

Entry
ELTON DISTRIBUTORS, INC.—PART 1

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In 1933, with a basement full of inventory and a briefcase in his hands, Walter Elton began calling on industrial companies in the Minneapolis/St. Paul area. Because of his people orientation, he developed a reputation as an honest and hardworking businessperson. Slowly, his business began to expand, and in 1937 he added a salesperson to his staff. He began expanding the range of products available and in 1942 moved into an old storefront consisting of 1,200 sq. ft. of office and warehouse in the Warehouse District of Minneapolis. One of Walter's operating personnel policies was the employment of friends who were in need of help. Most of his employees were people whom he had known personally prior to their being hired.

The Eltons had five sons and a daughter. Walter's dream was that his company could expand and eventually become a family business. By 1963, two of the sons (John and Peter--the 2nd and 4th children) had become active in the business. At the time, the company was still being run as a sole proprietorship. But as the sons began to get involved (John as his father's assistant and Peter as a sales representative), incorporation was undertaken. The bookkeeper, the only person in addition to Walter with authority to sign for the company, had died early that year. Pressure was then exerted on Walter to provide for another authorized signature for the company. Walter's health began to fail, too. Just one week before Walter's death by heart attack, he authorized John's signature. (Without the incorporation and additional signature, the company could have been tied up in probate for an extended period--putting the company's survival at risk). Following his father's sudden death, just six months after employment with the company and after graduating with a bachelor's degree in business administration, John found himself in the position of president and general manager.

John remembers that time as a frightening time. He had little business experience to suggest that he could make a go of the company. As happens so often in a small business, much of the necessary business information had been kept in his father's head. In addition, he knew that his family was counting on him and his brother, Peter, to make it go. Peter was a gutsy, talented salesperson. Between them they committed to giving it their best.

Errors were made, of course, but the business continued to grow. The Elton name, which had been nurtured so carefully for so many years, continued to be a valuable asset. John and Peter proved to be progressive and hardworking. Entering the seventies, they installed a small computer to handle billing and inventory--a decision that quickly moved them, in spite of the headaches encountered, to a leadership role in their industry, in their market, and even nationally. Government regulations, mandating the use of their products in most industries, continued contributing to the mushrooming volume of business.

The rest of the family began to move into the company. Fred (the fifth child) completed an undergraduate degree in business administration with an emphasis in accounting and assumed responsibility for the office systems. Attendance at numerous seminars and workshops provided the necessary background for him to assume information systems related responsibilities. Dan, the oldest child, had been teaching. He returned to school to acquire a graduate degree in a technical field related to the company's business. He then moved into the company as a technical specialist and consultant, making the company one of the few companies in the industry with such expertise internally. The son-in-law, Steve, worked for the company as warehouse manager, with his wife, the daughter, Jane, working on a part-time basis in the office. The youngest, Bob, completed his degree in business administration and was given responsibility for opening a branch office in Omaha, Nebraska. The mother, June, worked with the company as a collections expeditor. With Walter's death, the shares of the company were placed in trust for the heirs; June and Dan would serve as trustees until the

mother's death, at which time the shares would be divided evenly among the six children. The board of directors consists entirely of family members, with June and Dan controlling the bulk of the shares. (See Exhibit 1 for the Family Tree.)

In 1976 the company moved to a new warehouse and office facilities in Eden Prairie, a suburb of Minneapolis, reinforcing its progressive image. Peter and John financed the 12,800 sq. ft. building and then leased it back to the company. By the late seventies, the company had expanded to an employee force of 30, including four inside and six outside salespersons. Annual sales now amounted to approximately five million dollars. A new computer with advanced capabilities was installed. The product-line kept expanding. Demand for the company's products and services remained high.

But all was not as positive as it appeared through simply examining the financial statements. The company was no longer just a family business but included many "outsiders." It had become apparent that Peter's sales skills did not transfer to his ability to organize and direct the work of others. A sales manager was brought in from the outside, with Peter moving to vice-president of marketing. But considerable overlap in their job functions occurred. Initially, Dick, the sales manager was to have responsibility for both inside and outside sales. But egos clashed, communications proved faulty, and judgment errors reinforced a lack of confidence in each other. An outstanding salesperson, Dick's personality created clashes as he encountered difficulties in adapting to the changing social attitudes of his supervisees. John, who had been extremely successful in maneuvering a small business into a middle-sized business with national stature, continued to operate as he had previously. John maintained considerable involvement in the day-to-day decision-making processes, including negotiating on purchases, changing product prices on his own, answering customer phone calls, and so on. It was clear that changes were needed.

But what changes were needed? No one in the company had a clear idea of how to proceed. The major problem seemed to be in the identification of consultants who could do the job. Discussion and half-hearted attempts continued for three years, but the immediate pressures of business prevented resolution. Goal setting had been identified as a priority area. Management and salespersons attended workshops in this area. In addition, it was clear that there was confusion about who was to do what tasks within the company. Perhaps there was a need to develop job descriptions. But no one in the company had had any experience in doing this.

Then an uncle, a professor of economics at a small private college, was in town on vacation. He was asked to spend some consulting time with the company developing job descriptions. Some time was spent interviewing the employees, and job descriptions were developed. Because of the company's lack of commitment to the task, however, the job descriptions were too sketchy to be of much use. In addition, it soon became apparent that job descriptions, alone, were not going to clear up the confusion. A private consultant was also contacted to develop a policy manual. She provided a set of policies developed for other companies from which management selected those that appeared most relevant to the company's needs. These policies were complicated but not adapted or reviewed further by management because of time pressures. The policies were filed and not instituted. The only official policies were those distributed piecemeal or were simply understood to exist.

Another year passed and the level of frustration increased. It finally became apparent that a management commitment to the process of using a professional consultant was necessary. They contacted an OD consultant who had been recommended to them by one of their employees who had worked with the consultant in another company before moving to Elton Distributors. John met with the consultant and shared the information in this case. The consultant then needed to decide whether to pursue the contract. The OD Readiness Check List (in Table 1) proved to be of use in making this decision.

Exhibit 1
Elton Family Tree (not Org. Chart)

<p>Walter (Former President; father, deceased)</p>	<p>June Collections Expeditor (mother)</p>
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<p>Dan Teaching, M.A. in Technical Field</p>	<p>John B.A. Business Administration</p>	<p>Jane Part-time Office</p>	<p>Steve (Son-in-law, Jane's husband) Warehouse Manager</p>	<p>Pete Sales Rep. President of Subsidiary</p>	<p>Fred B.A. Business Administration Accounting Office Systems</p>	<p>Bob Business Administration Omaha Branch Manager Inventory</p>
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Table 1

OD Readiness Checklist

General Considerations	No Concern	Mild Concern	Moderate Concern	Significant Concern	Critical Concern
1. Size	4	3	2	1	0
2. Growth Rate	4	3	2	1	0
3. Crisis	4	3	2	1	0
4. Macroeconomics	4	3	2	1	0
5. OD History	4	3	2	1	0
6. Culture	4	3	2	1	0
7. Time commitment	4	3	2	1	0
8. Money	4	3	2	1	0
9. Access to people	4	3	2	1	0
10. Labor contract limitations	4	3	2	1	0
11. Structural flexibility	4	3	2	1	0
12. Interpersonal skills	4	3	2	1	0
13. Management development	4	3	2	1	0
14. Flexibility at the top	4	3	2	1	0
15. Internal change agents	4	3	2	1	0

Adapted from: Pfeiffer, J. W., & Jones, J. E. (1978). *The 1978 annual handbook for group facilitators* (pp. 219-226). San Francisco, CA: University Associates.