Valerie Morgan Case Study Essay, Research Paper

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Partnering Leadership and Controls

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Abstract

Morgan Publications is currently in the leadership crisis stage of the company?s evolution. This is characterized by the need for more formal means of communication, unwanted management responsibilities of the founder and increasing conflicts of the department managers. A strong management entity is needed to pull the organization together and assist in setting a direction for the future. This direction includes establishing more formal systems and controls, but without sacrificing department manager?s autonomy and creativity, and maintaining a decentralized authority structure.

The Problem

Morgan Publications suffers from a leadership crisis as evidenced by Valerie Morgan?s indecisiveness and a lack of basic management systems. Her desire to be a leader and innovator is hampered by her administrative responsibilities. (Turner & Stevenson, 1986, 779) By divesting herself of the administrative and management role, adopting minor structural enhancements and controls, she could focus on the future and growth of Morgan Publications. These changes can be implemented without sacrificing the ?small business? environment or curtailing the autonomy and creativity of the employees. (Turner & Stevenson, 1986 781)

The Leadership Crisis

Characteristics of the leadership crisis stage include: increased number of employees causing a requirement for formal instead of informal means of communications, founders being burdened with unwanted management responsibilities, and conflicts between department managers [leaders] increase. (Greiner, 1972, 42). The realization that professional management is needed is coupled with an unwillingness of the founder to step aside and relinquish control. (Greiner, 1972, 42). Morgan Publishing and Valerie Morgan exhibit all these problems associated with leadership in crisis.

Morgan Publishing has grown from 10 employees in 1982 to 42 employees in 1986. (Turner 1986, 775) During this time several formal systems were adopted; however, department heads were reluctant to support them. Department managers set goals in the form of budgets, but refuse to substantiate them with requested supportive documentation. (Turner 1986, 776) Valerie Morgan?s request for information from her managers translates into a lack of trust or a restriction of their independence to them. (Turner 1986, 776) The system for managing delinquent accounts does not follow established policy and results in advertisements being pulled well after the 30-day limit, usually not until after 90 days. (Turner 1986, 777) Additionally, the sales department is not notified of delinquencies and only finds out when the accounts call to complain. (Turner 1986, 777)

As a manager, Valerie Morgan maintains an ?I don?t know and I don?t care? attitude that leads her to ?ignore the administrative component and just tell someone else to make a decision.? (Turner 1986, 779) She is saddled with unwanted management responsibilities that leave no time for the ?creative, big picture issues? or for developing new product concepts?. (Turner 1986, 767) By and large, day to day decision making is left to the department managers and staff with her being involved in a random, multi dimensional sort of way, with no clear objectives or agenda for her to focus on.

Conflicts between departments arise due to lack of communication, clear defined policies, and controls. A salesman will promise special space to one vendor causing the conference department to compromise their position with other vendors. (Turner 1986, 777) The accounting department mails past-due notices to advertisers without warning the sales department. (Turner 1986, 777) The production manager uses a ?pen and paper? method of accounting because the current system does not provide her with needed information to maintain accountability. (Turner 1986, 780) Almost every month the advertising, editorial and production departments are in turmoil over the closeout of the

Magazine, due to the lack of an established formal criterion. (Turner 1986, 767)

Management in Action

Morgan Publish needs to hire a manager who has the necessary knowledge and skills to pull the organization together. (Greiner 1972, 42) By installing a capable manager, Morgan Publications can enjoy a period of growth and direction. (Griener 1972, 42) Job assignments have already become more specialized and some organizational structure is already in place. (Turner 1986, 778) While controls and communication are needed at the strategic level, this should not occur at the cost of departmental autonomy and the decentralized decision making process.

Decentralized responsibility and decision making has improved many big firms? response to the market place. (Mathis & Jackson, 1997, 210) Corporate giants such as Microsoft are taking the paths of smaller firms headed by entrepreneurs, like Valerie Morgan, and controlling costs and bureaucracy. (Mathis & Jackson, 1997, 210) The payoff for thinking big and acting small is experiencing growth in sales when competitors are only holding their own. (Mathis & Jackson, 1997, 210) This type of structure is a positive force in Morgan Publishing and does not need to be changed.

Managerial controls are necessary at this stage in Morgan Publishing?s business cycle in order for the business manager and Valerie Morgan to maintain operational stability. (Mosely et al. 1996, 493) Reports on delinquent accounts are necessary for management to make key decisions involving budgets, liquidity, compensation, or to establish new payment guidelines. These reports are also important to the sales department to direct energies to current account advertisers and not delinquent accounts. Having advertiser’s double check advertisements for accuracy after layout would reduce errors and conflicts with the accounting and sales departments. These feedback controls help the departments work together and keep control at the lower level while satisfying upper management?s need to track progress.

Performance standards need to be established. Standards are important for managers to set clear objectives to channel the organizations energies. (Mosely et al. 1996, 497) Some specific standards that are needed include sales quotas, budgets, job deadlines, and subscriptions. (Mosely et al. 1996, 497) By implementing these standards the decision making process becomes more routine and clearly defined for all involved.

One of the major regular issues at Morgan Publishing is whether to close the magazine for the month. (Turner 1986, 767) The editorial department maintains a strict 60-40 split between editorials and advertisements. (Turner 1986, 767) The sales department claims they can bring in more revenue if the closing is held a day, but if they do the editorial department needs to obtain more articles, and then production time is cut. (Turner 1986, 767) By establishing a minimum number of advertising pages, and updating both the editorial and production department of this number on a weekly basis, this will reduce some of the confusion. When the minimum number of advertising pages is not met by the deadline date, then that is a clear reason to hold closeout and each department will have been informed. When the minimum goal has been achieved, then closeout will proceed and any late advertisers will moved to the next month?s magazine. Managers must be involved in the goal setting process and understand that controls are established to assist, not hinder their independence. (Mosely et al. 1996, 502) For the controls to be accepted, people must clearly understand the purpose of the control system and feel they have an important part in the creation process. (Mosey et al. 1996, 502)

Budgets are necessary to establish whether or not Morgan Publications is meeting financial goals as well as allocating funds for future endeavors. By establishing monetary

constraints, Valerie Morgan can establish which businesses are making money and which businesses are losing money. The results of comparing budgets to actual expenses also indicate areas that should be increased or decreased over the budgeted amount. (Mosely et al. 1996, 503) This information can also be used in the performance appraisal system for Morgan Publications.

Currently, Morgan Publications has no performance appraisal system for the department managers. (Turner & Stevenson 1986, 777) Valerie Morgan simply allots a 15 to 20 percent ?upside? in compensation for people who perform well. (Turner & Stevenson 1986, 777) However, this is difficult because there are no quantifiable performance standards to measure each managers actual performance. (Mosely et al. 1996, 498) From the department manager?s perspective, they collectively agree that the budget and accompanying goals are not linked to their performance appraisal or compensation. (Turner & Stevenson 1986, 779) By establishing guidelines and linking them to the appraisal process, Valerie Morgan instills in her managers a clearly defined purpose in providing the operating information she needs and currently finds so difficult to obtain.

The Big Picture

Valerie realizes that she desperately needs more controls and stronger management. The problem is finding that person who will be accepted by Valerie and the department managers. (Greiner 1972, 42) However, once the manager has been selected and the above mentioned controls set in place, Morgan Publishing will achieve growth and direction because: (1) Valerie will be able to focus her energies on new ideas; (2) department managers will be able to function better with well defined goals that do not encroach on their autonomy; and (3) the small business feeling that is a critical part of the corporate culture will be maintained.

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