Group Formation after the Restructure: A Case Study

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ABSTRACT

Using a case study approach the purpose of this paper aims to create an understanding for managers how their associates handle change after the occurrence of a company re-organization. This understanding is supported by the using Tuckman's 5 steps to group formation to manage new teams and create cohesion. This paper provides for a powerful framework to create a cohesive, new team following a re-organization. It is proposed that managers who have an understanding of group formation and handling change will help their associates navigate through the rough waters of a re-organization, resulting in a loss of associates. It is primarily the line manager that will have the most influence on the cohesiveness of the new team.

Keywords: *Re-organization, Restructure, Team Formation, Team Dynamics, Groups Formation*

INTRODUCTION

In recent years, many organizations that typically have not laid employees off have chosen to do so for a variety of reasons. Some reasons these lay-offs fall into four major buckets: a merger, an acquisition, to reduce costs or to re-structure the design of the company. According to Bloomberg Businessweek, "Four out of five organizations have gone through some type of redesign initiative over the past 12 months" (Business week, 2013). Several of these organizations, cut back to reduce their overheads in a declining economy, while others chose long-term strategic vision for restructuring. The Corporate Leadership Council (CLC), conducted interviews with over 260 companies all over the globe that had restructured

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and the 400 plus initiatives these organizations had implemented after restructuring (Bloomberg-Businessweek, 2010). What is interesting to note in all of these interviews was the employee's lack of engagement to their new job. While most of these 260 companies focused on certain activities and improved communication to achieve new goals, it was not mentioned that these companies looked at how to understand and engage the newly created team. Therefore, this paper aims to look at a particular organization over the course of a four-year period that underwent a restructure with a long-term vision, along with recommendations to understand and engage a newly structured team.

BACKGROUND OF THE ISSUE

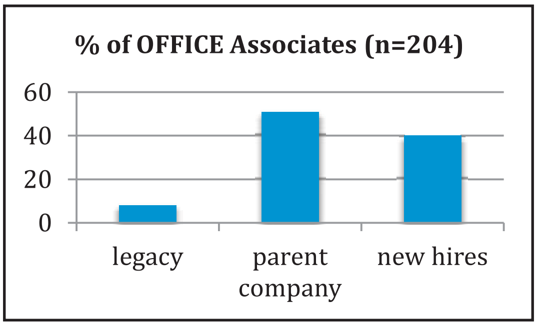
To maintain the anonymity of the organization it shall be referred to as the Change Corporation or The CC Company. The CC Company has had a long standing as a leader in their industry dating back to their inception in the 1920's. The CC Company has been privately held since their story began over 80 years ago. However, more recently, the company was sold by its' one-person owner to a large investment company. This sale sent shock waves through the company as no one thought the day would actually come the owner would sell his operation to an investment firm. This investment company owned The CC Company for a brief two year time period before selling to a large family owned business.

Initially, for the first two years of being newly acquired everything remained status quo. The sales team was told they were bought because they were "the crown jewels." What the sales team was able to accomplish was something the new parent company was not able to produce. The sales team was a very passionate group and had been referred by some as almost cult-like. The employees drifted back into normalcy after being sold two times in a rather short period. So, needless to say when the announcement came to relocate the corporate office from a sunny California locale to a mid-state it was a big shock. This was the first round of lay-offs as the company "invited" some associates to stay if they chose to relocate, while others were given their pink slips and severance package to depart from the business. This was an enormous culture change, as The CC Company had never experienced anything like this before. Previously, before the company was purchased, people in the organization felt like they had a shield of protection from any sort of lay-off from the former one-person owner operation. The associates involved in this restructure consisted of finance, R&D, marketing and senior levels of management. This change was the first of many to happen that would breathe new life into The CC Company. Again, the slumber of normalcy returned, however, this time more associates had heightened senses that sometime soon more change was to come.

Nearly a decade into the new millennium, according to many economists, the economy is in a downward spiral (Harvey, 2005). Large corporations like GM, Fed Ex and UPS are facing abrupt and massive lay-offs to cope with the change in poor financial performance. The CC Company is right there feeling the same issues as other companies. Aside from changing the location of the corporate office, which involved the release of associates, many of whom did not wish to relocate, The CC Company was facing a slump in sales, however, no change in sales personnel or sales strategy had been implemented to address the downward shift in business. Then rumours start to take hold about possible new strategies the company might be making. Gilson (2001) points out, "If a company waits too long to address problems with its business, the resulting restructuring may be very painful" (pg. 6). The "elephant" was in the room, however upper management continued to dismiss the rumours, again stating sales was "the crown jewel." Yet, the sales team felt that change was imminent.

The sales team was beginning to become demoralized. With a large influx of new associates (see figure 1) when the corporate office moved, many people did not understand "the culture" of the legacy CC Company before it was purchased. Hofstede defines culture as, "the collective programming of the mind that distinguishes the members of one human group from another" (as cited in Bolman and Deal, 2008, p. 272). Nor did the legacy associates understand the culture of the merging parent company associates or the new parent company itself.

Figure 1: The Make-Up of the CC Company: OFFICE



Many artifacts the sales team was accustomed to using, seeing and having around was slowly being displaced by new artifacts, values and the like. Schein (2010) describes artifacts as,

…all the phenomena that you would see, hear, and feel when you encounter a new group with an unfamiliar culture. Artifacts include the visible products of the group, such as the architecture of its physical environment; its language…its myths and stories told about the organization; its published list of values; and its observable rituals and ceremonies (pg. 23).

The physical environment had drastically changed, although for the better some thought. Yet others perceived the change as "grandiose" and "over the top." For many working in their new corporate environment really must have been a breath of fresh air. The offices were open and had large windows with sweeping views of the outdoors; there were no closed-door policies. Transparency was embraced and the chain of command was discouraged. A person could approach the president if so desired and give an opinion or have an exchange of ideas. In the old environment, four to five employees were crammed in an office space best suited for only two. The furnishings back then were meager and no one ever gave thought to ergonomics and actually being comfortable while working. It's just how the environment was and no one verbally complained. This too was part of the old culture.

Then new ideas eventually showed up in the companies mission statement and new values that were adopted from the parent company. Schein (2010) shares, "Those individuals who prevail, who can influence the group to adopt a certain approach to the problem, will later be identified as leaders or founders, but the group does not yet have any shared knowledge as a group because it has not yet taken a common action in reference to whatever it is supposed to do." This new group (see figure 2) is comprised of three major groups of people; those from the legacy company, new hires and associates from the parent company taking on roles within The CC Company. The illustration below shows just one major shift in associates since the company relocated the corporate office. Notice the extreme differences in legacy sales compared to the overall legacy associates in the organization.

About two years the relocation and first restructure of the corporate office begins the official revitalization of the sales team. This restructure resulted in a head count reduction (see figure 3). This 30% reduction resulted in many associates reporting to new line managers, which created new team dynamics for a second time.

Figure 1B: The Make-Up of the CC Company: OVERALL

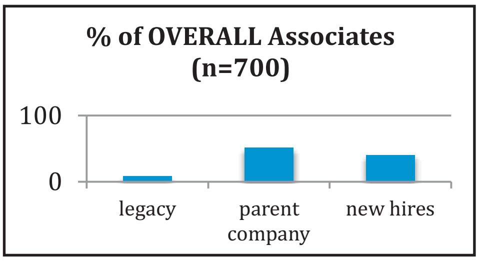


Figure 2: The Make-Up of the CC Company: SALES- Prior to Restructure

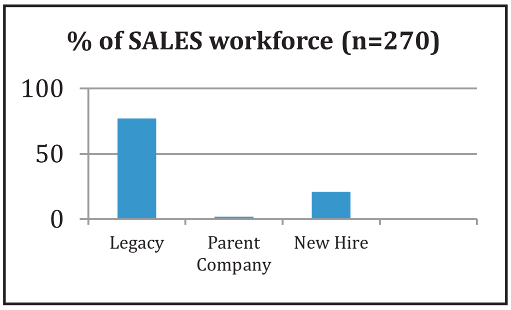
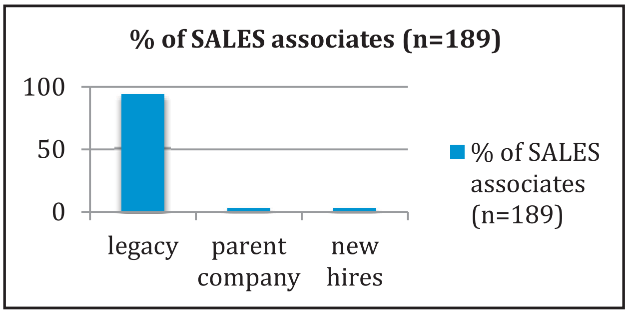


Figure 3: The Make-Up of the CC Company- After Restructure

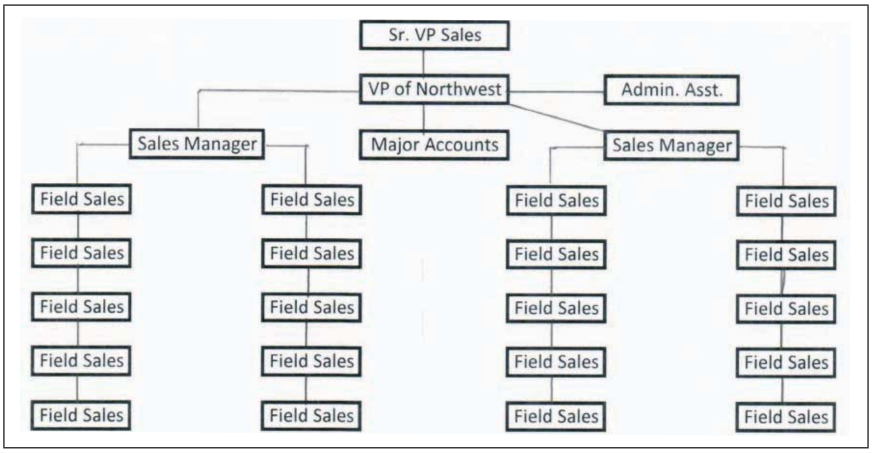


This revitalization or transformation was occurring to address the changing needs of the company's customers, as well as the fact that sales were flat and the relatively same number of associates, were still on the sales team prior to the companies financial slump. The sales team had essentially two separate sales divisions that took care of their customers, which meant that in many cases these two different sales teams were tracking back and forth over each other's territories. Senior leaders saw this as inefficient. The plan implemented by the senior leadership team was to merge the two divisions and reduce the head count on the sales team in certain areas where the sales associates were located within the same geographical territory, yet calling on two different customers. The revitalization announcement went through the company like a tsunami. First, small ripples were felt prior to the notice, and by the time all sales associates had been met with, to either be given, a new offer of employment, or termination papers with severance. This announcement and its' effects were felt by all.

Rebuilding the Community

As in most historical tsunami's, they create chaos, confusion, despair and displacement. This is what the sales division was feeling after many associates were separated from the business. Many associates had new managers, many mangers were now front line sales representatives and many sales representatives found themselves without a job. As cited in Shook and Roth (2011), "The survivors may become frustrated, uncertain of the new organizational direction…" (pg. 137). Indeed many associates felt a type of "survivor's guilt" for still being employed and uneasy about when the next big downsize might happen. That day did eventually come just about 24 months later in the form of a third restructure: a middle management reorganization. This restructuring took the shape of a spans-and-layers exercise. Over the course of twenty-five plus years at the CC Company, the layers of management increased as the company was growing (see figure 4).

Figure 4: Hierarchy of the Company Prior to the Management Restructure



This increase in layers created many issues. Since each manager had between three and six direct reports, it created a culture of micro-management. In addition, the company was very hierarchal and communication did not always flow freely up and down the layers of people. The purpose of the restructure with the middle managers was to improve the communication effectiveness and allow the free flow of information from the President to the street level sales representatives. Bain and Company (2010) proposed a model for the concept of spans-and-layers that identifies four potential objectives (see Figure 5).

Figure 5:

This Model Has four Areas Best Described Below

Cost cutting: While cost cutting is the first quick win and typically has a shorter cycle time to accomplish the goal of reducing head count (Bain & Company, 2010).

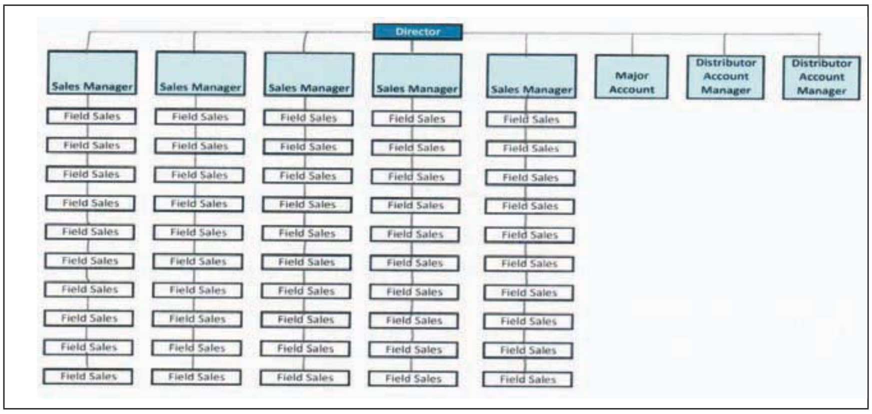
Organizational effectiveness: This effort focuses to eliminate duplicative efforts or low value added activities (Bain & Company, 2010).

Decision effectiveness: A lean organization with fewer layers can typically make decisions faster (Bain & Company, 2010).

Organizational simplification: Look at companies that have a world-class benchmark and set the head count accordingly for your organization. Often as companies develop more layers, the business becomes more complex and more difficult to manage.

With this approach being used as proposed by Bain & Company, a benchmark was used for The CC Company in how many associates should report to their manager. The best practices ratio was identified as eight to ten direct reports to one manager. In addition to the new span of associates reporting to their manager, a level of management was taken out of the hierarchy as well (see Figure 6).

Figure 6: The New Hierarchy



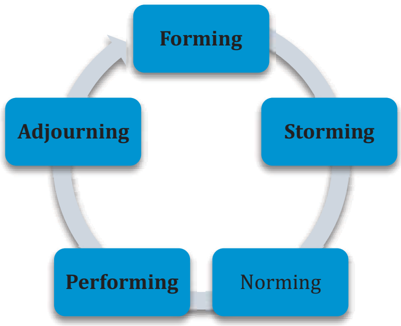
This new hierarchy was also due in part to a shift in the competitive landscape in which this organization was operating. Wulf (2010) notes that businesses, "…flattened in response to change in the environment in which they operate" (pg. 11). The CC Company had undergone significant loss of business and market share in the previous decade. Now in the past four years, the company had undergone substantial changes to the hierarchy and the number of associates working in field sales. The next step and most important area to re-build is the morale of the sales team.

Rebuilding the Team

With the new hierarchal face, many people were wondering, "Where and how do I fit in?" To help manager's comprehend the importance of this exact question it is critical that line managers grasp the concept of group formation and team dynamics. One theoretical framework to help line managers with this understanding is Tuckman's 5 Steps to Group Formation (see Illustration A). Tuckman's 5 steps to group formation are forming, storming, norming, performing and adjourning (Tuckman, 1965). Understanding this basic premise of how groups are formed will help to ease some of the chaos, confusion and displacement the associates have felt during this turbulent time at The CC Company.

Illustration A: Tuckman's 5 Steps to Group Formation

In the first step, forming, a new group of individuals are assembled, either voluntarily or involuntarily. In the case of The CC Company, some individuals were involuntarily assigned to work in a new district or under a new line manager. Under the guidance of the Sales Directors, the new teams were created. People who had never worked together were now joined as teammates. This new formation brought in regions from the West, Mid-West, Central and East to work together. In many ways, this in itself was a culture change. Each region had its own established best practices and in some instances, these ways of operating were clashing with each other. Which leads to the second area of group formation, storming.



Storming is a time in which people are trying to discover where does he/she fit within the new group. People are jockeying for position, while others are passively watching others make their own power moves. The storming phase can be moved in and out of from day to day, week to week as the team starts to understand each individual in the team. This stage can be very painful for some, especially a line manager who does not understand the dynamics of group formation. The line manager is typically the one on the team who is responsible for engaging associates and creating an atmosphere to enable success. If the line manager has an understanding of group formation he or she can see this turbulence going on and the reason for it and then handle it. The line manager might almost seem like the referee as new teammates are volleying for position in the new pecking order of the team.

As a cloud of understanding finally comes over the group is when the norming stage occurs. Each person in the group comes from a different walk of life, with a different lens he or she looks through and therefore brings a different perspective on how each person in the group should act. Norms begin to form. Robbins and Judge (2012), describe norms as, "acceptable standards of behaviour shared by their members that express what they ought and ought not to do under certain circumstances" (pg. 110). Performance norms are the most explicit and most powerful when it comes to influencing individual performance. For example, a group could have a norm that being on time means being early fifteen minutes from the scheduled start time, while another norm for time, means that being casually late two or three minutes is acceptable for the group. When the new norm for time is established, others may be mocked or ostracized for being late or they may be encouraged to come earlier. Both of these behaviours actually become norms of the group as well. Performance norms also cover how people get their work done. Take an assembly line for example. New assembly line workers might be eager to outperform their veteran colleagues in an effort to impress them and the boss. However, the norm that becomes expressed by the veteran workers is to keep the pace slow and even. The new worker becomes "encouraged" to maintain the acceptable standard of speed in producing work.

In order for the manager to truly be effective, he or she needs to understand all these behaviours and be open to how everyone on the team approaches situations. The manager needs to understand each associate comes from a different background and can bring a fresh, new perspective, which should be encouraged and not discouraged. The manager needs to be able to look at the team with the widest possible lens.

The group ought to aim to reside in the fourth stage, the performing stage. This stage can be looked at as a boat, with each person on the team having their oars in the water, all facing the same direction, focused on the vision from the leader and rowing their paddles in unison. Senge (2006) shares, "…when a team becomes more aligned, a commonality of direction emerges, ad individuals' energies harmonize… synergy develops (p. 217). For permanent work groups, the performing stage is typically the last stage of development (Robbins and Judge, 2009). For temporary work groups, like a committee, cross-functional team or a task force the adjourning stage is the fifth and last stage of group formation. This disbandment can be devastating as team members lose people they consider to be friends not just a colleague. Others may look back at the team's success and take great pride in their accomplishments.

How a line manager handles the formation of their new team can mean the difference between success and failure of a cohesive team. Understanding group formation should be one foundational competency a line manager must master. Lack of this foundation can create havoc in an organization, especially after a restructure, downsize, revitalization or re-organization. Whatever, a company choses to call this reformation, the success of the team is largely determined by its' leader. Therefore, the recommended strategy of the line manager, based on using principles of group formation includes three main areas, which are:

An initial team meeting- The purpose of this meeting should be to make introductions of members on the newly formed team as they may not be familiar with each other. First, ample time should be given so that each associate may describe him or herself to the group by sharing personal and professional information. Next, according to Wagner and Harter (2006), "knowing what is expected, is more than a job description. It's a detailed understanding of how what one person is supposed to do fits in which what everyone else is supposed to do, and how those expectations change when circumstances change [such as a re-organization]" (p. 4).

A team building activity- This will begin to create a sense of association and affiliation to the new team. This may be more difficult to achieve with teams that are constructed remotely and work in that manner. However, for teams that can meet in-person, a 60-90 minute team-building event can be very beneficial.

Create mentors on the team- Have new team members partner up with an associate who has been on the team previously. This "buddy system" can create an instant network of belonging. This belonging, has been identified by Gallup as having a "best friend" at work (Wagner & Harter, 2006). If an associate is able to identify a "best friend" on their team, this can increase the successfulness of the team, in other words, it predicts performance. A strong affiliation among the associates in an organization is one reason why people work hard. They know the need each other and they depend on each other.

The effects of a re-organization can be productive and positive or these effects have the opposite effect and create chaos and confusion. In order to limit the negative effects, the line manager needs to be somewhat directive in orchestrating the development of the team. The manager's understanding of each stage of group formation is vital to the success of the new team, along with the recommended strategy above should help to ease some of the possible turmoil associated with a re-organization.

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