



CORPORATE GOVERNANCE, LEADERSHIP, AND MANAGEMENT CASE STUDY

THE RIGHT BOSS – THE WRONG COMPANY

OVERVIEW

Know & More is a family business specializing in digital marketing for SMEs and Startups in the Greater Barcelona area. With 35 employees, and established in 2010, the owners are looking at expanding throughout Europe and for this aim have set up a Board of Directors. Two of the directors are the founders of the business, while the two independent directors are good friends and colleagues of the founders, with no experience or knowledge of the digital business market. As part of their strategy to expand to the European market, they all agreed that they needed to:

- a. Implement succession planning. This was important to the founders who wished to retire within a couple of years, yet they wanted to ensure the sustainability of the family business.
- b. Identify talent within the company and allow them to develop through a good training and development program.
- c. Establish a Corporate Governance code

THE CASE

Matthew had always been a few steps ahead of his colleagues. Even at school, he was top of the class. When he went to work at the family business, Know & More, he had been singled out as the most productive employee and the one with the best attendance. The higher hierarchy of the business was so impressed with him that they financed and sent him to do an MBA to prepare him for a key management position. Already at the business school, and with nearly four years of practical experience, Matthew took up every idea put in front of him and was relating many of them to his work at Know & More. He graduated at the top of his class and returned to work. When one of the senior directors took early retirement, the Board of Directors offered the position - that of Chief Executive Officer (CEO) - to Matthew, which he accepted.

Matthew believed that he was fully aware of the risks of taking on this leadership position and was determined to avoid them at all costs since had read a lot of cases about family business crises, especially when a younger generation took the reins of the company. He



was aware that he did not “know everything”. His predecessor, Fatima, ran the company from an office on the top floor, with little daily contact with the staff or managers. Her style was an autocratic one and top-down decision-making approach and Matthew did not feel comfortable with such a management approach since he had just turned 30 and felt that it was important to empower and trust while retaining the overall control. As far as he was concerned he could not describe Fatima’s style as “Leadership”.

Matthew decided to set up his office on the same floor as the rest of the functional departments. With his door always open he could see everything that was happening in the company, as well as it was an invitation for all staff to come in and have informal chats. However, with most of the staff being 20+ years older than himself, they were surprised by the sudden change in dynamics.

The first thing Matthew set up was the Departmental Committees. The line managers had to come up with a 1-year action plan based on the long-term strategy of the company, as well as present their suggested KPIs for review and approval.

Matthew promised any support that was within his power to give. The group work was agonizingly slow at first. But Matthew had been well trained as a facilitator, and he soon took on that role in their meetings, writing down ideas on a big board, organizing them, and later communicating them in notices to other employees. Within a couple of months, Know & Co was stirred up – sadly this was the last thing that employees wanted since they were comfortable in how the department had been run in the past.

Matthew only discovered the truth about the reluctance of the staff to change when the management relations committee resigned at the start of their fourth meeting (month 6). "I'm sorry, Matthew. We are good at our job, but not at management tasks. We are all retiring within a couple of years and we simply do not wish to be supervisors of our team members. We want to be told what to do, and how to do the work."

Matthew went to talk to the workers with whom he believed he had built good relationships. Yes, they reluctantly told him, all these changes did make them uneasy. They liked him and they didn't want to complain, but they did not want to work more for the same salary and did not feel the need for change as the business had thrived under the leadership of Fatima. But given the choice, they would rather go back to the way Fatima had led and managed the company and the staff. They never saw her very much, but she never got in their hair. She did her work, whatever that was, and they did theirs. "After you've been in a place doing one



thing for so long," one worker concluded, "the last thing you want to do is learn a new way of doing it."

Case Questions:

- What "next steps" should Matthew take based on the above scenario?
- How would you describe Matthew's leadership style? What would you have done differently?
- What factors should have alerted Matthew to the problems that eventually came up at Know & Co.?
- Could Matthew have instituted his changes without eliciting a negative reaction from the workers? If so, how?
- What role should the Board of Director members play in this scenario?
- Just because Matthew was good at his job prior to studying his MBA in business administration, and obtaining the highest GPA of his promotion, was this sufficient to have chosen him as the future successor of the family business?
- What would have been, to your understanding, the "best corporate governance practices" that the BoD should have implemented when focusing on succession planning, talent management, and international expansion?