



## Midshires Galvanisers

### CASE STUDY

Galvanising is a process first discovered in the eighteenth century by which zinc is bonded on to steel in order to increase the longevity of the artefact from which the steel is made. For example, every motorway has crash barriers which are galvanised, thus accounting for their dull pale grey colour.

At Midshires Galvanisers, every plant supports a number of processes: goods reception, stripping impurities, cleaning, pre-flux, immersion in molten zinc at 450°C, fettling, and despatch. Each of these processes can be undertaken in one of two ways: either a group of workers can follow each piece of work from start to end and conduct all the processes; or each process is undertaken by a different group of workers. Because of the hazards associated with each process, a high

level of training and expertise is required, and most galvanising works therefore organise their workforce by process. This is an example of a horizontal process, where each piece of work passes from employee to employee until it is finished.

However, to take the case of an interior design practice, each designer is responsible for each project, and may well see each piece of work 'end to end', from receiving the commission from the client to signing off on the final implementation of the design. This is much more akin to a project management approach and therefore requires a different organisational design from that of the galvanising works.



## Covmig Retail Ltd

### CASE STUDY

A major food retailer is losing market share and has spent large sums of money over the past few years attempting to reclaim it. Changes have been made to its reward, advertising and marketing strategies, all to no avail.

The company has realised that rather than looking at other particular strategies, it needs to overhaul and redesign the organisational structure to meet the demands of the twenty-first century.

The company is structured as follows:

Head office 1,000 employees

Distribution centres × 6 1,500 employees

Retail outlets × 500 25,000 employees

Each subsidiary has its specific type of employees. These include low-skilled and low-paid employees, highly-paid executives, core and periphery workers, part-time and full-time workers and blue- and white-collar workers. In addition, employees fall into a wide demographic continuum. They range from students to more mature workers, male and female, and all form a very diverse workforce. All areas of the globe are represented within the workforce. Some employees are also supplied via agencies and employed on fixed-term contracts.

The new business strategy is based on customer service. Head office has announced that all efforts must be

made to provide the best customer service in the food retail industry. Head office has also decided that each distribution centre and each retail outlet must be self-financing and must offer the business a return on its investment.

Sales from the outlets are made up as follows:

Food and grocery 65%

Clothing 20%

Electronic goods 15%

Retail outlets are fined heavily for goods that are returned unsold or sold at below cost price. They are also fined for running out of stock and for having too much stock. Each retail outlet is required to obtain all its produce from one of the six distribution centres.



Toyota Motor Corporation (TYO: 7203) has often been referred to as the gold standard of the automotive industry. In the first quarter of 2007, Toyota (NYSE: TM) overtook General Motors Corporation in sales for the first time as the top automotive manufacturer in the world. Toyota reached success in part because of its

exceptional reputation for quality and customer care. Despite the global recession and the tough economic times that American auto companies such as General Motors and Chrysler faced in 2009, Toyota enjoyed profits of \$16.7 billion and sales growth of 6% that year. However, late 2009 and early 2010 witnessed Toyota's recall of 8 million vehicles due to unintended acceleration. How could this happen to a company known for quality and structured to solve problems as soon as they arise? To examine this further, one has to understand about the Toyota Production System (TPS).

TPS is built on the principles of "just-in-time" production. In other words, raw materials and supplies are delivered to the assembly line exactly at the time they are to be used. This system has little room for slack resources, emphasizes the importance of efficiency on the part of employees, and minimizes wasted resources. TPS gives power to the employees on the front lines. Assembly line workers are empowered to pull a cord and stop the manufacturing line when they see a problem.

However, during the 1990s, Toyota began to experience rapid growth and expansion. With this success, the organization became more defensive and protective of information. Expansion strained resources across the organization and slowed response time. Toyota's CEO, Akio Toyoda, the grandson of its founder, has conceded, "Quite frankly, I fear the pace at which we have grown may have been too quick."

Vehicle recalls are not new to Toyota; after defects were found in the company's Lexus model in 1989, Toyota created teams to solve the issues quickly, and in some cases the company went to

customers' homes to collect the cars. The question on many people's minds is, how could a company whose success was built on its reputation for quality have had such failures? What is all the more puzzling is that brake problems in vehicles became apparent in 2009, but only after being confronted by United States transportation secretary Ray LaHood did Toyota begin issuing recalls in the United States. And during the early months of the crisis, Toyota's top leaders were all but missing from public sight.

The organizational structure of Toyota may give us some insight into the handling of this crisis and ideas for the most effective way for Toyota to move forward. A conflict such as this has the ability to paralyze productivity but if dealt with constructively and effectively, can present opportunities for learning and improvement. Companies such as Toyota that have a rigid corporate culture and a hierarchy of seniority are at risk of reacting to external threats slowly. It is not uncommon that individuals feel reluctant to pass bad news up the chain within a family company such as Toyota. Toyota's board of directors is composed of 29 Japanese men, all of whom are Toyota insiders. As a result of its centralized power structure, authority is not generally delegated within the company; all U.S. executives are assigned a Japanese boss to mentor them, and no Toyota executive in the United States is authorized to issue a recall. Most information flow is one-way, back to Japan where decisions are made.

Will Toyota turn its recall into an opportunity for increased participation for its international manufacturers? Will decentralization and increased transparency occur? Only time will tell.