Both cases are from:

Blanchard, N. P. & Thacker, J. (2013). *Effective training: Systems, strategies, and practice.* 5th ed. Upper Saddle River, NJ Pearson.

This is the Domtar Case with questions at the end:

CASE

TAKING CHARGE AT DOMTAR: WHAT IT TAKES FOR A TURNAROUND*

Domtar is the third largest producer of uncoated freesheet paper in North America. In the decade prior to 1996, Domtar had one of the worst financial records in the pulp and paper industry. At that time it was a bureaucratic and hierarchical organization with no clear goals. Half of its business was in "trouble areas." Moreover, the company did not have the critical mass to compete with the larger names in the field. The balance sheet was in bad shape, and the company did not have investment-grade status on its long-term debt.

*Swift, A. "Royer's Domtar turnaround." *Financial Post* (October 6 2003), FP3. Allen, B. 2003. The Domtar difference. www.pimaweb.org/conferences/june2003/BuddyAllen.pdf. Anonymous (January 2001) Partnership between Domtar and Cree First Nations brings results. www.diversityupdate.com. Richard Descarries, Manager, Corporate Communications and External Relations, Domtar, personal communication (2004).

In July of 1996, Raymond Royer was named president and chief executive officer (CEO). This was quite a surprise because, although Royer had been successful at Bombardier, he had no knowledge of the pulp and paper industry. Many believed that to be successful at Domtar, you needed to know the industry.

Royer knew that to be effective in any competitive industry, an organization needed to have a strategic direction and specific goals. He decided to focus on two goals: return on investment and customer service. Royer told Domtar executives that to survive, they needed to participate in the consolidation of the industry and increase its critical mass. The goal was to become a preferred supplier. The competitive strategy had to focus on being innovative in product design, high in product quality, and unique in customer service. At the same time, however, it had to do everything to keep costs down.

When Royer took over at Domtar, he explained to the executive team that there were three pillars to the company: customers, shareholders, and ourselves. He noted that it is only "ourselves" who are able to have any impact on changing the company. He backed up his words with action by hiring the Kaizen guru from Bombardier. Kaizen, a process of getting employees involved by using their expertise in the development of new and more effective ways of doing things, had been very effective at Bombardier. Royer saw no reason why it would not be successful at Domtar. Royer also knew that for the new strategic direction and focus to be successful, everyone needed to both understand the changes being proposed and have the skills to achieve them. The success of any change process requires extensive training; therefore, training became a key part of Royer's strategy for Domtar.

This last point reflects the belief that it is the employees' competencies that make the difference. The Domtar Difference, as it is called, is reflected in the statement, "tapping the intelligence of the experts, our employees." Employees must be motivated to become involved in developing new ways of doing things. Thus, Domtar needed to provide employees with incentives for change, new skills, and a different attitude toward work. The introduction of Kaizen was one tactic used to achieve these goals.

Training at Domtar went beyond the traditional job training necessary to do the job effectively and included training in customer service and Kaizen. This is reflected in Domtar's mission, which is to

- meet the ever-changing needs of our customers,
- provide shareholders with attractive returns, and
- create an environment in which shared human values and personal commitment prevail.

In this regard, a performance management system was put in place to provide a mechanism for employees to receive feedback about their effectiveness. This process laid the groundwork for successfully attaining such objectives as improving employee performance, communicating the Domtar values, clarifying individual roles, and fostering better communication between employees and managers. Tied to this were performance incentives that rewarded employees with opportunities to share in the profits of the company.

Has Royer been successful with his approach? First-quarter net earnings in 1998 were $17 million, compared with a net loss of $12 million for the same time period in 1997, his first year in office. In 2002, third-quarter earnings were $59 million and totaled $141 million for the year. That is not all. Recall his goal of return on equity for shareholders. Domtar has once again been included on the Dow Jones sustainability index. Domtar has been on this list since its inception in 1999 and is the only pulp and paper company in North America to be part of this index. To be on the list, a company must demonstrate an approach that "aims to create long-term shareholder value by embracing opportunities and managing risks that arise from economic, environmental, and social developments." On the basis of this, it could be said that Royer has been successful. In 2003, Paperloop, the pulp and paper industry's international research and information service, named Royer Global CEO of the year.

It was Royer's sound management policies and shrewd joint ventures and acquisitions that helped Domtar become more competitive and return their long-term debt rating to investment grade. However, joint ventures and acquisitions bring additional challenges of integrating the new companies into the "Domtar way." Again, this requires training.

For example, when Domtar purchased the Ashdown Mill in Arkansas, the management team met with employees to set the climate for change. The plan was that within 14 months, all mill employees would complete a two-day training program designed to help them understand the Domtar culture and how to service customers. A manager always started the *one-day customer focus* training, thus emphasizing the importance of the training. This manager returned again at lunch to answer any questions as the training proceeded. In addition, for supervisor training, each supervisor received skill training on how to effectively address employee issues. How successful has all this training been? Employee Randy Gerber says the training "allows us to realize that to be successful, we must share human values and integrate them into our daily activities." The training shows that "the company is committed to the program." Tammy Waters, a communications coordinator, said that the training impacted the mill in many ways and for Ashdown employees it has become a way of life.

The same process takes place in Domtar's joint ventures. In northern Ontario, Domtar owns a 45 percent interest in a mill, with the Cree of James Bay owning the remaining 55 percent. Although Domtar has minority interest in the joint venture, training is an important part of its involvement. Skills training still takes place on site, but all management and teamwork training is done at Domtar's headquarters in Montreal.

Royer's ability to get employees to buy into this new way of doing business was necessary for the organization to succeed. Paperloop's editorial director for news products, Will Mies, in describing why Royer was chosen for the award, indicated that they polled a large number of respected security analysts, investment officers, and portfolio managers as well as their own staff of editors, analysts, and economists to determine a worthy winner this year. Raymond Royer emerged a clear favorite, with voters citing, in particular, his talent for turnaround, outstanding financial management, and consistently excellent merger, acquisition, and consolidation moves as well as his ability to integrate acquired businesses through a management system that engages employees. Of course, that last part, "a management system that engages employees," could be said to be the key without which most of the rest would not work very well. That requires training.

Case Questions

1. How did Domtar's strategies align with its mission? Explain your answer.
2. Given the difficulty of organizational change, what factors contributed to the success at Domtar? How did Domtar's management at all levels contribute to reducing resistance to change? What else might they have done?
3. What were the major HRD challenges associated with Domtar's acquisitions and joint partnerships? How were these challenges addressed, and what were the risks associated with these approaches?
4. Take the critical facts in the Domtar case and place them into the appropriate phases of the training model presented in the chapter. Begin with the triggering event and provide a rationale for why each fact belongs in the phase in which you have placed it.

Here is the Multistate Health Corp case and questions:

CASE ANALYSIS

CASE: STRATEGIC PLANNING AT MULTISTATE HEALTH CORPORATION

As you read this case, think about the relationship among competitive strategy and both the HR and HRD functions at Multistate Health Corporation (MHC). The case was written in 1994 and is real, but the corporation asked that its name not be used. The federal and insurance environment for health care has changed substantially since that time; however, the strategic planning issues faced by MHC remain relevant today. The information provided here reflects the organization in 1993 as it was completing its strategic planning process.

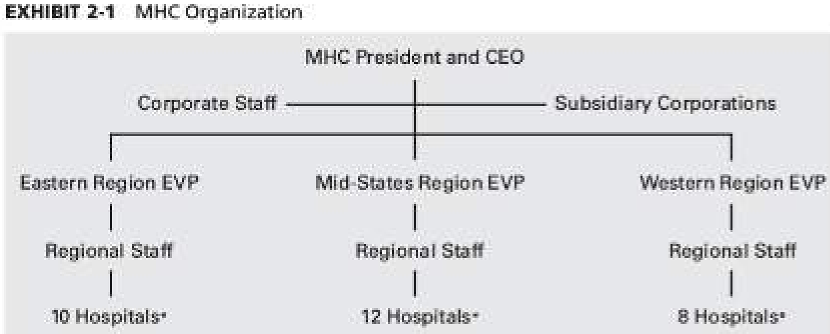
THE ORGANIZATION

MHC is a health care provider owned and operated by a religious order. MHC owns 30 hospitals and four subsidiary corporations employing more than 10,000 people. Its headquarters are in Michigan, with hospitals located in 17 states across the country. The overall organizational structure and the corporate HR structure are depicted in Exhibits 2-1 and 2-2.

COMPETITIVE STRATEGY

In line with its mission, which is rooted in the tenets of the order's religion, MHC focused on providing care to the indigent and less able members

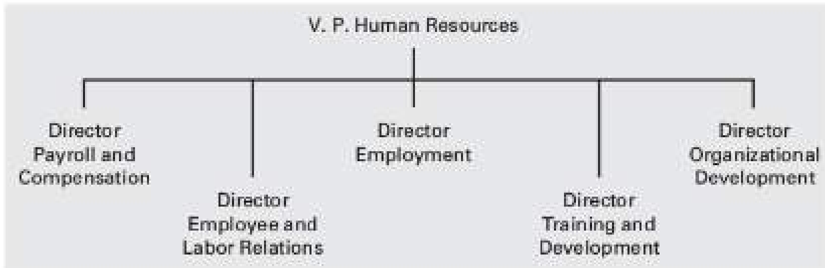
EXHIBIT 2-1 MHC Organization



*Each hospital has a CEO reporting to the regional executive vice president (EVP). Hospital are referred to as divisions within MHC and have a CEO as well as a functional staff (including HR) for conducting divisional operations.

Corporate HR is included as part of corporate staff, as desicribed in Exhibit 2-2.

EXHIBIT 2-2 MHC's HR Organization



of the community. It was reasonably successful until 1989, when the health care industry began to experience considerable change in governmental regulations and insurance procedures. At the time of their strategic planning, hospitals were reimbursed on the basis of a preset, standardized price for treatment rather than the "cost-plus" method used previously. The federal and state governments were putting increasing pressure on health care institutions to reduce costs. In addition, new medical technologies and procedures being developed were expensive to acquire and implement. MHC recently acquired subsidiary corporations to develop or acquire new procedures and technologies. The subsidiaries were to work in partnership with the regions to implement new procedures and technologies.

MHC has lost money every year since 1987. Currently, it is experiencing an oversupply of bed space in most of the communities with MHC hospitals. Projections indicate that the need for inpatient services will decline while the need for outpatient services will increase. Nontraditional health-related services are also projected to increase (e.g., services in which patients and their relatives are trained in self-care or care of relatives). In short, the market is becoming much more competitive while products and services are rapidly changing.

MHC just finished its corporate strategic planning process and planned to develop a two-pronged market strategy to deal with its changing business environment. One major area of focus is technology. The strategic planners departed from the previous strategy, opting to become a leader in the development of new health care technologies and procedures. They felt that the new developments would allow quicker recovery times, thus reducing the hospitals' costs. In addition, the technology could be marketed to other health care providers, generating more revenue. The drawback was that new technologies and procedures were expensive to develop and were often subject to long waiting periods before being approved by the insurers and government agencies.

The second prong of the strategy was directed toward the hospitals and was focused on improving efficiencies in basic health care and outpatient services. This would allow them to continue to provide for the basic health care needs of the less fortunate. The substantial governmental fees, grants, and other revenues tied to this population would provide a profit only if efficiencies could be developed throughout the corporation.

IMPLEMENTATION ISSUES

Carrie Brown, hired six months earlier as corporate vice president of human resources, listened to several days of strategy discussion, without participating much. She now felt that it was time to address the HR implications of these strategies.

"While I agree that these are good strategies," Carrie said, "I don't know if we have the right people in the right places to carry them out. A few of our regional and divisional executives are already doing some of the things you're talking about, but most of them have grown up in the old system and don't know how to go about cost cutting in a way that doesn't diminish the quality of our service. Many of our divisions are in rural areas and haven't kept up with technology. We do have some middle- to upper-level managers who are up to date in cost cutting and technology implementation, but they are scattered throughout the organization."

(continued)

Mitchell Fields, president and chief executive officer (CEO), suggested, "Why don't we just move those people who can implement our strategies into positions where they have the power to make it happen?"

"Unfortunately," Carrie said, "we have no accurate data about which of our people have the capabilities. It would be a mistake to move forward unless we're sure that we have the knowledge and skills on board to be successful. What I've discovered in the short time I've been here is that we have grown too large for our human resource information system (HRIS). We're still doing most of the data collection on paper, and the forms used are different in each of the divisions, so we can't consolidate information across divisions, and even if we could it would take forever to do it by hand. We have different pay scales in different divisions, and you can't get a VP in Boston to take a CEO position in Iowa because he'd have to take a cut in pay. Basically, what I'm saying is that we don't have a coherent HR system in place to give us the information we need to put the right people in the right places.

"Another issue is that our current structure isn't conducive to setting up partnerships between the subsidiary corporations and the regions. The corporations developing the technology are seen as pretty distant from the regions and divisions. While the subsidiary corporations will bear the developmental or acquisition costs, they are going to want to pass those along to the regions and divisions. The divisions will then have to bear the costs of implementing the new technology and working out the bugs. Once all the kinks are worked out, the subsidiaries will be selling the technology to our competitors at lower prices (due to volume) than they charged the divisions. The corporation and subsidiaries are likely to profit from this arrangement, but the divisions are likely to show losses. As you know, our compensation of division executives is based on profitability. They are likely to resist cooperation with the subsidiaries. Our current systems don't let all of our businesses come out winners."

"I understand what you're saying," Mitchell said. "Our competitive strategy is for the big picture and the long term. If these HR issues are going to be a problem, we have to fix them right away. We are going to have to work out some way for both the subsidiaries and the divisions to come out winners in moving new medical technology forward. Assuming we are able to put our HR house in order . . . get the right systems and people in place. . . . Are there any other concerns about adopting our strategies?" Hearing no additional objections, he said, "Okay, then, let's get to work on putting an implementation plan together, and first on the list is our HR system."

Case Questions

1. Describe MHC's strategy in terms of market position. Also, identify the type of external environment MHC is operating in and the degree to which the strategy matches the environment.
2. Identify the type of structure MHC currently uses in its primary businesses. Describe the fit between the structure and the competitive strategy. Describe any structural adjustments MHC should make to maximize the effectiveness of the strategy.
3. Identify any areas where current management KSAs are not aligned with effective implementation of the competitive strategy.
4. Describe how MHC should go about addressing the KSA deficiencies you have identified in the previous question. Your answer should be consistent with the mission and values of MHC.
5. Assume that you are the HRD manager and the competitive strategy was given to you prior to its adoption. Using principles and concepts from the chapter, what recommendations would you give to the strategic planning team?
6. Given the strategy, what tactical activities can the HR unit in general, and HRD specifically, develop to support the strategy (be sure to include the implementation of the HRIS)? Identify sources of support and sources of resistance to these tactical activities and point out any areas in which collaborating with the OD unit would be advisable.