



# Monarch Manufacturing Consulting Report

OB Solutions Team 8

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Monarch Manufacturing  
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## **Executive Summary**

Monarch Manufacturing has received a new patent for a new tungsten carbide alloy 3-D printer. This new innovative printer will allow mass production for the most durable saw blades on the market. The new tungsten carbide alloy 3-D printer is very affordable, as it is only a fraction of the cost of conventional methods. As a result of the innovative technology that Monarch Manufacturing has acquired, the number of employees has drastically increased across the company as a whole. Monarch Manufacturing has encountered a major growth spurt from a small company of 30 employees to a publicly traded corporation with 600 full time, salaried employees.

Although the new innovations have played a very impressive role in the growth of Monarch Manufacturing, there are still areas within the company that need improvement. One of the main concerns of Monarch Manufacturing is that the revenue per employee has significantly decreased according to the numbers and records from last year's revenue per employee data. There are a lot of different factors that could affect the reduction that Monarch Manufacturing is facing; fortunately, Monarch Manufacturing was able to pinpoint the main areas that are lacking within the company. Monarch Manufacturing believes that the main factors that are contributing to this issue have resulted in high turnover, poor performance, and low engagement.

Since Monarch Manufacturing is rapidly growing due the high success from the new tungsten carbide alloy 3-D printer, it is necessary for the company to hire new employees in order to keep the flow of the business on a steady track. Unfortunately, the turnover rate is three times higher than the industry's standards. Therefore, in order for Monarch Manufacturing to satisfy industry standards, the decline in unsatisfactory areas and the high turnover rate needs to be addressed not only to meet the industry standards, but to also improve the fast paced workflow of the organization.

According to Monarch Manufacturing's previous performance evaluations, information showed that the performance of the workforce falls under the category of "below expectations". In fact, over forty percent of the employees at Monarch Manufacturing are performing at low levels. Such poor performance indicates that the employees of Monarch Manufacturing lack some sort of performance motivation, which needs to be rectified immediately to prevent the poor performance percentage from increasing. Improving the overall performance of the employees will highly contribute to the success of Monarch Manufacturing as a whole.

Lastly, the reports from individuals that hold leadership roles along with upper management at Monarch Manufacturing highlighted that the employees just aren't engaged or in tune with what's happening at work. Due to the negative actions and attitudes that most employees have at work, leaders at Monarch Manufacturing determined that there are not enough employees that genuinely seem to be enthusiastic about their work. It is also evident that most employees don't seem to be committed to the success and development of Monarch Manufacturing. Consequently, it is important that Monarch Manufacturing gains a better understanding of the reasoning behind the employee's low engagement in an effort to rebuild the organizational commitment of the employees.

### **Investigative Actions**

In order to determine exactly why Monarch Manufacturing was having issues with organizational commitment, and to learn a bit more about the company as a whole, we asked Human Resources director Veronica Banks a series of questions about employees at every level of the organization.

The first topic that was covered was the benefits that a sales department employee receives at Monarch Manufacturing. The purpose of asking about this subject was to get insight into why the turnover rate is so high and what possible factors could be related to the issue. Monarch Manufacturing offers a quality benefits package for their employees and even promises to one-up the competition by offering a 10% higher salary than other manufacturing companies in the same market. There is also a guaranteed 2% cost of living raise each year to offset the increasing cost of living. This is great for new employees that are being recruited, but the loyal employees that have been with the company for longer are left out of the 10% pay increase. This poses an issue with tenured employee commitment to the organization. Tenured employees feel that they have worked hard for this company for some time and helped Monarch Manufacturing to grow to become a publicly traded organization; however, they are left out of the new recruitment benefits that other employees are receiving. This definitely contributes to the high turnover rate of the “old guard” at Monarch Manufacturing as well as the poor performance and low engagement as these workers are losing their loyalty to the organization. During an exit interview conducted by the company, a former “old guard” employee expressed his feelings of being undervalued, underpaid, and overworked. He claims that the “old guard” did double the amount of work and had been with the company substantially longer; yet, they did not earn nearly as much as the new hires, who also increased their workload because of their errors.

With respect to high turnover of the “new guard”, Veronica provided statements from two former employees about their time with Monarch Manufacturing. A common theme between these ex-employees is that they felt that they were lost in the shuffle, and nobody cared if they were struggling to reach their goals. With multiple bosses, a demanding and static monthly goal setting system, and lack of appealing incentives, newer employees lose interest in their work and also had no commitment to the organization. Feeling unappreciated and lost in a disorganized system, the employees’ performances and engagements tanked because they reached a point

where they either did not care or were too stressed out to properly do quality work, which ultimately led to their exit from the company

Veronica went into great detail to describe the current monthly incentive program, which shed some light on why employees were not responding to it. Firstly, each employee's monthly goal is set in a very impersonal manner with the use of a computer algorithm that sends an emailed report to the employee describing what has been determined as their goal for the month. There is no dialogue about what is fair for each employee, the employees are not involved in setting their own goals, and the calculated goals is not even delivered in-person. This can make an employee feel very disconnected from their supervisors and unmotivated if they feel that their set goal is unrealistic. Another issue posed by this system is that, to the employee, this is a fairly arbitrary process with no substantial reason or explanation as to why they are receiving the goal and incentive that they get. Even if they have an idea of the factors that go into the algorithm, there is no personal explanation so for all they know, the supervisors pulled random numbers out of a hat and assigned them to random employees. This not only decreases organizational commitment, but the employee also decides whether they actually want to do the work to try to reach this goal that has been set for them. If the answer is no, then why do any more work than what is necessary to not get fired? If employees could sit down and have a conversation about these goals and work out something that both they and their supervisors felt was realistic, fair, and achievable, then performance would not suffer as much as a result of this incentive system.

This is clearly a big deal within the organization because according to a focus group that Veronica organized, most aspects of the job are desirable, but employees are still unhappy because they feel worthless. When asked about the work itself and the perks of being a part of Monarch Manufacturing, employees responded positively and said that they enjoy the variety in their work and are happy with the additional benefits they receive for being a part of the organization. This is a big part of job satisfaction; however, not feeling important within an organization and working towards unrealistic goals can outweigh these positive notions.

Lastly, Veronica was asked to describe the onboarding process for new employees. This process has suffered as the company has grown, becoming less personal and much more demanding. Instead of the old "apprenticeship" program, Monarch Manufacturing has converted to a hands-off orientation period that left new employees feeling unprepared and uninvolved with

the organization. New hires are exposed to an excessive amount of information that is hard to retain, and in some cases does not even end up correlating with the actual work that this employee ends up doing. This leads to a poor understanding of the systems that the company frequently uses, and a lack of confidence in the ability to deal with unexpected demands. All of these factors combine to contribute to the stress, high turnover, and poor performance issues within Monarch Manufacturing. When new employees are not adequately prepared for the work that they need to do, they are not only going to produce sub par results, but also will often end up leaving the company altogether because they feel that they cannot do the work that is asked of them.

### **Explanation of Events**

For each of the issues presented, a list of theories that apply to the given situation were compiled. Each of these theories can provide an explanation as to why performance and commitment levels were low, why the issues occurred in the first place, and why the evidence uncovered is meaningful.

#### Equity Theory

The equity theory predicts that motivation is increased when an employee's ratio of inputs and outputs are equal to another employee either within or outside of the company. When the ratios are balanced, the employees will feel a sense of equity and maintain their motivation to perform well. The ratio of inputs and outputs within the equity theory are affected by the experience level, tenure, and the compensation system for new and old employees within the sales department at Monarch Manufacturing.

By offering ten percent more than the market value of competition in terms of compensation upon hiring, Monarch Manufacturing is extremely competitive when it comes to comparing the salary and benefits package offered to the new employees with other manufacturing companies in the market area. All employees also receive a performance bonus of \$2,000 for achieving sales goals. The guaranteed 2-percent cost of living raise annually can be viewed as both equitable and inequitable as everyone receives the same raise percentage regardless of performance, but the pay raise is larger for newer employees because their salary is already larger. However, with the newer employees making a lot more than external comparison others they are also making a lot more than internal comparison others who are more tenured.

Consider Jim who has been with the company for over a decade and he has only reached a salary of \$54,000 from \$45,000 after his 2-percent cost of living increase awarded annually. On the other hand, Barbara has only been with the company for 6 months and because the market value of her job is currently \$53,000, she was hired with a starting salary of \$58,300. As a result, Jim and Barbara have different impressions of the compensation system in place. Jim feels that the system is not balanced and that he is under-rewarded in comparison to Barbara; however, Barbara feels that the system is balanced but she does not feel over-rewarded in comparison to Jim nor under-rewarded in comparison to external employees. As a result of this compensation system, commitment levels are low among tenured employees because they feel under-valued. According



to Barry, he was happy that he was fired because he does not want to work somewhere where he is not valued. In comparison to the new hires, Barry was under-paid, but because he knew this he attempted to achieve equity by engaging in counterproductive behaviors, such as not working with his peers and not meeting expectations.

### Expectancy Theory

The expectancy theory predicts what determines the level of motivation an individual will exert to pursue a particular target. There are three key variables that apply to this theory: expectancy, instrumentality, and valence. If one of these variables is low, then the motivation will be low as well, regardless of the other variables. Due to the lack of motivation, employees are not exerting the effort necessary to reach the goals which translates to low expectancy as a whole. The only way to increase motivation is by addressing the low component directly.

$$\text{Motivation} = \Sigma (\text{Expectancy} + \text{Instrumentality} + \text{Valence})$$

In the case at hand, there are a number of cases where employees are exiting because the expectancy theory is not being implemented properly. Expectancy questions, “if an individual exerts the effort, what are the chances they will reach a performance goal?” Instrumentality, a function of expectancy, is described as the chances an individual will receive an outcome if they reach their performance goal. Lastly, valence describes how much the individual values the outcome.

Examples of the Expectancy Theory’s components in Monarch Manufacturing’s company are depicted within former employees’ exit interviews. During the exit interview with ex-employee Janine, she explained that even if she had attempted to exert the energy to try to reach the goal it still seemed impossible of achievement, this translates to her expectancy of achieving the goal being low. Janine also stated that when she would heighten her performance to reach the goal, the possibility that she would receive the bonus of two thousand dollars seemed impossible, which demonstrates her instrumentality component being low. In the interview with current employee Janette, whose responses reflected the average employee’s feelings, she stated that “every month she doesn’t feel motivated to achieve her sales goal,” and asked, “why should she even try if it’s going to be the same outcome as last time?” This is her describing the lack of valence as Monarch

Manufacturing doesn't offer employee choices of rewards or any differentiation from the two-thousand dollar incentive standard. This decreases employees motivation in job performance because the employee doesn't feel as if they are working toward a meaningful outcome. The employees leaving Monarch Manufacturing are experiencing a loss of self-efficacy in themselves due to the company's actions, or lack thereof, that result in tangible and psychological barriers.

### Transactional Model of Stress

The Transactional Model of Stress theory states that stress involves an encounter between an individual and their external environment. Stress is a function of discrepancy between perceived demands of a situation or event and the person's resources for meeting those demands. This means that the person's psychological appraisal of the situation and coping resources are critical for determining whether the person experiences stress and shows a stress response.

Evidence related to the Transactional Model of Stress was expressed in an exit interview conducted by Monarch Manufacturing with ex-employee, Sally, who described her time of employment to be an exciting introduction into the workforce that turned into a shocking nightmare. The components of stressors, stress, and strains affected her efforts and performance throughout Sally and other employee's employment.

## **Stressors → Stress → Strains**

Sally describes the stressor, cause of stress, to be the workload. In this instance, she stated that the stockpiling amount of work was challenging but too consistent without enough time to complete. Sally's stress, or the psychological experience, she encountered was that she was exhausted and frustrated with the role conflict, role ambiguity, role overload, and expectations of her role. Sally's strains, or the effects of stress were that she couldn't sleep, lost her appetite, and yelled at her significant other which led to her voluntary departure from the company.

Another example would be from the exit interview with Barry, another former employee but who had been with the company for a longer period of time. Barry had been terminated from the company after a supervisor stated he was no longer a good team player. Barry defended his actions on the basis of: his level of experience, compensation rate, and lack of appreciation from the company. Barry was informed that the new hires would be starting at a significantly higher

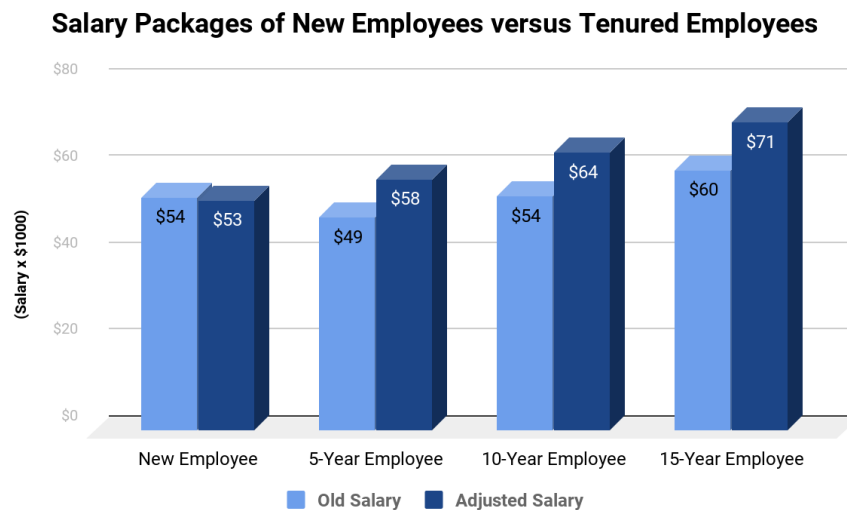
rate of pay than he was already making. When combined with the current annual bonus of two percent yearly, Barry would never make more money than the new employees. Barry's stress was caused due to anger that stemmed from the fact that despite his performance levels, he would never make more money all while being asked to assist new employees with their tasks and receive no benefits for it. The stress that Barry experienced led to his anger and outrage with Monarch Manufacturing. He felt overworked and overqualified for an underwhelmingly low reward in return for his efforts.

### Plan of Action

Based on the explanation of events above, we created a proposed plan of action to address the issues introduced and increase employee performance and commitment.

#### New Compensation System

In order to restore equity among employees in the sales department, the company needs to carry out the following tasks. First, Monarch Manufacturing needs to enact procedural and informational justice going forward in an effort to rebuild employee-employer trust through an internal press conference or letter that reaches all employees. The preferred medium would be an internal press conference because it will allow employees the opportunity to voice their opinion and inquire about the new and improved salary package. The goal of this press conference would be to give employees insight into the decision-making process so that they understand the mechanisms that led to this solution and why the new salary allocation package would be fair to all employees.



The adjusted salary would re-appraise tenured employees' current package and increase their pay to what they would earn as a new hire, \$53,000. The 10% signing incentive would not be included in their salary adjustment because their new salaries will compile the 2% cost of living increase for each year that the tenured employee has worked for Monarch Manufacturing. For example, Jim, a 10 year employee, started at an annual salary of \$45,000 and over the course of 10 years his 2% cost of living increase brought him to about \$54,000 annually, a \$9,000 difference.

Under the adjustment, Jim's new base salary would be \$53,000 and his 2% living increase would be recalculated, making his new current salary about \$64,000. This algorithm would increase Jim's salary by 15% in comparison to the initial salary package offered 10 years ago. This new rollout would be effective at the beginning of the next fiscal year to avoid any confusion. In the meantime, tenured employees at 5, 10, and 15 or more years would receive a one-time commitment bonus to offset the difference in salary between the new and older employees. Under the new compensation system, tenured employees will also be promoted to team managers which will allocate them new roles and responsibilities on top of their current assigned responsibilities.

Consequently, new employees would no longer receive their 10% salary increase of \$5,300. Instead the company will still offer a \$53,000 base salary, but include a relocation bonus of up to \$2,000, or a \$2,000 signing bonus. This still makes Monarch Manufacturing's base salary competitive with other manufacturing companies in the area because of the bonuses; however, with the new salary allocation the annual 2% cost of living raise will be less due to the initial starting salary remaining at the base amount and not including the signing salary bonus into their annual earnings. This will maintain a gap between the new and tenured employees' salaries, thus maintaining an equity norm that Monarch Manufacturing invests in the people that invest their time and talent into the company. No changes would be made to the newer employees' salaries as they have already received a sizable 10% bonus upon signing and it would be unfair to make deductions. Therefore, the next scheduled 2% cost of living annual raise for employees within their first year, would be two fiscal years from now to accommodate for their initial salary bonus. The only way that this can be overridden is if a new employee demonstrates exceptional performance and achievements during the two year span stated previously.

### Increasing Expectancy

Employees at Monarch Manufacturing are not equipped with the right knowledge or tools to complete the tasks aligned with their roles, especially in the sales department. Former employees have stated that they were not motivated to achieve goals because they seemed impossible to achieve. The algorithm for goal setting in place only accommodates for average performance yet it is obviously not working, but the goals are not the problem. The reason that the goals seem impossible to achieve is because employees are ill-prepared to complete their assignments. This ill-preparation leads employees to not believe that they have the ability to complete their work, or decreased self-efficacy.

We are proposing that Monarch Manufacturing hire a Training Specialist to complete a task listing of all tasks and responsibilities assigned to the sales department and create a specialized curriculum to be utilized during the initial training and onboarding process. In doing so, there will be a tangible training curriculum that can be utilized until industry standards are amended. This new training program is far more organized than the current program and it takes some of the stress off of tenured employees to help new hires with their work because new hires will be better equipped to complete assigned tasks. In order to make goals seem more achievable for employees, tangible and psychological barriers need to be eliminated. The new training program will address both barriers to achievement. This training program will help new employees to feel more equipped to complete their assigned tasks and eliminate feelings of discouragement.

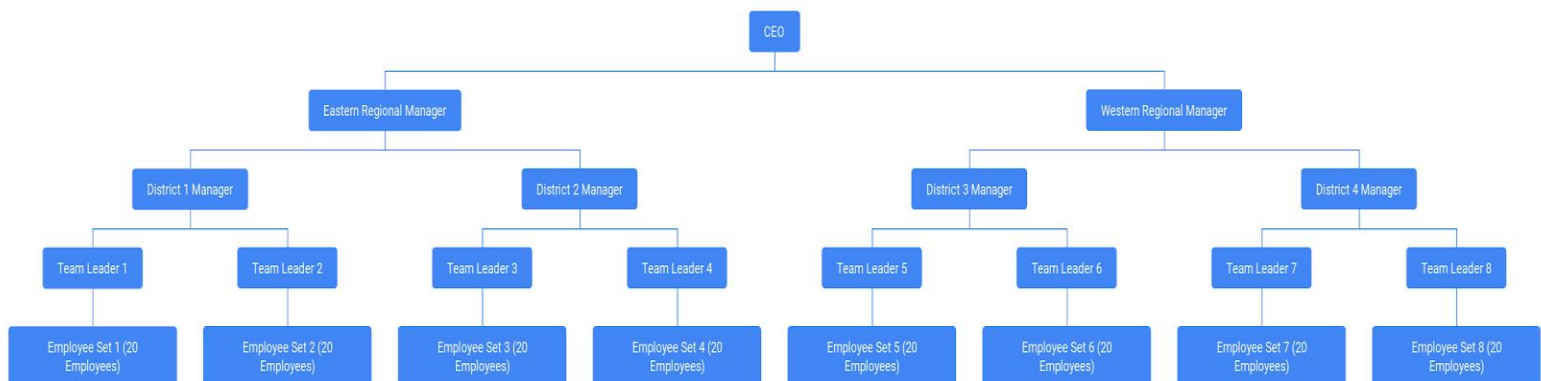
The average employee at Monarch Manufacturing does not feel motivated to achieve their goals because of the lack of differentiation of outcomes. Incentives need to be tailored to the audience, in this case the employees. The \$2,000 incentive no longer motivates employees to perform, hence the dramatic variance in expected performance versus actual performance. By enacting a new incentive system, employees may feel more attached to their goals if the incentives match what the employees want otherwise the \$2,000 bonus would be a waste of company resources. Instead of offering the same incentives, implementing a new incentive system that allows employees to select from a list of incentives that will change every quarter. For example during summer months, employees can earn extra paid vacation time, free hotel stays, free flights, gift cards, and more. Professional incentives such as promotions or enhanced responsibilities can be allocated to top performers. For example, newly promoted team leaders that meet and exceed their performance will be given an all expense paid trip to train new employees at new locations

within the company. Top performing employees will also receive the opportunity to travel to the training with a potential promotion offer to team leader at a new location. We understand that everyone can use money; however, in an effort to personalize incentive offerings, employees can submit incentives that they would enjoy so that Monarch Manufacturing does not invest in anything that their employees do not want and, ultimately, does not motivate them.

### Minimizing Stress

There are strong correlations between stress and job performance as well as stress and organizational commitment. In this case, the managers at Monarch Manufacturing place many hindrance stressors on their employees that ultimately stifle their work process and productivity. Employees have expressed that they felt overworked and experienced role conflict, role ambiguity, and overarching frustration. Each of these are hindrance stressors that have led to work-family conflict, noted in Sally's exit interview, and anger, depicted in Barry's exit interview.

In order to alleviate the stress inflicted upon employees by Monarch Manufacturing, the company needs to adapt a new mentorship, apprenticeship program. Upon the adaptation of the new compensation system and promotion of tenured employees, new hires will be segmented into sales teams that will be spearheaded by a tenured employee. This segmenting of employees will work as there is currently a ratio of 20 new employees per tenured employee. Having the employees work in teams will address the issue of work-family conflict and taxing workloads by allocating tasks and responsibilities among the team. The teams and team leaders can provide social support to help their peers when they feel overwhelmed with stressful demands.



Upon promotion of tenured employees to team leaders, there will be a new hierarchical structure implemented as well. By centering responsibility to the team leader, there will only be

one manager delegating, managing, and participating in tasks per team. In doing so, role ambiguity and role conflict will be eliminated because there will not be too many managers assigning too many tasks to employees in a short amount of time. Having one manager per team will allow a clearer channel of communication for expectations and feedback, both upward and downward.

### Strengths and Weaknesses

Monarch Manufacturing will benefit in waiting until the next fiscal year to implement the new compensation system because once all of the other actions are executed, the company will be able to determine whether the profits per employee have increased. The new compensation system incentivizes the commitment of tenured employees, but also encourages new employees to remain with the company. Tenured employees will receive more responsibility as a result of an increase in pay. In doing so, Monarch Manufacturing will see a return on investment as a result of the salary increases. With tenured employees as team leaders they can oversee and encourage newer employees who need more direction or are underperforming. The tenured employee will also be responsible for on the job training. By incorporating the responsibility to train new employees into their promotion, they will associate the pay increase with that as well. Ultimately, correcting the issue proposed by Barry. Some tenured employees may not be happy that the 10% salary increase is not included into their new compensation package; however, the tenured employees must understand that they must show the company that they are worth the investment through improved performance and that their pay will be revisited in the next fiscal year. The money that is withheld from recent new hires should be able to cover any discrepancies that the tenured employees point out.

Through the new training program, new employees will be trained by tenured employees, which will create an open door relationship between them. This will make the new employee more comfortable in asking for help when necessary, which also prevents the team leader from having to go back and correct their mistakes. It is our hope that most, if not all, tenured employees are prepared to take on more responsibilities in light of this hierarchical reconstruction. If they do not demonstrate the willingness or ability to work as a team leader, they may require additional training which will in turn cost Monarch Manufacturing more money. By allowing employees to have input as to what incentives they are offered should increase the likelihood that their performance will increase as well. Despite their personal



attachment to the incentives, it still may not entice employees to perform at peak levels because incentives do not always improve performance.

Teams will create new social networks throughout the company; therefore, it is crucial to ensure and maintain cohesiveness among team members. There is a possibility that team members may not work well together or that leaders are not equipped enough to handle a team size of 20 individuals. Luckily, these teams will only experience a low amount of interdependence since each employees' work will be rated independently, but it still contributes to the overall goal of the team. However, goal interdependence is exceptionally important because no two individuals will have the same goals in a team of 20 employees. To counteract this, the teams should complete team-building exercises and icebreaker activities to bolster cohesion and potency.