Rapid Supply Electronics Components Case Study

In March 2013, Rapid Supply Electronics Components Ltd (RSEC) acquired ElectronicBitsFast (EBF). Both companies operate across the UK, supplying electronic components to a wide range of customers. A number of factors had motivated the acquisition including EBF's integrated approach to managing sales, logistics and customer service and the brand values and customer service principles that had contributed to its rapid growth over the previous three years.

RSEC is a decentralized organization with a small corporate head office located in London and a regional structure that includes six business units serving different parts of the UK. Each of these business units has considerable autonomy including full responsibility for its own sales force, distribution operation and customer service department. EBF, on the other hand, has a centralized structure and most functions, including sales, logistics and customer service, are located at its head office in Cambridge.

Eleven months after the acquisition, the RSEC Board announced its intention to integrate all sales, logistics and customer service functions across the merged company and to manage these functions from what had been EBF's head office in Cambridge. The Board had decided to make this change early in 2013, before the acquisition had been finalized. Integrating all sales, logistics and customer service functions had been identified as one of the ways of creating and capturing value from the merger. However, the plan had not been implemented immediately but had been put on hold until after new financial controls had been introduced.

The Board, with the help of the business systems manager from the original RSEC organization, developed a change plan. This focused on designing and implementing a new organization structure for sales, logistics and customer service and project managing the physical move, introducing RSEC staff to the EBF SAP system, creating new phone and IT networks, and constructing a new customer service facility to accommodate the enlarged customer service centre in Cambridge.

The business systems manager was appointed as the change manager because he was seen to have the technical expertise required to lead the change. He created a small project team to elaborate and implement the Board's plan.

Board members put considerable pressure on the project team to complete the restructuring as quickly as possible because they felt a need to demonstrate to shareholders that the acquisition of EBF had been a good investment. This sense of urgency led to the business systems manager adopting a top-down directive approach. Consequently, little attention was given to the opinions of those who were affected by the change or to those who felt that they could offer constructive feedback on the change plan or the way it was being implemented.

The first that most employees, including managers and staff in the affected departments, knew of the plan was when it was announced in an email communication to all staff. The announcement was not well received. There were several reasons for this:

- All employees had recently experienced a worrying upheaval (the acquisition) and, after nearly a year, they were just settling down to a new sense of normality.
- Staff who had worked for RSEC before the acquisition had presumed that, because RSEC had acquired EBF, their way of working was superior and would be rolled out across the new merged company. They felt let down when they realised that this was not going to happen and wondered where it would all end.
- Staff working in the original RSEC sales, logistics and customer service departments failed to see any need for a centralised integrated function. From their perspective their separate departments were performing well in every region.
- Employees in the affected departments recognized that many of them would be required to relocate. While some would not need to move (for example, most members of the sales teams and drivers responsible for making deliveries to customers), this was not made clear until some time after the initial announcement.
- Many of the managers working in the RSEC regional offices anticipated that they would be surplus to requirements after the reorganization.

The project is still on-going and in some respects it is progressing well. The new integrated structure has been designed and roles and reporting lines specified. The new phone and IT networks are in place, a training programme has been designed for those who need to work with the EBF SAP system and the construction of the new service centre is nearly finished. The employees who were identified as surplus to requirements, including four of the six regional customer service managers, plus those who did not want to relocate to Cambridge, have been released (made redundant) and those customer service staff who agreed to move (about 30%) have been relocated. The business systems manager leading the change has informed the Board that the change plan has been successfully implemented and that the project team has just about completed its work.

However, from the perspective of the manager running the integrated sales, logistics and customer service function in Cambridge the change is not progressing well. Because of the speed of the change and the high proportion of customer service staff who refused to relocate, she was unable to recruit sufficient permanent new staff to fill all the roles created in the enlarged customer service centre before it “went live”. Consequently she has had to hire agency workers to bridge the gap. Unfortunately the turnover of agency staff has been much higher than anticipated. Exit interviews indicate that they dislike the work environment (a very crowded workspace because the new enlarged service centre is still not finished) and they feel that workloads are too high. A knock-on effect is that existing permanent staff working in the service centre are having to allocate more of their time to train replacement agency workers, making it difficult for them to cope with their own workloads. This has led to high levels of stress, reduced job satisfaction, higher absenteeism (which is putting additional pressure on those who turn up for work) and a growing number of avoidable mistakes. All these pressures have resulted in the cherished brand image being compromised and a slow but persistent rise in customer complaints.

The HR manager has recognized, but not yet reported to the Board, that in the six original RSEC business units attitude survey results are beginning to show a decline in morale. Responses to questions about involvement, quality of communication and level of trust indicate that employees are feeling less valued than they were. There is also evidence of a growing dissatisfaction with the way the redundancies were managed.

As yet, the business systems manager (change manager) is unaware of these problems and members of the RSFC Board are assuming that the change has been successfully implemented.

<u>Debrief notes</u>

In some respects the change had been well managed. For example:

- The new integrated structure had been designed and roles and reporting lines specified.
- The new phone and IT networks were in place.
- A training programme had been designed for those who needed to work with the EBF SAP system.
- The construction of the new service centre was nearly finished.
- The employees who were identified as surplus to requirements had been released.
- The customer service staff who agreed to move (about 30%) had been relocated.

But some other issues were not managed as well as they could have been, such as:

1. **Communications**
    - When staff were informed (eleven months after the merger) it was via email (top-down, one-way communication).
    - No attempt by change manager to solicit feedback from those affected by the change.
    - Board and project team unaware of survey results showing drop in satisfaction levels.
2. **Stakeholder management**
    - Most attention was focused on satisfying shareholders.
    - Insufficient attention given to other stakeholders (RSEC staff's expectation that their way of working would be rolled out across the merged company; reluctance of service centre staff to relocate).
3. **Planning**
    - Failure to anticipate the reluctance of service centre staff to relocate.
    - Because of the refusal to relocate to Cambridge many service centre posts had to be filled with temporary agency workers.

- Move was made before construction of new Cambridge service centre finished.
- Cramped temporary accommodation and high workloads at Cambridge led to high turnover of agency staff.
- Permanent staff working at the Cambridge service centre had to spend much of their time on non-value creating tasks (training replacement agency workers).

4. **Change strategy**
    - Top-down directive approach designed to deliver fast change.
    - Business systems manager appointed change manager because of his technical expertise.
    - Insufficient attention given to managing people issues.
5. **Job satisfaction, commitment and impact on performance**
    - Employees in all six RSEC business units felt undervalued, leading to decline in morale (survey results).
    - Slow but steady rise in customer complaints.
6. **Brand image compromised**
    - It was EBF's brand image and customer service principles (as well as the integrated approach to managing sales, logistics and customer service) that were expected to deliver value following RSEC's acquisition of EBF, but the rise in customer complaints suggest that the cherished brand image was being compromised.