Aegis Electronic Group, Inc.

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S. L. McShane *Canadian Organizational Behaviour*, 5th ed. (Toronto: McGraw-Hill Ryerson, 2004); S. L. McShane & M. A. von Glinow, *Organizational Behavior,* 3rd ed. (Boston: McGraw-Hill, 2005); S. L. McShane & T. Travaglione, *Organisational Behaviour on the Pacific Rim,* 1st ed. (Sydney: McGraw-Hill Australia, 2003)

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By Cynthia Larson-Daugherty, National University, and Carolynn Larson-Garcia, Assesso

Aegis Electronic Group, Inc. is a small company located in Southern California that was incorporated in 1989. Aegis, engaged in selling highly technical line, distributes industrial imaging products and video conferencing applications. The company employs 12 people (six sales members, four operations, one general manager and an active president/owner).

Aegis has experienced long periods of profitable growth; however, by 2001, the technology sector and the economic down turns brought attention to internal processes and events that had been given quick fixes in the past. Liz Carnes, president and owner, and her core management team started seriously evaluating the company's direction and processes.

With the strength of a core sales team in place, Aegis was able to minimize the impact of the technology sector downturn in 2001 and 2002. With a highly technical product line it takes upwards of a year of training for a sales person to start producing at a profitable level. As a result, a new sales trainee absorbs production time from each member of the sales team by a buddy –system where they shadowing current team members over a period of months. This methodology had historically worked very well. The combination of a market downturn and changes in the sales team can have a dramatic impact on Aegis.

With economic, market, and internal changes afoot, specifically sales team turnover, management decided to experiment with new business strategies that included revamping both traditional management practices of reviewing the business plan and adjusting where needed, and implementing organizational development initiatives.

The company had run successfully over the past several years with a core management team: the president/owner, Lynn serving as General Manager (GM) and Sales Team Manager, and Samantha as the Operations Manager. Organizational roles were examined with a focus on Lynn. Lynn had started with the company two years after its incorporation. Over her tenure she has done everything from answer phones to help land large accounts. As the company grew, she continued to learn and perform a variety of functions, but primarily moved into managing the staff that was brought on board. Lynn

* This is a case based on actual events, but with the exception of the company president, names have been changed to maintain personal anonymity.

became the "go-to" person over the years because she had served in every role in the organization at one time or another. This was very helpful at times, particularly when the sales team and operations group would butt heads. Of her many roles, Lynn's ability to promote and maintain both productivity and company morale had been key. However, it was time to have her focus on exploring new markets and identify another person as a sales team manager.

During the review of Lynn's role, other items surfaced. As a result, five initiatives were piloted in 2002 and 2003: hire a dedicated sales manager, explore new markets, hire more sales staff, explore sales training alternatives, and implement company-wide meetings / team building.

Hire a Sales Manager and Explore New Markets

The goal of hiring a sales manager was to allow Lynn more time to focus on exploring new markets for the company. Lynn had so focused on the company for so long that bringing in fresh ideas and perspective was deemed appropriate. In addition, Lynn had always been involved in coordinating the new sales person training and this took away time from her other duties.

An internal sales team member that had been with the company for about five years was asked if he would be interested in the position. He declined indicating saying he felt better suited to stay in his current position and continue generating sales versus moving into management. As a result, the company sought external candidates with a sales management background. Bill was hired because he had over a decade of middle-management sales experience with large to medium size companies planning sales force activities, and he possessed some technical product line knowledge. He was only the second person that was brought in as manager that did not gain the position as an internal promotion. The previous person left the management position because of a spouse relocation.

Bill was given Lynn's office since it was right next to the sales team and she moved to a smaller office centrally located to the president, operations and the sales team. Lynn turned the sales team over to Bill, and she started focusing on exploring new markets.

Hire More Sales Staff and Explore Sales Training Alternatives

The nature of Aegis's highly technical product line has historically required a significant investment in employee training. The typical new hire has had several years sales experience; however, most have limited knowledge on Aegis's product line. Although a formal training program has been created to help expedite and improve the process, the payroll investment in the employee by the company and the time involved by the entire sales force to support the new trainee slows down generating overall sales. The result in turnover can have a tremendous impact on the company. The strategy in the past has been a two-pronged approach. First, an effort to create an organizational environment and compensation package that will encourage retention has been developed and is continually improved. Second, recognizing that employee turnover is a natural part of the employment relationship; therefore, regularly recruit, hire and train new sales team members. This two-pronged approach has yielded some success; however, during the last two years the company has peaked at 15 employees, the majority being sales staff, and has had as few as ten.

Reviewing the training process and materials, it was realized that having one person coordinate trainees might be the best approach with others supplementing support on an ad hoc basis. Bill, as the new Sales Manager, would be this person.

Implement Monthly Company-wide Meetings / Team Building
Starting in January of 2003, the company implemented a plan that included a series of monthly company-wide meetings / team building sessions. The goal was to get new hires assimilated into the company, unite everyone to a common company mission and purpose, and create an environment that encouraged and promoted retention and collaboration. The meetings would also provide a forum to provide both sales and operations information about what's going on in the organization at the same time, clarify the direction of the company, and address issues.

The Initial Results of the Organizational Changes
Bill, the new Sales Manager, spent a great deal of time his first three months in his office reviewing materials and planning for the future. This was his role in his last medium-sized company as a middle manager. He did not spend much time on the sales floor. He periodically had weekly meetings in an effort to get updates on what was happening. Lynn spoke to Bill initially about spending more time on the sales floor and interacting the team on a more regular basis. She also asked him to move the hiring process along for new sales staff. In addition, she coached him on the importance of making decisions at a faster pace. She provided an example that in lieu of writing a memo or sending an e-mail in as 12-person company, it's more effective on most occasions to walk over and talk to people. He recognized he may be still operating as though he were in a larger organization and made the effort to move more quickly. Lynn started spending more time with Bill and the sales team to make sure he was being supported and things progressed at a faster pace.

Lynn and Liz were able to identify Arizona as another location that would allow for increased company profitability and decrease cost of living expenses. Planning was in progress.

The initial monthly Company-wide Meetings / Team Building sessions were implemented. The first session proved to foster increased camaraderie among the sales team and opened up communication between sales and operations. Since Lynn had given her duties as Sales Manager to Bill, communication between sales and operations had weakened. Lynn had previously bridged any gap between Sales and Operations since she oversaw Sales and the Operations Manager, Samantha, reported directly to Lynn. Samantha had shared since the change in management that paperwork regarding credit approvals was not being completed prior to shipping product, and that sales staff were starting to go directly into the receiving area to check on their orders versus waiting until the product had been logged as received. Bill explained that he was trying to find ways working with the sales team to provide quicker answers for the customers, and was not trying to by-pass existing procedures but expedite service. He explained he just wanted to get delivery answers and products to customer faster to increase satisfaction.

The conversation at the first session was fairly positive, and having employees share their history and how they joined the company appeared to open up communication. The session ended on a positive note with employees asking about the date and time of the next session.

At the suggestion of Liz, the second Company-wide Meeting / Team Building session would focus on reviewing and revamping the core mission and values of the company in addition to aligning company employees and generating suggestions for improving operations and sales. The result was employee alignment on a new company mission statement, "Service. Integrity. Profitability." A great deal of conversation during the session was around the meaning of integrity, honesty, and trust. It became clear that these were core foundation principles of the company.

The session also revealed there was still some underlying tension between sales and operations. In an effort to avoid an "us against them" situation at the session, the two areas were asked to come up with suggestions to improve current methods. The suggestions would then be discussed between the Operations Manager and the Sales Manager back at the office, and the group would reconvene when the managers had developed some solutions. This option seemed to be palatable for everyone at the session.

The Bill and Samantha met once after the session to discuss the suggestions. However, they each continued to meet individually with Lynn. Lynn encouraged them to meet with each other and problem solve together. Weeks past and Lynn did not receive any joint documentation from her two managers.

Future team building sessions were put on hold. Bill was still learning the customer base and product line and it was difficult for him to hire qualified candidates and train new hires. As a result, most new hires were still going through Lynn and the existing sales staff continued to go to her to get information. The new hires brought on board were being passed around and trained by those sales team members that had more experience. Lynn, unable to dedicate her time to exploring new markets since she was still the "go-to" person and frustrated with the growing conflict between sales and operations, recognized this was not the most effective approach. She suggested that Bill move onto the sales floor to shadow the sales force and sell to some customers in order to shorten his learning curve and take on more quickly and effectively some of the Sales Manager tasks. Lynn seeing the gap and time passing with minimal results, also moved to the sales floor to help train new hires and also generate sales for the company.

Status

Nine months into the "piloted" initiatives the company has maintained stability however the following events have occurred:

- One operations person has left and three sales team members left;
- The Sales Manager, who had moved onto the floor and was serving primarily as a sales team member for the past two months, left the organization amicably to explore other opportunities;
- One new sales person joined the company and Lynn is training him and currently managing the sales team; and,
- Liz, Lynn, and Samantha are assessing the events of the last nine months and lessons learned, and continuing exploring opening another office in Arizona and new distribution opportunities.

When sitting down to assess the past nine month and how to move forward, Liz commented, “I view things from the perspective that we can’t learn sometimes unless we fail, we mostly learn from our failures.”

