

Hickling Associates Ltd.

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Introduction

For almost seven years prior to June 1983, Tony Azzara had been employed by Pisces Exporters Ltd. The company, located in Vancouver, was a subsidiary of a U.S. food products conglomerate headquartered in Los Angeles. Pisces was one of the largest exporters for fresh and frozen seafood on Canada's west coast, and had generated revenues between \$40 million and \$60 million annually, depending on the quality of the fishing season and market demand. The company's major markets were primarily in Europe as well as several areas of Asia and Japan. Pisces also traded other food products, which, over the years, overtook seafood as the main revenue producer for the firm.

At the age of 27, Tony Azzara began his career with Pisces as a salesperson, where he learned the complexities of exporting both fresh and frozen sea products to various countries. Within two and a half years he was promoted to the position of sales manager responsible for all seafood exports to Europe. This was an exciting job and a respected position. He was given a comfortable office and a very acceptable compensation package.

There was an annual bonus based on group sales, which was as high as 100 percent of Tony's base salary in the best years. Even in the poorest years, the bonus was about 20 percent of base salary. He also received a generous car allowance. The work required Tony to develop contacts with other people in the seafood industry in Canada as well as with the major customers in Europe. He was able to take several trips to Europe to expand the market there and develop better relations with Pisces's existing customers. The job was also a constant challenge, because of the increasing international competition in seafood sales and the need to closely coordinate the sales group with the buyers in Pisces. Tony learned early in his career that product quality and delivery time were just as important as price in this market, and only by keeping in touch with the company's seafood buyers could he make those guarantees to his overseas customers.

After about two years as sales manager, it became increasingly clear that Pisces's products were being priced out of the European market. The competition from Asia and Scandinavia was increasing dramatically as they improved their export marketing practices to Europe. Equally important was the appreciation of the Canadian dollar against most European currencies. This dramatically increased the price of Canadian

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goods in most European countries, whereas the seafood products entering from the Pacific Rim did not experience these fluctuations. By the end of 1982, European seafood sales from Pisces and all other North American exporters had dropped in both volume and market share. Only in the higher end of the market--the expensive seafood products--did the price have only a modest effect on European market share.

Unfortunately, the American parent company of Pisces Exporters Ltd. was also experiencing serious financial problems for several different reasons and, combined with the depressed export market in seafood, the entire fresh and frozen seafood export division of Pisces Exporters Ltd. was discontinued in the second week of June 1983. Consequently, the vice-president, 6 sales managers (including Tony Azzara), 10 salespeople, and 5 support staff lost their jobs. The notices of permanent layoff were given in March, and all laid-off staff were given reasonable severance payments in June in amounts that corresponded to their position and length of service. For Tony, this was equivalent to about four months' salary.

An opening at Hickling Associates Ltd.

In the weeks leading up to the final day of work at Pisces Exporters Ltd., Tony Azzara began telephoning around to the people he knew in the Vancouver area in order to let it be known that he was looking for a job in the industry. He had the right experience and had become fairly well known in the city as a good trader in the canned and frozen seafood business. The president of Pisces even approached Tony before he left to say that he would be pleased to write a letter of reference if it would help Tony's search for alternate employment. Tony was flattered by the gesture. In spite of these factors, however, Tony Azzara did not expect to find another job in the seafood exporting business in the near future. With a depressed seafood market and high unemployment throughout British Columbia, securing alternate employment was not going to be easy. In fact, Tony entertained the possibility of changing industries and even began to look through the newspapers for sales positions in other products.

In early June, Mr. James Hickling telephoned Tony Azzara at his office and invited him to lunch the next day. Mr. Hickling owned Hickling Associates Ltd., a medium-sized trading organization in Vancouver that specialized in the import and export of several types of canned and frozen foods. In addition, the company traded a few other commodities such as grains and finishing nails. Tony had met Mr. Hickling in two joint ventures between the two companies a few years earlier. However, Tony had worked mainly with Thomas Siu, who was the export seafood trader at Hickling Associates.

Following the call from James Hickling, Tony tried to recall what else he knew about Hickling Associates Ltd. and later in the day made several inquiries regarding the firm. He knew that the company was mainly an importer of canned foods such as mushrooms and oriental foods from several Asian countries. Seafood trading was restricted mainly to the export of canned salmon and represented a very small factor in the business. As far as Tony knew, Thomas Siu was the only person responsible for this part of the operation and had been employed by Hickling Associates for about five years. Tony also learned from one of his contacts in the industry that Hickling Associates was financially very

strong and well established. It was founded by James Hickling's father in 1934 and grew steadily throughout the years. When the elder Hickling retired in the late 1960s, James Hickling took over the company and had been given a lot of credit for the company's current success.

James Hickling was considered by many people in the import--export industry to be something of a maverick, and was generally respected for his business sense and solid understanding of the international merchant business. Tony had heard a rumour of a disenchanted trader in canned foods who left Hickling Associates Ltd. a few years previously. The trader joined a rival importer and took with him a few Asian accounts whose contracts with Hickling Associates Ltd. were about to expire. Nevertheless, James Hickling subsequently won back some of those customers and further expanded his business in the import of mushrooms, bamboo shoots, and other canned goods.

The meeting with James Hickling

Tony Azzara arrived early at the posh restaurant where Mr. Hickling had made reservations and ordered a glass of white wine while he waited. Precisely at 12:15, the time of the scheduled meeting, James Hickling arrived. He was conservatively dressed in a dark blue suit and looked to be in his early 50s. He introduced himself as he arrived at the table and ordered a double scotch on the rocks. After a few initial pleasantries and acknowledgements of the troubles in the European market, Mr. Hickling got right to the point.

"Tony, I'm looking for a man like you to take charge of the seafood export trading in Hickling Associates. It's been a small part of the company for too long, in my opinion. The market is down in a few areas such as Europe and that's knocked the wind out of some of the competition. I believe that you could help me to get a bigger share of the canned salmon market and even get into the export of fresh fish over the next few years as the market rebounds."

Tony took a quick sip of his wine. He had been sure that this meeting was about a possible job opening, but was surprised by the sudden offer. These jobs were rare in Vancouver in 1983, and there were a lot of good traders around.

"This sounds like the sort of challenge that I'd like," Tony replied, trying to sound calm and interested in the position at the same time. "As you know, I've been in this business for a few years now and have developed several contacts in Europe and other markets. I've also worked with Tom Siu on occasion, as you'll recall." Tony was hoping to find out how he and Tom Siu would be working together.

"Yes, indeed," Hickling continued. "Those ventures turned out very well. Siu told me that the two of you worked well together. That's why I think you can do an excellent job in this market."

"What do you have in mind, Mr. Hickling?" It was a risky question but worth asking. Tony had seen situations at Pisces Exporters where two traders clashed because the vice-president neglected to clarify their respective duties. He also wanted to avoid stepping on Tom Siu's toes by taking his job away from him.

Hickling took a final bite of his sole florentine and ordered another double scotch. "Siu's done a good job as a trader for me, but his strength is as a buyer, not as a seller," he explained. "He came to us about five years ago from [the Canadian Department of] Fisheries and really knows the quality of seafood. His knowledge of the processing industry on the West Coast has been a real plus. My intention is to bring you in as the export seller and Siu will be primarily responsible as the buyer."

Tony felt satisfied. The job looked challenging and the set-up would take advantage of both Tom Siu's and his talents.

Hickling continued. "Tony, there's a lot of opportunity in Hickling Associates if you decide to join our team. I'll start you at \$40,000 per year and, depending on your contribution, you'll receive a bonus with no ceiling. That means a virtually unlimited earnings potential if you boost our export seafood business. And I know you will."

The offer was quite satisfactory to Tony, especially considering his employment alternatives. The salary was slightly lower than his current \$42,000 salary, but this could be made up in bonuses. He was curious about the bonus plan, but felt that this was not diplomatically the right time to go into details on compensation matters. It was not a large company, and written employment contracts were rarely seen in the industry, even at the senior executive level.

"That sounds reasonable." Tony didn't want to sound too enthusiastic. "Of course, I'll have to give this some thought. Could you tell me more about the company's facilities for export trading?"

James Hickling explained the computer system that had recently been introduced to keep track of client accounts as well as purchase inventories. Tony would have complete access to the support staff and would have freedom to develop fresh and frozen seafood sales. In order to develop these sales, Tony would be free to travel as required. In addition, traders at Hickling Associates Ltd. were given a company car up to a certain value. This value was about \$3,000 lower than Tony's car, because Pisces had a higher limit. However, Hickling agreed to raise this limit for as long as Tony had his present automobile. The limit would then be lowered for any subsequent car purchase.

The conversation wandered into the quality of recent salmon catches and the opportunities for international merchants with the rapid growth of fish farms along British Columbia's coast. Tony saw these farms as an excellent source for fresh salmon exports, particularly in competition with the Norwegians, who had been taking an increasing percentage of market share in several areas of the world.

About one and a half hours after the lunch began, Tony Azzara and James Hickling shook hands and left the restaurant. Tony promised to get back to Hickling within the next couple of days with an answer. That evening, Tony discussed the offer with his wife, and the next day he accepted Mr. Hickling's offer. Tony would start work on July 18, 1983, giving Tony and his wife a few weeks of vacation on Vancouver Island in early July.

The start of a new job

Promptly at 8 a.m. on Monday, July 18, Tony Azzara walked into the office of Hickling Associates Ltd. in downtown Vancouver eager to accept his new challenge. Mr. Hickling had not arrived yet, but the receptionist had just sat down at her desk. Tony could hear that other people were already at work behind the partition that separated the receptionist from the rest of the offices.

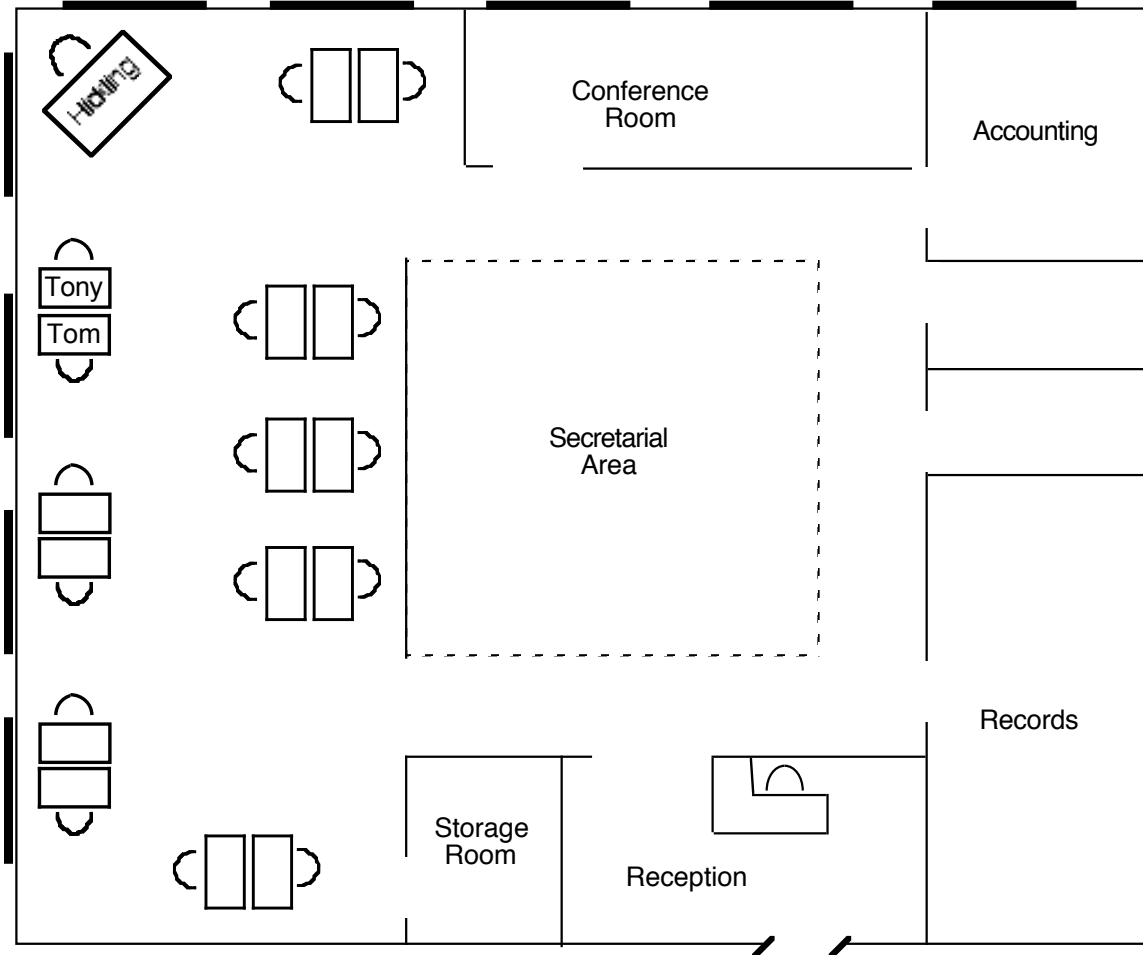
When Tony introduced himself to the receptionist, she answered in an apologetic way that she knew nothing of his arrival. It was evident from her awkwardness that the receptionist wasn't quite sure how to deal with this situation, so Tony let himself into the general office and wandered through the various areas (see Exhibit 1). There were five secretarial workstations directly behind the reception area and, along the hallway to the left, another larger, open section of the office where several men and a few women were working. As Tony entered this area, an oriental gentleman in his late 30s approached him. It was Thomas Siu. Tom looked genuinely pleased to meet Tony as the two men shook hands. After short introductions, Tom walked Tony over to a far corner of the room and pointed to two of the large desks butted up against each other.

"This is where you'll be working, Tony," Tom said with a smile. "Mr. Hickling likes to have the traders who work together near each other. Since I'm doing the buying and you're doing the selling, I'll be right here." Tom put his hand on the other desk.

The proximity of the work areas was something of a shock to Tony. He was accustomed to his own office and, although aware that Hickling Associates had an open office arrangement, he did not expect to be so physically close to the other traders. Tony looked around the large room. It was an older building with high ceilings and large arched windows. The offices of Hickling Associates took up half of the fourth floor of the 10-story office building. The clerical workstations he had passed earlier were very modern, whereas the trader desks were large oak pieces with wooden swivel rockers. Except for the carpeting and fixtures, the room looked much like it would have 30 years earlier. It was actually rather appealing to Tony, except for the physical arrangements. The other traders were at their desks, most of them on the telephone or just coming in to work.

At that moment James Hickling walked in from the entrance on the far side of the room and walked toward Tony and Tom. "Good morning, Tony. I see that you're getting yourself all settled in." He shook Tony's hand and then sat down at the desk at the head of the room.

Exhibit 1: Office Layout of Hickling Associates Ltd.



Tony's heart sank. Hickling's desk was only five feet from his, allowing Hickling to literally look over Tony's shoulder. He sat down and looked around the room again. It then dawned on him that he was the only person wearing a suit. The other traders were dressed casually in slacks and open shirts. Some were even wearing blue jeans. Tony glanced back to Hickling who was on the telephone and looking out the window. He was dressed in corduroy pants and a plaid sport shirt---a sharp contrast from Tony's three-piece dark grey pinstripe suit with white shirt and tie.

Not knowing quite what to do, Tony rummaged through his desk to discover what supplies were available. He jotted down the supplies he needed and made a short list of his goals for the next few weeks. Unfortunately, this didn't take very long, and Tony was soon left with the task of finding something else to do. It wasn't a good idea to ask Tom about work procedures yet, with Hickling just a few feet away. That wouldn't leave a good impression. Instead, Tony walked around the office, introducing himself to the other traders and staff in the firm. In a casual manner, he observed some of the forms and

procedures the other traders were using while asking them about their product areas. After about half an hour, Tony returned to his desk. His watch said it was only 9:30 a.m. It was going to be an awkward morning. For the next few hours, Tony made telephone calls to some of his contacts to inform them that he was now employed at Hickling Associates Ltd.

James Hickling left the office before lunch and didn't return until late in the afternoon. This gave Tony the opportunity to talk with Tom and learn more about the firm's buy and sell procedures. Tom was very helpful as the two discussed matters over lunch. They also formed a fairly good understanding of how they could coordinate the work. Tom was quite pleased that he was now handling only the purchases of seafood, but Tony felt that Tom wasn't very enthusiastic either about his job or the possibility of expanding the product line to fresh fish exports.

Settling in

During the first month, Tony Azzara made several successful foreign sales of canned salmon and other fish products and was able to use the records and inventory system at Hickling Associates Ltd. with minimal difficulty. Having previous experience in the industry was a definite help. Much of the job could be performed in a similar manner no matter where he worked. However, there was still a lot of uncertainty about some of the more technical procedures and the extent of his authority. Hickling hadn't given Tony any idea about this. The office layout was also difficult to get used to. It was quite clear that Mr. Hickling had tried to overhear some of Tony's telephone conversations. The records people also were putting pressure on Tony to sign all correspondence with the company name rather than his own. This made him feel very uncomfortable because these were contacts and customers that he had established. It was certainly common for traders to sign their own names in other trading firms. For several weeks, these factors took their toll as Tony felt quite worn out by the end of the day.

At the end of the third week, Tony decided to approach Mr. Hickling about a few company policies so that he would have a clearer idea about how to approach certain items on his agenda. For example, Tony was still unsure about the limit of his signing authority for shipments to new customers. There was also the question of the firm's approach to selling odd-sized lots. On both issues, Tony had received conflicting opinions from the other traders. This may have been because they were in such diverse product lines and company policy might vary with the product. So Tony approached James Hickling directly for the answers.

Hickling's reply was hostile. "For God's sake, Tony!" he barked. "Can't you figure these things out for yourself? I haven't time for that trivia!"

Tony's initial feeling was that of embarrassment. Hickling spoke loud enough for all of the traders to hear, and several of them turned to find out what was going on. Embarrassment turned to anger, however, as Tony realized that his questions were not unreasonable. He turned on his heel and, without replying to Hickling, marched out of the room toward the records office. Hopefully, some of the answers might be found there in

old invoices and other documents. Later that day, Tom Siu apologized to Tony for not warning him earlier about Hickling. Tom pointed out that most of the traders had received the same dress-down at one time or another and, therefore, avoided Hickling whenever possible. Hickling may have been one of the best traders in the city, but he wasn't easy to get along with.

The only exception was when Hickling had been drinking. It became increasingly apparent to Tony that Hickling and several of the traders were heavy drinkers. They almost always drank copious amounts of liquor at lunch. There was also a ritual of sharing a large bottle of rye or scotch whenever a major deal was finalized. Tony figured that at least one bottle was consumed openly in the office each week. Every trader had his or her own glass. Both an ice machine and liquor store were conveniently located around the block from the Hickling Associates offices. It was during these celebrations that Hickling became more personable with the traders, although the traders still watched what they said to him. Tony wasn't much of a drinker, but went along with the ritual and even broke out a bottle of scotch for the group one day in September when he signed up a major European customer. This office behaviour was quite different from Pisces Exporters Ltd. where drinking on the job was strictly forbidden.

The drinking habits of Hickling and the office staff (mainly the traders) paled against a more startling observation that Tony made after about a month on the job. James Hickling was married with three children, but Tony noticed him on several occasions leave for lunch with a female employee in the accounting group and not return until late in the afternoon. He quietly asked Tom Siu about this one day and was told that Hickling was having an affair with the woman. Tony was surprised at how casually Tom said this. Over the next few months, Tony learned about two other relationships in the office between traders and support staff. In both cases, one or both of the employees were married. All three affairs were generally known of and accepted throughout the firm. Apparently, other relationships had formed in the past, and when they dissolved one or both of the employees involved had left the company within a few months. Tony had difficulty accepting the moral standards of the office and couldn't understand how these affairs were condoned so easily by the other members of Hickling Associates Ltd.

After three months, Tony Azzara was beginning to feel a little more comfortable in his position at Hickling Associates Ltd. He hadn't received any feedback from Hickling, but had a fairly good idea that he was doing well by industry standards. The other traders were in diverse product areas and it was difficult to compare performance. Nevertheless, several of them congratulated Tony on the number of new customers he had signed up for the export of canned salmon and other seafood products. Tom Siu's excellent buying skills helped considerably, but in the tough European market, the traders knew that export sales would be the more difficult task.

Tony felt that his earlier contacts had really helped to increase sales. But he was not receiving the industry mail that used to come across his desk at Pisces Exports Ltd. This mail was important because it would inform Tony of upcoming functions in Vancouver and abroad. Instead, the mail was going directly to James Hickling's desk. On several

occasions, Hickling attended these functions and Tony would not find out until after the event. In fact, Tony attended only two industry functions during the first year compared with the five or six events he had formerly attended annually.

Another major setback occurred in late November. Hickling had planned a trip to Europe and made arrangements to visit several of Tony's new customers. Tony was angry and frustrated. But when he approached his boss about this, Hickling replied, "It doesn't make sense for both of us to travel." Two more trips were made in February and April 1984. On both of these occasions, Tony was told that he would be able to make these trips in the future. Meanwhile, Tony had to rely on the telephone and other forms of communication to make his important contacts for new business. On none of the trips that Hickling took did any new seafood export sales materialize.

The bonus and the final straw

At the end of six months of work, Tony Azzara had contributed over \$425,000 in net profits to Hickling Associates Ltd. Seafood exports had more than doubled, and several new customers had been established in spite of the limitations that were placed on Tony. Hickling still hadn't provided any performance feedback but Tony had high expectations of the bonus, which was paid at the end of the year. In his final paycheque for 1983, Tony found a bonus in the amount of \$10,000. It was a disappointment. He had worked harder than ever before and had personally generated record sales for the company. A few days later, when Hickling had returned from lunch and was in high spirits, Tony confronted Hickling about how the bonus was decided. Hickling looked rather awkward as he explained that it was based on a combination of overall company profitability and individual performance. He then promised Tony that if he sold as well in 1984, the bonus for that year would reflect this performance.

In February, when Hickling was out of town, Tony had the opportunity to talk about the bonus system with a few of the other traders. To his surprise, many of the traders had gone through a similar reaction to their first bonus. Most were still disappointed, but had resigned themselves to the fact that salaries would not be much higher than the base rate. As long as they avoided James Hickling and did their jobs, the traders accepted the situation. It was quite clear that they were doing enough to survive in the job and nothing more.

After a year on the job, Tony was feeling increasingly antagonistic to Hickling and the firm. He still had not been given the opportunity to visit his customers and make new contacts abroad. Tony even began rummaging through Hickling's mail to find out about upcoming industry events. He continued to sign his own name rather than the company's to most telex correspondence, but it was clear that Hickling wanted the customers to identify with him, not the traders. It was fairly easy at first to accept the drinking ritual. However, Tony later separated himself more from Hickling and the other traders when he realized how much alcohol he was drinking. In fact, it was his wife who first noticed this as Tony began to consume more liquor at home.

As the end of 1984 approached, Tony felt somewhat confident that his bonus would be at least as high as last year's. Sales had continued to climb and the seafood export component of Hickling Associates Ltd. represented a larger proportion of the business than ever before. The 1984 bonus was \$5,000. Tony Azzara was shocked and upset. Neglecting the possibility of a loud confrontation, Tony again confronted Hickling. Hickling indicated that several other parts of the organization were not producing the expected levels of profit and, as a result, all bonuses were lower. He added that it was important to be part of the team at Hickling Associates Ltd. and share the profits and losses throughout the firm.

A few weeks later, Tony learned from sales records that none of the other trading areas in the company had suffered any serious drop in sales. In February 1985, Tony Azzara submitted his resignation at Hickling Associates Ltd. He accepted a position with a competing international merchant in Vancouver at a lower salary.