

## HENRY MANUFACTURING COMPANY

The setting is a board of directors' meeting of the Henry Manufacturing Company, a small company. A new corporate growth plan is the formal agenda item for the meeting. The location of the board meeting is the law office of Robert Harms, attorney and board member. The actors are Robert Harms (in his 60s), Gene Harms (in his 40s, the youngest brother, and chairman and president of the company), Clyde Brown and Carl Cutright (vice president of manufacturing and senior salesperson, respectively, both in their 50s), Debby McEwen (executive vice president, in her 40s), Bill Losey (vice president of finance, in his 30s), and Steve McEwen (executive vice president, in his early 40s).

Gene Harms had circulated the new plan prior to the meeting. The plan calls for a commitment to grow at the rate of 10 to 15 percent per year for the next five years and includes, among other things, three significant changes in sales operations. The first change is to move into global markets. The second is to hire a trained salesperson to sell a new product in the same territories as present sales personnel. The third is to stop commission (16 percent) for sales personnel and to pay them salaries (the going rate for selling industrial capital goods). The last change would reduce the income of three salespeople by at least 40 percent. Two of these three are Carl Cutright and Dick Harms, another brother.

Dick Harms had long been a member of the board of directors but had resigned earlier the same day because of the growth plan. He had discussed his feeling with both Carl Cutright and Steve McEwen before resigning. Dick had submitted his resignation in writing to Gene Harms. Gene and his younger colleagues, both on and off the board, created the growth plan. However, its preparation has generated obvious but undiscussed tensions among Gene and his brothers, and between the older and younger members of the board and their backers.

Gene Harms opens the meeting by acknowledging his brother's absence. He reads Dick's resignation aloud and

reports a conversation with Dick, during which Dick stated that he would have taken the same action (developed the growth plan with its proposed changes) had he been in Gene's position as a major shareholder. (Gene and his wife together hold more than half of the corporation's stock.) Gene gives the impression that Dick's resignation is final, an unfortunate but understandable occurrence. However, Carl Cutright, Dick's sales colleague, moves that the board refuse Dick's resignation. Robert Harms seconds Cutright's motion, opening the motion to discussion.

Starting with Debby McEwen, each board member in turn offers an opinion. Debby argues against the motion, suggesting that the board's focus has been too narrow—that the same things could be accomplished through informal staff meetings at the plant. Carl Cutright favors inviting Dick back, saying further that growth should not be the primary purpose of the organization—that growth should be balanced with reality. This leads to an argument with Debby, who points to the absence of any formal growth plans to date. Gene Harms then tries to separate discussion of the growth plan from discussion of the motion regarding Dick's resignation, only to find himself further defending his growth plan. At this point, Robert Harms calls for a vote; Gene immediately asks Robert to speak on the issue.

Robert agrees with Carl that the board should not be a rubber stamp for staff decisions. Looking at Gene, he comments nostalgically that important decisions take time; that, in fact, it took years before they decided even to hire a chemist, which was before Gene entered the firm. Clyde Brown sides with Dick and Robert, arguing that Dick's conservative view is valuable. He also voices his concern over the dissension Gene's plan has caused and implies that the board's integrity has already been damaged by suggesting that Dick would not come back, even if invited. Bill Losey builds on Clyde's comment, but contrary to Clyde's view, views it as justification for voting against the motion. Bill bolsters his position by mentioning that he had talked to Dick the previous evening and

learned that Dick was frustrated with the board; thus inviting him back would only put him on the spot. Thus three members favor the motion to invite Dick back and two do not.<sup>54</sup>

### Questions for Discussion

1. Should Gene Harms vote against the motion, creating a deadlock, or diffuse the issue at least for the moment by voting with the majority? Why?
2. Are there any other alternatives to voting on Dick's resignation? Explain.
3. Which aspects of the bounded rationality decision-making model can you identify in this case?
4. Which features of the political decision-making model can you identify in this case?