

In this memo, we analyze the following aspects of "*Stone Finch, Inc.: Young Division, Old Division*" (HBS): the root causes of the current challenges that Jim Billings and Stone Finch are facing with regards to turnover and morale; the alignment of Stone Finch's organizational strategy and culture, particularly with regard to building **a culture of experiment [an experimental culture]**; and what the next step is for Stone Finch. Based on our analysis, we conclude that Stone Finch's current organizational structure, culture, and lack of effective talent management are the root causes of its challenges.

Many managers fail to realize that structure influences behavior.<sup>1</sup> Stone Finch currently has three different organizational forms: functional (Water Products), self-contained unit (Solutions), and matrix (Subsidiaries). We believe that these three business units are not clearly defined within the organization and are not effectively integrated with each other. **An inconsistency in Stone Finch's culture creates a further issue with its organizational structure.** The company has two cultures – **one is a hierarchy** (Water Products) and **one is an adhocracy** (Solutions & Subsidiaries) – which distinctively promote the different values of increased formalization (internal focus) vs. risk taking (external directed).<sup>2</sup> The contradiction between these two cultures **creates more tension [creates tension]** between the **young and old divisions [younger division of falcons and older division of domestic fowl]**. Finally, a lack of effective talent management intensifies employees' dissatisfaction at work. There is a clear gap between the effectiveness of Stone Finch's talent management and **the division of the water products, and the solutions that it offers [ [the solutions offered by the Water Products division]**. The company's lack of investment in **the Water Products division** is so **oblivious [obvious]** that employees feel used but not valued. The CEO's vision of innovation and demand for 'falcons' demotivates Water Products employees. Due to the lack of talent management, they

don't see a bright future ahead of them, as they do for employees in the **Subsidiaries division**. There is no effective talent management to help **employees in the Water Products division** to become falcons. This unfairness has created a huge issue with employee morale. **The disconnect with the ASA Framework** [The disconnect between \_\_\_\_\_ and the ASA framework] suggests that Stone Finch's employees no longer share the company's values and goals.<sup>3</sup> **We conclude** that the misalignment of Stone Finch's organizational structure, contradictions within this culture, and a lack of effective talent management are the roots causes of the current challenges that **Stone Finch and its CEO, Jim Billings**, are facing with regards to turnover and morale.

Stone Finch's current organizational strategy and culture are severely misaligned, particularly with regard to building **an experimental culture**. **As mentioned above, there is a contradiction between Stone Finch's two co-existing cultures (hierarchy and adhocracy).** **This is one of the reasons for the culture-organizational strategy misalignment.** Stone Finch CEO's clear vision of innovation and demand for 'falcons' creates further misalignment between the young (falcons) and old (domestic fowl) divisions<sup>4</sup>. Stone Finch shows no interest in investing in the Water Products **division, given its belief that falcons are born rather than trained**. In addition, company appears to **value [overvalue the falcon who had [has] a successful track record in the subsidiaries division, Beth Suarez. Suarez excelled with EnzaClean and now she is leading 4,000 instead of 100 people at the beginning [Suarez excelled with EnzaClean, leading 100 people at the beginning of her career and 4000 later on OR Suarez excelled with Enzaclean, where she led 100 people, and is now leading 4,000 people at Stone Finch OR Suarez excelled with Enzaclean, led 100 people at the start of her career with Stone Finch, and is now leading 4,000 people at Stone Finch].**<sup>4</sup> Does the

company want to send the message that as long as you have excelled in one start-up, you have the ability to lead a large business division?

The company's lack of investment and development in the Water Products division deepens the gap between its two cultures and intensifies the misalignment between organizational strategy and culture. **The misalignment is clear despite Stone Finch's platforms and networks. There are three enterprise resource planning (ERP) platforms, three networks [It has three enterprise resource planning (ERP) platforms and three networks].** Again, structure does influence behavior. Three different structures mean three different cultures. **In short, we conclude that the company's culture, vision, talent management, and structure are the sources of its misalignment.**

What's the next step for Stone Finch? Our recommendations consist of three main areas: strategic, social and human resources, and structural.<sup>5</sup>

#### **Strategic:**

- **Cultural Change:** creating a fair and **unified** culture is the most pressing next step for **Stone Finch to take.** A company's culture has a huge impact on its employees' behaviors. Billings needs to clearly define the company's vision and communicate it effectively to his team. His message should clearly articulate a united vision of the company **as having a culture [OR and depict its culture as one]** that brings all three divisions together in a fair work environment to achieve one common goal.

#### **Social and Human Resources:**

- **Team Building:** Stone Finch has a strong need for team building. The employees in different divisions barely interact with each other. We recommend the company offer a

Career Day to bring all three divisions together, foster integration between the divisions, and create synergy among employees.

- **Mentoring:** the company currently lacks talent management. We recommend a cross-business unit mentoring program to help employees to advance on their career paths. This program would help employees to gain organizational awareness and create a 'sky is the limit' culture in which employees can achieve whatever career development they desire with the support of the company.

## Structural

- **Business Process Reengineering:** the [second] crucial step for Stone Finch to take is to redesign its organizational structures in order to improve its performance. To that end, we first recommend that **the company analyze Beth's ability to lead such a big team.** Perhaps her role needs to be redefined, or she needs additional training. Secondly, we recommend that a new corporate business unit be established to foster synergy **between the three divisions – human resource [between the human resources of the three divisions OR between the three divisions and human resources]**. The main goal for this unit is to ensure that talent management is effective and fair across all three business divisions. Third, each division should establish its own scorecard and the scorecards should be integrated to achieve Stone Finch's overall balanced scorecard<sup>6</sup>, given that the company has very different goals across the divisions. Fourth, we recommend that Stone Finch review its internal investment decision process. As mentioned, a lack of investment in the Water Products division has clearly created **various issues.** We understand that Solutions is undoubtedly a revenue generating division, but Water Products, Stone Finch's core business, also plays a very important

revenue generating role. Balancing investments between the two business divisions is crucial not only to revenues, but also employees' morale.

In conclusion, having an organizational strategy and culture that promote one clear united vision is the key next step for Billings. As an entrepreneurial leader, it is extremely important for Billings to create a fair workplace that promotes growth and opportunities for all his employees, including the less entrepreneurial domestic fowl. A successful company may have many divisions, but should only have one vision, one culture, and one goal, and these should promote success and opportunity for every employee.

**Citations:**

1. Managing Organizational Behavior (Baldwin), p.457, Ch.13
2. Managing Organizational Behavior (Baldwin), p.453/454, Ch.13
3. Managing Organizational Behavior (Baldwin), p.458, Ch.13
4. Stone Finch, Inc.: Young Division, Old Division
5. Managing Organizational Behavior (Baldwin), p.518, Ch.14
6. Managing Organizational Behavior (Baldwin), p.519, Ch.14