FAMILY-OWNED AVANTOR TECHNOLOGY EXPERIENCES GROWING PAINS:
WALKING THE TIGHTROPE

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***Note: Figures may be missing from this format of the document

Abstract:
This case describes some of the problems that arose when a company in a rapidly growing industry failed to adapt. It emphasizes the unintended downside of promotion from within. The case focuses on the Human Resources Department and the effect a problem in this area can have, both within the department and throughout the organization. The case addresses organizational culture, issues, that occurred when a closely-held company reached a critical point in its growth.

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INTRODUCTION

Thor Johnson awoke with a start. He'd had that dream again. The dreams started about a year ago. In the first one, Thor was an army officer leading his troops into battle during World War II. Thor attributed the dream to excitement about expanding his company into Eastern Europe and watching too many documentaries on the History Channel. Thor had anticipated that some problems could surface while taking his highly successful technology company, Avantor, into the international arena. All in all, it had gone about the way he had expected. Yet, the dreams continued. For the last few months the dream had always been the same. Thor, still an army officer, was in what seemed to be an unending battle. His supply lines had been stretched beyond their capacity, and as he watched, his troops were massacred. He was helpless to do anything about it. He began to wonder if the dream had a deeper meaning.

Wendy Taylor was excited about her new position in the Human Resources Department at Avantor Technology. One of her duties was to conduct exit interviews. Wendy's boss, Mary Boggs, the Director of Human Resources, found conducting the exit interviews to be burdensome and she was happy to relinquish this task to Wendy. Wendy felt that the questionnaire Mary had developed for the exit interviews was too restrictive. She decided that the yes/no format did not help her determine why employees were leaving. Wendy knew that technology companies tended to have rather high turnover rates. Despite this fact, a proportionately higher rate of qualified employees were leaving after just a short time. Avantor's compensation package was competitive. She believed that the family-friendly reputation at Avantor should attract and maintain the best employees. Wendy expressed her concerns to Mary. However, she was disappointed by Mary's dismissive reaction.

Mary Boggs was barely out of high school when Janet Johnson hired her to work at the newly formed company. Janet and her husband, Gunthar, had founded Avantor, a keyboard manufacturer, the year before. At that point, Avantor had nearly 50 employees. Mary was a hard worker, and quickly advanced from assembler to lead assembler, then to crew chief. Mary had a knack for getting people to work harder, faster, and more effectively. Janet began to have Mary interview prospective assemblers. Mary had a gift for finding people who would make good assembly line workers. As time went by, Janet and Gunthar decided to develop a more formal structure, and promoted Mary to the

newly created position of Human Resources Director. They also promoted their best salesperson to Director of Marketing about the same time. Janet and Gunthar were extremely proud of their company and its employees. All of the heads of departments had started out as assemblers. The Johnsons knew their company would succeed with their program of rewarding hard work and loyalty by promotion from within. Avantor's strong market position confirmed Janet and Gunthar's belief in their promotion policies.

Upon completion of a bachelor's degree in electrical engineering from a local state university, Janet and Gunthar's son, Thor, came back to work for the company. Thor was a thoughtful and gifted engineer, and his parents expected him to soon be ready to take his father's place as President. A year passed, and Thor was named President. That same year, Thor developed a new process and product that put Avantor at the cutting edge of technology. Simply put, the hardware product was a storage library and retrieval system that enabled the reuse of software in the engineering field. Within three more years the number of employees grew from two hundred to over five hundred. It was a time of great excitement at Avantor Technology!

INDUSTRY BACKGROUND

Founded 16 years ago by Gunthar and Janet Johnson, Avantor Technology is a closely held corporation. The stock ownership is as follows:

Gunthar Johnson	age 68	35%
Janet Johnson	age 67	35%
Thor Johnson	age 37	30%

The company is headquartered in Bowling Green, Illinois, a city with a population (MSA) of 400,000, located in the Midwest United States. The company owns a manufacturing facility in Korea. Avantor's sales force covers the United States, Canada, Mexico, and much of Central and Eastern Europe.

The Johnson family, especially founders Janet and Gunthar, attributed much of their success to their family-friendly attitude toward their employees. Many employees have at least one other family member employed by Avantor.   Employing entire families, like the Johnsons themselves, is a common practice.

International Considerations

Avantor was rather unusual for a company of its size. Typically, a company of the size and scope of Avantor would have gone public and have taken on a more traditional corporate culture. In the United States, giving preferential treatment in hiring family members in firms with nearly one thousand employees is highly unusual. Nepotism is generally viewed negatively.

However, outside the United States, the family unit is the bedrock of business. This is especially true in Asia. However, with the trend toward globalization and increased development of free market systems, competition is fierce. There is immense pressure to change. Founders of Asian businesses are beginning to seek professional, often Western, educated managers to fill leadership positions. Families will send their

children to Western countries, primarily to the United States, for education. If this is not an option, professional management is accepted from outside the family.

There are cultural considerations, as well as societal mores, which differ between countries. For example, in Taiwan the family that controls Formosa Plastics prohibited their eldest son from taking over the business because of an extramarital affair (Arnoff, 1993). This decision stemmed from the belief that a person who is unable to manage his personal life will be unable to manage the business successfully.

In Italy, there has been a tendency for sons and daughters to inherit their father's share of the family business. This type of inheritance can be troublesome for Italian businesses when the son or daughter is unwilling, not interested, or incapable of managing a business. Like what is occurring in the United States, Italians are facing the reality that a firm's viability may have to take precedence over family ties (O'Connor, 1992).

THE PROBLEM

As Seen by Thor Johnson

Thor had felt that for some time his company was experiencing growing pains. He often spoke with his "network of non-competing competitors" (as he called them), which was composed of peers from five other companies around the country who were engaged in technology or technology-related businesses that were not competing with Avantor. Of the companies in his network, three were closely-held companies, one has been publicly traded for many years, and one had just completed a initial public offering (IPO). Thor developed this network to brainstorm marketing ideas and to explore how he would retain control if he decided to take the business public. Thor recognized that going public could cause him to lose control of the company. At the same time, it might assist him to finally gain control from his parents, who just couldn't seem to let go of the business. Thor knew that his parents were opposed to taking the business public. His father worked for a large company for many years before striking off on his own to start Avantor. Both of his parents were concerned that taking the business public would result in a loss of the family-friendly culture. While this culture was extremely important to the elder Johnsons, it became a frustration to the younger Johnson. Not only was it holding him back from taking advantage of a stock market that adored high tech IPOs, but it made strategic changes very complicated to implement. For example, taking disciplinary action against an employee who had several family members scattered throughout the organization could be more trouble than it is worth. Too often problems got worked around rather than solved.

Thor wondered why his company's turnover rate was so much higher than all but one of the companies in his network. However, he trusted Mary Boggs' judgment. After all, his parents promoted her. It was at his insistence that Mary began to conduct exit interviews. The only conclusion Mary had determined from the interviews was that the employees who left had bad attitudes. According to Mary, "nobody has the work ethic we had when the company started; people will go up the street for a nickel more per hour." In his gut, Thor believed that there was more to it then just that, but what? Thor had no background on the human side of management. His major in college was

engineering. The feedback from his advisory group told him that the heart of his problems was in the human resources department.

As Seen by Wendy Taylor

Wendy quickly learned that the family-friendly culture of Avantor had positive and negative attributes. The head of purchasing, Keith Crandall, had complained to her about a long-time employee named Noreen, who worked in his department. Noreen was constantly absent. The company had a written absentee policy, but it was enforced only sporadically within the Bowling Green headquarters. Noreen was skillful at working the system, but had gotten sloppy lately and had commented to a number of co-workers that she hated Avantor and would take every opportunity to get back at them by using all the outs in the system. Her absences were not that unwelcome, according to Keith, because "she doesn't really contribute all that much when she is here except to complain." His real concern was that Noreen's absences were causing the rest of the employees in the department to copy Noreen's absentee behavior. The problem was escalating. He wanted Wendy to "do something about it."

After reviewing the absences in the purchasing department and the policy concerning absenteeism, Wendy went back to Keith and explained the process that he would need to follow with Noreen. Both agreed they would be able to terminate Noreen if she had two more absences within the next three months. This decision was reached after reviewing all the human resource policies. The second absence happened within three weeks. At that point, Keith didn't want to fire Noreen. When Wendy explained to him that they had to fire her, or the absentee policy would be unenforceable, he told her she would have to do it. Keith told Wendy that he wanted to speak to Janet Johnson first. If he didn't inform Janet, Keith predicted that Noreen would go running to her and Janet would insist on giving Noreen another chance.

According to Keith, long time employees of Avantor, such as Noreen, knew that all they had to do was go crying to Janet to rescue them. Despite human resource policies to the contrary, long-time employees were untouchable. "It's a shame," said Keith as he left to talk with Janet; "most of the long- time employees were good workers when they were on the assembly line. They were in the right place at the right time, but were promoted into jobs that were beyond their skills and abilities."

Wendy changed from yes/no to open-ended questions during the exit interview. She was increasingly disturbed by the answers she heard. She really wanted to discuss the situation with her boss, but every time she tried, she felt like she was "talking to the wall".

As Seen by Mary Boggs

Mary had never felt as connected to anything as she did to Avantor Technology. She had been a less than stellar student at Bowling Green High School. She couldn't recall why she applied for an assembler position at Avantor, except that she had always enjoyed crafts. Assembly work was a lot like completing crafts. She did not know how many of the little silver things were supposed to be stuck in the white plastic things, so she made a game out of it. The lady who hired her, Janet, seemed quite pleased with her work. Before she knew it, Janet was giving her more responsibility. She really liked the way it made her feel.

Mary had always kept to herself when she was in school. Now, she was showing other people, many of them older than she, how to put things together. Soon she learned how to predict in the first few minutes of working with someone if he or she was going to be able to grasp to how the process worked. Janet noticed this too, so she began to have Mary interview prospective assembly employees.

The company grew very rapidly. Because Mary had been so skilled at selecting assemblers, it only made sense to put Mary in charge of human resources. Mary knew this was outside her comfort zone, but wanting to excel, she decided to accept the position. Mary struggled initially. It was easy for her to spot good assembly line workers, but she found it much more difficult to select employees for other departments. She had some hiring successes as well as some failures, but most people whom she needed to hire in the early days were assemblers, so it worked out overall. Mary avoided dealing with problems. She attended a few seminars and tried to learn about interpersonal communication. However, she really never felt comfortable with most of her peers. She observed that they were all older than she was, college graduates, and "stuck up."

Over the years, Mary learned to hire people with skills she didn't have. She thought it was ironic that most of the people who worked for her were college educated with Human Resource degrees. She knew that she had to be very careful not to let others find out about her lack of education. As far as she was concerned, she knew everything that she needed to know, and competently managed the human resources department. She keenly kept departmental functions separate so that no one employee could attempt to steal her job.

According to Mary, of all the dumb ideas Thor had ever come up with, his idea to have her do exit interviews was the dumbest. Mary knew she was great at hiring people. "The unemployment rate is at its lowest level in decades, but college-boy Thor can't understand why our employee turnover is high," Mary complained to her sister. "I am not going to spend my time listening to any more whining by a bunch of quitters. I think Thor is trying to blame me. Well, that is not going to happen. I still know how to hire people. I'll let my new college-educated assistant handle it. She is so gung-ho; the exit interviews will give her a little taste of reality," she exclaimed.

QUESTIONS

1.   What issues will need to be addressed to enable Avantor to become a successful enterprise as it is presently structured?

2.   Should Avantor change its family friendly culture?

3.   Are the employee relation problems, illustrated in the case, the responsibility of management, or the employee of Human Resources Department?

4.   How can the company reconcile the need to hire the most qualified person for every job with its family-friendly culture?

5.   How might management better assess the most appropriate match of employee skills and positions available?

6.   How can the exit interview questionnaire be revised to provide better feedback?

7.   How might Wendy attempt to "manage" her boss and achieve her objectives without arousing Mary's insecurities?

8.   What structural and human resource policy changes might improve the effectiveness of the organization?

9.   What roles could Thor play in Avantor's future?

TEACHING GUIDE & NOTES

Case Overview

This case requires students to consider the special cultural considerations present in family-owned and managed businesses. It brings together the issues associated with technology businesses where products, competitors, and strategies change rapidly. It also deals with the unintended downside of promotion from within. The company's organizational structure and human resource policies resulted in solely promoting from within. This resulted in employees occupying positions that were beyond their abilities.

Relevant Courses

An appropriate audience for this case would be students enrolled in undergraduate classes for business, communications, organizational behavior, entrepreneurship, and family business. The relevant topics include management strategies, organizational behavior, family-owned business issues, development of core competency models, management of rapidly growing entrepreneurial firms, and human resources. Exhibit One gives an example of how the oral presentation examining this case could be completed by students role playing as consultants to Avantor.

Data Source

The case focused on the Human Resources Department at Avantor Technology, a fictional company based in the Midwest United States.

Analysis

This case describes a rapidly growing family-owned technology company. The company has a long-standing policy of starting all new employees as assembly line workers and promotion only from within. Now, every key manager used to be on the assembly line. Like a gazelle, the company is expanding quicker than it can react. Nearly every key manager has been promoted from within. Though the key managers are very loyal to the company, they lack the educational depth and breadth of experience to continue to make the company flourish. Issues to consider for this case include:

1.   How family-owned businesses differ in culture;

2.   How to implement organizational change in a family-owned business;

3.   How to modify the human resource policies and procedures so that employees are not promoted into positions that do not match their education, abilities and skills;

4.   How to reconcile the need to select the most competent people but retain precious organizational values; and

5.   How to best manage growth in an entrepreneurial technology company.

The objectives of this case are as follows:

1.   To describe the difference in perceptions held by various stakeholders;

2.   To explore how promoting people beyond their abilities can handicap an organization;

3.   To consider alternative methods to resolve the situation;

4   To introduce the use of core competency models to help an organization resolve the unintended downside of promotion only from within; and

5.   To consider the best methods of growth management in an entrepreneurial technology company.

Answers to Questions

1. **What issues will need to be addressed to enable Avantor to become a successful enterprise as it is presently structured?**

   In order for Avantor to grow and remain successful, it will need to identify and address the issues of business planning, management of rapid growth, succession planning, human resources, and communications. The company has grown so rapidly that management has had to be reactive rather than pro-active. The family-friendly program of promoting only from within has been carried too far. This has led to most managers being promoted beyond their abilities. This is affecting organizational efficiency and effectiveness. It is most critical in the Human Resources Department. Although it is having a widespread effect throughout the organization, it is at the critical stage in the Human Resource Department. New Human Resource policies must be implemented immediately that identify the core competencies, experience, and education for each job position at each level of the organization.

2. **Should Avantor eliminate its current culture and adopt a more traditional corporate culture of a company its size?**

   Avantor should not necessarily change its family-friendly culture, but its promotion policies. The concept of a family-friendly culture in and of itself is not necessarily a weakness. However, the lack of consistent vision between the president of the company and the founders will continue to cause problems in strategic and tactical planning, and more obviously in implementation. Many large corporations are attempting to bring a more personal touch to their culture by creating the very environment that the founders of Avantor idealize (Branch, 1999). The problem is in the level of dysfunction present at Avantor. If expanding the company is desired, then the principle players need to re-evaluate the mission, goals, objectives, and requirements of each upper-management position. Objectives that are determined to be critical will probably need to be developed by a team of professional experts. Implementation plans will be required. This would have to be completed by an outside human resource consulting firm. Accurate job descriptions and specifications must be done for each position that would contain this information. Standards of conduct need to be established and acted upon. This is especially evident in the management of human resources. Employees should expect realistic consequences for failing to adhere to the policies and standards established for absenteeism; for example, family members must respect boundaries that need to be established for the greater good (Goffee, 1998). It must be communicated from the top that the new policies and procedures will be adhered to and followed without exception.

3.	**Who is responsible for the employee relations problems illustrated in the case, the line managers or the Human Resource Manager?**

The problematic employee morale, attitudes, and behaviors are largely due to key management figures and the objectives of the company. Enforcement must come from the top down in any organization to be accepted and followed by the employees. Mary's competency problems are symptomatic of a much broader problem. Noreen's poor attitude and work habits stem from learning the system and using it for her personal advantage. As a result of poor supervisory management, Mary's skill level did not match the knowledge, skills, and abilities (KSAs) required of her current position. The founders had not addressed the importance of knowledge, skills, and abilities (KSA's) training and experience of the employees. The owners, managers, and current head of the Human Resource Management Department are all at fault for the morale problem. Poor communication by managers and a lack of consistency for enforcing policies and procedures only served to reinforce the negative work habits and employee behaviors. A total evaluation of the positions within the company and the competencies needed for each position must be made by a team of outside experts or at the very least, overseen by human resource experts. Then, the recommendations should be evaluated and implemented at all levels

4.	**How can the company reconcile the need to hire the most qualified persons for every job with its family-friendly culture?**

More formal development of job descriptions and specifications as well as employment policies and procedures would provide the company with the information needed to match the person with the position based on KSAs. Avantor needs to develop a core competency model for each position, and it needs to assess the core competencies for each employee. Not only would this ensure effective job and skill matches, it would identify employees with especially strong skills, as well as those employees with problem areas. It would be essential to use this as a diagnostic tool to determine which competencies need to be further developed. It should not be used to target people to be fired. However, certain key positions may need to place others in them. Training would be a great advantage for this company. Horizontal employee movement may have to take place. Moving an employee from their current position to another position that is more suitable with their KSAs should be utilized only if further training and development, focusing on areas where improvement is needed, failed to affect change within the individual employee's job performance. It is possible to preserve the family-friendly structure Janet and Gunthar initiated without compromising proper employee policies and procedures. Internal job posting should proceed external recruitment. Both methods need to be implemented. Then, the most qualified candidate is chosen from the pool.

5.	**How might management better assess the most appropriate match of employee skills and job need?**

The adoption of core competencies will help Avantor Technology better assess the skills of employees. A core competency model for a technology company might include competencies in versatility, communication, teamwork, initiative, work quality and quantity. Managers and supervisors might include leadership, subordinate development and vision (McAfee, 1999). Employees with one or two deficiencies might need additional training and development. An employee lacking vision, communication skills and leadership might be more appropriately placed in a non-managerial position. In addition to this, management may implement 360-degree assessments or employee surveys (Schoonover, 1999).

6. **How can the exit interview be developed to provide better feedback?**

An exiting employee may feel intimidated by the interview concept, process, or interviewer. Leaving a company because of dissatisfaction can be stressful. They are more likely to give polite comments just to hurry and finish this process. Although an accurate assessment tool might be created, the low validity of the exit interview is well established in the literature. However, the information could be valuable when considered with other employee satisfaction measures gathered by the human resource department. It is suggested that the exit interview questionnaire include open-ended questions, possibly allowing the exiting employee privacy while completing the questionnaire. It would be helpful to include questions that would inspire the interviewee to consider what he or she would do to improve the company. If it is necessary to assign an interviewer, select someone who is autonomous and non-threatening.

7. **How might Wendy attempt to "manage" her boss and achieve her objectives without arousing Mary's insecurities?**

First, Wendy must gain the support of Thor. The President and top management must support any major changes in the corporation before they are accepted and implemented by the employees. A consultant with expertise in human resource issues, and preferably with experience in the technology industry, could conduct an overall appraisal of the department and develop a plan that can be implemented. This would include the development of forms and materials. However, it is negligible this would happen with Mary's insecurities. Another solution might include allowing employees in the human resource department with the SKAs to complete a human resource audit to do so for every department in the firm and then streamline human resource procedures that meet standards for compliance. Mary and Wendy should be included in this process and consulted in their company expertise and to avoid as much as possible, personal security issues.

8. **What structural changes might improve the effectiveness of the organization?**

Working with an organizational consultant may provide some specific suggestions about the structure based upon other technology companies of similar size and focus. The adoption of core competencies would then help determine who should be placed in the positions (McAfee, 1999). In any event, if new people are brought in to replace current managers, the incumbent should not be placed in a position where they report to their replacement (Mills, 1999).

9.   What roles could Thor play in Avantor's future?

Thor could take a leadership role as President by initiating an overall strategic plan for organizational change. A part of their major plan would include a thorough human resources audit of all levels and positions based on KSAs throughout this company. Based on these findings, restructuring would take place. Thor needs to begin by forming an external board to assist him in the decision-making. These boards are often recommended for family-owned businesses that are closely held.

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EXHIBIT ONE

SUCCESS MANAGEMENT CONSULTING AGENCY
Indianapolis, Indiana

SPEAKER: JANE DOE - PARTNER

CLIENT: AVANTOR TECHNOLOGY (MANUFACTURING)

YOUR ROLE: MGMT CONSULTANT COLLEGUES/NEW ASSOCIATES

GUESTS: AVANTOR REPRESENTATIVES
                THOR – CEO/PRESIDENT
                MARY – HUMAN RESOURCES MANAGER
                WENDY – HUMAN RESOURCES ASSISTANT

AGENDA:

1. HISTORY OF AVANTOR & INDUSTRY BACKGROUND **(10 MINUTES)**
2. INTRODUCE AVANTOR REPRESENTATIVES & INTERVIEWS **(35 MINUTES)**
3. BRAINSTORMING SESSION AND Q&A **(15 MINUTES)**

POINTS TO PONDER DURING PRESENTATION

- WHAT IS THE PROBLEM AND/OR WHAT IS HAPPENING?
What are the advantages and disadvantages of promoting only from within?

What issues arise when a closely held company is at the critical point in its growth stage?

Is the organization strong enough to grow internationally?

- WHOSE PROBLEM IS IT?
Does the problem stem from the human resources department and/or other departments in the organization?

Which executives are responsible?

Is the morale problem due to the human resource manager or line managers at Avantor Technology?

- HOW SHOULD IT BE ADDRESSED?
A thorough discussion of human resource planning is in order. The discussion should include leadership

training, demotions, changes in assignments, surveys, core competencies, 360-degree

assessments,
organizational structure, job description and specifications, as well as knowledge, skills, and abilities (KSAs) for each position at each level of the organization..