

Critical Reflection on Stefan Ellis-Hao in Light of the Case Study

Posted on November 2, 2018

Case Overview

The case study “Modeen Gears” describes the overall approach of Stefan Ellis-Hao (CEO) with regard to the expansion of business while ignoring the core business management process required to excel globally. His overall decision to invest profits in acquiring new businesses in the US market that were struggling to make big profits didn’t turn out to be wise enough. Therefore, the case study itself gives a lesson about the fundamental practices of a global organization. Being overambitious and not listening to other’s viewpoints is damaging in the context of becoming a global organization and entering a new market, even if someone is the CEO. Stefan had a plan since 1995 to penetrate the US market by effectively developing a world-class operation. He had a great sense of admiration towards American management policies; he always liked the style of American management in terms of their tough dealing and hard talking. This analysis gives a critical review of Stefan’s practices as a CEO of Modern Gears and a manifesto that could help him to get a position in a global organization, specifically based on question 2.

Case Analysis

Training Of Modern Gears Management

It is a vital aspect for any organization to develop and prosper globally. Globalization is shrinking the world, and that is why management should be trained enough to meet the challenges globally. Ideally, training should be given to all the staff members especially to those who are involved in the major operations of the company (Clinton, 2017). The staff of any organization should be aware of global trends, new technologies, and management with leadership roles. Early training enables employees to undertake the assigned job effectively and work from a global perspective (Katz, 1997). This training concept is contrary to Stefan’s approach as he never kept enough budget for training which resulted in the less specific training of the employees. He deemed MBA degrees as a huge investment plan; some managers stressed funding business degree programs, including MBA, but Stefan had a strategy of non-investment in few without considering the fact that few top managers could be the key to the organization actually, no one alone can make the difference rather it’s teamwork that gives company success (Vallaster & Chernatony, 2005; Iansiti & Levien, 2004).

Effective Communication With Employee

Openness in communication leads to better results from a global perspective. Managerial staff and other employees should be taken on board for smooth and effective operations. Encouragement from higher management works as a morale booster for staff, which is why engaging employees at different levels is necessary. It further gives employees a sense of ownership and involvement. As a result, the overall organizational culture gets better and it leads to productivity (Kotabe & Helsen, 2014). The CEOs and top management have to have this trait as it gives huge benefits in the long run. However, Stefan Ellis-Hao lacked this ability as he hardly took tips. Chairman James also advised Stefan to act more like a CEO and stop behaving as a managing director (Urquhart, 2013). James also wanted to engage Stefan in communication, but Stefan always considered it less meaningful and against his temperament.

Giving International Exposure To The Staff

Employees at all levels contribute to the company. Therefore, in order to make a company truly a global company, its employees should also be given international exposure so that they can develop an understanding of multicultural environments. For this purpose, traveling to different countries is necessary for them to get a picture of how corporate affairs are run across the globe (Clinton, 2017). International exposure opens up new ways to carry out tasks from a global perspective. Global managers need to develop their communication skills so that they can communicate with managers outside.

Resource Management

The optimal utilization of resources is the key to a global manager or a CEO. He/she should be fully aware of their available resources with a knowhow of their effective utilization for the benefit of the organization. This is achieved through proper planning. These resources include finance and human resources. In this regard, risk awareness is also an important factor. High profits can be achieved through proper risk awareness, and as a result, the chance of loss is minimal (Vallaster & Chernatony, 2005). The global responsibilities of a CEO include the promotion of risk awareness. In an organization, when everyone works for development, keeping in account the possible risks, the outcome is always in the interest of the company.

In case of Stefan, he couldn't do resourceful management as he was desperate in making deal with Jerry to enter US market, he wanted to acquire Jerry's business. In the process, he ignored the risk; he didn't have money, but still, he had paid the US \$ 3m to Jerry. However, James knew that the act of Stefan had put the whole business at risk, and it was also against the advice of their bank (Hamel, 2000). If banks asked to pay back any of their six major loans, they would be out of business (Lasserre, 2017). Also, Fiona, a strategist(who ran the core business unit) knew very well that with a

fixed goal of global business with multi manufacturing sites would be against the interest of company considering the up gradation costs of old equipment of acquired businesses. Stefan failed to analyze this element before going for the acquisition. This was poor planning on his part.

Awareness Of The Sophisticated New Corporate Structure

This is the key factor in order to comply with prevailing global trends. The functions of different departments must be analyzed time and again in order to evaluate their performances in connection with the company's operations. For this reason, close collaboration with the HR department is essential as HR constantly evaluates the performance of the company's employees (Vallaster & Chernatony, 2005). Fiona, in comparison with Stefan, had a better awareness of the sophisticated new corporate structure, which is why operations directors were looking to replace Stefan with Fiona. Stefan didn't realize the demands of his role of guiding and being supportive.

Innovative Approach

This is highly required for the prosperity of business. Every business, project and design needs to be updated according to the new technologies. This helps to derive the optimum level of output by consuming less time. For example, a factory owner having 20 years 20-year-old machine should consider replacing it with the latest model in order to make it much more productive or replace its old parts with new ones (Osland, 2007). Global trends are being heavily influenced by changing technologies. In the case study, Stefan couldn't analyze that customers of Modern gears have already shifted to new versions of performance cars. This suggests that Stefan had not carried out proper market research. However, Fiona had already revealed it to HR under the condition of non-disclosure by them (Prahalad & Ramaswamy, 2004). Stefan was only pursuing his intensely longed plan, and as a process, he overlooked the core functions of the CEO.

Defining The Regions

As a part of the expansion plan, it is essential to know where the company will be operating effectively. Some areas are suitable for business. Whereas, chances of success are less in other parts of the world. This doesn't necessarily mean the region in terms of the continent. The general point is that one can define regional strategies by keeping in mind the demographics, trends in the market, competitor's situation, feasibility etc. All these factors play a major role in entering a new market (Morgan, 2006; Bauman, 2013). In the case study company's unit was ok in Italy, but India was showing growth indicators that system failure on a regular basis was the major hurdle in their growth plans. Under these circumstances, entering a new system was not worthwhile. Therefore, Stefan's decision to enter the US market and capture it in 10 years was not right.

Positive Attitude And Behavior

One of the most important features that play a key role in becoming a global leader. If a CEO is considerate towards his/her employees, he earns respect, but if he lacks the patience to stand arguments, then it's not the right approach as a business leader. In the case of Stefan, during the last few years, he fired four MDs, which is not a sign of a positive attitude. The chairman, James, always wanted him to appoint managing directors, give them adequate training and give them growth plans. He was fully aware that his MDs were intelligent and had critical thinking. Stefan couldn't make a deal with Jerry to acquire his business as a part of his plan. Also, this was not a viable option for the company (Leidner, Alavi & Kayworth, 2010).

Moreover, Jerry had established loyal customers for his business, which he didn't want to lose. Therefore, it was just a miscalculation on the part of Stefan to acquire new units. When Stefan was taken over by Fiona, he thought he left the company at the peak of his career leaving behind his legacy (Leidner, Alavi & Kayworth, 2010). While leaving, he also ignored his personal assistant, Derek, who was there with him on every trip. Now that Stefan is no longer part of Modern Gear. He should analyze his approach critically (Lasserre, 2017). As a CEO, he ignored his basic responsibilities. He didn't follow his chairman's advice to induct MDs by giving them a proper vision for company's growth, rather he fired four MDs in last four years which is against the employee retention plan of a company.

In this regard, "investing in employees" also contributes to the success of the company, but Stefan adopted the non-investment plan as he was not willing to allocate enough budget to business-related degrees like MBA (Hamel & Ruben, 2000). His ability of managing resources was not good, he just pursued his plans of entering US soil while neglecting the available resources they had. He paid the US \$ 3M out of the limited resources of the company. Thus putting the business at stake. The company was already in huge debt. The bank's demand to pay back the previous six loans could have driven Modeen Gears out of business (Mentzer et al., 2001). This is a clear indication that his risk assessment was not up to the mark. His over-ambition harmed him in the end. In comparison with Stefan, Fiona had a deep insight into company's operations, she was very well aware of the repercussions of entering a new market in terms of finance.

Further, Fiona also knew about the customer trend as they were shifting to new performance cars. Fiona also had good interaction with other staff. That is why Operation directors were of the view to replace Stefan with Fiona. A CEO must act calmly in every situation. On his trip to the US, when he got to know the Jerry and Tyler were out of town and not responding to this calls, he got anxious, he thoughts his deals were lost (Lasserre, 2017). He was under the impression that after landing in the US, he would receive a red carpet-welcome from both Jerry and Tyler. Stefan overestimated about Tyler and Jerry in terms of acquiring their business.

After the New York conference, Tyler and Jerry actively discussed the merger of the companies. The word 'Merger' invoked Stefan's ambitions. He thought he would easily acquire Jerry and Tyler

Colorado firm without taking into account the fierce market competition in the US specialist market. So, with this mindset, he set his foot on US soil, he thought it would be smooth sailing for him but in fact, it wasn't the case (Leidner, Alavi & Kayworth, 2010). When he got connected with Jerry, he had a heated argument with him, Jerry conveyed to Stefan that he had no idea about the pace of US market and he was thinking to buy out Jerry.

Stefan thought he would run the unit in the US market as the company is doing in Italy in India. Also, the competitive analysis was not the focus of Stefan as he always disliked discussions about the new customer tastes, they were moving towards high-value cars, especially hybrid fuel technology. Modern Gears was not following this current pattern (Osland, 2007). The company earned profit through its operations from the '90s to 2012 through the policy of direct control of distribution and supply of its products, yet it needed improvement in terms of process management. Stefan, being a CEO, didn't work on specific plans that could've given the company a competitive edge, which resulted in his ouster.

Case Conclusion

In conclusion, for Stefan to work for another company, he should adopt an early training method, develop an openness in communication, Work with a positive attitude, cooperate with staff, manage resources wisely through proper risk assessment, be well versed in competitive analysis, avoid being over-ambitious, pay attention to chairman words. All these practices are adopted by successful visionary business leaders around the globe. Actually, these are the global phenomena. Stefan had many years of experience; with this experience, if he applied all these characteristics as parts of his strategy, he would become successful in the other company.

References

- Bauman, Z. (2013). *Wasted lives: Modernity and its outcasts*. John Wiley & Sons.
- Burrell, G., & Morgan, G. (2017). *Sociological paradigms and organizational analysis: Elements of the sociology of corporate life*. Routledge.
- Clinton, J. R. (2017). *The making of a leader: Recognizing the lessons and stages of leadership development*. Two Words Publishing, LLC.
- Day, D. V., Fleenor, J. W., Atwater, L. E., Sturm, R. E., & McKee, R. A. (2014). Advances in leader and leadership development: A review of 25 years of research and theory. *The Leadership Quarterly*, 25(1), 63-82.
- Goetsch, D. L., & Davis, S. B. (2014). *Quality management for organizational excellence*. Upper Saddle River, NJ: Pearson.

- Hamel, G. (2000). The end of progress. *London Business School Review*, 11(3), 69-78.
- Hamel, G., & Ruben, P. (2000). *Leading the revolution* (Vol. 286). Boston, MA: Harvard Business School Press.
- Iansiti, M., & Levien, R. (2004). Strategy as ecology. *Harvard Business Review*, 82(3), 68-81.
- Katz, R. (Ed.). (1997). *The human side of managing technological innovation: A collection of readings*. Oxford University Press.
- Kotabe, M., & Helsen, K. (2014). *Global marketing management*.
- Lane, Henry W., Maznevski, Martha, Mendenhall, Mark E., et al. (eds.) (2003) – *The Blackwell Handbook of Global Management: a guide to Managing Complexity*
- Lasserre, P. (2017). *Global strategic management*. Palgrave.
- Lasserre, P. (2017). *Global strategic management*. Palgrave.
- Leidner, D., Alavi, M., & Kayworth, T. (2010). The role of culture in knowledge management: a case study of two global firms. *Interdisciplinary Perspectives on E-Collaboration: Emerging Trends and Applications: Emerging Trends and Applications*, 278.
- Mentzer, J. T., DeWitt, W., Keebler, J. S., Min, S., Nix, N. W., Smith, C. D., & Zacharia, Z. G. (2001). Defining supply chain management. *Journal of Business Logistics*, 22(2), 1-25.
- Morgan, G. (2006). *Unfolding logics of change: Organization as flux and transformation*. Images
- Osland, J. S. (2007). *Global leadership*. John Wiley & Sons, Inc..
- Prahalad, C. K., & Ramaswamy, V. (2004). The future of competition: Co-creating unique value with customers. *Harvard Business Press*.of organization, 241-290.
- Urquhart, Cathy (2013) – *Grounded theory for qualitative research: a practical guide*
- Vallaster, C., & De Chernatony, L. (2005). Internationalization of services brands: The role of leadership during the internal brand building process. *Journal of Marketing Management*, 21(1-2), 181-203.