

SÄBU HOLZBAU GMBH: FROM A LEADERSHIP CRISIS TO QUALITATIVE GROWTH (B)

Dietmar Sternad wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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Leadership means setting an example, being clear, placing trust in people, and providing them with space for development.

Christine Machacek, Managing Director, SÄBU Holzbau GmbH

The people and the organizational structure in which they work are the main determinants of quality.

Friedrich Nagel, Authorized Officer, SÄBU Holzbau GmbH

THE RELAUNCH

Christine Machacek, managing director of SÄBU Holzbau GmbH (SÄBU), clearly understood that her company faced a leadership crisis. In a time of adversity within the company, Machacek overcame her skepticism about management consultants and hired a team to help her make fundamental changes in how the company was being managed. Machacek noted, “I was incredibly lucky to find consultants who were different—who thought holistically and considered the human factor.”

The team of consultants that Machacek chose at the end of 2013 were—according to their own definition—specialized in “sensitive change.”¹ They first focused on the company’s management team. Above all, they tried to clarify the distribution of roles and the communication processes between Machacek and SÄBU’s authorized officer, Friedrich Nagel.

Machacek noted that “a fish rots from the head downward. If we do not have a values-oriented understanding of leadership, we will not be successful—regardless of what we do with our products.” She realized that although she had an important decision-making function as a shareholder, Machacek needed to play this role only three or four times a year. In the meantime, she could fully focus on her other roles as human resources director, head of marketing, commercial director, and head of support functions, while Nagel would take the operative lead of the company and manage both sales and research and development (R&D). “As shareholder, [Machacek] does, of course, have the highest role,” said Nagel, “but in-between—in another role—the relationship can also be turned upside down.”

¹ Die UnternehmensBeatmer, “Veränderungsprozesse sind komplex ...,” Die UnternehmensBeatmer, accessed May 25, 2018, <https://die-unternehmensbeatmer.de/einfuhrsam-wandeln/>.

In a further step, the consulting team helped to establish clear organizational structures and communication processes for an extended management team of seven people. Responsibilities and authorities were clearly defined in an organization chart. Most importantly, responsibility and authority were also transferred from the top management to other people in the organization. “This led to a huge leap forward,” said Christian Satzger, SÄBU’s production manager. “Everyone could move about more freely within a certain scope—with a credit of trust, combined with a reassuring ‘You can do that.’”

This shift was valid for managers and for all employees in the company. “They did not only have the opportunity but also the clear task to design their own workplaces to a great extent,” explained Satzger. For example, every employee was allowed to arrange his or her own workstation in a newly built production hall, which resulted in a much higher degree of efficiency.

With the transfer of responsibility, people in the company also began to show more willingness to be accountable. For example, when a wall element was finished in the plant, the responsible employee confirmed with his or her signature, “I have produced this wall and everything is in order.” As a consequence, production faults could be reduced to an absolute minimum.

COMMON VALUES

All employees of SÄBU were invited to a further workshop with the management consultants. The purpose of this workshop was to develop a set of company values that everyone could identify with. The consultants started with a catalogue of a few dozen values, but the workshop participants were also allowed to forward their own suggestions.

In the next step, all employees could allocate a certain number of points to those values that they most strongly identified with. By a process of eliminating those values with the lowest scores, everyone agreed on twelve values, one for each month. These values described how people wanted to interact with each other within the company and how they wanted the company to interact with its partners, customers, and subcontractors (see Exhibit 1). The in-house joinery team spontaneously offered to produce a wooden values tree that presented the values in an intuitively accessible way (see Exhibit 2).

The management team also recognized that autonomous and self-responsible work would only be possible if everyone—managers and employees alike—met each other on an equal footing. After 15 years of addressing each other very formally with the German pronoun *Sie*, Machacek and Nagel tried to change to the informal pronoun *du*. They also extended the offer to all other SÄBU employees during the following Christmas party to be on a first name basis in order to reduce the hierarchical distance between the management team and the rest of the employees. “Everyone was completely surprised because we originally came from a very stiff corner,” remembered Nagel. “Today, however, it is completely normal that every apprentice is using the informal form of addressing the owner.” Machacek was convinced that this move contributed to a considerable increase of trust within the whole company.

LEADERSHIP QUALITY

The changes in the leadership and organizational culture were soon bearing fruit. Machacek and Nagel both emphasized their excellent co-operation with each other. The management team continued to hold workshops that were organized by the consultants twice per year. SÄBU production manager Satzger highlighted “the very fruitful interplay between a highly gifted engineer and an extremely empathetic and attentive managing director.” He also compared the SÄBU team to a big family.

The whole new organization was characterized by a strong team orientation. For example, every Friday, the production team held a meeting in which all important developments and problems were discussed, always focused on the question “What can we do to improve together?” One item was also regularly on the agenda of these meetings: every week, one team member would make a statement that was linked to one of SÄBU’s core values. For example, to remind the whole team of the value of gratitude, one team member would say “thank you” to a colleague for a particular thing that the colleague had done.

The management team also considered a positive feedback culture as critical for the company. “It is all about praise and encouragement rather than yelling at others,” explained one member of the senior management team. “Whenever there is any issue, it is openly discussed. Openness and respect are important values for us, and we also bring these values to life.” Employees were also openly informed about the organization’s goals, as Machacek pointed out: “Friedrich Nagel and I noticed that when we are transparent as leaders, when we tell them what is on our mind and explain what we want to achieve, we get commitment in return.”²

FOCUS ON QUALITATIVE GROWTH

In addition to changing the leadership culture, SÄBU’s top management team came to an agreement on the strategic direction that they wanted the company to follow. “For me, growth was always quantitative growth,” said Machacek. “And this is where I—as someone who shuns risks—was always quite cautious, very much unlike Friedrich Nagel. But at one point in time, we both began to understand that we could also grow qualitatively. And it was really interesting to see that qualitative growth automatically triggered quantitative growth.”

The high-quality standards that the company and its management set for themselves were also added as a tag line to the new company logo: “SÄBU—Construction systems in perfection.” That did not only mean that SÄBU was trying to offer solutions for the customers’ construction tasks at the highest possible level of quality; it also meant that SÄBU would adhere to schedules and agreed budgets. SÄBU’s management team was also strongly focused on developing and maintaining trusting and fair relationships with customers, suppliers, subcontractors, and employees.

“We offer premium construction services in an interplay of construction management, engineering, and craftsmanship,” said Nagel. “We do not want to become the largest player—there are others who can do this—but we always want to secure the best projects in a certain market segment.” Machacek added, “We never make any promises that we cannot hold.” In the rare case that something went wrong, SÄBU’s management would make sure that the problem was immediately resolved to the entire satisfaction of the customer.

The management team also saw well-functioning communication structures as a major precondition for reaching its high-quality standards. For example, every fortnight, project teams conducted meetings in which the current project status was discussed. The team members distributed tasks among themselves, considered possible risks, analyzed the quality of co-operation with subcontractors, and tried to find potential for improvement. The plan for the following two weeks was also agreed upon in these meetings. The division of work—for example, who would be responsible for which assembling tasks—was autonomously decided by the team, without any need to include senior managers in the decision-making process (as had been the norm before the organizational changes).

² Die UnternehmensBeatmer, “Aufatmen-Geschichten,” p.4, accessed March 25, 2019, e-book downloaded from <https://die-unternehmensbeatmer.de/erfolge-feiern/>.