

AstroTech Fuel Systems

Case B

Case Outline

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B-2 AstroTech Fuel Systems—Part B

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B-1 AstroTech Fuel Systems—Part A

Shortly after responsibility for completion of AstroTech's AutoFlow project had been removed from under Jim McGee's direction, the staff at the Fuel Systems division was informed that Roger Banter, the absentee General Manager of the Fuel Systems Division, would make one of his rare visits to the Texas facility. Jim anticipated that Banter's visit was to propose that the heavy focus currently placed on Engineering should now be shifted to Marketing. But, during his visit and much to Jim's surprise, Banter made it a point to visit privately with him. As usual, Banter wasted no time on trivialities:

Jim, I've discussed your situation with Corporate Headquarters and suggest you call your previous boss about the possibility of a transfer back to your old job in Utah. You've not yet gotten a black eye in the company; but I'm concerned that if you stay here any longer, you will. Otherwise, any potential you might have for a promising career in this organization could very well be nothing more than wishful thinking.

As Banter stood and prepared to leave, Jim said:

Wait a minute! I feel I've made significant improvements to the engineering and quality systems here. I've developed a number of new products, increased the department's capability level and brought many of our poorly designed products up to specifications. I'd like to know what it is that I've done wrong. I've invested a lot of energy here. Although I admit I've not gotten along well with the staff even though I've tried. I like it here and would like to stay.

Banter hesitated for a second, turned, and said:

After all this is settled, you and I will sit down and talk, even if I have to come to Utah to do it.

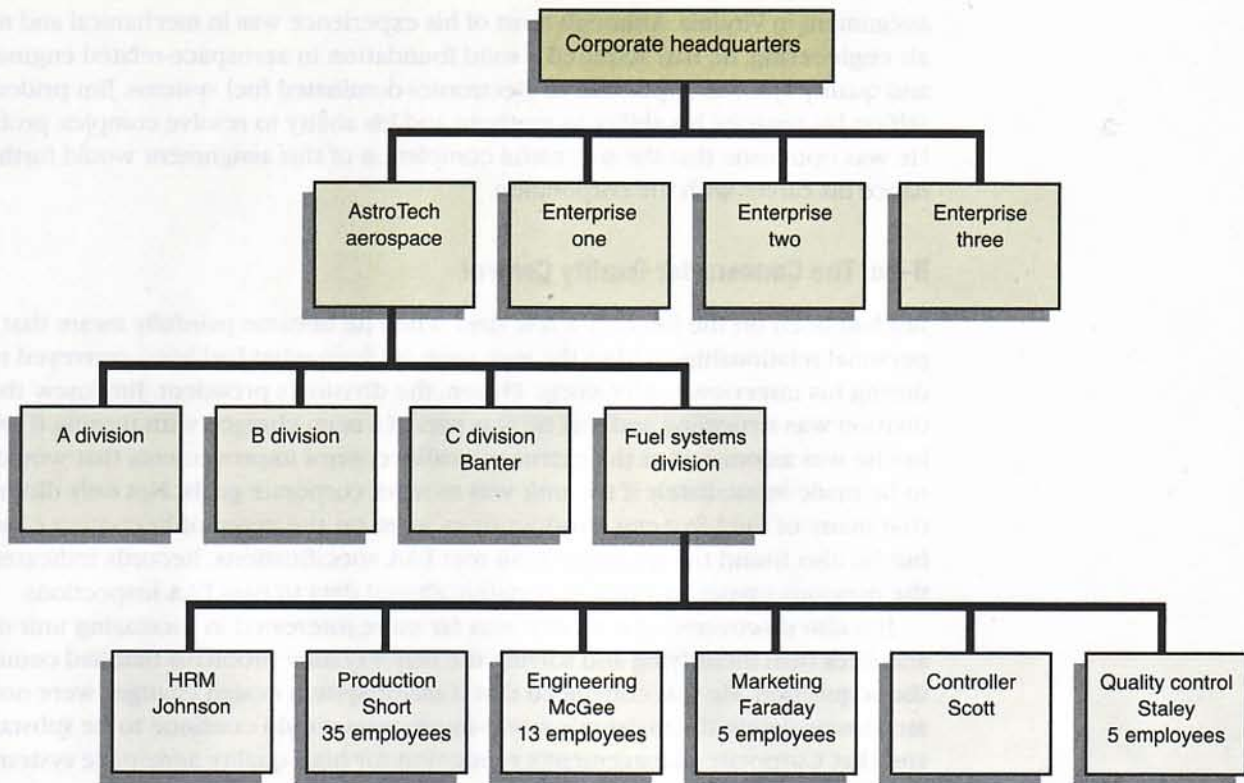
Banter quickly exited, and Jim was left alone in his office in a state of confusion and astonishment. Jim believed that he had always been good about recognizing his own mistakes and weaknesses and being able to accept the truth. But, he found it extremely difficult to accept blame for things he didn't believe he was guilty of. Many thoughts raced through his mind as he considered his next move.

B-1a AstroTech and the Fuel Systems Division

AstroTech, one of the United States' foremost and largest corporations, was involved in virtually all facets of manufacturing auxiliary equipment for the aerospace and airline industries. During the decade of the 1990s, annual revenues for the corporation exceeded \$4 billion. Although in a "cutting edge" industry, the organization had tended to conform most closely to the divisionalized bureaucratic structure (Exhibit 1); however, it seemed to be transitioning toward a more organic structure.

The Fuel Systems product line had been acquired by AstroTech three years previously from a small, independent manufacturer of fuel systems serving the aeronautical industry. AstroTech's stated objective for this new division, consisting of 60 employees, was that it was a first step toward becoming the major supplier of aircraft fuel systems for the aerospace and aircraft industry. Although most of the original rank and file employees were retained, Fuel Systems management was replaced by AstroTech personnel immediately upon acquisition. New and old employees alike believed that because of the facility's location and the generous salary and benefit packages that "this is the closest we'll ever get to living in paradise." They were all committed to seeing that the undertaking become a profitable and permanent facility within AstroTech.

During its three years as a division of AstroTech, Fuel Systems had generated between \$6 and \$8 million in revenues annually. When compared to other units within the corporation—the smallest of which generated over \$200 million in revenues

**EXHIBIT 1**

Organizational Chart before
Phalen's Departure from the
Fuel Systems Division

annually—some thought it a stretch of the imagination to assign Fuel Systems “division” status. Instead, they thought it should have been designated as a product line attached to one of the other divisions. Whereas top-of-the-line products manufactured by Fuel Systems sold in the range of \$6,000/unit, more sophisticated, state-of-the-art units manufactured by competitors ranged from \$10,000 to \$60,000/unit. But, because Fuel Systems’ product line was unique to AstroTech and because it was perceived as having substantial long-range growth and profit potential, the unit was separated from the rest of the corporation and accorded divisional status. A downside to this was that because it represented a relatively small investment compared to other divisions, Fuel Systems received only minimal oversight from corporate headquarters.

B-1b Jim McGee and AstroTech

Jim had begun his career with AstroTech Corporation at AstroTech’s Composite Systems Division in Utah. Years of dedication and hard work earned him the challenging and satisfying position of Manager of Engineering and Quality. Although he was viewed by most as being a task master, he was respected for soliciting input from colleagues and subordinates before making decisions that would affect their welfare. Given his success in the Composite Systems Division, it came as no surprise to others when Jim was selected by the Corporation’s Human Resource Department in conjunction with the corporate Vice-President of Technology to head the Engineering Department of the Fuel Systems Division. Jim welcomed his promotion and new responsibilities and was assured that he would play a key role in the success of the operation. Although he had been with AstroTech for ten years and had advanced rapidly in the corporation, unbeknownst to Jim, he was not in the least prepared for the challenges he would face and the compromises that would have to be made if he were to survive in his new position and in the corporate arena.

Prior to this most recent promotion, Jim’s career with AstroTech had been marked by a continuous stream of accomplishments and promotions in Utah and at a previous

assignment in Virginia. Although most of his experience was in mechanical and materials engineering, he had acquired a solid foundation in aerospace-related engineering and quality systems applicable to electronics-dominated fuel systems. Jim prided himself on his tenacity, his ability to motivate and his ability to resolve complex problems. He was optimistic that the successful completion of this assignment would further enhance his career with the corporation.

B-1c The Concern for Quality Control

Jim had been on the job only a few days when he became painfully aware that interpersonal relationships within the unit were far from what had been conveyed to him during his interview with George Phalen, the division's president. Jim knew that the division was struggling and that he was part of a team charged with turning it around, but he was astonished at the extent of quality control improvements that would have to be made immediately if the unit was to meet corporate goals. Not only did he find that many of Fuel Systems product lines were on the verge of becoming obsolete, but he also found that none of them met FAA specifications. Records indicated that the previous owner had almost certainly altered data to pass FAA inspections.

Jim also discovered that Phalen was far more interested in increasing unit output and sales than identifying and solving the major quality problems that had come with the acquisition. He was convinced that if major system design changes were not initiated immediately, the division's works-in-progress would continue to be substandard and that Corporate management's reputation for high quality aerospace systems and engineering would be compromised.

Jim was concerned that Phalen minimized the importance of the need for upgrading these systems. It appeared to Jim that many at AstroTech ignored the fact that the division could be fined and/or shut down if its internal quality control systems did not comply with FAA regulations and that individuals could even be imprisoned for severe infractions. Mindful of the magnitude of the issues involved, Jim knew he could help the fledgling business meet quality expectations if he could somehow get through to Phalen that the current quality control systems were substandard. Jim also realized that he needed to do this without creating negative publicity for the corporation or without ruffling Phalen's feathers.

During the first few weeks on the job, Jim assessed the strengths and weaknesses of the division's quality control systems until he was sure of what needed to be done to meet quality standards. Shortly thereafter, at a bimonthly staff meeting, Jim attempted to offer suggestions on how to improve the division's control systems but was quickly cut off by Phalen's comment:

Don't waste your time on that; what we need here are new products. That's why we brought you in, and that's what you need to focus on.

Phalen then went on to describe how he and the Director of Operations, Ben Short, had "whipped the Engineering Department into shape" during the three months the department operated without a manager prior to Jim's arrival. Both Phalen and Short stated that before they became personally involved, the Engineering Department personnel "were poorly managed and sloughed off."

B-1d George Phalen

George Phalen had been employed by AstroTech about five years prior to the Fuel Systems acquisition. He had been hired at the corporate level and was reputed to have had close ties with one of the corporate Vice Presidents. Phalen had risen very quickly within the firm and left no doubts of his desire to someday manage at the corporate level. Upon being chosen to manage the Fuel Systems division immediately after it was acquired, he saw this as a major opportunity to favorably impress managers at the top level of the organization. Because Fuel Systems was out of the

mainstream of the organization and received little or no oversight from corporate headquarters, Phalen was able to manage with minimal accountability. From the onset, he appeared to have become obsessed with power. He ran a tight ship and insisted that tasks be completed immediately and be done his way regardless of subordinate suggestions or company policy. The fact that Phalen consistently overestimated sales projections contributed substantially to an ongoing pressure situation for the unit. In addition, Phalen had had no experience in dealing with the FAA. However, away from the plant, he was described as being very likeable and sociable, and a good family man and neighbor.

B-1e Ben Short

Short was a long-time employee with the organization and was considered by upper management to be an excellent production manager. He was transferred from another division to Fuel Systems to head up production immediately after Fuel Systems had been acquired by the parent organization. Short was looked upon as a "pure operations person," that is, highly production oriented and "one who got things done." He was extremely loyal and dedicated toward achieving the new division's goals and objectives. Short was described by others in the plant as "being so firmly anchored as to be able to withstand a tornado."

Short made it clear to Jim that he believed engineers needed to be ridden hard to get results; and if they couldn't or wouldn't perform, they should be fired. He said:

After all, the success of this business depends upon quick sales. We don't have time to baby people. There are lots more engineers out there where these guys came from. You design the products and I'll build them; it's that simple. We straightened everything out for you before you got here, so stay on top of those guys or you'll lose the momentum. You have to show them who's boss, or they'll walk all over you.

Jim was taken aback by Phalen's and Short's comments concerning his department's priorities and how to motivate engineering personnel. In addition, he noticed that on occasion Short was extremely gruff and aggressive with production workers. This was not a good sign in light of the fact that personnel from Engineering would be required to work closely with Production. The production departments with which Jim had been associated elsewhere in AstroTech were very professional and collegial, as well as productive. He was certain that his engineers would resign should they be subjected to Short's harsh leadership, and he knew that he couldn't afford to lose the few engineers he had.

B-1f Fuel Systems Engineering Department

In analyzing the situation, Jim asked engineering personnel about how the unit functioned prior to his arrival. He learned that he was the fourth Engineering Manager since AstroTech purchased the business three years earlier. Although it concerned Jim that two of the previous engineering managers had had successful careers with AstroTech until joining the division, he remained optimistic that he would be successful. He thought:

After all, since I've been able to overcome some major obstacles in two larger divisions, I should be able to do the same in this, the smallest division.

Jim was particularly concerned about the lack of depth of his technical staff. While they were very dedicated, only 3 of the 13 members possessed engineering degrees. In addition, the group was currently in the process of developing or modifying over 20 products, a ratio deemed "aggressive" in any business. Also, given the limited resources at his disposal, Jim was convinced that Phalen and Short's emphasis on high volume production would result in the division's demise. His most pressing concern,

the lack of the highest level of quality control systems, intensified his resolve to improve them.

As he became more familiar with the existing systems, Jim realized the magnitude of the task before him. The previous owner had run the business as a "garage shop" with very few formal control systems and had done little to train his people in FAA or aerospace regulations. In further discussions with Phalen and Short, it became evident to Jim that only he understood the full impact of noncompliance with these regulations. He found it ironic that although Phalen and Short had created an overwhelming myriad of development programs during their brief, but "successful," stint in engineering, they had little knowledge of the level of work required to develop and qualify highly technical products that would meet stringent FAA regulations and customer expectations.

As weeks grew into months, Jim attempted to simultaneously keep up with new product development and the improvement of system quality processes. In addition, he devoted considerable time to addressing problems associated with existing product lines. Several of these designs failed to meet specifications and mandated immediate redesigns. As a result, department personnel were asked to put in extensive overtime. Jim, himself, exceeded 75 hours per week on a regular basis. He believed that leading by example was the catalyst that motivated his personnel to work these overtime hours without complaining. Although the department had jelled as a team, Jim observed the workload was wearing on individuals who began taking shortcuts that he feared would create future problems.

It was evident to Jim that he could not design the necessary quality control systems required, develop new products, and service existing product lines with the limited personnel and resources at his disposal. This being the case, Jim approached Phalen and insisted: (1) that he be permitted to change priorities from developing new products to servicing existing product lines and (2) that he be given more technical personnel to enable him to focus more on meeting quality standards. Irritated by Jim's demands, Phalen accused him of not being able to manage his people. He said:

Jim, you need to sit on these people and kick them into gear to get work out of them. It's about time you quit letting them manage you. I need these products, and you're overdue. My advice to you is to get your department under control.

Jim was becoming more concerned by Phalen's refusal to realize the seriousness of the situation. Jim thought:

He simply doesn't want to hear about it. To hell with product development, I'll just have to do what I know is right.

In a subsequent staff meeting, it was announced that annual sales for the division were substantially below projections and that the division was continuing to "bleed red ink." Controller Willard Scott emphasized that the division had not once met sales projections or turned a profit in the three years since becoming part of AstroTech and that "It's high time we find out why." When individual staff members were asked for their opinions, a consensus emerged that the main reason for the division not reaching Phalen's goals was that they were unrealistic. It was obvious to Jim that Engineering was not the only unit having serious problems. Phalen countered their concerns with:

That's pure nonsense! If Engineering would develop the products they are assigned to and if Marketing would generate the sales that they've committed to, achieving these goals would be a piece of cake. You people just need to work smarter. If you don't have the right people, then get rid of the ones you have and find the right people.

As was typical of Phalen's staff meetings, he then began pitting staff members against one another by blaming the failure of one unit to meet its goals on one or

more of the other units. Phalen would simply make a series of accusations and then sit back and watch the fireworks. At times, just when it appeared as if problems were near being resolved, Phalen would make new accusations to rekindle the flames. These staff meetings were notorious for lasting 3–4 hours, and the badgering and yelling that occurred usually precluded any constructive thought. The end result was exhaustion and frustration especially considering the workload that awaited staff in their respective departments. Phalen would also meet one-on-one with staff members and initiate rumors purposely designed to create conflict. He had once boasted to Jim, “I believe in managing with chaos. You must keep people on their toes and guessing in order to keep the upper hand.”

B-1g Staff Concerns

In the ensuing months, the staff secretly met on several occasions to discuss the plight of the division and how to best deal with Phalen’s unorthodox management tactics. Because Phalen had a history of creating untenable situations for people and then firing them, claiming to his superiors that the person was dishonest or incapable, extreme caution was necessary. With the division performing as poorly as it was, the staff was concerned that, once again, Phalen would attempt to buy himself time by blaming various personnel for the division’s woes and terminating them. At the end of one long, frustrating day, Jim’s top mechanical engineer approached him and said:

Jim, I’ve had enough. This place is just too crazy, and nobody outside of Engineering has a clue about what it takes to develop these products. I’ve decided to accept a position with another company.

Jim was devastated. The engineer’s resignation had been preceded by two top draftsmen for essentially the same reasons.

It was at this time that Jim found an unexpected ally in Short who also began to distance himself from Phalen. Both Jim and Short agreed to use their contacts elsewhere in the corporation to discreetly let people know that all was not well at the Texas facility.

The resignation of key people and the fact that the Engineering unit continued to fall behind did have one positive effect. Jim was finally able to persuade Phalen to give him permission to hire additional personnel as well as to replace those who had left. Jim was fortunate to be able to hire three, very capable, new engineers. He was now confident that the unit would be able to meet performance expectations and would become a force to be reckoned with in the marketplace. But, he also knew that they must focus on the most critical projects if this was to become a reality. Jim was a strong believer in the old adage, “You can do many things poorly, or you can do a few things well.”

B-1h The Morale Survey

But, focusing on the most critical products was not to be the case. Phalen insisted that his original performance expectations for the division and the Engineering unit remain unchanged. By the end of Jim’s first year, frustration at all levels of the division was clearly evident. People were tired of the excessive workload and the perceived lack of Phalen’s desire, or possibly his ability, to fix things. This frustration was further aggravated by the fact that Phalen was the only person who ever went home on time and rarely put in more than a 40-hour week. Morale was at an all-time low. But, spirits were lifted when it was rumored that the division was slated for an employee morale survey. Upon receiving confirmation that the survey was to be administered, the staff agreed among themselves to be honest in their responses and make Corporate Headquarters aware of Phalen’s exploitive leadership style and the negative impact it continued to have on productivity and employee morale. Even though the engineering staff members were aware that their answers would be collected separately from the rest of the plant and, therefore, identifiable, they resolved that

the Phalen "issue" had to be addressed and agreed to give identical responses to questions in spite of potential consequences.

One month later when the results of the survey were returned, Phalen had not fared well. Although negative comments occurred randomly, one set of particularly negative comments were sequentially numbered. It didn't take Phalen long to determine that these had originated in the Engineering Department and to identify the most negative comments as Jim's. With few exceptions, the other staff groups had failed to live up to their part of the agreement. Phalen called Jim into his office and laid out the entire list of his responses, including Jim's request for a new General Manager, and asked him point-blank:

Are these your comments and would you explain to me why you wrote them?

Noting that Phalen was uncharacteristically calm, Jim responded:

George, I was pretty upset over the way you were handling things when we filled out the surveys. As you are aware, we have a big difference in opinion over what the priorities should be in Engineering, as well as what we should ship and not ship and when.

The discussion did not last long.

Shortly after the survey and perhaps as a result, Phalen fired the Director of Marketing, confidently claiming that, "I made more sales on my last public relations trip than he did during the entire year." The subsequent search for a replacement led to the addition of Dick Faraday as the Director of Marketing. Like most of the management staff, Faraday came from another AstroTech division. He had a very confident air about him and was quickly able to prove his expertise. Rumors quickly emerged that Phalen had handpicked Faraday to become his heir apparent, and the two bonded quickly. Within a few weeks of his arrival, it was apparent that Faraday sided with Phalen in virtually all matters concerning personnel, product development and service, and quality control.

As the weeks passed, Phalen increased his demands on the Engineering Department and intensified his personal attacks on Jim. For the first time since coming to AstroTech, Jim had serious concerns about job security and his future with the company. He addressed these concerns by working feverishly to stay ahead of Phalen's demands, but contrary to Phalen's wishes, insisted on keeping the FAA and quality issues as his top priority because of the potential legal and ethical ramifications of shipping substandard products. Should loss of life occur as a result of inadequate quality control systems, Jim believed that he would ultimately be held responsible. Once in the past the Corporation had gained notoriety for not adhering to quality specifications in the aircraft industry with near disastrous results. Jim knew that the potential for a similar tragedy existed if quality control was not maintained at the highest level. Because of his emphasis on quality, it was inevitable that development projects would slip—and they did.

Jim often received the support of staff members from other departments and occasionally Short. Arron Staley, the Quality Manager, initially backed Jim but quickly came under fire by Phalen for it. Although Staley continued to back Jim privately, he became much less supportive of him in public. Jim frequently reminded himself that the others, including Short, had not been fully honest when they failed to make their concerns known on the survey.

B-1i Product X

A major conflict arose when Engineering detected a design flaw in Product X that was under long-term contract. Having experienced no problems with the product, the customer was unaware of the flaw. Jim announced the existence of the flaw in a staff meeting and recommended that shipments be delayed until the customer could be informed. Phalen immediately rejected Jim's proposal and demanded that the divi-

sion keep shipping the product until the “real problem” was identified. However, with the exception of Phalen and Faraday, the staff members agreed that AstroTech should fix the problem and immediately inform the customer of the product’s limitations. In support of Phalen, Faraday emphatically disagreed and stated that he would continue to ship the product until Engineering could come up with an acceptable solution. A heated discussion over the product continued for the entire afternoon, but nothing was accomplished—neither side was willing to make concessions. Much to Jim’s dismay, Staley remained quiet during the discussion. However, two weeks later, having had enough of Phalen and Faraday’s attempts to compromise product quality, Staley resigned.

Because of Jim’s previous experience with quality systems and control, Phalen decided that Staley’s position would not be filled and assigned responsibility for product quality to Jim’s department. Unfortunately for Jim, the Quality Department was even more understaffed than the Engineering Department. Jim had argued emphatically that a replacement for Staley was critical, but Phalen and Faraday denied Jim’s request on the grounds that they could not afford to replace him at that time.

After several weeks of debate, the issue of the faulty design of Product X reached a point where Jim felt that he had no alternative but to apprise the customer. Furthermore, as the Manager of Engineering and Quality, Jim believed that informing the customer was well within his area of responsibility. Jim met privately with Phalen to make one final attempt to get his permission to do so. Surprisingly, Phalen agreed and gave Jim discretion on how best to approach the customer. Fearing that Phalen would change his mind, Jim acted immediately without attempting to inform Faraday. He knew, given the stand that Faraday had taken in previous discussions, that he would do all he could to change Phalen’s mind.

When Jim informed the customer about the deficiencies of Product X, its management expressed concern but were appreciative. Company representatives assured Jim that they would continue to order the product once the design flaws were corrected. Faraday’s response was as expected. Upon learning of Jim’s actions, he immediately demanded a staff meeting. Jim was shocked when Phalen claimed that he had not given permission. This was the final straw for Jim. After two hours of heated accusations and counter accusations, Jim once more re-stated the actual chain of events and rebuked Phalen for his failure to admit that he had given Jim his authorization. Phalen finally admitted, “Jim you’re right. I did give you my consent.” Jim looked at Phalen in disbelief and disgust and, exhibiting behavior that was entirely out of character, stormed out of the meeting.

In the weeks following the Product X meeting, Phalen and Faraday increased their personal attacks on Jim and exerted even more pressure on Engineering to develop additional products. Faraday even began adding products to the list for which there were no customer orders, in an attempt to show that Marketing was doing its job “of creating the vision needed for the unit to achieve its stated sales goals.” Unfortunately, these new demands took resources away from critical projects already underway which caused Engineering to fall further behind. Jim pressured Phalen and Faraday to prioritize projects so that a “critical few” could be completed, but they insisted that efforts continue on all projects.

Shortly thereafter, word was received from Corporate Headquarters that the division had six months to prepare for a major FAA quality audit—the first of its kind for the new division. Jim argued that it was imperative that the Division pass this audit if it was to continue manufacturing and shipping aerospace products. The staff finally agreed that it would be necessary to completely overhaul the existing quality control systems. The task of developing new and revamping old systems was placed solely on Jim. Although he realized the importance of completing this task, he also knew that the amount of time involved would conflict even more with Phalen’s push to bring new products to market.

As weeks grew into months, the strong support Jim received from his technicians and engineers gave him confidence that he was acting in the best interests of the

Corporation. However, his anxiety concerning job security and career advancement continued to increase.

B-1j An Unexpected Visitor

The debates and personal attacks during staff meetings had risen to an unprecedented level, and Jim had given up all hope that Corporate Headquarters would act on the survey results. Willard Scott, the Controller who had frequently complained in staff meetings of being forced to “work the books,” accepted a transfer to another unit within AstroTech. Only Jim, Short and Jill Johnson, the Human Resource Manager, remained of the staff who had completed the morale survey. Jim was convinced that he could not withstand the combined attacks of Phalen and Faraday and that his days with the Corporation were numbered.

Staff members were stunned, but pleasantly surprised, when one day without warning, a Senior Vice President from New York showed up and terminated Phalen because of his “continued inability to meet division objectives.” The out-and-out relief felt by Jim and Short was offset by Faraday’s visible disappointment. His displeasure intensified when the Senior Vice President announced that Phalen’s position would not be filled because of the small size of the Fuel Systems Division. Instead, all five of the staff department heads would report directly to Roger Banter, the General Manager of a much larger division based in Indiana (Exhibit 2).

Faraday and Short knew Banter from previous assignments and were familiar with his reputation in the corporation as a strong, fair leader. The staff was generally

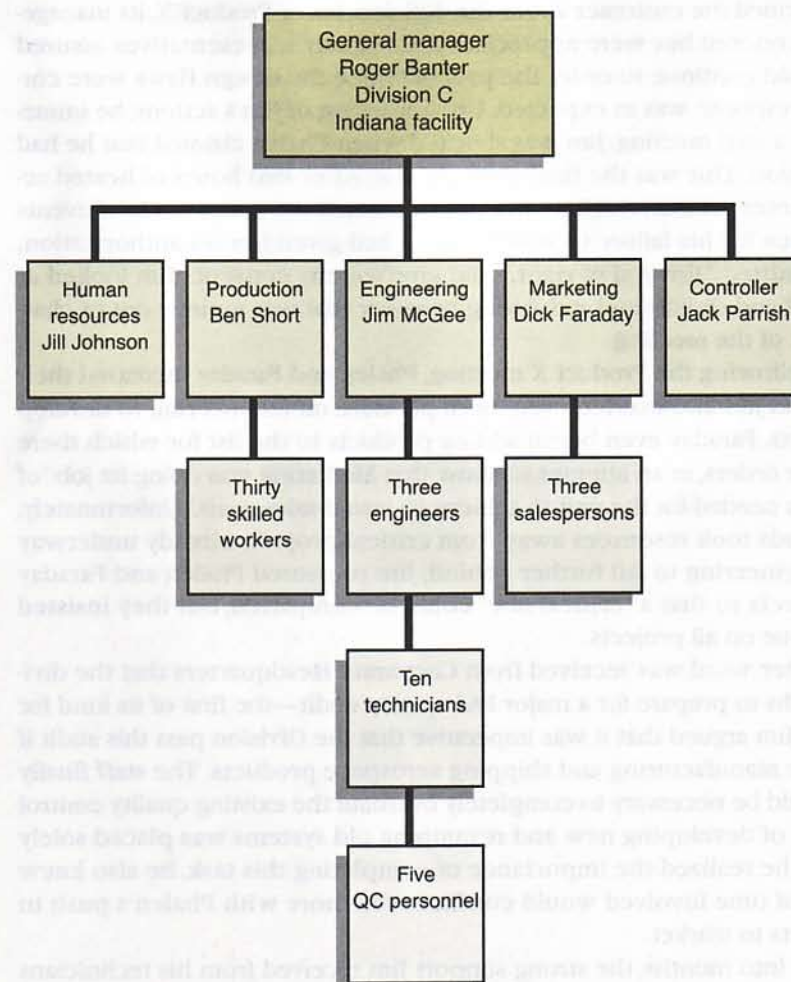


EXHIBIT 2

Organizational Chart after
Phalen's Departure from the
Fuel Systems Division

pleased with his selection as the person to head the division. However, when Banter informed them that his contact with them would be through weekly teleconferences, they were disappointed that he was to be an absentee manager. Upon being informed of Banter's expectations for the division, the staff met to discuss how to avoid further conflict and resolved to make a fresh start. They agreed that they would forego one-on-one discussions with Banter unless they were initiated by Banter himself and that they would interact with him only during staff meetings. But, it soon became apparent to all that Faraday communicated more frequently with Banter than anyone else did and that these exchanges were not always initiated by Banter. Although Faraday had been the driving force behind the "group communication agreement," he ignored the agreement more than anyone.

B-1k FAA Inspection Anxieties

Even though the FAA audit was only two months away, Faraday again began to openly criticize Jim for spending too much time designing and revamping the quality control systems and not spending enough time developing new products. Because the Engineering Department was failing to develop new products that would sell, there was a growing concern among the staff about the Division's future. They began to agree with Faraday. Nevertheless, Jim persisted in his attempts to convince the others of the importance of the audit; but because they were not knowledgeable of the time commitments and tradeoffs between new product development and implementation of the quality control systems, he met with minimal success. Jim was especially disturbed by lack of support from Short. Jim believed it ironic that Short had been responsible for AstroTech's Quality Control prior to Staley's arrival.

Staff members who had previously blamed Phalen's leadership style as being responsible for low productivity and failure to develop new products had now shifted the blame to Jim and his engineering group. This shift of blame was instigated by Faraday. Pressures on Jim to change his priorities increased and individuals from other departments began to distance themselves from him and his group. In spite of this increasingly hostile environment, the engineering and quality control personnel continued to show Jim strong support. He also received encouragement from production operators who preferred his leadership style to the autocratic styles of Short and Faraday.

A new Controller, Jack Parrish, was finally hired to replace Willard Scott who had quit the division several months before. Parrish was a young CPA who openly discussed his desire to make a positive impact on the division in order to prove his mettle with Corporate Headquarters. Soon after joining the Fuel Systems division, Parrish claimed that the Engineering Department was "out-of-control" because of its overcommitment to quality. Faraday, capitalizing on Parrish's allegations, called a staff meeting to discuss them. He began by saying, "Jim, I no longer have confidence in your ability to manage your department." He then gave the group a detailed explanation why he believed the Engineering's priorities were the major cause of the division's inability to meet its goals. When Jim attempted to defend his priorities, it was evident that those few from other departments who had previously supported him no longer did. After Jim had had his say, Faraday quickly ended the meeting.

Even without the support of the other staff members, Jim was still convinced he was right. He was upset that his priorities and his management abilities were being questioned. Recognizing that he was in a tough spot, he decided it was time to consult one-on-one with Banter and get his opinion. He knew that to successfully plead his case with Banter he had to be completely open and honest and to avoid implying that other staff members were guilty of any wrongdoing. In his conversation with Banter, Jim said:

My main reason for calling is to ensure that you're aware of the staff's concern relative to my performance. They've stated that they've lost confidence in my

ability to set priorities and to manage the Engineering Department. Perhaps you can offer me some guidance. I'd like to discuss this with you in detail at your earliest convenience.

Other than this, little of substance was said. However, Jim expected to hear from Banter before too much time had passed.

At the next staff meeting, Jim told the group that he had shared their concerns with Banter. The entire staff was angered by his disclosure. Faraday quickly accused Jim of breaking the trust of the group members by going to Banter without their permission. In defense Jim said:

First off, Banter is my direct boss, and I should be able to talk to him about issues concerning my personal performance. Secondly, you're the ones who said I was performing poorly. All I did was inform Banter of your opinions. How can you find fault in this?

As usual, Faraday was the first to censure:

He may be your boss, but you should have discussed these issues with us before you called him. Here again, you've shown that you can't be trusted.

Jim looked at everyone in disbelief, noticing that most staff members refused to make eye contact. He then said:

This whole thing is ridiculous. I've got work to do.

With this, Jim left the meeting.

Frustrated, Jim shared the gist of the meeting with a senior engineer who said:

Jim, this is absurd! Everyone knows the hours we're working and that you're the first one in at 5:00 a.m. and you're lucky to leave by 7:00 p.m. We're in here 7 days a week. Why aren't they here during those hours to work with us as a team? What do they expect from us anyhow?

Actually, Short did spend considerable time in the facility, but Faraday, Parrish, Johnson and their departmental personnel didn't come close to the time Engineering invested in these projects.

B-11 The AutoFlow

During the ensuing weeks, Faraday continued to denigrate Jim to the staff for calling Banter as well as for informing the customer months before about the flaws in Product X. Faraday further aggravated the situation by calling a meeting initiating the development of another new product, the AutoFlow, which would be one of the largest projects ever undertaken by the division. Because of its size and complexity, Engineering estimated a major design effort of 15–18 months to develop and qualify. Nevertheless, Marketing demanded that the product be operational and fully qualified by the FAA within six months. Given their concerns about the future of the division and the perceived sales potential of the AutoFlow, the staff sided with Faraday. Once more, Jim believed he was being set up to fail. His initial reaction was that he saw no possible way to meet this schedule but added that Engineering would do its best to complete the project "as soon as possible." He also reminded them that the division had never developed and qualified a new product in less than 12 months.

Jim's working relationships with other staff members had become strained to the breaking point, and he was now clearly the odd man out. He found it hard to believe that his status had fallen from being "one-of-the-group" to "most-wanted-out-of-the-group" in such a short period of time. Faraday's calls to Banter increased and it was evident that he had gained Banter's confidence. Furthermore, no matter what information Jim volunteered in staff meetings, Faraday was quick to discredit or discount

it; and there was little support from the rest of the staff, most notably, Short. In fact, the relationship between Short and Jim had deteriorated to the point where on one occasion they became entangled in a very public and violent debate on the production floor. Accusations were exchanged and the debate escalated with Short losing control and physically attacking Jim. The two were immediately separated by nearby workers and an “emergency” staff meeting was called.

McGee and Short explained to the rest of the staff that they were under a lot of pressure at the time of the incident. The altercation arose over who was to pick up a corporate executive at the local airport. McGee had initially been designated to meet this person and bring him to the plant. When time approached for the executive’s arrival and McGee was not to be found, Short made arrangements to meet the visiting dignitary. About the time Short was to leave for the airport, McGee appeared on the scene. Each insisted that he was responsible for bringing the corporate officer to the facility. The argument that ensued resulted in Short connecting with a strong right hand that ended up with McGee having to pick himself up off the floor. By the end of the meeting, the staff agreed that the incident would be kept under wraps and not leaked to colleagues in other divisions or to Corporate Headquarters. Jim knew that he could have Short fired, or even arrested. However, because of his past friendship with Short and understanding the pressures they were all under, Jim decided to “sweep it under the carpet.” But, it was clear that irreparable damage had been done.

B-1m Thanks for Nothing

The FAA audit took place two weeks later and lasted for four days. Fortunately, all of Jim’s hard work paid off and the division passed with flying colors. The Engineering and Quality Department personnel were ecstatic. Although Short threw a plant-wide party for Jim to celebrate the effort and its success, after the party Faraday immediately called a meeting that included Jim, Parrish, Short and himself. Its purpose was not to apologize for being unduly critical of Jim or to congratulate him further but quite the opposite. He got right to the point:

Jim, we’d like you to know that we believe you obviously put too much effort into the audit preparation. Even though you got an “A” we needed only a “C.” The wasted effort could have been better applied to new product development.

Jim then reminded the group that the FAA inspector had given them the high grade because of the extensive effort for compliance on the part of “the facility.” Although the auditor was well aware of the quality problems inherited from the past owner, he agreed to limit his audit to the present and to base it the processes designed by Jim’s group, which ensured that quality standards would continue to be met in the years to come. Jim’s argument—that the audit would have failed had the facility not been able to show strong potential for continuous process improvement—fell on deaf ears.

B-1n Almost Accomplishing the Near Impossible

The six-month deadline for completion of the AutoFlow project arrived all too soon. Engineering had put in a Herculean effort and had completed the design, but the project was still in the qualification phase. What made the feat even more remarkable was that Engineering had accomplished the task with very little assistance from Marketing. Although Marketing was responsible for submitting to Engineering a preliminary product specification based on the customer’s needs, no such specification was ever provided. Because Jim and his group knew that any delay in the project would eventually be blamed on them, they created a specification and copied it to Marketing. When they received no feedback, they interpreted it as tacit approval to proceed. Six months later, irritated when Jim informed him that an additional 2–4 weeks

would be required to complete the project, Faraday scheduled a staff teleconference with Banter. During the conference he made it a point to say:

I would be selling the AutoFlow units now if I had had a completed design from Engineering, but as usual they're behind schedule.

After Jim had answered a few technical questions from Banter about the status of the project, the conference ended.

B-1o While the Cat's Away

Having not taken any time off during the 18 months he had been with the Division, Jim scheduled a 3-day vacation for his family. He looked forward to getting away from the stress; but because of the pressure to complete the AutoFlow project, he informed the staff at its next meeting that he was canceling his vacation in order to speed up completion of the project. Jim was surprised when Short said, "Don't be crazy. You need some quality time with your family. Go! You've earned it." Knowing how much his family was looking forward to time away, Jim was pleased that the staff appreciated his hard work and encouraged him to go.

When he returned, Jim was furious when he learned that during his absence the staff had called Banter and reiterated their lack of confidence in Jim's ability to manage and to complete the AutoFlow project. Faraday had also reaffirmed his belief that he could sell hundreds of the units as soon as they were qualified. He had told Banter that he had three customers with approved budgets waiting for this product and three more that were very interested and that he could easily have sold over a million dollars of the AutoFlow unit within the next six months if Jim had finished the design on time. Faraday had also convinced Banter to have the AutoFlow project reassigned to Short's unit.

During the next scheduled teleconference after Jim's return, Jim tried to change Banter's mind by pointing out that the AutoFlow was one of the most ambitious projects ever undertaken by the Division and that its completion was only two weeks away. However, Banter's decision—to remove the project from Jim's control—stood. Jim attempted to discuss the issue privately with Banter but was unable to contact him by phone or to arrange a meeting. Jim experienced deep feelings of anxiety, rejection, frustration, anger and . . . betrayal.

True to Jim's prediction, Short's unit was able to complete the project within two weeks and prototypes were submitted to FAA for approval. Initial units were fabricated for Marketing and sent to pre-selected airlines for performance verification and to generate sales for the new product line. Although still smoldering from losing the AutoFlow project, Jim was extremely proud of his engineering team. They had labored against all odds, working seven days a week for six and a half months, to develop this new product in record time. Field tests had proven that the units exceeded even the engineering team's expectations. Furthermore, the AutoFlow surpassed performance standards of their competitor's product and also sold for less. In spite of all this, Marketing had yet to secure a single contract for this new, superior product. With the year rapidly coming to a close, sales goals for the division appeared more and more out of reach.

B-1p Abandoned and Alone or Where Do I Go from Here?

Jim's thoughts returned to Banter. In the few hours since Banter's departure, many questions continued to weigh heavily on Jim:

Why is it that no one is willing to give me credit for my accomplishments here at Fuel Systems? The FAA would have shut us down had it not been for my efforts and persistence. Besides, I was able to accomplish these things with few resources and under adverse circumstances. Where did I fail? What could I have done differ-

ently? Was I wrong for not compromising my concerns for quality? Should I leave the division and return to Utah and my old job, or should I stay here and fight it out? What does the future hold should I choose to stay? While staying would carry risk, would not my leaving be viewed as an admission of my incompetence and reduce my chances for advancement within the corporation?

This last point was the toughest one for Jim to swallow.

B-2 AstroTech Fuel Systems—Part B

Although the manufacture of fuel systems was an area in which AstroTech lacked expertise, the product line was very profitable and much in demand in the airline industry. AstroTech's original strategy for acquiring Fuel Systems was to gain familiarity with manufacturing this line of products with an ultimate goal of acquiring the industry's major producer. Unknown to Fuel Systems employees, this new venture was to serve as a pilot study and training ground to assist in determining whether AstroTech should indeed enter this segment of the market. In addition, given that Fuel Systems was in essence an experimental unit and isolated from the rest of the company, should the corporation find that it was not in its best interests to compete in this market, the unit could be disposed of easily. The venture allowed AstroTech to test the waters with a modest investment.

In spite of the failure of the Fuel Systems division to ever show a profit, AstroTech believed in the long-term profit potential of this product line. It decided to purchase the industry's largest manufacturer of fuel systems, thereby making AstroTech the market's principal supplier. However, as AstroTech was in the process of putting together a buyout offer, the manufacturer was acquired by one of AstroTech's major competitors.

The strategists at corporate headquarters were then faced with deciding what should be done with the division and its employees.