

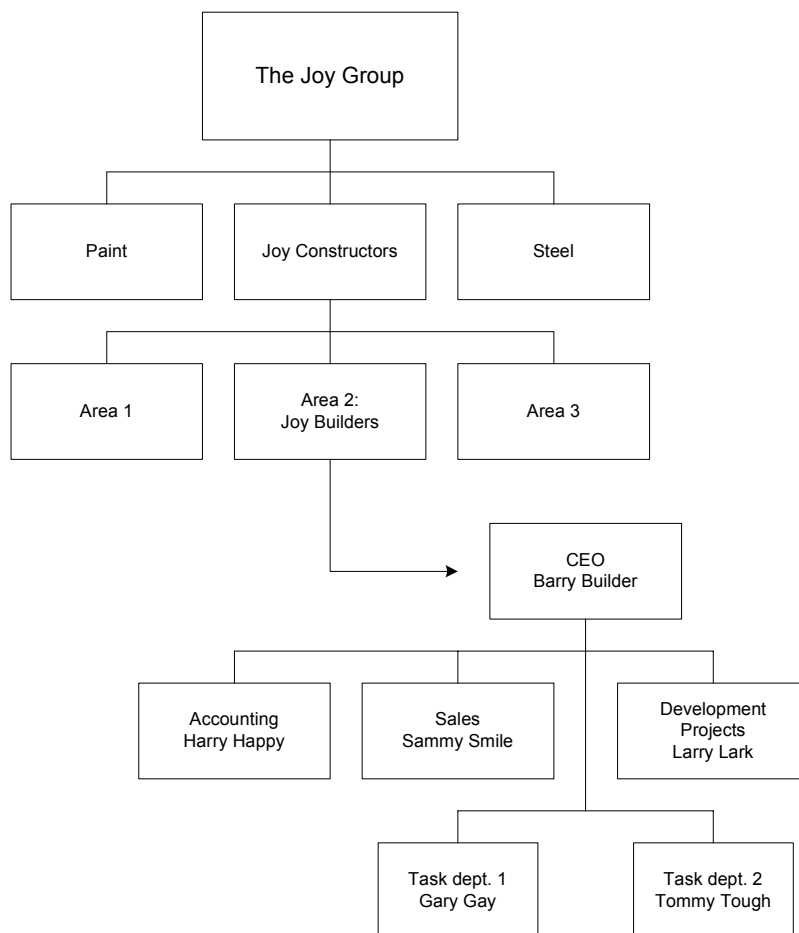
Joy Builders

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Background

Joy Builders is one of the three divisions of Joy Constructors, which is one of the 3 lines of business of the Joy Group (see fig. 1). The Joy Constructors' line of business comprises building and construction, development projects, individual construction tasks, and the hiring out and sale of equipment and materials.

Fig. 1. The position of Joy Builders in the Joy Group and its organizational chart.



As an organization the Joy Group, and therefore also Joy Builders, is a relatively new phenomenon, emerging from the merger of the company with the then existing company Lovely Buildings in 1998. The total number of personnel is 65, mostly white collar, the workforce needed for the carrying out of the projects being hired externally. The educational background of the employees is primarily technical, i.e. they are engineers or technicians.

As appears from the chart Barry Builder is the chief executive officer, presiding over 5 managers. This relationship was underscored by Larry Lark in an interview when he mentioned

that Joy Builders has “one CEO and 5 monkeys”. No one doubts the fact that Barry Builder is at the top of the hierarchy, over and above the other directors.

The “five monkeys” are the three department managers Harry Happy, Sammy Smile, and Larry Lark, plus the task managers Gary Gay and Tommy Tough (see fig. 1). Mr. Happy, Mr. Smile, and Mr. Lark are all leaders of traditional administrative areas: accounting, sales, and projecting and Gary and Tommy function as project coordinators presiding over 3 and 4 project managers, respectively (the last mentioned are not shown in the chart). Larry Lark and Gary Gay are the only ones taken over from the former Lovely Buildings.

Joy Builders is located in Byggeleje, a small town in the northernmost part of Jutland. In the business line of Joy Constructors, Joy Builders is therefore responsible for the geographical area of North Jutland.

Even if the scope of the Joy Group is rather broad, given its three business lines (Joy Constructors, Paint, and Steel), and the many divisions within each of these business lines, the interaction between the divisions is limited, the individual divisions focusing primarily on maximizing their own profits.

Joy Builders performs the construction of buildings for private housing as well as for industry and the public sector. Construction is carried out as total contracting, principal contracting, or trade contracting. By total contracting Joy Builders carries total responsibility for the construction project, i.e. for projecting as well as the actual erection. By principal contracting the owner carries the responsibility, consultants and projectors being employed directly by him. By trade contracting only the work of a certain trade is performed, e.g. bricklaying.

Beside these three well-known categories of contracting there is also the new type: development projects.

Joy Builders has been a little hesitant toward development projects, which means that they themselves have to buy building land for industrial development, start construction, and later on, hopefully (!), sell the buildings profitably. This means that the considerable risk of total financing plus the later risk connected with the sale that may or may not be possible, rests with Joy Builders. Big, international competitors that hardly care about their profits in the small Danish market have gained a strong foothold, however, exactly by targeting this type of projects.

Employees and organizational climate

As already mentioned, Joy Builders have been created by a merger. As a consequence of this the company has gone through a process of integration during the last two years that has not always been quite smooth.

Some of the friction has been due to differences of opinion among the 30 employees from the former Lovely Buildings and the 35 employees from Joy Constructors. The employees from Joy Constructors have been brought up in an engineering corporate culture, where performance is the most important thing; thus, it has been difficult for them to accept the excessive focus upon development, as they see it, on the part of the employees from Lovely Buildings.

It is interesting to note that these differences of opinion have surfaced only during the last couple of months, most likely because the patience of the employees is being worn thin. At the time of the merger, it was communicated that its main purpose was to create synergy between the qualifications of the two groups, and that this was to happen through exploiting the tacit knowledge of both groups. This tacit knowledge of the employees was considered to be the most important future competitive advantage of Joy Builders, compared to the international competitors who, because of their size, would not in the same way be able to take competitive advantage of an informal way of interaction. It was communicated that the company was to be reorganized, that there was to be more teamwork, more delegation of authority; possibly even

coffee bars were to be fitted out, together with an open office environment - everything serving the purpose of spreading the tacit knowledge of the employees. Very little actually has happened in this direction, however, and the employees are still governed by the management, and maybe especially by Barry, with an almost "exaggerated focus on counting every penny".

Although the employees do understand that Barry and the rest of the managerial group need to bring the budgetary aspects of the merger in order, and although they are, in fact, confident of Barry's ability to do this, it is becoming more and more difficult for them to hide their disappointment of the missing personnel measures. They would not dare to express this openly as there is a rumor in the company saying that Barry on several occasions has spoken to the employees raising his voice. The employees are, in fact, a little afraid of falling short of what Barry expects of them, and they prefer to incriminate others for their own shortcomings in order to avoid a direct and loud confrontation with the management.

Barry knows his reputation perfectly well, but according to him fear is much exaggerated. As he said in the course of one interview, he would "never dream of checking employees whom he felt he could trust to do their work properly". However, according to Barry, "the whip speaks the language most generally understood by people". Therefore "motivation is good - but control is better". As Barry is being held finally responsible by the group headquarter for the goal attainment of Joy Builders for the year, he will mainly trust himself to take decisions - also because he is, after all, a veteran of the trade.

While Barry is frustrated by all the time needed to manage his employees, the latter are demotivated by never being shown the confidence of being included in the decision processes. While employees feel that their knowledge and qualifications are not sufficiently exploited, management is convinced that the employees have not got the enthusiasm needed for being offered a greater responsibility. During the interview Barry repeatedly expressed his frustration that the employees "go home at 4 o'clock sharp, if not before" - while the employees on their part were frustrated by their "very hard-working CEOs who seem to have forgotten what it is like to have small children"; they had no understanding for irregular hours. This point of view is mainly an expression of the opinions of the former employees of Lovely Buildings, whereas employees from Joy Constructors have clearly stated that they would be willing to work late if they were rewarded by bonus arrangements. While Barry complained that the company could no longer attract dynamic employees, the employees criticized the low support given to new ways of thinking and innovation.

In spite of the confidence Barry enjoys from the management group, the patience of the latter group is almost used up, and the sympathy is turned toward the employees. Even if the employees are a little demoralized today several of them still consider the company as one of opportunities and are accordingly willing to, and interested in, contributing to create a company that is a little more extrovert and flexible.

Strategy

Generally two different approaches to the contractor market are necessary: to industrial customers, time and price are important, while for public housing projects quality and the organization, i.e. the name behind the project, are most essential. By uniting the product development skills of Lovely Buildings with the skills of Joy Constructors as concerns performance and follow up, combined with the well-recognized name of the Joy Group, Joy Builders should be in a strong position.

The management focus on the economic aspects of the merger, however, has meant the loss of perspective for Joy Builders, and the lack of definition of its own central domain. The fact that Joy Builders has not been able to communicate a general vision to the group headquarter has developed into a vicious circle as it has made the group headquarter watch closely whether

Joy Builders fulfils its short term objectives, which Barry considers a further restriction of the possibility of long term thinking.

As for product development a great many good employees are stuck in an exaggerated focus on short-term results and aversion against risking money.

As an alternative to the new development, the two other business areas within Joy Constructors have begun to cooperate as consultants with the entrepreneurs earlier than before. This certainly means a risk of “no cure no pay” and is not a favorable solution in the case of principal contracting, but is, indeed, a very favorable alternative to development projects that demand heavy investment. Till now Barry has not ventured to take part in such projects as this kind of consultation presupposes great skills on the part of the employees.

Technology

There is a possibility for improvement of the process, too. Joy Builders has experienced rising prices compared to its competitors during the last couple of years, which is primarily due to the fact that their logistics do not function satisfactorily.

Joy Builders mostly performs ordinary production to order. Even if the projects differ from one another as to design, etc, it is essentially the same process going on from the moment the original contract with the owner is signed until the building is delivered. Joy Builders has systematized these common procedures to some degree (e.g. procedures for quality attainment or participation in a tender), but the only written material with these rules is an antiquated handbook for employees. As many of the regulations have their origin in the accounting legislation, e.g., it is certainly not unimportant whether they are respected. Consequently, plans have been made to update all the procedures, plus reports on all the building projects, and make them accessible on the new intranet of the company.

Finally the set up of a new purchase department, common for all is planned.. All in all Joy Builders makes purchases for several hundred millions of Danish kroner per year to the various building projects, and so it should be possible to save money by centralizing the purchases.

Environment

Joy Builders operates in Denmark only, and mainly in Northern Jutland. Here too, the entrance of the above-mentioned new international companies, attracted to Denmark mainly because of their economic ability to lower prices significantly is noticed. These international companies have even resulted in a tendency towards fewer and bigger competitors in the Danish market.

Another tendency is that public subsidies for house construction and public housing have gone through a process of reduction and have stopped altogether now, so that there is hardly any house building in the Danish market. The two international companies create a demand for construction themselves simply through the development projects mentioned, buying land and starting construction, even though they have not secured tenants beforehand.

The competitive situation of Joy Builders is very sensitive to economic fluctuations. Some tendencies, such as the development of infrastructure or tendencies in public spending can be observed immediately. Other tendencies, too, such as structural changes, specialization of retail trade, and the meaning of this, can be predicted with some degree of accuracy.

However, changes are under way. Denmark is the only country in Europe that has maintained a legislation about tenders, which means that tenders have to be read aloud in the case of more than two tenders. Due to changes in the legislation this clause is expected to

disappear. This is another reason for Joy Builders to fervently wish to be more flexible and competitive.

Questions for Consideration

1. Describe Joy Builders with respect to
 - Strategy
 - Environment
 - Leadership style
 - Organizational Climate
 - Organizational structure
2. Are there any misfits?
3. Which change will you propose?