

Chapter 13

Spain: The Case for Management

The largest furniture company in Spain is located in Barcelona. Delgado Mobiliario, a manufacturer of beautiful, fine furniture, has factories and furniture outlets throughout the country and also in Europe. It has been in business since the middle of the twentieth century, when Carlos Delgado opened a small store selling chairs and tables made of wood products. Under the leadership of Carlos, the company's annual sales rose to \$500 million. Carlos, who was president of Delgado for nearly 50 years, led the expansion of the company from 1 factory to 5, and from 1 store to 18. He was known for his discipline and focus on business goals. After his death in 2000, his son Juan Carlos became president, but he has had trouble following in the footsteps of his legendary father even though he has adopted the same management techniques his father used: strict control. Seen as a cost-conscious, demanding manager, Juan Carlos is not in a good mood these days.

For the past year, Delgado Mobiliario has been in a slump. Earnings are down, sales are sluggish, and productivity has decreased in the factories. Juan Carlos has been advised to divest the company of some of its weaker units and to close several of the furniture stores. While the company locations in northern Spain and the European Union are continuing to show some growth in sales and productivity, the stores in southern Spain are not doing well. Juan Carlos is particularly concerned about the drop in productivity. He has met with upper management to discuss the problems that seem to be increasing daily: employees who come to work late, leave early, or don't show up at all; low morale among the workers; and sloppy work habits that affect the quality of the final product. His concern has increased since he learned that the workers in a large Delgado factory in Seville have been organizing to form a union.

After graduating from the University of Barcelona with a major in business, Juan Carlos received an MBA from Harvard, and in the past few years, he has applied various management theories to his company with only limited success. He was somewhat impressed with Ken Blanchard's *The One-Minute Manager* and also liked Jim Collins's *Built to Last*, but when he experimented with these specific techniques at Delgado Mobiliario, none of them made much of a difference, as far as he could see. So he has continued with his father's traditional method of management, which involves close oversight of all executives, bureaucratic procedures, and a complicated process for decision-making.

However, Juan Carlos has earned a reputation for too much attention to detail and over exacting standards. These management methods have resulted in criticism from employees, who compare him unfavorably to his father. Until this past year, Juan Carlos brushed off the criticism since the company continued to grow and thrive. Now, given the worsening financial situation, Juan Carlos is looking for a different management style, something that will bring him closer to his employees and lead the company back to its former excellence.

Last week, Juan Carlos finished reading *Maverick* by Ricardo Semler, the owner of Semco, an innovative Brazilian company. Semler is a firm believer in a flexible management style, or what has been called “management without control.” Semler advises top executives to eliminate hierarchy and bureaucracy and to relinquish their tight control because this encourages employees to act in their best interests and in the best interests of their organizations. After thinking about the ideas in *Maverick*, Juan Carlos decided that Semler might have the answer to his company’s problems and that he should implement several of Semler’s techniques. While somewhat radical, these methods had resulted in tremendous growth, development, and creativity at Semco, which Juan Carlos wanted to replicate at Delgado.

“If Semco employees can be this productive, so can our people. I intend to use Ricardo Semler’s organization as a model for us,” Juan Carlos told his upper management when he met with them to announce his plans to remake the company.

The next week Juan Carlos sent a memo to all employees of Delgado Mobiliario, explaining that the company was being reorganized and new policies would go into effect immediately. These changes included fewer levels of management; employee input into decision making; flexible work hours; no assigned offices or desks; and no dress codes. Not only employees in sales and marketing but also factory workers would be affected by these policies.

Reaction from employees was mixed, with some welcoming the major changes and others expressing doubt that the company would function well without its previous policies and guidelines. But Juan Carlos asked for cooperation in this attempt to establish more openness and flexibility at Delgado. He stressed that he had faith in all the members of Delgado Mobiliario and that he expected to see wide-ranging improvements as a result of his new management approach. “I appreciate your dedication to this company and your willingness to adapt to these changes in policy and procedure, which are for the betterment of the organization,” he told the employees at a general meeting held at the Barcelona headquarters.

After six months of his revised management style, Juan Carlos was in despair, and the company was in a state of chaos. Delgado Mobiliario had continued on its downward trend, to the point that sales in the last two quarters were the lowest they had been in 10 years, and production at the factories had also markedly decreased, along with employee morale. Quarterly earnings were down by 2.7 percent, and many longtime employees had quit. Juan Carlos was considering resigning. How naive he had been to think that “management without control” would work at Delgado. His lack of vision and his inconsistent management had almost destroyed the great company his father had built, and if he could undo his mistakes, he would in a minute. But it might be too late. His Harvard MBA had not prepared him for this situation.

Discussion

1. What type of manager was Carlos Delgado, the founder of Delgado Mobiliario?
2. What management techniques does Ricardo Semler recommend in *Maverick*?
3. What led Juan Carlos to reorganize Delgado Mobiliario so radically?
4. How did the new policies and procedures affect Delgado Mobiliario?
5. What kind of manager is Juan Carlos?
6. What alternatives does Juan Carlos have as the company president?
7. What would you do if you were Juan Carlos?

Case Study Report

I. Statement of the problem

A. Definition

B. Analysis

II. Suggestions of possible solutions

A.

B.

C.

D.

III. Evaluation of possible solutions

A. Advantages

B. Disadvantages

IV. Selection of a solution

A. Choice

B. Justification