

Building Interiors

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Building Interiors (BI) with \$18 million annual sales has been acquired by Lone Star Supply, another building material distributor. Lone Star's strategy is to leave top management of the acquired firm in place with the expectation of achieving a certain financial performance. BI has failed to do so. One BI top manager has resigned and a second has been demoted. A Lone Star senior manager with a reputation of being a "turnaround specialist" has been appointed BI's top manager. The case explores this new manager's approach for achieving the required profitability level.

INTRODUCTION

At 5:00 am, Marvin Wells parked his automobile in a small parking area located adjacent to Building Interiors' (BI) loading/unloading dock. Today is Wells' second day as BI's Branch Manager and he is interested in meeting with BI's truck drivers as they prepared to deliver customer shipments.

The first driver that Wells met was Rafael Campos. After introducing himself, Wells asked Campos "how things were going?" To which Campos replied:

Things are pretty screwed up around here. The drivers get lousy information about deliveries. Then we get chewed out by the customers because of mistakes. Last week a guy on a job site cussed me and told me he was going to kick my ass. I told him to come on; it's no closed season on my old ass.

Wells asked Campos for specifics and Campos responded:

I had to make a big delivery to a ten story office building that is being constructed next to the State Capitol. The ticket called for the material; ceiling tile, sheetrock, ceiling grids, drywall grids and adhesives; to be delivered at 7:00 am. The material was to be dropped off at the first floor. I arrived at the site at 6:45 am and was told that some of the material had to be delivered to the first floor, some to the fifth floor and some to the tenth floor. The guy that cussed me met me at the job site and asked where the hoists to move the material were. He said we were supposed to have the material in place on those three floors by 7:00 am. He said that his crews were coming on to the jobsite and they needed the material. I told the guy that I didn't know anything about what he was saying. My instructions were to drop off the material at the first floor. The guy told me that I had to get the material to the other floors by no later than 7:15 am. I told him I wasn't Superman and he had better figure a way to get the material to where he wanted it. That's when he cussed and threatened me. I thought we were going to fist city but the guy left. I called the Dispatcher and he told me to follow the instructions on the delivery ticket—unload

the material on the first floor. I did that and found somebody to sign the delivery ticket. The material was unloaded by 7:45 am. I never saw the guy again that cussed me. I don't have to take abuse from people, regardless whoever they are.

Wells then asked Campos if he remembered who the customer was and Campos stated:

It was the Henry Brothers Construction job on San Jacinto Drive. They buy a lot of stuff from us.

Wells then talked with the other drivers. During those conversations, Driver Bobby Fox related the following delivery problem to Wells:

Last week I delivered a load to a remodeling job at the Frost Bank on State Street. The material was loaded on one of our big trucks. When I got to the Bank's location on State Street, I couldn't get the big truck into the Bank's unloading area. I returned to our Branch and the material on the big truck was reloaded onto two smaller trucks. Earlier the next morning, John David and myself drove the two small trucks to the Bank's State Street unloading area. We got there at 7:00 am. However, they told us that we couldn't be unloaded until 10:00 am. We called Dispatch and were told to return to the Branch. We delivered the material at 10:00 am but it took a long time to get unloaded. Other trucks were being loaded and unloaded and that held us up. We finally completed unloading at 1:00 pm. We learned that all those delays had really screwed up BI's deliveries for that day and two big customers were really hacked off. I heard that BI paid some money to one of them for us being late.

Several other drivers also related problems they had experienced with delivering products to customers. Based on all the preceding comments, Wells concluded that BI's Dispatchers were not providing the truck drivers with sufficient information and decided he needed to meet with BI's Dispatcher.

The Building Interiors (BI) Acquisition

BI is a ceiling tile and sheetrock distributor located in Austin, Texas with annual sales of \$18 million. BI has one large warehouse located in Austin, Texas and was acquired eight months ago by Lone Star Supply Company (Lone Star), a diversified building materials distributor headquartered in Waco, Texas. Exhibit 1 describes the products offered by BI. Prior to BI's acquisition by Lone Star, BI was owned by a group of five Austin professional individuals.

Lone Star's strategy is to acquire distributors related to building materials. After an acquisition, the management of the acquired business is left in place. However, the acquired business is expected to earn a certain gross margin and a certain net income before interest, taxes and amortization expenses (EBITA). The performance of the acquired business is reviewed every three months and compared to the expected performance. If those expectations are not achieved within a six months period, the top management of the acquired business is replaced. The top manager of the BI acquisition retained by Lone Star was Branch Manager Henry Barnes who had sales and profitability responsibilities under BI's previous owners.

Three months after the acquisition, BI had achieved its expected performance. However, BI's Branch Manager Barnes reported that Lone Star's expectations for BI could not be sustained and he resigned. Accordingly, BI's Sales Supervisor Horace Campbell was named as Temporary Branch Manager with profit responsibility. Further, Campbell was instructed to maintain his prior responsibility for Sales Supervision. However, margins began declining and Lone Star returned Campbell to his former position of Sales Supervisor and named Marvin Wells as the new permanent Branch Manager. Wells has worked for Lone Star for the past ten years and most recently was Branch Manager of Lone Star's branch in Temple, Texas which is a roofing and aluminum siding distributor. Wells has significantly improved the profitability of the Temple Branch and has a reputation as a "turnaround" specialist. Exhibit 2 describes a condensed version of BI's present organization chart.

Meeting with Warehouse Supervisor Bill Davis

Following his early morning meeting with the BI's truck drivers, Branch Manager Wells paged Warehouse Supervisor Bill Davis with instructions to meet Wells at a certain location in the warehouse. Bill Davis greeted the approaching Marvin Wells by stating: "You are out in the warehouse pretty early, today. We don't get many early visits from the Big Boss. I understand that you've been talking with my Truck Drivers. Anything I can help you with?" Wells asked Davis how things were going in the Warehouse and in Shipping to which Davis responded:

We do a pretty good job of filling orders and most of the time our deliveries are on time. However, we don't always get the correct delivery information from Inside Sales and that really causes us problems. When Henry Barnes was Branch Manager things ran a lot smoother. For some reason, we've had a lot of problems while Horace Campbell was Temporary Branch Manager.

Wells asked: "What kind of problems?" Davis replied:

Sometimes the correct delivery information isn't placed on the shipping papers and it costs us money and all kinds of problems with our customers. It's not the fault of Inside Sales that the right information isn't entered; it's those prima donnas Outside Sales guys who are to blame. Henry Barnes, who didn't come up through Sales, used to really chew those Outside Sales guys' asses when they made a delivery mistake. Horace Campbell doesn't do anything to have outside sales to provide the correct shipping information. Campbell sugar coats everything that involves a screw-up caused by the Outside Sales guys.

Meeting with the Dispatcher

Wells asked Warehouse Supervisor Davis to walk him [Wells] to the Dispatcher's office and to allow Wells to meet privately with the Dispatcher. At the beginning of the meeting in the Dispatcher's office, Wells asked "how are things going in Dispatch?" The Dispatcher informed Wells about several problems including the recent instances involving the Frost Bank on State Street and Henry Brothers Construction job on San Jacinto Drive. The Dispatcher also stated:

We are supposed to receive instructions from Inside Sales for anything out of the ordinary pertaining to deliveries. However, we don't always receive those instructions. It seems that the flow of information from the Inside Sales folks on anything out of the ordinary has really dried up.

A 7:45 AM Cell Phone Call

Following the early morning meeting with BI's Warehouse personnel, Wells received a 7:45 am cell phone call from his BI Secretary (late yesterday, Wells had instructed his Secretary to telephone him the next day at 7:45 am. Wells wanted such a telephone call because the "work day" for employees in the Branch Office was supposed to begin at 7:30 am and Wells wanted to know what employees had so arrived. Wells did not inform his secretary as to why he wanted the 7:45 am telephone call). After receiving the required telephone call, Wells learned that all Branch office employees had arrived at their required time. However, Wells was informed that Sales Supervisor Horace Campbell was away from the BI Branch on sales calls. Also, Campbell would be away from the BI Branch for the entire day. When Wells questioned his Secretary (who also performed some secretarial tasks for Campbell) about Campbell's itinerary for the remainder of the day, she informed Wells that Campbell never provided such information. Wells then instructed his Secretary to schedule meetings beginning at 8:30 am on the present day with Human Resource Supervisor Michael Ross, an Inside Sales senior employee, Megan Rawlings, and Accounting Supervisor Peggy Watkins in that order. Each meeting was to last 30 minutes and would be held in Well's office.

Meeting with Human Resource Supervisor Michael Ross

Michael Ross appeared in at Well's office at 8:25 am and immediately asked Wells if anything was amiss. Wells mentioned that certain employees had mentioned incomplete information being provided to the Dispatcher and Truck Drivers. Wells then asked Ross if he had received any such information. Ross responded that Warehouse Supervisor Bill Davis had complained to Ross about incomplete shipping information being received from Inside Sales while Horace Campbell was the interim Branch Manager. Ross stated he had informed Davis to discuss those issues with Campbell. Wells then asked Ross for any comments about the performance of Inside Sales employees. Ross responded that Megan Rawlings was the senior employee in Inside Sales and had received outstanding evaluations from both Horace Campbell and Henry Barnes. Also, Megan was well respected by BI's customers and was the "go to person" when customers needed a critical service.

Meeting with Megan Rawlings (Inside Sales Senior Employee)

Megan arrived at Well's office promptly at 9:00 am. Wells greeted her warmly saying: "I've heard a lot of good things about your performance with the Company. Please sit down." Megan responded: "Thank you very much, how are things going since you've joined our Branch?" Wells replied: "Very interesting. I've learned about the incomplete information that is being provided to our Dispatcher and Truck Drivers. Would you tell me what you know about this lack of information?" Megan responded:

The mistakes occur either on orders from major customers in which an Outside Salesman and Mr. Campbell are involved. Usually, there is considerable discussion about pricing and things get changed through the negotiation process. There is always a rush to enter the order and get it shipped. Many times the Outside Salesman is involved with an order, there is a delay about pricing or payment terms and then the Salesman begins working on other things. Suddenly, the former order becomes a reality and it must be delivered quickly. However, in many instances, pricing and payment terms are not entered for the particular order. Most of the mistakes are made by two Outside Salesmen, Jacob House and Larry King. Jacob is young and is under pressure to make his quotas. He gets in a hurry and makes mistakes. If Jacob would just slow down, his mistakes would stop. Mr. Campbell puts a lot of pressure on Jacob. On the other hand, Larry is really arrogant. He tells us that he doesn't have the time for routine "stuff" because he's focusing on the big picture. Larry and Mr. Campbell are very close.

Wells asked Megan about the number of mistakes made by Outside Sales individuals. Megan indicated:

By far, Jacob House and Larry King make the greatest number of mistakes; however, the other four outside sales people are beginning to make mistakes. They don't always follow the correct procedures.

Wells then asked Megan about mistakes made by Inside Sales personnel to which Megan responded:

Many orders don't contain complete shipping information. Most of the time, Inside Sales catches the mistakes and will ask Outside Sales for the correct information. Also Inside Sales will contact the customer about the correct information. Unfortunately, some mistakes don't get caught. These really cause a lot of problems with our customers and have resulted in significant increased costs for the BI Branch.

Finally, Wells questioned Megan about the performance of Warehouse employees supervised by Bill Davis. Megan replied:

Both the Dispatchers and Truck Drivers do a great job. Our truck drivers take a lot of heat from customers because of problems with shipping information. Fortunately, they just seem to roll with the punches. The performance of order pickers is beginning to decline. Incorrect material is pulled for orders and in many instances; orders are marked as being complete while they aren't. This really causes a lot of problems for our customers and our Inside Sales people. I believe that these mistakes have a significant impact on our increased costs. Recently, Bill Davis seems to have developed a "I don't give a damn

about mistakes made by my people. Outside Sales makes mistakes and they aren't disciplined."

Meeting with Accounting Supervisor Peggy Watkins

Wells concluded his meeting with Megan at 9:25 am and observed Accounting Supervisor Peggy Watkins waiting outside his office for their meeting. Wells suggested that their meeting be conducted in Watkins' office and both walked to her office.

During his meeting with Peggy Watkins, Wells inquired about any financial contribution reports relating to orders delivered. Watkins informed Wells that such a report was available. That report, *The Sales Order Profit Contribution Report*, lists both a standard and actual profit contribution for each order. Wells asked for the *Sales Order Profit Contribution Report* for the Henry Brothers Construction job on San Jacinto Drive. Watkins produced such a report which indicated a standard profit contribution for the Henry Brothers Construction job on San Jacinto Drive of 42% and an actual profit contribution of 16%. Watkins reported that a "significant" expense was charged against the job for the rental of a hoist and operators to move material from the ground floor of the jobsite on San Jacinto Drive to the fifth floor and to the tenth floor. Wells then asked Watkins if any credit had been issued to a customer pertaining to the delay in deliveries to that customer due to a situation involving the Frost Bank job on State Street. Watkins advised that she remembered that such a credit had been issued and it was to compensate a customer for "lost time on the job due to scheduling problems." Watkins continued by stating that the credit "was for a large amount" and she would locate the exact credit and would advise Wells of the amount. Wells then returned to his office.

The Next Step

Wells was amazed that he had learned so much in such a short time during his second work day at the BI Branch. He was aware that the reason he had been assigned as the BI Branch manager was to improve the Branch's declining financial performance. Wells was pleased about the information he had obtained and began to develop an action plan in his mind regarding how to deal with the issues he had discovered.

Questions

Considering only the material presented in the preceding case, answer the following questions.

1. When should Marvin Wells meet with Horace Campbell? What should be Wells' agenda during that meeting? Explain.
2. Explain the comments of Warehouse Supervisor Bill Davis when he first met Marvin Wells in BI's warehouse.
3. What is the most important issue facing Metro? The most urgent? Explain
4. What plan of action would you recommend to Marvin wells to solve the most important issue? The most urgent?

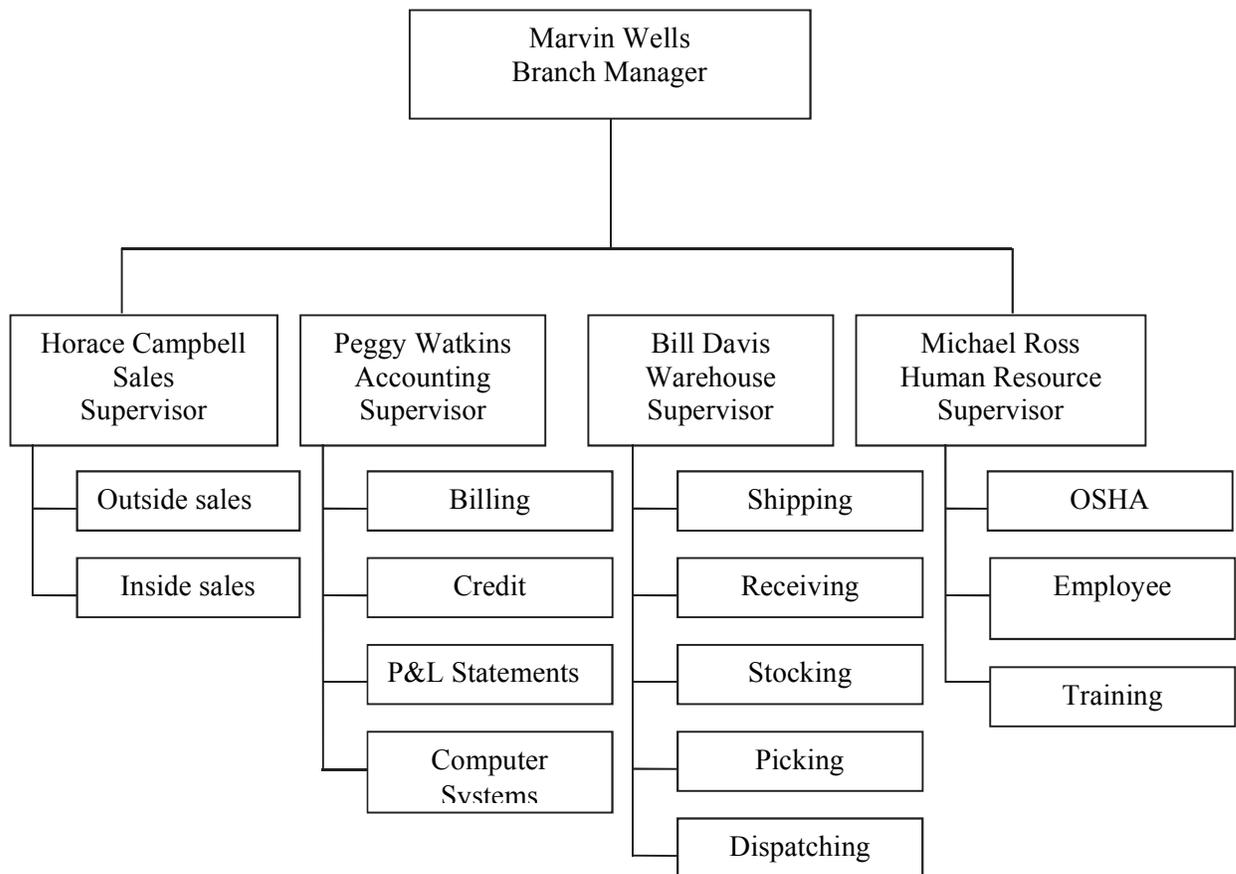
**Exhibit 1
Building Interiors Distributors
Product Line**

Ceiling Grid
 Drywall Grid
 Ceiling Tile
 Sheetrock
 Adhesives and Caulking
 Steel Studs
 Stucco Products
 Gypsum Sheating

Suppliers

Armstrong
 USG
 Gold Bond

**Building Interiors
Present Organization Chart**



OBJECTIVES

This case explores the relationships between different management levels in a ceiling tile and sheetrock distributor. Such a distributor sells ceiling tile, gypsum sheathing and sheetrock, grids, adhesives, caulking and steel studs supplied by three different manufacturers, Armstrong, USG, and Gold Bond. These products are then sold to contractors who are involved in remodeling or new construction activities. Ceiling tile and sheetrock distributors provide one- stop shopping from these suppliers and rapid delivery to the customer's jobsite. In addition, ceiling tile and sheetrock distributors purchase products from their suppliers in large quantities and then sell those products to their customers in smaller quantities. Ceiling tile and sheetrock distributors also provide credit management services for their customers.

The case focuses on the appointment of a new Branch Manager who has the responsibility for profit improvement. A discussion of this case involves the opportunity to bring out communication problems involved among a management team and their superior in improving profits. Present participants in the case study should think through the political implementations of the sequence of steps taken in implementing the profit improvement activities. A case study participant by analyzing the situation and various courses of action has the opportunity to reflect on his/her own point of reference, and to develop a framework for dealing with profit improvement issues in a managerial situation.

Courses and Levels

This case is intended for use in a Human Relations (HR) or Organizational Behavior (OB) course at either the graduate or undergraduate level and can also be used in an executive education program. In particular, this case has been designed to focus on issues of politics at a managerial level. This course has been previously used in two graduate OB courses, one undergraduate HR course and in two executive level education programs. The total number of involved participants in those case discussions numbered 148 participants.

Epilogue

On Marvin Wells' third day as BI Branch Manager he called a meeting that included Horace Campbell, Bill Davis, Michael Ross and Megan Rawlings. During that meeting he reviewed his findings from his second day at work. He emphasized the allegations that Outside Sales representatives and Order Pickers are not following the correct procedures for providing information to properly ship products. Wells then instructed that those procedures be reviewed in each department by certain individuals as follows:

- Outside Sales--- Ross and Campbell
- Warehouse--Ross and Davis
- Inside Sales--Ross and Rawlings

Wells then proceeded to meet with each group individually. Wells determined that BI had adequate and sufficient procedures and processes for processing and shipping orders in an effective manner. The problem was—those procedures and processes were not being properly implemented. Further, Wells became aware that Horace Campbell's absences from BI's facility and his failure to meet with certain customers did not correspond with Campbell's stated reasons for his absences. Wells began questioning a number of individuals both inside and outside BI about Campbell's activities. Wells learned from one of BI's customers that two of the former owners of BI have started a company (NuMetal) that fabricates and distributes wrought iron guard rails, garden furniture, gates and fences and Campbell was performing a variety of activities for NuMetal while still a BI employee. When confronted about this alleged activity, Campbell resigned his position as BI's Sales Supervisor. An experienced Outside Sales Representative from Lone Star's Temple Operation was promoted to the BI Sales Supervisor's position. The following changes also occurred:

- Warehouse Supervisor Bill Davis had a difficult time in accepting the mistakes made by his order pickers and resigned from BI. Davis was replaced by an existing BI warehouse hourly employee;
- Outside Sales Representative Larry King complained that adhering to the preceding rules and regulations was affecting the amount of time he had available to sell products and resigned. BI hired an experienced Outside Sales Representative from another company to replace King;
- Marvin Wells spent considerable time visiting new and existing customers explaining the changes that were occurring at BI Also, BI was awarded two large orders as a result of Wells' selling activities;
- After nine months, Metro achieved its expected level of profitability and has continued to maintain such a performance.

DISCUSSION QUESTIONS WITH ANSWERS

Question #1:

When should Marvin Wells meet with Horace Campbell? What should Wells' agenda be for that meeting? Explain.

Answer:

Thirty percent of former participants (as stated earlier, 148 individuals have participated in case discussions involving BI) indicated that Wells should meet with Campbell as quickly as possible on the same day Wells had met with the other BI employees while seventy percent indicated that Wells should meet with Campbell the following day.

Regarding Wells' agenda for the meeting, the former participants provided two types of responses. One response was that Wells should present Campbell with the earlier information that Wells had obtained and then ask him to discuss that information. The rationale of the former participants providing this response was to confront Campbell about what was occurring in the BI Branch.

The other response by the former participants was that Wells should ask Campbell open-ended questions. Their rationale was that Campbell might speak more freely about the situation at the BI Branch.

What happened?

Wells elected to meet with Campbell on the following day. Wells asked a series of open-ended questions relating to product delivery and BI's financial performance. Campbell responded that he was overwhelmed when he was appointed interim BI Manager and still had to perform the duties of BI's Sales Supervisor. Campbell indicated that he was very close to "getting up to speed" when Wells became Branch Manager. Further, Campbell indicated that he was pleased to relinquish the duties of interim Branch Manager.

Campbell did not offer any positive comments on how product delivery problems could be resolved.

Question #2:

Explain the comments of Warehouse Supervisor Bill Davis when he first met Marvin Wells in BI's warehouse.

Answer:

Former participants focused on two parts of Davis' comments. The first was when Davis met Wells in the warehouse and stated: "You are out in the warehouse pretty early, today. We don't get many early visits from the Big Boss. I understand that you've been talking with my Truck Drivers. Anything I can help you with?"

Former participants responded to this comment by Davis in one of three ways. First, some felt that Davis didn't appreciate Wells going around him in talking with truck drivers. Thus, the comment was considered to be a put-down.

The second way that former participants responded suggested that Davis doesn't believe Branch Managers (the Big Boss) should be wandering around the warehouse talking to employees. Accordingly, the comment was considered to be a put-down.

The third way that former participants responded indicated their belief that Davis was truly surprised that the Big Boss would be in the warehouse at a very early time. Perhaps none of the former Branch managers did so. Thus, the comment was considered to be an honest response.

The second part of Davis' comment addressed by the former participants focused on Davis' allegation that the problem of incorrect delivery information stems from "prima donna Outside Sales guys" and that "Horace Campbell doesn't do anything to have outside sales provide the correct shipping information."

Former participants responded to this comment in one of two ways.

First, the majority of those participants didn't see anything wrong with Davis' comment. They believed that he was telling like it is.

However, a number of individuals who were sales managers attending the executive education program believed that Davis was off base. The sales managers took offense that Outside Sales representatives were being considered to be prima donnas. This group of former participants who are sales managers stated that Davis doesn't know what Campbell was doing to resolve the incorrect shipping information problems.

Question #3

What is the most important issue facing BI? The most urgent? Explain

Answer

Interestingly, nearly ninety percent of the former participants indicated that the most important issue facing BI is the decline in financial performance. Also, the same percentage of former participants indicated the most urgent issue is the communications problems among the different areas which is causing poor and incorrect delivery information. Your instructor agrees with those answers indicating the most important and the most urgent issues for the present case.

Question #4

What plan of action would you recommend to Marvin Wells to solve the most important issue? The most urgent?

Answer

Former participants indicated that an action plan for the most urgent issue (communication causing poor delivery information) should be developed first. The action plan to improve profits should then be developed at a later date.

The Most Urgent Issue

Following is the action plan to improve communications causing the poor delivery information (developed by participants):

- Immediately discharge Horace Campbell;
- Appoint Megan Rawlings as Interim Sales Supervisor;
- Meet together with Warehouse Supervisor Bill Davis, HR Supervisor Michael Ross and Megan Rawlings to review Wells' findings about problems associated with communications involving shipping delivery information. Ask each of them for their comments. Ask each of them if the proper procedures are in place (remember an allegation is that Outside Sales and Order Pickers are not following the correct procedures) Open a discussion on how the problem(s) should be resolved. Following that discussion, Wells should then instruct Davis, Ross and Rawlings to

review what has been discussed at this meeting and for all to meet again in two days to reach a consensus on how to improve communications involving shipping delivery information;

- At the second meeting (held within two days of the previous meeting), Wells should determine if a consensus has been reached to improve communications involving shipping delivery information. If a consensus has not developed, spend the time to develop a consensus at this meeting.
- If a consensus has been determined, ask Davis, Ross and Rawlings to develop an implementation time line for their departments. Schedule a meeting in two days to review the implementation time lines.
- At the third meeting Wells should review the time lines. Have Davis, Ross and Rawlings agree on specific times. After such an agreement has been reached, the group can then move towards implementation.

The Most Important Issue

The development and implementation of a plan to regain profitability can be developed by Wells working with Davis, Ross and Rawlings. An important aspect of such a plan is to inform customers that a “new game plan” is occurring at BI. The “new game plan” is a focus on identifying delivery problems and then developing action items to solve those problems.