

## **The Wiremold Company: Ensuring Shareholder Commitment**

### **Instructor's Manual**

#### **I. Case Synopsis**

Wiremold, Inc. is a leading manufacturer of wire management and power conditioning products. After enduring a three year slide in financial performance and a failed attempt at implementing a just in time (JIT) production system, the company brought in Art Byrne as the new President and CEO to turn the company around. Art Byrne initiated a time-based competitive strategy, and reorganized the company to execute the strategy by adopting lean business practices. Compared to traditional business practices, Lean represents a completely different way for managers and employees to think about and conduct business throughout the organization. This dramatic change is not observed by shareholders, as they are not involved in the day-to-day management of the company.

One year into the transition to Lean, significant gains in performance have already occurred and financial performance is improving. Family shareholders unaware of the nature of the business transformation and the future potential may decide now is a good time to sell after enduring three years of poor performance. Financing a buyout for shareholders wanting to cash out would cripple Wiremold's ability to grow through selective acquisition, a key element in Art Byrne's strategy. Sale of the entire company could shut down the transformation if the new ownership opted to bring in their own management team.

#### **II. Disclosure**

This case was based on field research conducted by a team of eight faculty from the Hartford department of the Lally School of Management & Technology of the Rensselaer Polytechnic Institute including Mario Emiliani, who led the field research effort, Martha Fransson, and Lawrence Grasso, the principal author of this case. Team members conducted in-depth interviews with 13 members of Wiremold's management team during the summer of 2001. The completed transcripts of over 60 hours of taped interviews totaled approximately 900 pages. The research led to a book currently under review for publication tentatively titled *People and Products: How the Wiremold Company Used the Power of Lean as a Total Business Solution*, and to a series of cases, including this case.

This case was prepared directly from the interview transcripts and documents gathered during the research process. Some additional information was provided by Wiremold personnel during the review and authorization process to clarify case decision points.

#### **III. Applicable Courses**

The case centers on the issue of communicating the chosen competitive strategy to the shareholders and convincing them of the benefits of pursuing the strategy. However, the class

assignments and the discussion questions can be varied to support teaching objectives emphasizing competitive strategy, communications strategy, or leadership strategy. Thus the case is suitable for graduate level interdisciplinary courses, and courses or sessions on communication and leadership as well as courses or sessions on strategy.

Students need some background on time-based competition and Lean business practices to get the most benefit from this case. The following are suggestions for readings to be assigned as supplementary material for this case if the course text or other assigned readings do not already provide the necessary background.

The following reading is suggested as an introduction to time-based competition.

Stalk, George Jr., 1988, Time -- The Next Source of Competitive Advantage, *Harvard Business Review*, Volume 66, Number 4, July-August, pp. 41-51.

If students have more time and greater exposure to time-based competition is desired, the following book can be assigned.

Stalk, George Jr. and Thomas M. Hout, 1990, *Competing Against Time: How Time-Based Competition is Reshaping Global Markets*, The Free Press, New York, NY.

Either of the following readings are suggested to provide students with an introduction to Lean business practices.

Emiliani, M. L., 2000, Cracking the Code of Business, *Management Decision*, Volume 38, Number 2, pp. 60-79.

Womack, James P. and Daniel T. Jones, 1996, Beyond Toyota: How to Root Out Waste and Pursue Perfection, *Harvard Business Review*, Volume 74, Number 5, September-October, pp. 140-152.

#### **IV. Case Objectives**

By emphasizing competitive strategy, the case can be used to achieve the following objectives.

1. To understand time-based competitive strategy.
2. To understand how Lean business practices are used to execute a time-based competitive strategy.
3. To identify other strategies Wiremold could have adopted and to compare the risks and rewards associated with time-based competition, to the risks and rewards associated with other strategies.

An emphasis on communications strategy leads to the following objective.

4. To appreciate the importance of shareholder commitment for Wiremold to effectively execute their strategy, and to identify the best means of obtaining shareholder commitment.

An emphasis on leadership strategy would lead to the following objectives.

5. To understand the role of leadership in implementing a time-based strategy using lean business practices.
6. To explore the relationship between leadership style, leadership characteristics and successful execution of competitive strategy.

## **V. Suggested Assignments**

For a competitive strategy emphasis, the following assignments are suggested.

- A. Take the role of Art Byrne and Orry Fiume. Prepare a presentation for the shareholders explaining the merits of Wiremold's strategy and its execution. Present an argument to convince the shareholders it will be in their long-term interests to retain their investment in Wiremold.
- B. Compare the benefits and drawbacks of time-based competitive strategy with other strategies Wiremold could have pursued. Do you think that Art Byrne made the right choice for Wiremold? If so, explain why you believe the time-based strategy is best for Wiremold. If not, recommend an alternative strategy and support your choice.

Student teams could be assigned one or both of the above assignments. A necessary part of the presentation will be explaining time-based competitive strategy and its benefits to an audience expected to be unfamiliar with the concept. Students should gain a clear understanding of time-based strategy through this exercise. As an alternative to assignment B, the presentation assignment could be modified to require students to incorporate a comparison of the strengths and weaknesses of time-based competitive strategy with other potential strategies.

For a communications strategy emphasis, the following assignment is suggested.

- C. Design a program for Wiremold's communication with its shareholders. How should communication take place? What information should be shared? Who in the organization should be responsible for communication with shareholders?

The above assignment can be broadened to include communication with managers and employees as well as shareholders. A presentation outlining the communications strategy could be required. Another alternative would be to require that the presentation in assignment A be included as part of the overall communications strategy.

For a leadership strategy emphasis, the following assignment is suggested.

- D. Compare and contrast Art Byrne's approach for improving enterprise performance to The approach used by other CEO's such as: Dennis Kozlowski (Tyco International), Al Dunlap (Sunbeam), Jack Welch (General Electric), George David (United Technologies), Anne Mulcahy (Xerox), William Clay Ford, Jr. (Ford Motor Company), Carlos Ghosn (Nissan), J.T. Battenberg (Delphi).

Each team of students would select one CEO from the list and research the types of actions taken by the CEO in to improve enterprise performance (typically within the 1990-2002 time-frame). Students would then compare their approach to improving enterprise performance with the approach taken by Art Byrne.

Points of interest would include the impact on key stakeholders: employees (i.e. layoffs) community (i.e. plant closings) and suppliers (mandatory cost reductions, online reverse auctions, etc.), financial engineering, and specific methods used to improve operating performance, strategy, and performance goals.

Students may also be asked to determine the relevance of Wiremold's approach (as a small, privately held company mid-size company) to the approaches taken by much larger publicly traded multinational corporations / conglomerates. Is Wiremold's approach for improving enterprise performance appropriate for these types of large corporations? If so, why? If not, why not?

An instructor could assign some of the discussion questions listed in section VII in place of or even in addition to the assignments suggested above.

## **VI. Wiremold's Response**

The company actually decided to have officers deliver presentations to the shareholders at remote sites in Chicago and Los Angeles in January 1993. The presentations gave Wiremold management the opportunity to personally make their case to the shareholders, and it gave the shareholders the opportunity to personally meet members of the senior management team without traveling to West Hartford. Subsequently, senior officers made the annual presentations on a rotating basis, giving the distant shareholders the opportunity to meet the entire senior management team over a period of time.

The presentation made in January 1993 covered the following.

1. Wiremold's position at the time of the transition.
  - 1.1. Privately held company.
  - 1.2. Producing wire management and power conditioning products (1,400 SKUs).
  - 1.3. Sold to electrical/electronic/telecommunication distributors in U.S. & Canada.
  - 1.4. 5 plants and 3 warehouses in the U.S. and Canada.
  - 1.5. Traditional hierarchical management approach.
  - 1.6. Batch Production processes.
  - 1.7. Union shop (not mentioned in this case).
  - 1.8. Two years of quality training (Deming) in conjunction with initial JIT effort (alluded to but not specified in this case).
  - 1.9. Existing profit sharing program (quarterly profit sharing, not mentioned in this case).
    - 1.9.1. Noted as an excellent platform to improve communications.

2. Problems.
  - 2.1. Sales growth has flattened.
  - 2.2. Market overview (essentially the information in Figure 1 of the case).
  - 2.3. High market share in low growth market segments (single compartment raceway example, page 2 of the case, and others not included in this case).
  - 2.4. Few new products. Long product development cycle.
  - 2.5. Reported four year trend in sales, operating income, and net income (the numbers aren't provided in the case, but the trends are noted).
    - 2.5.1. Conclusion -- growth cannot be financed out of operations prior to the transition. Earnings trend makes it difficult to obtain outside financing.
3. Market/growth opportunities (not specified in the case, though many can be inferred from Figure 1 and the related text)
  - 3.1. New/improved products with superior cosmetics at comparable costs.
  - 3.2. New/improved products with labor saving designs.
  - 3.3. New/improved products with superior user flexibility.
  - 3.4. Expansion into growth markets, telecommunications and data.
  - 3.5. Opening new marketing/distribution channels with existing products.
  - 3.6. Foreign sales.
4. Time-based competition. (No arguments for time-based competition are presented in the case. Students are expected to draw on outside readings to develop the case for time-based competition).
  - 4.1. Noted that U.S. industry was at a competitive disadvantage to time-based competitors in key markets, including Steel, Consumer electronics, Machine tools and Automobiles.
    - 4.1.1. Example, GM invested \$67 billion in new capital investment during the 1980s but it still lost 10 points in market share and was at a substantial cost disadvantage against Ford (never mind Honda or Toyota).
  - 4.2. Time-based competition will allow Wiremold to improve customer service (in terms of on time delivery) to 100% at lower cost with higher quality.
  - 4.3. Shorter delivery times enable distributors to increase their inventory turns, leading to higher ROI and profits for the distributors.
  - 4.4. Paperless, automatic reordering leading to lower transaction costs for Wiremold and their customers.
  - 4.5. Results. Wiremold becomes the supplier favored by distributors (the ability to charge premium prices due to the ability to deliver on short lead times an advantage of time-based competition not included in the 1993 presentation to shareholders).
  - 4.6. The QFD process enables rapid introduction of new products at lower product development cost.
5. Transition and execution, The Lean approach to business.
  - 5.1. Stated a Goal: To become one of the leading time-based competitors in the U.S. by (1) strengthening existing operations and (2) profitably doubling the size of the business (The goals and performance measures on page 4 in the case were presented along with the above strategic objectives).

- 5.2. Presented the company philosophy. Quality, Customers, People, Kaizen. Wiremold's core values. (Not presented in this case.) At the time Art Byrne, joined Wiremold, they had recently developed a vision statement and a symbol of their core values. Art Byrne adapted the existing vision statement and symbol by adding the term kaizen as the embodiment of Wiremold's commitment to continuous improvement and the means by which Wiremold would achieve continuous improvement.
  - 5.3. Noted that the management team had analyzed existing products, processes, people and skills.
  - 5.4. Presented the reorganization around products (case Exhibit 2).
    - 5.4.1. Made special note of the creation of the JIT promotion office to implement, follow-up, and train associates in kaizen.
    - 5.4.2. Noted that company objectives were deployed to team leaders, and that team leaders reported on their progress at meetings held every two weeks.
  - 5.5. Transforming the workforce.
    - 5.5.1. Explained the voluntary early retirement, the involuntary layoff of salaried associates, and the subsequent oral job guarantees to remaining associates.
    - 5.5.2. Described the initiation of an annual employee survey (not mentioned in this case).
    - 5.5.3. Held meetings with all employees to talk about the company's goals and philosophy (not mentioned in this case).
    - 5.5.4. Opened quarterly profit sharing meetings (formerly for supervisors only) to all employees (not mentioned in this case).
    - 5.5.5. Brought union leadership into the process (not mentioned in this case).
    - 5.5.6. Began kaizen training (a two day course) for the entire workforce.
  - 5.6. The Lean business philosophy. Introduction to The Wiremold Production System, Wiremold's version of the Toyota Production System.
  - 5.7. Principal Thrust of the system is the total elimination of waste, yielding continuous improvement.
    - 5.7.1. Noted that this approach requires a new mindset.
    - 5.7.2. Categorizing all work as either value-adding or non-value-adding from the perspective of the end use customer.
    - 5.7.3. Just-in-time (JIT) production. Manufacturing most economically (minimizing waste) only what is needed, when it is needed in just the amount needed.
    - 5.7.4. JIT can only be achieved using one-piece flow production.
    - 5.7.5. Batch production and push scheduling hide waste while (one-piece) flow production and pull scheduling expose waste (so that root causes of the waste can be discovered and the waste can be eliminated).
    - 5.7.6. Kaizen (a structured approach to achieving continuous improvement) is explained. Typical objectives (as shown in Table 1 of the case) are presented as part of the explanation.
6. Results.
    - 6.1. Over 70 kaizens completed during the first year, with 60% of the associates participating in at least one kaizen.
    - 6.2. Sample results are presented (information in Tables 2 and 3 of the case, and other examples not included in this case).

- 6.3. Reduced throughput times and the A-B-C product classifications (discussed on page 6 of the case).
  - 6.4. Space savings (discussed on page 7 of the case).
  - 6.5. New product development process improvement (using the example presented on page 7 of the case).
  - 6.6. New product rollout schedule (summarized on page 7 of the case).
  - 6.7. Progress on goals.
    - 6.7.1. Inventory turnover up from 3.8 to 6.5.
    - 6.7.2. Improved working capital turnover (not discussed in this case).
    - 6.7.3. Improved cash flow from operations and cash position.
    - 6.7.4. Sales up 10%. Employees down 20%. Productivity (as measured by sales per employee) up (\$100M/1,000 vs. \$110M/800).
    - 6.7.5. Profits and profit sharing are up. Profits were 2.3 times higher in 1992 than in 1991 (the upward trend is mentioned in the case but not the magnitude).
7. Concluding points.
- 7.1. The Wiremold Production System is a strategic weapon (the means for executing the time-based competitive strategy).
  - 7.2. Time-based competition yields customer service benefits, giving Wiremold growth options it would not otherwise have.
  - 7.3. Time-based competition yields improvements in working capital and cash flow, making it easier to finance growth from operations.
  - 7.4. The process focus helps makes gains sustainable.

None of Wiremold's competitors were using Lean, so as a first mover Wiremold could obtain a sustainable competitive advantage.

Wiremold continued to make presentations to shareholders annually and Wiremold management considered the presentations important to retaining the geographically distant family shareholders' commitment to Wiremold's strategy.

The principal means of communication between management and shareholders for most companies is the annual report. It is interesting to note that the information Wiremold presented and the information most beneficial to the shareholders' understanding Wiremold's strategy goes well beyond what you'd typically find in the management discussion and analysis section of the annual report. It's also interesting to note that Wiremold's presentation contained very little of the financial results that are considered the core of the annual report. Depending on the instructor's objectives, the difference between the most useful information and the information most frequently made available to shareholders may be an interesting point for class discussion. The different challenges and opportunities for communication for publicly held versus privately held companies are a natural extension of that discussion.

## **VII. Discussion Questions**

### **Competitive strategy emphasis**

If competitive strategy is emphasized, comparison of a time-based competitive strategy with other potential strategies could be a focus of discussion. This could be brought out during the presentations if a comparative analysis supporting the strategy choice is part of the presentation, or the comparison could be introduced following the presentation. Some potential avenues for discussion include the following questions:

- 1 What other strategies could Wiremold have adopted? What are the risks and benefits of those strategies compared to the time-based strategy Art Byrne chose?
  - 2 Is the time-based competitive strategy universally applicable, or is it best suited to certain types of companies in certain markets? If the latter, what type of conditions are best suited to time-based competition?
  - 3 Does use of Lean business practices automatically imply a time-based competitive strategy? Can Lean support other strategies?
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- 1 What other strategies could Wiremold have adopted? What are the risks and benefits of those strategies compared to the time-based strategy Art Byrne chose?

In 1991, several leading contemporaneous strategy models had been developed and were available for senior managers to use.

These strategy models, a summary of the key tenet of each and its implementation method are presented in Exhibit TN-1, which may be photocopied and distributed to students or used as an overhead slide. The remainder of this discussion provides more detail for the instructor as it is probably not feasible to assign a comprehensive list of these readings.

### **PIMS/McKinsey Model**

The oldest of the strategy models then in use was the PIMS (Profit Impact of Market Share) model widely used by the very prominent consulting firm of McKinsey and Co. The model was originally formulated by Bruce Henderson, former Chief Financial Officer of the Westinghouse Corporation in the 1950s. After he retired from Westinghouse, Mr. Henderson founded a consulting firm named The Boston Consulting Group, later acquired by McKinsey (hence the later name change of the model from 'BCG matrix' to 'McKinsey model'. The key assumptions of this model were:

- Capital must be generated internally
- Market dominance was essential to having pricing power
- High volume sales in any product line enabled the firm to spread its fixed costs over a large number of units, resulting in low unit costs.

Accordingly, the model advocated long production runs to manufacture large amounts for sale later at low costs to achieve market dominance. To be made operational as a strategy tool, the

model required a firm to categorize all of its product lines according to two criteria: the growth rate of that sector and the firm's market share relative to its largest competitor in that sector. This set of calculations created the famous four categories: Cash cows, Dogs, Question marks, and Stars. The theory was simple: Invest funds generated by Cash cows in building the businesses of future high growth products (Question marks). This was often referred to as "milking the cows". The theory continued: When the Question marks products became the leaders in their sectors, they would be Stars, and when growth later and inevitably slowed, the Stars would become the future Cash cows. Product lines in which the firm was a minor player and growth of the sector was slow were named Dogs. The generic advice was to "Divest all Dogs". This last advice was later found to be highly inappropriate for cyclical product lines as it led to some disastrous mistakes (perceived only when cyclical growth resumed and the profits were reaped by the new owner).

The other key flaw in this strategy model was that it tended to discourage reinvestment in existing plant and facilities producing the Cash cow product lines. By the late 1980s cow-milking was perceived to have been highly detrimental to long-term competitiveness, and even gave rise to considerations in business ethics. (See Jackall, Robert, *Moral Mazes*, Oxford University Press, New York, NY, 1988.

Art Byrne had worked for General Electric, a company using a PIMS-based strategy model for six years.

### Logical Incrementalism

This model, originated by James Brian Quinn in the mid-1980s was a revolt from the orthodoxy of strategic planning that the future direction of the firm could be ordained by financial and market analysts in the strategic planning department. Too often, he argued, companies bought and sold business units without regard for the technological future of the business. Firms such as Pilkington were developing new products based on new technologies, sometimes accidentally discovered, at the operating level. Accordingly, he advocated that firms examine their operations to find those areas of potential technological advantage and that they adapt to changing environments by engaging in a series of small experiments to find out what worked and what didn't. In this, he was an early advocate of probe and Lean, and may have foreshadowed Hamel and Prahalad's conception of the core competence. The short term result of Quinn's work (in which he was later joined by Henry Mintzberg) was the de-legitimization of large-scale rigid long term planning procedures, typically used by firms to support PIMS model activities.

### Theory of Competitive Advantage

In the mid-1970s, Michael Porter completed his doctoral dissertation on the importance of industry structure in analyzing why some firms were more profitable than others. This led to his work on the importance of understanding and using the five forces in developing competitive strategy and to the value chain as a source of competitive advantage. The work on the five forces was essential to framing the issue of how firms influence each other and how they may build barriers to entrance into their industries by potential new entrants. The strength and weakness of buyers and suppliers foreshadowed later work by others on the supply chain. And the threat of

new technological substitutes that might destabilize an industry pointed to the need for ways to protect the firm against that threat. The value chain work proved that everything a firm did should be justified by the value it added to the end product that the customer would pay for.

Porter was, and as of this writing, continues to be the seminal thinker in late 20<sup>th</sup> century strategy. However, as of the date of this writing, solutions to many of the problems that Porter identified have been developed by other management theorists. At the time of the case, much of that work was in its infancy, or had been only recently formulated. Comparing the body of Porter's work as it existed in 1991 with the problems being faced by Wiremold suggests a number of interesting ideas.

Porter emphasized the need to be a low cost producer. However, the means to becoming a low cost producer were changing as flexible automated factories using one-piece-flow techniques, worker managed automation and build-to-order (eg. Motorola's pager plant in Boynton Beach Florida) were just being widely adopted (Gene Bylinsky, "The Digital Factory," *Fortune*, November 14, 1994, pp. 92-99). He also required a firm to add value in every step of the manufacturing process. By implication, he advocated eliminating steps and operations that did not add value. Porter was foreshadowing the shift in operations management methods that was underway in the U.S. by the early 1990s.

However, Porter's competitive advantage and value chain theories seemed applicable only to firms that desired to enter new markets or to become dominant in their industries because, again the assumption was that profits would flow to the dominant competitor. Wiremold was dominant in the markets it served, but profitability was suffering. Entering new markets would further drain its cash. Its problems were practical: how to reduce costs and improve profitability, assuming that it could hold on to the high market share it had in the markets it served. Wiremold was suffering precisely from the most significant flaw in the Porterian world: the globalization of the financial services sector in the 1980s had enabled new entrants to enter Wiremold's markets with new plants producing at lower costs. In other words, Porter's barriers of capital investment and access to capital had fallen as new entrants from other countries had borrowed funds to build newer, more modern plants.

### The Theory of Core Competences

In 1990, Gary Hamel and C.K. Prahalad published their McKinsey Award-winning article in the Harvard Business Review. For all firms employing proprietary or advanced technologies, it advocated the development of a competency map. This would aid the firm in identifying what technologies it would need to remain competitive in its industry in the future. A year later, Hamel and Prahalad published "Expeditionary Marketing", an early version of a Probe and Learn theory advocating fast product development cycle time and rapid fire new product launches to learn about the market.

This theory, while in its infancy, did not seem applicable to Wiremold, a manufacturer of products to manage the delivery of electrical power in commercial and industrial buildings. Wiremold had been engaged in new technologies at the time of its founding in 1911, but the technologies in use had become a staple of the developed world.

## Product Development

Long term business success has always been linked to new product development. It is the engine that changes a firm and enables it to grow, adapt, and survive. In 1991, there were several thinkers engaged in the new product development process. Product line mapping, QFD, and project management methods imported from Japan had all revolutionized the product development process and the length of time required to bring a new product to market. Don Clausing, Kim B. Clark, Takahiro Fujimoto, Robert B. Hayes, W. Earl Sasser, Jr., and Steven C. Wheelwright (in alphabetical order) were all names that had become familiar to readers of the Harvard Business Review and the Sloan Management Review (emanating from MIT) in the late 1980s.

Art Byrne had set aggressive growth goals for Wiremold. Based on his experiences at Danaher, he believed that significant sales growth would be achieved as quality and delivery improved with the implementation of Lean practices. However, Art was concerned that growth would not come quickly enough at Wiremold because they already had dominant market shares for products experiencing with slow growth in demand. Sales growth targets could only be achieved by broadening Wiremold's product line. He believed roughly 50% of the needed product line expansion could come from new products developed internally and 50% would have to come from outside acquisitions. All of the recent management and strategy work in the product development area was certainly relevant to Wiremold, and was studied and adopted by Wiremold personnel.

## Time-Based Competition

In 1990, George Stalk and Thomas Hout published their study of how Just-in-Time (JIT) products and services were creating new value for customers around the world in almost all industries. The engine for this development was the Toyota Production System (TPS). Although Stalk and Hout did not describe the TPS at the level of how to implement it, their book provided a compelling case that the phenomenon James P. Womack and Daniel T. Jones had described in *The Machine that Changed the World* (Rawson Associates, New York, NY, 1990) was in fact applicable to all industries. At an operating level, Art Byrne had been engaged in JIT (as it was then called) both initially at GE and more extensively in his six years at Danaher. He had met George Stalk while at Danaher. Essentially, Stalk's formulation in strategy terms was essential to legitimizing the TPS as more than a production operations system.

2. Is the time-based competitive strategy universally applicable, or is it best suited to certain types of companies in certain markets? If the latter, what type of conditions are best suited to time-based competition?

From the discussion provided to support question 1, it may be inferred that the strategy field was undergoing significant changes in the late 1980s and early 1990s. Developments subsequent to that time suggest that only strategies based on time will succeed in the future. Hamel and Prahalad's writings have emphasized the importance of maintaining core competencies for rapid response to competitive developments. Brandenburger and Nalebuff have emphasized the importance of rapid response. Kathleen M. Eisenhardt and Shona L. Brown (*Competing of the*

*Edge: Strategy as Structured Chaos*, Harvard Business School Press, Boston, MA, 1998) have developed a set of models of how firms may manage time-based competition when all seems slightly out of control due to rapid changes in the marketplace.

3. Does use of Lean business practices automatically imply a time-based competitive strategy? Can Lean support other strategies?

From the discussion above, it should be clear that Porter's value chain theory requires that all non-value adding activities in a value chain be discontinued. This is entirely consistent with the TPS and Lean business practices. Kaizen events are the primary means by which non-value-adding activities and uses of resources (known in Lean parlance as "waste") may be identified and removed from processes throughout the firm. Therefore, Lean is entirely consistent with strategies based on Porter's theory of Competitive Advantage.

### **Communications strategy emphasis**

Some potential questions for guiding a discussion emphasizing communications strategy include the following.

1. Consider Wiremold's new organization chart (case Exhibit 2). Should there be a slot for a shareholder liaison or shareholder relations? Where and with whom should that responsibility lie?

At Wiremold, the Art Byrne and Orry Fiume assumed the responsibility for shareholder relations. Having a direct line to the president is wonderful for the shareholders as long as he is not too distracted by other concerns to provide the attention they need. Having a manager devoted to shareholder relations has the advantage of specialization and focus entirely on the shareholders, but it runs the risk of compartmentalization. The liaison may be ill informed about company developments important to the shareholders.

2. How does shareholder communications fit into the overall marketing/communication strategy for the company?

Quite often we forget internal marketing is just as important or even more important than our external marketing. Since marketing is a communication-based activity, all parties should be informed of what is happening. If the assignment has been extended to employee communications, the instructor may want to divulge information about communication with associates that was in the Wiremold presentation (section VI of the teaching note) but was not included in the body of the case.

3. What communication strategy would you develop for Wiremold's shareholder communications? What information should be communicated? How often? By whom? By what means?

The possibilities are only limited by the imaginations of the students. Presentations to the shareholders by management such as the presentations that actually occurred are just one possibility. In addition to the presentations Wiremold could develop newsletter tracking the

progress of the company. Wiremold also had an internal "Kaizen News" newsletter reporting to associates (every 2-4 weeks during the first year) on the kaizen activities taking place. The possibility of continuing the newsletter, perhaps on a monthly basis and extending distribution to shareholders could be considered. Some means of including the shareholders in the quarterly profit sharing meetings, or giving them access to summaries of the meetings could also be considered.

In general, the more that Wiremold can provide shareholders with evidence of Wiremold's position as a leader in the industry, the greater faith the shareholders are likely to have in Wiremold's management team. They would also establish persuasive argument for keeping the company alive "as is" with continuing innovation and re-invention rather than selling Wiremold off and allowing the new owners to reap the benefits of Wiremold's innovative leadership.

### **Leadership strategy emphasis**

The following are potential avenues for generating discussion with an emphasis on leadership strategy.

1. In what ways do Art Byrne's leadership commitments differ from that of other CEOs?

Discussion Point: What is the appropriateness of leadership commitments made to key stakeholders (such as employees, customers, and shareholders) and the processes or methods used to fulfill the commitments?

2. What do you think would be the important types of information for the CEO to convey to shareholders to ensure their commitment?

Discussion Point: Are the interests of shareholders homogeneous? Describe the basis for your position. If the interests of shareholders are heterogeneous, in what ways might they be different? What types of information would satisfy the interests of diverse groups of shareholders?

3. Why would the new CEO, Art Byrne, want to implement a new management system that shareholders are unfamiliar with or others would perceive as high-risk?

Discussion Point: Do you perceive Art Byrne's introduction of a new management system as high-risk? If so, what are the risks? What aspects of the new management system reduce risk to shareholders?

4. Discuss the relationship between leadership, strategy, and Lean operating practices.

Discussion Point: Are these three dimensions stand-alone or interconnected. If they are linked, then how so, and what are benefits or pitfalls of linking them together? Is successful execution of a particular competitive strategy dependent on the adoption of a particular

leadership style and strategy? If so, what leadership styles and strategy are most likely to lead to successful execution of a time-based competitive strategy?

5. Identify Art Byrne's key leadership characteristics and defend your choices.

Discussion Point: How are Art Byrne's leadership characteristics different from other CEO's? Which of Art Byrne's leadership characteristics should other CEO's possess? What leadership characteristics possessed by other CEO's should Art Byrne possess?

Exhibit TN-1: Prominent Strategy Models in 1991

Strategy Model	Key Tenet	Implementation Method
<u>Descriptive Strategy</u>		
Logical Incrementalism <sup>a</sup>	Organizations change in series of small experiments as they adopt to changing environments	Legitimize experimentation and de-legitimize large scale long range planning typically used in PIMS model
Global Strategy <sup>b</sup>	Develop a strategy to enter all markets	Control at product line level
PIMS/McKinsey <sup>c</sup>	Achieve market dominance or divest	Analyze relative market share and apply to all product lines
Value Chain <sup>d</sup>	Add value at each stage of production process	Reengineer all processes in firm; discontinue non-value adding activities
Core Competence <sup>e</sup>	Develop new core competences	Develop new product and new markets
<u>Prescriptive Strategy</u>		
Time-Based Competition <sup>f</sup>	Just-in-Time (JIT) products and services create value for customers around the world	Adopt JIT and Toyota Production System or similar
Product Development <sup>g,h,i</sup>	Growth through new products	Product line mapping; Formalize product development process

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- f. Stalk, George Jr. and Thomas M. Hout, *Competing Against Time: How Time-Based Competition is Reshaping Global Markets*, The Free Press, New York, NY, 1990
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- i. Clark, Kim B. and Takahiro Fujimoto, *Product Development Performance: Strategy, Organization and Management in the World Auto Industry*, Harvard Business School Press, Boston, Ma, 1991

Exhibit TN-2: Analysis of Strategy Models for Relevancy to Wiremold in 1991

<b>Wiremold Issue</b>	<b>Applicable Strategy Model</b>	<b>Comment</b>
Improve profitability	<ul style="list-style-type: none"> <li>• Value Chain</li> </ul>	<ul style="list-style-type: none"> <li>• Customers will not pay for non-value added activities</li> </ul>
	<ul style="list-style-type: none"> <li>• Time-Based Competition</li> </ul>	<ul style="list-style-type: none"> <li>• Application of TPS results in lower costs</li> </ul>
Achieve sales growth	<ul style="list-style-type: none"> <li>• Time-Based Competition</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce new products</li> </ul>
Full product line	<ul style="list-style-type: none"> <li>• Product Development</li> </ul>	<ul style="list-style-type: none"> <li>• Mapping to discern gaps</li> </ul>
	<ul style="list-style-type: none"> <li>• Time-Based Competition</li> </ul>	<ul style="list-style-type: none"> <li>• Provide product variety to meet customer needs</li> </ul>
Reduce product development cycle time	<ul style="list-style-type: none"> <li>• Product Development</li> </ul>	<ul style="list-style-type: none"> <li>• New series of steps in the process to reduce cycle time.</li> </ul>
	<ul style="list-style-type: none"> <li>• Time-Based Competition</li> </ul>	<ul style="list-style-type: none"> <li>• Fast cycle product development</li> </ul>
Acquire new businesses as needed	<ul style="list-style-type: none"> <li>• Product Development</li> </ul>	<ul style="list-style-type: none"> <li>• Fill gaps in product line through acquisition when more efficient</li> </ul>
	<ul style="list-style-type: none"> <li>• Time-Based Competition</li> </ul>	<ul style="list-style-type: none"> <li>• Must convert all acquisitions to Lean management system</li> </ul>
Global markets	<ul style="list-style-type: none"> <li>• Global Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Control at product line level appropriate</li> </ul>
	<ul style="list-style-type: none"> <li>• Time-Based Competition</li> </ul>	<ul style="list-style-type: none"> <li>• Lower cost / more responsive products gain entry into new markets and reshape competition</li> </ul>