

Karlstads universitet 651 88 Karlstad

Tfn 054-700 10 00 Fax 054-700 14 60

Information@kau.se www.kau.se

Chattanooga case study

*Seminar 1*

**Industrial Marketing and Organization:**

**Competence and leadership**

Prepared by:

Antoine Bernard

Stéphanie Bertin

Virginie Millet

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Supervisor: Markus Fellesson

Examiner: Markus Fellesson

*About the company*

Chattanooga Ice Cream Division is one of the three branches of Chattanooga Food Corporation, a family business founded in 1936, it represents a quarter of the group activity. Settled in the South East of America, Chattanooga Ice Cream is one of the largest regional manufacturers of mid-priced basic ice creams which deliver its products to the local supermarket.

For the last five years, even if the consumption of ice creams per capita seems to be quite stable, the demand moves toward higher quality products. Customers are enticed by new flavors and textures; the demand is more diversified. Besides, the division has to face the arrival on the market of new luxury brands such as Haagen-Dazs which offers the kind of products expected by customers.

Thereby, to remain competitive, Chattanooga Ice Cream has to manage with this new moving environment even if it is not easy. Indeed, the firm is a traditional company producing for over sixty years, basic ice creams in a well organized production line which had remained quite unchanged since the beginning.

The scene takes place in 1995 when the firm has already entered a difficult phase of adaptation. The changes began two years ago with the departure of three of seven members of the top management. The new headmaster of the division, Charles Moore, has replaced a 50-year veteran of Chattanooga. His predecessor was a strong leader, making decisions on his own and dealing easily with his customers’ network. Charles Moore’s working habits are far from that, he is less confident, prefers a participative management approach and has no network over ice creams market. He needs to prove himself before his employees could trust him the same way his predecessor was.

Besides, for the last few years, the firm is trying to adapt to its changing environment. Some new lines have been opened, new products such as frozen yogurt have been launched, new measures have been implemented in order to improve the productivity and the division was forced to close its original manufacturing plant in order to reinforce two others. Because of all these changes, the employees are no longer trustful in the company’s policy; they need to be reassured with a stabilization of the situation.

The scene takes place right after the announcement that one of the largest customers of the firm, Stay&Shop, will no longer deal with it. They decided to replace them by Sealtest lines which seem to be more present and competitive on the market. Here is a report of the crisis meeting which gathered the managers from all the departments of the firm. They try to find out the best way to thwart this lost.

In this present paper we will analyze this case from the perspectives of the machine and organism metaphors. Then we will build reflections about the solutions proposed and our proper ones.

*A look at the organization according to metaphors*

Now, let’s have a look on Chattanooga Ice Cream Division organization according to machine metaphor. Chattanooga was founded in 1936 therefore it’s an old food manufacturing company, that’s why the machine metaphor seems to be the most adapted.

First of all, the goal of the organization! In fact there is no point in founding a company without any goal! According to the machine metaphor an organization is a coordinated collective of actors working towards a common, pre-defined end. Chattanooga Ice Cream is precisely a company, gathering many employees – from the division’s president to the factory worker – with a hierarchy and a common goal: earn money. Here the machine is the whole process used to supply, produce and deliver ice cream at the right time and in the right place. Concerning the hierarchy, we can see that Chattanooga uses a classical functional organization, with one leader for each department. Moreover, during the debate we can see that there are no links between these departments; every manager only considers the problem with his “box” view instead of an overall view of the enterprise. For instance, the launch of frozen yogurts failed because Donaldson and Walkins disagreed on the strategy to settle.

Few years ago this organization was a strength because there was no competition, the demand was high and the flavor range wasn’t too wide so the production was easier; therefore thanks to this stable environment the traditional machine organization allowed the company to make high profits. On top of that, once the former general manager made a choice, and implemented it, everything worked by itself, the mechanism was well oiled.

Unfortunately, with the decreasing of the regular ice cream consumption, the competition growth, the appearance of new products (frozen yogurt, water ices, ice milk, mix-in flavors…) and the departure of former managers, Chattanooga environment was destabilized and machine organization no longer worked so well. On top of that, the machine organization suffers from managers removing responsibilities and compartmentalization. For instance, during the debate each department head shifts the responsibility onto the other “boxes” and no-one tries to find a common agreement which could be good for the whole organization.

Finally, even if the loss of an important customer will impact all employees the debate only takes place between heads and they think about freezing salaries for a year, and cutting expenses by reducing retiree’s pension and healthcare insurance. These suggestions raise the problem of dehumanization in the company.

Now let’s move onto organism metaphor. Chattanooga Ice Cream division is far from being an organization as an organism! Indeed, during the crisis meeting the top management brought up some problems that show that the company has never taken its environment into account. For example, sales manager explains that their customers are often out of stock, and that the company wasn’t aware of the fact that competitors had aggressive marketing strategies. Besides, the human factor is forgotten during the debate, relationships between managers are difficult; except for Frank O’Brian, they don’t take into account the impact of the crisis over the employees. As in an organic organization each one wants to survive, but they don’t really understand that they have to survive as a system and not as several departments: there is no unity between managers.

Finally, we understand that the division organization had not changed for many years; it’s not an ongoing process, only a structure. When Chattanooga Ice Cream was born the demand was higher than the offer. Therefore, the company could afford to only have a machine organization which aimed at producing in high quantity without thinking about the environment of the machine. They can make profit: Price = Production Costs + Raw material costs + Profit. But now with the decreasing demand and increasing competition, prices are set by the market ant the machine no longer makes profit: Profit = Price - Production Costs - Raw material costs . That’s why Chattanooga Ice Cream has to find solutions to move from a machine organization toward an organic organization.

*What about solutions?*

We have seen that the main problem considered during this meeting is the volume lost with the Stay & Shop’s leaving. Moreover, with the fact that the news becomes public, other customers may reconsider their contracts. This issue can be illustrated according to the organic metaphor as a sudden lack of food for an animal. Then, the managers think about different ideas to face the problem. We can notice that most of these solutions match well with the movement toward an organism organization.

From the mechanic metaphor, it appears that the company has to unify its staff and to finalize most rapidly the I.S. implementation. That is not too difficult for this mechanical related company, but it can be very helpful, as if we oil and maintain the gearwheels of a motor.

Now let’s move on the first organic solution proposed: replace the missing resources by finding other customers such as one in Florida. This solution appears to be efficient in a long term, and easy to implement because it doesn’t change the company’s structure. But it’s very difficult, expensive, and may take a long time to reach new customers. Will this organism survive until it finds these other foods? We can guess that it will require a huge effort.

For an animal, another solution to face a lack of supply is to reduce its needs. For example, a marmot can hibernate during the winter, until the spring comes up with new food and warm weather. Stephanie Krane suggests reducing expenses from 3% by freezing salaries for a year or eliminating cost of living in retire pensions and healthcare insurance. This reduces obviously will help the company to get out of these hard times.

However, a hibernating animal has to be healthy before its long sleep otherwise it may die because of starvation. Our company is already hurt by the recent consolidation. Could the Work Force handle this lost? As employees own 15% of the company, they will be more motivated to face this problem. But if we look at the Abraham Maslow’s hierarchy of needs, we can notice that this cut of revenue could be felt as an attack to their safety and physiological needs. To jeopardize the Work Force can leads to demotivation and angry.

In order to handle changes, the last solution for an organism would be to evolve. A microbe can face many issues just changing its structure or developing new abilities. In effect, it is possible to invest to adapt the situation. First, according to the managers, the company should invest in expending the product lines; adding some excitements and half a dozen of new mixes and a new five-gallon bulk. Despite the high price of the investment, these measures could convince new customers, such as the scoop shops, to choose the Chattanooga Ice Cream Division. Secondly, in order to bring forth to new potential customers, why not invest in new products, such as a no-fat ice cream. However, that evolution is really expensive, and will certainly take a long time. It may be too hard and risky to implement, for this company which is already overwhelmed by too many changes ad not well structured.

A cheaper alternative would be to cut a product, for example chocolate chip’s ice, to reduce the production costs, but here we risk to lose customers if we are no longer able to supply them.

These last paragraphs sum up the different solutions proposed by the managers with the point of view of an organic organization. Of course, there are other solutions which can come out from the both metaphors. From the organic metaphor, we think that the main solution would be to observe the all system where the company is evolving. Then it would be interesting to observe the customer’s needs in order to have more attractive products and to examine competitors’ offers to be distinct from them. In this way, it may help to keep the rest of our customers.
*Conclusion*

In conclusion, we have noticed that the demand is changing from basic common needs to more specific products. As a matter of fact, the company needs to be more aware of their suppliers and customers expectations in order to understand better this moving environment. The solutions we put forwards well match with the organic metaphors because to survive the company will have to move from an old mechanic factory to a new organic organization.