

Zimmer Engineering Limited

Howard Pearson is a management consultant located in Dartmouth, Nova Scotia, and holds a faculty position with the University of Eastern Canada. During a recent social event at the Dartmouth Boat Club, he was asked to undertake a consulting project by a fellow club member, Will Browning, senior vice-president, Zimmer Engineering Limited.

The firm's business chiefly involved the design and sales of fluid flow equipment for industrial applications. All the required engineering was done "in-house". The supply of components, such as high-capacity pumps and the fabrication, of custom installations was subcontracted to outside suppliers and metal fabricators. In 1991, with a new competitor on the scene, business had slowed noticeably. Will Browning was concerned that the firm's structure and job descriptions needed change if the company was to regain its market share.

On a regular basis, Zimmer Engineering employed 11 people (see Figure 1). The staff complement could swell to 17 when the workload was heavy. Will Browning saw the firm's problem as one in which certain key people had responsibilities inappropriate for their abilities and preferences. In particular, he pointed to the Zimmer brothers, Allan and Bernard, who served as president and vice-president, Engineering, respectively. Allan Zimmer attempted to guide all aspects of the business, even though his educational background was in finance. And Bernard, although a competent engineer, had recently acquired a time-consuming "hobby" farm that prevented him from concentrating fully on his job responsibilities. According to Will Browning, he was not effectively supervising the design and production functions. Moreover, Bernard stated that he was not interested in devoting any additional time to the firm at the present time. This meant that Allan was becoming even more involved in the technical aspects of the business, and expensive design and production errors were being made that generated poor customer relations. As an engineer with extensive business experience, Will Browning was usually called upon to sort out these problems after the fact. However, due to the existing structure and reporting relationships, he had no authority to prevent them from occurring and to eliminate the damage they caused. When he had suggested that Allan consult him prior to making decisions on technical matters, he was received coolly by the



FIGURE 1 ORGANIZATIONAL CHART OF ZIMMER ENGINEERING LIMITED

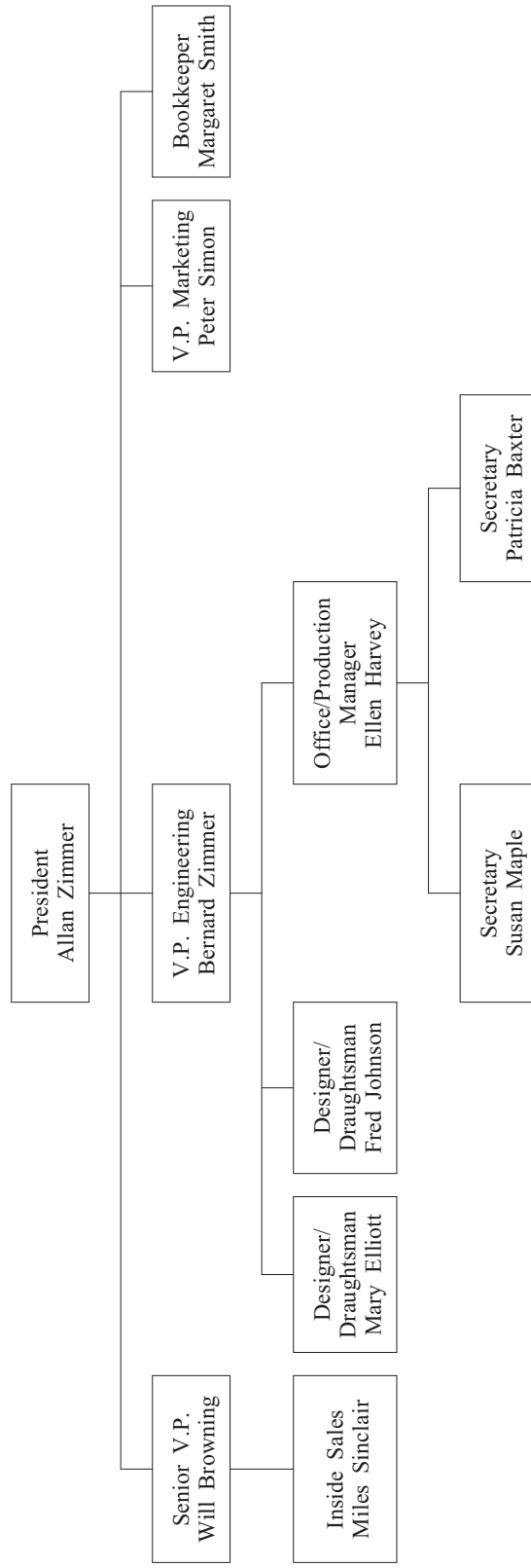
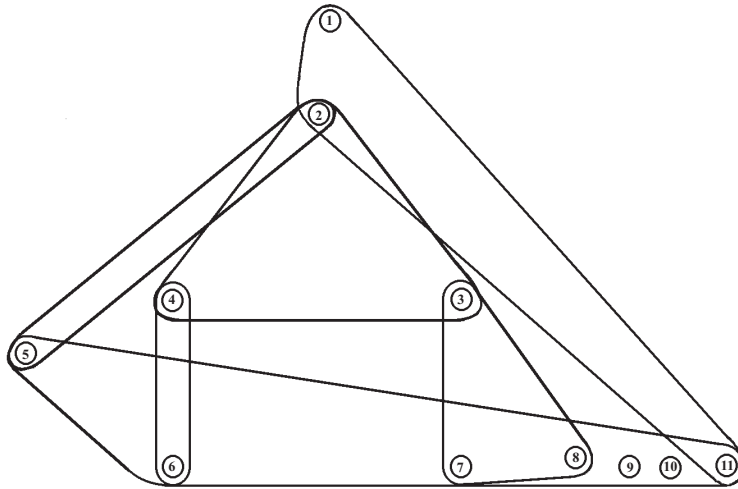


FIGURE 2 OPERATIONAL AREAS OF RESPONSIBILITY



1. President	Allan Zimmer
2. Senior Vice-President	Will Browning
3. Vice-President, Engineering	Bernard Zimmer
4. Vice-President, Marketing	Peter Simon
5. Office Manager and Manager of Production	Ellen Harvey
6. Inside Sales	Miles Sinclair
7. Designer/Draughtsman	Fred Johnson
8. Designer/Draughtsman	Mary Elliott
9. Secretary	Susan Maple
10. Secretary	Patricia Baxter
11. Bookkeeper	Margaret Smith

president. It seemed to be a matter of pride for Allan Zimmer to try to handle any sort of issue that arose.

With the quiet support of the rest of the employees, including Peter Simon and the one outside director of the company, Will Browning wanted to alter the role descriptions, authority, and responsibilities so that he would have effective control over the marketing, production, and engineering functions. The difficulty was that the Zimmers owned over 70% of the company’s shares, and they certainly would not relinquish the status of their family willingly.

Howard Pearson was impressed by the work of Rensis Likert, a well-known organizational behaviourist. He decided to suggest a Likert linking pin model to reallocate responsibilities, as shown in Figure 2. In this model, functional responsibilities for each job are restricted to those other positions that are also included in

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the same link or links that enclose that job. For example, under the new plan Allan Zimmer would be involved only with Will Browning and the bookkeeper. The revised structure would leave Allan in the position of president, but it would remove his influence over areas in which he had no expertise. Will Browning would become the buffer between the president and the technical side of the firm. Howard felt that Bernard Zimmer would probably accept the relationship of directly reporting to Will Browning as long as Allan was still to be president. Bernard might even feel some relief, as his responsibilities were diminished. Will would be able to step in directly to supervise design and production when Bernard was busy with his farm, and to manage personally some of the more critical projects.

Howard also prepared a very brief job description for each management position (see Table 1 on the following page). His intention was to involve the whole management group in filling in the details once the main thrust of the change was accepted. Will Browning totally approved of the plan, as it seemed to meet all his goals for changing Zimmer Engineering. However, he wondered how he would get Allan Zimmer to accept it.

TABLE 1 ROLE DESCRIPTIONS

PRESIDENT

1.0 Areas of Responsibility and Reporting Relationship

- 1.1 Administration and reporting for the Company Budget.
- 1.2 Co-responsibility (along with Senior Vice-President) for financial planning.
- 1.3 Administration and reporting for strategic planning studies.
- 1.4 Bookkeeping, finance, and auditing.
- 1.5 Coordinating these areas with the Senior Vice-President.

2.0 Areas for Which Objectives Should Be Set

- 2.1 Company tax planning.
- 2.2 Company borrowing.
- 2.3 Administration costs.

3.0 Areas of Authority

- 3.1 Financial statements and audit.
- 3.2 Supervision of bookkeeper.
- 3.3 Cheque signing authority (with Will Browning and Bernard Zimmer).

SENIOR VICE-PRESIDENT

1.0 Areas of Responsibility and Reporting Relationship

- 1.1 Participation in objectives, strategies, and policies which are set and implemented for the functional areas of:
 - (a) Marketing
 - (b) Engineering
 - (c) Office Management
 - (d) Strategic Planning
 - (e) Production Management
- 1.2 Formulation of Company Budget.
- 1.3 Evaluation of performance within above functional areas.
- 1.4 Definition of role descriptions as well as reporting and coordinating functions.
- 1.5 Co-responsibility (along with Vice-President, Engineering) for marketing of engineered systems.
- 1.6 Chair of the Executive Committee which will convene regularly to provide consulting assistance in matters of strategic and general management.
- 1.7 Report to Board of Directors.

2.0 Areas for Which Objectives Should Be Set

- 2.1 Return on investment.
- 2.2 Net profit.
- 2.3 Contribution margin.
- 2.4 Development of new initiatives.
- 2.5 Market areas:
 - types of customers
 - types of products
 - geographical areas

3.0 Areas of Authority

- 3.1 Review of all personnel terminations.
- 3.2 Final arbitration of salaries.

Table 1 continued

- 3.3 Cheque signing authority (with Bernard Zimmer and Allan Zimmer) and review of all expenditures.
 - 3.4 Final authority in determining acceptance of sales and engineering contracts.
 - 3.5 Final arbitration of objectives, strategies, and policies that apply to individual functional areas of the company.
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VICE-PRESIDENT, ENGINEERING

1.0 Areas of Responsibility and Reporting Relationship

- 1.1 Marketing of hardware and technology.
- 1.2 Co-responsibility (along with Senior Vice-President) for marketing of engineered systems.
- 1.3 Job functions of draughting personnel.
- 1.4 Research and development in areas of environmental control and engineered systems.
- 1.5 Report to Senior Vice-President.

2.0 Areas for Which Objectives Should Be Set

- 2.1 Sales of products and technology.
- 2.2 Sales of engineered systems.
- 2.3 Contribution margin of engineering area.
- 2.4 Fixed costs of engineering area.
- 2.5 Productivity of draughting personnel.

3.0 Areas of Authority

- 3.1 Cheque co-signing authority (with Allan Zimmer and Will Browning).
 - 3.2 Supervision of draughting personnel.
 - 3.3 Salary review of draughting personnel.
 - 3.4 Engineering area budget.
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VICE-PRESIDENT, MARKETING

1.0 Areas of Responsibility and Reporting Relationship

- 1.1 Marketing of standard products.
- 1.2 Development of new products and improvement of existing products.
- 1.3 Research and development in area of industrial air handling and conditioning products.
- 1.4 Report to Senior Vice-President.

2.0 Areas for Which Objectives Should Be Set

- 2.1 Sales of standard products.
- 2.2 Contribution margin of market area.
- 2.3 Fixed costs of sales area.
- 2.4 Productivity of inside sales personnel.

3.0 Areas of Authority

- 3.1 Supervision of inside sales personnel.
 - 3.2 Salary review of inside sales personnel.
 - 3.3 Marketing area budget.
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*Table 1 continued***PRODUCTION MANAGER****1.0 Areas of Responsibility and Reporting Relationship**

- 1.1 Administration of outside manufacturing services relating to standard product lines.
- 1.2 Purchasing of components from outside suppliers.
- 1.3 Scheduling of purchased items and manufacturing priorities (for both standard products and engineered systems).
- 1.4 Report to Senior Vice-President.

2.0 Areas for Which Objectives Should Be Set

- 2.1 Product quality/warranty expenses.
- 2.2 Manufacturing costs.
- 2.3 Contribution margin of manufactured products.

3.0 Areas of Authority

- 3.1 Decisions as to outside manufacturers of standard products.
 - 3.2 Quality control.
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OFFICE MANAGER**1.0 Areas of Responsibility and Reporting Relationship**

- 1.1 Office administration.
- 1.2 Personnel administration.
 - time keeping
 - vacation scheduling
 - absenteeism.
- 1.3 Report to Senior Vice-President.

2.0 Areas for Which Objectives Should Be Set

- 2.1 Office efficiency.
- 2.2 Personnel morale.
- 2.3 Office expenses.

3.0 Areas of Authority

- 3.1 Hiring and firing of clerical staff.
- 3.2 Purchasing and maintenance of office equipment and supplies.