Case Study Analysis: Case Study of Engstrom Auto Mirror Plant and Workplace

Crystal Gonzalez (Barrand)

Southern New Hampshire University

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Dr. Katherine Hyatt

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Introduction of Case Study Analysis: Organizational Issues

Overview

The Engstrom Auto Mirror Plant is facing several critical organizational issues. There is a significant decline in productivity, which has created expensive delays, such as the need for air-freight products to meet critical deadlines. For instance, the Engstrom Auto Mirror Plant was forced to airfreight a large, time-sensitive order to a key customer, Toyota, to compensate for production delays resulting from declining productivity. Normally, such orders would be shipped by ground at a lower cost, but the urgency of meeting Toyota's expectations left the plant with no choice but to use the more expensive airfreight option. This situation shows the severity of the productivity decline, as the plant was unable to meet its original deadline— a job that was scheduled to be completed by Monday was not finished until Thursday. As a result, the plant incurred substantial additional costs, not only from the airfreight expenses but also from disrupted production schedules, overtime wages, and the potential risk of damaging the plant's relationship with an important client like Toyota. These delays and inefficiencies underscored deeper operational issues within the plant, making it increasingly difficult to maintain profitability while also straining customer trust. Secondly, employee morale has decreased due to the absence of bonuses from the Scanlon Plan. “When the bonuses stopped, the workers responded with anger and suspicion, as if something that rightfully belonged to them had been taken away.” (Collins, 2018). There were significant issues with communication and trust between management and the employees at Engstrom Auto Mirror Plant, which contributed to growing tension and dissatisfaction. Employees became increasingly suspicious of the bonus system, particularly regarding how their performance bonuses were calculated under the Scanlon Plan. Many believed that management was deliberately manipulating the figures, either to minimize their payouts or to avoid paying bonuses altogether. This suspicion stemmed from a lack of transparency in how the calculations were presented, coupled with poor communication from management about the criteria used for determining bonuses. As a result, employees felt disconnected from the decision-making process, leading to perceptions of unfairness, and creating an atmosphere of mistrust. The lack of open, honest communication from leadership exacerbated these issues, as employees began to view management's actions with skepticism and even resentment, which negatively impacted overall plant performance.

Finally, the plant is struggling with cultural resistance to change. Although the Scanlon Plan initially brought positive changes, over time, enthusiasm waned, and dissatisfaction grew, particularly as economic conditions worsened, and the fairness of the plan was questioned.

Model

The dominant model of organizational behavior at Engstrom Auto Mirror Plant is the Human Relations Model. “This model emphasizes the importance of interpersonal relationships, communication, and employee satisfaction.” (Mayo, 1933). Plant manager Ron Bent’s approach to carry out the Scanlon Plan, which focuses on participative management and employee involvement, is a clear guide of this model. For instance, Bent began monthly communication meetings sharing previous months results, and employees were encouraged to ask questions and express their concerns. This open communication helps build a cooperative environment and improve worker morale initially. Additionally, the creation of production committees where employees could submit suggestions and be involved in decision-making further shows the Human Relations Model's influence on Bent’s management style.

Human Behavior Theory

A relevant human behavior theory for the root cause is Herzberg's Two-Factor Theory. “This theory distinguishes between hygiene factors, which prevent dissatisfaction, and motivators, which create satisfaction.” (Herzberg, Mausner, & Snyderman, 1959). In this case, the Scanlon Plan initially began being served as a motivator by providing financial bonuses based on productivity improvements. However, when these bonuses stopped, it led to dissatisfaction with the employees. The issues with the transparency of the bonus calculation were perceived as unfair and can be categorized as hygiene factors that contributed to the decline in morale. Herzberg’s theory helps to explain why the absence of these motivators, combined with poor hygiene factors, led to the current organizational challenges at Engstrom. Finaly, the plant is struggling with cultural resistance to change.

Case Study: Root Analysis and Soultions Development

Root Causes

The Engstrom Auto Mirror Plant encountered several critical challenges that severely impacted its operations. First, there was a noticeable decline in productivity, with output levels dropping below industry standards, which put pressure on meeting customer demand and maintaining profitability. Second, the plant experienced ongoing quality control issues, leading to an increase in defective products, returns, and customer dissatisfaction. Finally, employee morale significantly deteriorated due to factors such as a lack of motivation, perceived unfairness in the reward system, and strained relationships between management and workers. These issues created a toxic work environment, contributing to absenteeism, low engagement, and high turnover rates, further exacerbating operational inefficiencies. The primary root causes of these issues are poor incentive structures and poor employee engagement. Initially, the Scanlon Plan successfully improved morale and productivity by linking bonuses to productivity gains and improving a sense of teamwork. However, as economic conditions worsened and productivity declined, the bonuses ceased, leading to employee dissatisfaction and mistrust. Many organizations mistakenly focus on symptoms rather than addressing the root causes of their problems, resulting in ineffective solutions. At Engstrom, the plan's inconsistency with the current economic downturn has caused employees to feel demotivated and distrustful of management, particularly due to the lack of transparency in bonus calculations and the frequent changes to the plan's base ratio. The Scanlon Plan at Engstrom Auto Mirror Plant was initially successful in motivating employees by linking their bonuses directly to productivity improvements. However, when the bonuses ceased due to declining productivity and economic issues, employees became demotivated and disillusioned with the incentive plan. This issue is a classic example of how superficial motivation (e.g., financial bonuses) can lose its effectiveness over time, especially when employees come to expect these rewards as part of their regular compensation. According to Deci, Koestner, and Ryan (1999), extrinsic rewards can wear away natural motivation when individuals perceive that their behavior is being controlled externally. The decline in bonuses at Engstrom led to a reduction in employee motivation and engagement, as workers felt that the financial incentives, they relied on were no longer reliable or fair. Another root cause of the issues at Engstrom is the lack of trust between management and employees. As productivity declined and bonuses became less frequent, employees began to suspect that management was manipulating the bonus calculations.

Research by Dirks and Ferrin (2001) writes down that trust in leadership is a crucial factor in employee engagement and organizational performance. When employees do not trust their leaders, they are less likely to be committed to organizational goals and more likely to show counterproductive behaviors. At Engstrom, the lack of transparency and communication led to a breakdown in trust, contributing to a decline in morale and increased suspicion among employees. The feeling of unfairness in the bonus distribution was another significant factor contributing to the organizational issues at Engstrom. Employees felt that the bonus plan was unfair, particularly when they perceived that supervisors were receiving bonuses despite not working as hard as the line workers.

Solutions

Introducing a hybrid incentive model that combines both individual and team-based rewards, incorporating elements that promote natural motivation, such as recognition programs and opportunities for professional development. This should include performance-based bonuses linked to both team and individual achievements and non-monetary rewards that recognize effort and innovation. The new incentive structure should be more adaptable to economic fluctuations, ensuring that employees still receive some form of recognition even when financial performance does not support substantial bonuses. Enhancing motivation by emphasizing autonomy, competence, and relatedness improves job satisfaction and employee performance. Autonomy, or giving employees the freedom to make decisions and take ownership of their tasks, allows them to feel a greater sense of control over their work. This empowerment not only increases motivation but also encourages creativity, innovation, and problem-solving, as workers feel trusted to execute tasks in their own way.

Competence refers to employees’ desire to develop and apply their skills effectively. When employees are given opportunities to demonstrate and enhance their abilities through challenging tasks, training, and constructive feedback, they feel more capable and confident in their roles. This sense of mastery directly influences job satisfaction, as employees experience a sense of accomplishment and progress in their professional development.

Relatedness, the feeling of connection and belonging in the workplace, strengthens motivation by creating a supportive and collaborative work environment. When employees feel respected, valued, and part of a cohesive team, their emotional commitment to the organization increases. This sense of belonging boosts morale and enhances cooperation, leading to improved performance at both individual and team levels.

By addressing these three psychological needs - autonomy, competence, and relatedness-organizations can create an environment that nurtures intrinsic motivation. This, in turn, enhances employees’ engagement, commitment, and overall job satisfaction, leading to higher levels of productivity, reduced turnover, and better organizational performance. By providing opportunities for recognition and personal growth, Engstrom can create a more motivating environment.

Additionally, research by Eisenberger and Cameron (1996) suggests that combining extrinsic rewards with intrinsic motivators can lessen the effect of extrinsic rewards on intrinsic Dirk motivation. A hybrid model would ensure employees feel valued both monetarily and non-monetarily, keeping high morale and productivity.

Developing a complete communication strategy that includes regular, transparent updates on the company’s financial health, bonus calculations, and changes to the Scanlon Plan or any incentive structures. Implement monthly meetings where management explains financial performance and how it affects bonuses, ensuring that employees understand the process and feel included in decision-making. By setting up a feedback loop where employees can voice their concerns and suggestions, which management addresses promptly to show responsiveness and build trust. Dirks and Ferrin (2001) explained that transparent communication from leaders fosters trust and improves employee commitment. Ensuring open communication about the bonus plan's details and financial metrics would mitigate mistrust and speculation. There is a need to introduce a peer recognition program where employees can nominate colleagues for awards based on effort, collaboration, and innovation, reinforcing a culture of fairness and equity.

Strategic Actions

Developing a complete change management plan is essential for addressing key organizational challenges such as revising the incentive structure, improving communication, and rebuilding trust. This plan must be structured with detailed steps to ensure smooth execution and alignment with the company's strategic objectives. A well-organized plan should include clearly defined timelines for each phase, assignment of specific responsibilities to accountable stakeholders, and the establishment of key performance indicators (KPIs) to measure success. Each component of the change management plan must be carefully designed to create transparency, engagement, and long-term improvements across all levels of the organization.

The first step in the plan is to assess the existing incentive system to identify its shortcomings and the reasons behind employee dissatisfaction. This involves conducting surveys and focus groups with employees to gather feedback on their perceptions of fairness, transparency, and effectiveness of the current incentive structure. Once the assessment is complete, the management team should collaborate with HR and a cross-functional employee task force to redesign the incentive program. The revised structure should focus on clear and measurable criteria for bonuses, align incentives with company performance, and ensure that all employees understand how their efforts directly contribute to rewards.

This redesign phase should be followed by a pilot program, in which the new incentive system is tested with a select group of employees to gather real-world feedback before full implementation. A phased rollout allows for fine-tuning based on the results of the pilot and ensures a smoother transition. Throughout this process, timelines should be established for each step such as a 2-month evaluation period, a 1-month pilot, and full implementation over 3 months while assigning key personnel such as HR for program design, management for oversight, and employee representatives for feedback.

Parallel to revising the incentive structure, the change management plan should address communication issues by conducting a total communication audit. This audit will identify gaps, inefficiencies, and areas where employee concerns have not been adequately addressed. Based on the findings, the organization can develop a communication strategy for transparency and building stronger relationships between employees and leadership. The plan should include regular updates, open forums for discussion, and feedback loops where employees feel heard and valued.

Leadership training is also a critical element of improving communication. Managers and executives should be trained in effective communication practices, such as active listening, emotional intelligence, and providing clear, consistent messaging. To rebuild trust, leadership must be seen as more approachable and willing to engage with employee concerns openly and honestly. Trust can further be enhanced by establishing accountability systems where leaders follow through on promises and demonstrate that employee feedback directly influences organizational decisions. Success metrics for this initiative could include employee satisfaction surveys, trust scores, and improved engagement levels measured over the next 6-12 months. Engstrom should set up a change management team composed of representatives from various levels of the organization to ensure diverse perspectives and buy-in.

The plan should incorporate Kotter's 8-Step Change Model, which emphasizes creating a sense of urgency, forming a guiding coalition, developing an unclouded vision and strategy, and generating short-term wins (Kotter, 1996). Kotter's 8-Step Change Model provides a structured approach to managing change by addressing both the rational and emotional aspects of change. By creating a sense of urgency and developing a guiding partnership, Engstrom can mobilize employees around the need for change, reducing resistance and increasing commitment to the new incentive structure and organizational goals.

Establish regular communication channels, such as monthly town hall meetings and weekly updates, to keep employees informed about organizational changes, performance metrics, and bonus calculations. Use multiple platforms (e.g., emails, intranet, face-to-face meetings) to ensure all employees receive consistent and clear messages. Introduce a transparent feedback mechanism where employees can ask questions, express concerns, and provide suggestions. Management should respond promptly to these inputs to demonstrate responsiveness and foster a culture of openness.

Engage employees in the change process by involving them in decision-making and problem-solving activities related to the revised incentive structure and other organizational changes. Create cross-functional teams to develop and implement improvement initiatives, ensuring that employees at all levels have a voice in the process. By giving employees, a voice in the change process, Engstrom can reduce resistance and encourage a more collaborative and proactive workforce.

Description, Understanding, Prediction, and Control

Organizations operate as open systems, meaning they are constantly interacting with and influenced by their external environments, including market conditions, technological advancements, regulatory changes, and socio-economic factors. This continuous interaction requires organizations to be agile and responsive, adapting to both internal pressures such as employee needs, organizational culture shifts, and operational challenges, as well as external forces like competition, customer preferences, and economic fluctuations. To remain competitive and sustainable, organizations must engage in ongoing environmental scanning, stakeholder communication, and strategic planning. By doing so, they can anticipate changes, proactively adjust their strategies, and optimize internal processes to ensure alignment with external demands. Additionally, the flow of information, resources, and feedback between the organization and its environment must be managed effectively to support innovation, resilience, and long-term success. This dynamic approach ensures that organizations do not become stagnant and can evolve with the shifting landscape in which they operate. Within this framework, the concepts of description, understanding, prediction, and control are vital for effective management and strategic planning. Description involves accurately capturing the current state of the organization, including its internal processes, resources, and external influences. This foundational step is crucial because it provides a comprehensive overview of the organization's functioning, helping to identify areas that need improvement or optimization. For instance, by thoroughly describing workflow inefficiencies or employee morale issues, management can pinpoint specific problems that require attention, laying the groundwork for further analysis and action.

Understanding is the next critical step, as it goes beyond merely describing the organization's state to interpreting the underlying relationships and dynamics at play. It involves analyzing how various elements within the organization interact and how these interactions are influenced by external factors such as market trends, economic conditions, and regulatory changes. This deep level of insight is important for diagnosing root causes rather than just addressing symptoms. For example, at Engstrom Auto Mirror Plant, understanding why productivity has declined or why morale is low requires a thorough analysis of the impacts of incentive structures, economic downturns, and communication practices. By gaining a full organizations operate as open systems, meaning they are constantly interacting with and influenced by their external environments, including market conditions, technological advancements, regulatory changes, and socio-economic factors. This continuous interaction requires organizations to be agile and responsive, adapting to both internal pressures such as employee needs, organizational culture shifts, and operational challenges, as well as external forces like competition, customer preferences, and economic fluctuations. To remain competitive and sustainable, organizations must engage in ongoing environmental scanning, stakeholder communication, and strategic planning. By doing so, they can anticipate changes, proactively adjust their strategies, and optimize internal processes to ensure alignment with external demands. Additionally, the flow of information, resources, and feedback between the organization and its environment must be managed effectively to support innovation, resilience, and long-term success. This dynamic approach ensures that organizations do not become stagnant and can evolve with the shifting landscape in which they operate. understanding of these factors, organizations can develop more effective strategies to address the challenges and capitalize on opportunities.

Prediction and control are integral to managing an organization as an open system. Prediction involves forecasting future events or behaviors based on current trends and understanding cause-and-effect relationships. This capability is crucial for proactive management, enabling organizations to expect potential challenges and prepare accordingly. For example, predicting the impact of an economic downturn on sales and employee engagement can help management develop contingency plans to maintain productivity and morale.

Meanwhile, control refers to the mechanisms that organizations use to regulate activities and ensure alignment with strategic goals. Effective control allows for prompt corrections when deviations occur, supporting organizational stability and performance. Together, prediction and control ensure that organizations can adapt to changing environments, respond to external pressures, and achieve sustained success by continuously checking and adjusting their strategies.

Workplace: Root Cause Analysis and Solutions Development

Workplace: Overview

In my current workplace, a marketing firm where I serve as an SEO specialist, several organizational issues have surfaced, echoing the problems seen at the Engstrom Auto Mirror Plant. One issue is the decrease in employee morale and motivation due to inconsistent reward systems. Much like the Engstrom plant's struggle with the Scanlon Plan, our firm's incentive program often fails to match with actual performance metrics. Bonuses are promised based on campaign successes, but when goals are not met, the lack of clarity around why bonuses are withheld causes frustration and withdrawal.

An issue relates to communication gaps within the team. Project goals, client expectations, and performance metrics are often not communicated correctly, leading to confusion, and missed deadlines. This is like the communication and trust issues that plagued Engstrom, where employees were skeptical of bonus calculations and felt management was not transparent. Even more, there's resistance to adopting the new SEO strategies or tools, which mimic Engstrom's cultural resistance to change after the initial enthusiasm for the Scanlon Plan waned.

Workplace: Root Causes

The root causes of these organizational issues are internal and can be analyzed through the lens of human behavior theories. The lack of clear communication and motivation within the firm stems from an absence of transparency and engagement, like the problems highlighted in the Engstrom case study. Herzberg's Two-Factor Theory (Herzberg, Mausner, & Snyderman, 1959) helps explain the unhappy employees. While the firm initially provides motivators like bonuses, the inconsistency in their delivery makes these rewards a source of demotivation rather than satisfaction. The unclear criteria for bonuses act as poor hygiene factors, leading to feelings of unfairness and mistrust.

The communication breakdowns can be attributed to the absence of participative management, which is emphasized in the Human Relations Model (Mayo, 1933). Employees are not sufficiently involved in decision-making or in setting campaign goals, creating a sense of disconnection. The lack of a structured feedback process also hurts open communication, resulting in misunderstandings and resistance to change.

Workplace: Solutions

To directly address these issues, a multifaceted solution is required. Introducing a more structured incentive system that combines both extrinsic and intrinsic motivators would be beneficial. As suggested by research from Deci, Koestner, and Ryan (1999), the firm could implement a hybrid incentive model where employees receive recognition for individual achievements (intrinsic motivators) alongside monetary bonuses for team performance (extrinsic motivators). This approach rewards high performers but also creates a sense of teamwork and shared success.

Additionally, improving communication through regular, transparent updates is important. Management should set up monthly meetings where financial performance and bonus stipulations are openly discussed, like the ones proposed for Engstrom. Creating a feedback loop in which employees can voice concerns and suggestions will enhance trust and engagement, mirroring Dirks and Ferrin's (2001) findings on the importance of trust in organizational performance.

Workplace: Strategic Actions

The recommended strategic actions involve a detailed change management plan to rebuild trust and improve communication within the organization. Using Kotter's 8-Step Change Model (Kotter, 1996) as a guide, the first step would be to create a sense of urgency around the need for change, by presenting data on missed deadlines and declining morale. A coalition of employees and managers should be formed to lead the change, ensuring diverse perspectives are included in the process.

Next, setting a clear vision for a new incentive structure and communication strategy must be developed. This strategy should partake in transparency, regular feedback, and the inclusion of employee input in decision-making. Monthly town hall meetings and weekly updates on campaign performance will keep employees informed and engaged. Multiple platforms, such as emails, internal dashboards, and face-to-face meetings, should be used to ensure consistency in messaging. Additionally, starting a peer recognition program can help reinforce a culture of fairness and collaboration.

Workplace: Impact

If human behavior theories and concepts are poorly aligned and administered, the organization risks to continue to decline in productivity, employee satisfaction, and client outcomes. For instance, if the firm continues to offer inconsistent bonuses without transparent communication, it could lead to even greater employee mistrust and disengagement, like the issues faced at Engstrom. Poorly managed change initiatives can increase resistance and undermine morale, making it difficult to retain talent and meet client expectations.

Properly aligning incentives with performance, enhancing communication, and involving employees in decision-making can create a motivated, collaborative work environment. By applying Kotter’s model to guide the change process, the firm can proactively address resistance and create an organizational culture that will support both individual growth and team success.

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