

Team Building

Six months have passed since the completion of the new factory building and the initial reorganisation of the workforce and the company concentrating on the production of valves. Though turnover had dropped substantially, running at an annual rate of 35 million, profitability had steadily increased and would be around €3.1 million for the full year. Earnings per share are projected to more than triple, with the result that your bonus as managing director was likely to be in excess of €50,000 in the first year. The return on capital employed had also risen to around 30 per cent from the low levels of the previous year.

The business had now changed its focus from outside to within Europe and had also seen the type of customer change. Burke was increasingly servicing the oil, chemical, water, and power industries throughout Europe with particular growth in France, Switzerland, Germany and Italy. It had also been successful in attracting new customers in Scandinavia, a market that previously untouched. The total number of customers had increased to 1,200, as Burke products were recognised as providing a combination of robustness and quality engineering that made them particularly good value.

The ability to handle complex designs and different materials was already providing a competitive advantage. This was further extended by the presence of a large team of technical support engineers giving a level of after sales service that customers in Europe wanted. This service was not currently provided by Burke's French and Italian competitors. The reputation of the company had also meant that they were starting to receive enquiries from the Pacific Rim and the United States, two markets that the company had traditionally been unable to exploit. It was becoming clear that Burke would shortly be able to enter these markets if it could continue to provide highly technical products for the advanced industrial sectors in the region. The company would however need to establish some local support group in the area, possibly based on the West Coast of the United States so that specific customer demands could be met in design and technical support.

You as J Franklin have had experience of this area of the United States, and are confident that an effective unit could be cheaply set up in the area. You would however need to appoint someone to run the operation and would ideally like to initially consider someone from within the company that would be eventually appointed to the main board providing that the individual made a success of the venture. Given that the current progress of the company was maintained, this requirement for a new senior manager was likely to be urgent within the next 12 months. Much of the recent success of the company had been the ability to provide a range of products in the growing motorised valve sector.

These products which had been under development for 3 years by the technical department and the previous technical director, now accounted for 40 per cent of the turnover of the company, and nearly 60 per cent of the profit. Indeed in the key growth markets for the future, Germany and France, the company was even more heavily reliant on motorised valves, as their standard range was not competitive with the alternative products on the market.

This pattern of demand with the more sophisticated economies demanding more complex products was repeated on an industry by industry analysis of valve sales. The growth sectors in all the industries that the company were serving were also providing the majority of demand for these motorised products.

In order to exploit this market opportunity you as J Franklin feel that the company should build on its competitive advantage by moving forward to introduce the microprocessor controlled 'smart' valves. 'Smart' valves are able to monitor their own operation and either shut down or increase the flow according to the programmed instructions. As processes become more complex and the demands on the companies for greater and greater control become more intense, the attractions of the 'smart' valve concept are obvious. You have been opposed in this by both the Marketing Director and the new Production Director.

The view of the Marketing Director, A Belinski is that further development into the sophisticated end of the market should be delayed for 2 years until the skills of the organisation, particularly in the marketing and sales department, could be developed to effectively promote the new products, as many of the staff were already having problems with the technical demands of the new motorised valves, a particularly acute problem in the advanced markets and with the new customer base. Your response to this has been to insist on an increase in the time that has currently been planned for training the sales and marketing department in the new products. The new Production Director has raised the problem of staffing for the new venture.

The complex demands of the new product could only be resolved by the appointment of a senior assistant in the production department. The development work involved would also tie up valuable machine time that should be used to meet the flow of profitable orders that the company was currently receiving. In addition the production director felt that the creation of a separate unit within the production department would be difficult to achieve with the limited manpower that was currently available for the increasing workload that the department faced.

Sedgefield felt that since the Production Director had complete responsibility for product development as well as production, a separate department would require a reappraisal of this job description and would resist any such change. You are unwilling to see management layers being recreated in a company which has just abolished them but agree that the problem would need to be considered carefully before the company committed substantial resources to it.

You disagree with the potential problems that the creation of a separate unit would cause to manpower shortages in the production department. The Finance Director, while broadly in favour with the idea, was unhappy with the budgetary implications involved in the expansion of responsibilities in the production department.

Siddiqui was also worried about the increase in working capital requirement that might be involved in the production of test units and the impact of bringing in new subcontractors in certain areas such as the provision of microprocessors, an area in which Burke had no expertise. The outside shareholders are however pleased to allow you to invest the increasingly positive cash flow into new growth areas.

To identify the likely benefits and problems that will arise, you have decided to appoint a firm of marketing consultants to provide an outsider's perspective of the problem, which you hope will be an objective assessment of the benefits and risks of entry into the 'smart' valve sector.

Their recommendation has supported your view that the company should enter the market to capitalise on the success of motorised valves and the increasing international presence of Burke Engineering. Two market sectors would be particularly valuable. One was already

within the Burke sphere of competence of providing valves to cope with extreme conditions, such as heat or corrosion.

The other was in the development of a range of extremely small valves for specialised production or other purposes. The report made a number of important points. First, as you are already aware, the market is becoming increasingly dominated by companies that use sophisticated technology. The pattern of world trade is more and more dependent on the three industrial trading blocs, North America, the Pacific Rim and Europe. A presence in the 'smart' valve sector would therefore enable the company to consolidate its growing presence in Europe and more effectively enter the other two markets.

Secondly, 'smart' valves offered a substantially increased profit potential for companies able to supply them, a profit potential which is substantially in excess of the motorised valves currently produced by Burke. Thirdly, experience of the 'smart' valve sector would continue to build the core competence in the valve market that the company needed in the long term to be an effective market leader. 'Smart' valve competence would lead the company into new areas of miniaturisation and sensor technology both of which were essential to produce an effective self regulating valve. The long term implications of miniaturisation would be to lead the company into areas of medical technology, an unknown sector for Burke, but one which was rapidly growing and extremely profitable.

You were sure that Burke Engineering could realistically develop a 'smart' valve with the new management team. However the amount of work that was involved in the development of this new project would conflict with the heavy workloads demanded by the current company plans. You feel that you will have to appoint a team to supervise and control the 'smart' valve operation. The project was likely to take 10 months for completion and involve the expenditure of around €350,000 before the product range could be fully integrated into current Burke Engineering activities.

The demands of the work would be highly technical, working to a specific highly directed brief to complete a project the broad theoretical demands of which had already been clearly established. It was vital that the specific demands of the sophisticated clientele to which such products could be sold would be clearly identified and included in the project development; and that the product range would have significant advantages over the competition.

Speed was likely to be essential; the marketing consultants had identified a number of other competitors that were working on new 'smart' valve projects and it was essential that Burke should be one of the first in the market place. As the project constituted a major investment for Burke it was vital that the expenditure should be carefully planned and monitored. The manufacture of the new product range might involve a further re-organisation of the company, and it would therefore be important that the development was accepted at all levels.

The team would have to develop a stage by stage approach to the development of the new product range. First, they would need to identify the appropriate sources of information about the potential types of 'smart' valve and the implications of particular types of development.

Secondly, they would need to establish what particular customer benefit they were trying to provide and whether this would enable the company to gain a competitive advantage over established products. This customer benefit would comprise a combination of

technical benefits such as speed of operation, size, sophistication and flexibility, with non-technical factors such as technical support, availability of spares, guarantees, access to employee training, and finally aspects of company image and the price of the finished product.

Thirdly, the team would have to translate these customer benefits into performance characteristics. From these performance characteristics, the group would need to define what components would be needed and in what way they would have to be organised to achieve the desired end result. This would decide how the components were assembled and how the flexible manufacturing system, now installed in the factory, should be integrated.

Once this planning process had been completed the team would have to arrange the production and testing of the prototype devices with the appropriate customers and then the full scale launch of the product range into the market. Each of these stages cut across current specific departmental responsibilities, and you have already been made aware of the potential friction that exists within the organisation towards such a major project. You are however convinced that the effective introduction of a 'smart' valve range will establish the company as an effective international supplier of a high value added product. From this, the company will be able to continue to invest in research and development to achieve further and further improvements in profitability and competitive advantage. It is essential, in your opinion, that a group be established within the company with specific responsibility for this development.

From the individuals within the organisation, you have selected the following as being suitable for the formation of the team that would be necessary for the completion of the project. You are reading the appraisal reports which are listed in Appendix B to see who should be finally selected, and have developed a short list of potential candidates. You are unclear how to go about the development of the team and what other factors will need to be considered. Those under consideration for the team are: A Asson, J Frayling, D Dennis, S Hoskins, A Akba, G Aldridge, W Otherwaite, J Porter

Action

How do you as J Franklin go about developing an effective team for the operation? What factors need to be considered? What problems are likely to be caused? How can they be overcome?