenges of other team members. However, for the con's part, there are many voices of employees which can take a lot of time for Winston to make a decision. In the meeting, sometimes employees may mention ideas that are beneficial for themselves but do not actually bring any values to the company. Moreover, employees may get easily influenced when team member are all agreeable in one idea and they will be afraid to express different opinions. As a result, we only hear the idea which is not useful from this communication.

Second, we should use the hybrid model to form the team with each member specializes in more than one area in this situation. For the pro's part, the Hybrid model will increase efficiency in the organization. It means that the right amount of work will be assigned to the right employees. In addition, it will increase the flexibility in the organization while this structure will maintain the relationship between employees and senior managers. When we apply this model, it will help the company to diagnose problems that employees are facing. As a result, it will increase the overall productivity. Furthermore, the hybrid model will improve the development performance of cross-functional skills because it will help employees with different skills to work together and increase the growth of employees while minimizing the company costs. In contrast, for the con's part, it will create

conflicts between division and corporate departments. As a result, employees will be confused about the scope of work and their responsibility. Moreover, it will take a lot of time to coordinate meetings and follow up when the employees work simultaneously on more than three projects.

Third, in this situation where employees are resistant to adopt the new structure, we can switch back to use the old generalist structure. For the Pro's part, customer satisfaction can be maintained due to the client and generalist relationship. In addition, the old model can increase generalists' job satisfaction. It will eventually reduce the frustration from employees. However, in the con's part, we may reduce the chance to compete with other competitors, especially in specialized areas because they are not good enough and lack of know-how method to compete in specialized areas. In addition, The KAT team will lose the specialization in the working field as well.

Exhibit 3



RECOMMENDED SOLUTION

The KAT system and Performance management were not implemented properly. These two systems have increased complexity and are source of confusion to both consumers and sales people. According to Goold & Campbell (2002) an organization's design flaw reflects in its response to market or customer demands and how well staff can respond to the new design. We believe that best solution for the Campbell & Bailyn case is to use the hybrid model. Professor Kainen identified organization architectures in the MBA lecture note for the type of structures. According the lecture, organic structure in his organization is wide span of control, low formalization, and decentralized decisions. In addition, the environment is dynamic and complexed which is suitable for the hybrid model. This model is a combination of both functional and divisional organization.

Moreover, we can use the model to share the mission and allow both generalization and specialization to work in their best areas without duplicating the task responsibility. It is also more efficient to handle different types of customer needs. As a result, generalization and specialization can work through this flexible distribution work system and satisfy customer in the right time.

Next, the Performance Management System (PMS) would have to be adapted to suit a decentralized and less formal structure. However, some level of control and accountability would have to be implemented to assure that employees stick to the goal of generating more profits. Simon (1995) notes that diagnostic control systems are needed to monitor goals and progress toward revenue growth and market share. Thus, a new PMS would have employees' commissions tied to the volume of high margin bonds they sell and commissions would increase in tandem with high the margins of the trade are. This should motivate staff to learn about new profitable products and decrease the need for staff to check in with the New York office and thus reduce their level of input in their appraisals. However, the New York team has more expertise with a range of researchers, product manager and traders compared to the Boston office of solely sales people. Working with them increases efficiency, thus they would have an input in staff appraisal, although less; this will help maintain the collaboration which has been beneficial to the bottom line during this crisis.

IMPLEMENTATION STEPS

Step one: Call Paul Trimble and discuss new organizational structure with him. Discuss the flaws of the KAT system and the benefits the Hybrid structure will bring. Highlighting how it would cater better to customer needs.

Step two: Plan a staff meeting to communicate this change with the KAT team and Specialists. Allow for staff feedback to see where they might experience

challenges working with this structure. This could reduce potential problems with it in the future.

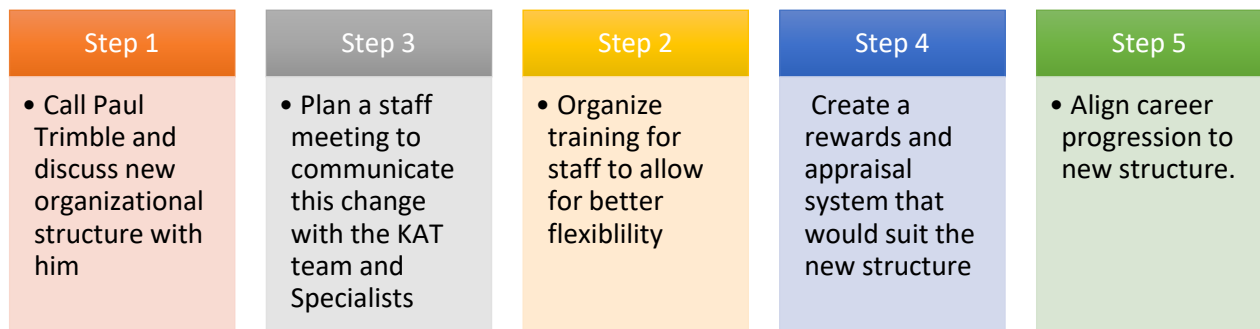
Step three: Organize training for staff to allow for better flexibility.

Training is essential for this structure to work. This will ease adaptation to the new system.

Step four: Create a rewards and appraisal system that would suit the new structure. The New Performance Management system seemed to be an issue with staff. Discuss with Paul Trimble plans take input from staff and the New York office to create an appraisal system that would reflect the new structure but would maintain a level of accountability and control.

Step five: Align career progression to new structure. They did not take the career prospect into consideration when implementing the KAT structure. This will be included following the similar process as changing rewards and appraisal system.

Exhibit 4



Good solid work. See other comments above.

GRADE = A

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