

CASE STUDY 14.1

Culture Clash at B-MED

B-MED is a medical equipment distributor that sells and services medical equipment in the Caribbean and Latin American region for General Electric (GE) Healthcare, Medtronic Corporation, Steris Corporation, and AGFA Healthcare. B-MED was founded in 1984 by Bob Samuels and was run as a small family-owned business with fewer than 10 employees for 25 years. B-MED sold small medical equipment such as EKG machines, patient monitors, anesthesia machines, and defibrillators. Since there were only a few products in these lines, B-MED only needed a small staff that consisted of three salespersons, five administrative persons, and two engineers. The staff was mostly composed of Samuels' family members or friends of the family.

The company was a traditional vertical organization, where Samuels made all decisions. Since B-MED had strong financial performance, Samuels rewarded hard work with bonuses and commissions and verbally reprimanded those who did not do as he asked. Employees were generally driven by extrinsic motivation and fear of punishment. They lacked intrinsic motivation and a sense of responsibility and accomplishment. Their input and suggestions were not valued by Samuels. However, the relatively small size of the company meant that B-MED's employees accepted the status quo and performed well enough to generate sufficient revenue to sustain B-MED's profitability.

During the second quarter of 2010, everything changed for B-MED. Samuels received a call from the vice president of GE Healthcare, informing Samuels that B-MED has been chosen to take on the full line of equipment GE Healthcare offered. B-MED would take over the distribution rights from another company (MM Healthcare) because they were no longer meeting GE performance goals. Samuels jumped at the opportunity without considering the large investment in capital, personnel, and equipment required to successfully handle the entire GE line. After the call, Samuels informed his son Craig of the good news. While Craig was excited, he also knew that his father's management style would have to change. He told his father, "This could make us really rich, or really poor." Samuels didn't understand—the potential profits blinded him from seeing the challenges of expanding the company.

The new line of GE equipment included MRI scanners, CT scanners, X-ray machines, nuclear medicine machines, and ultrasound equipment. B-MED had to acquire a large install base consisting of hundreds of pieces of equipment. This new equipment carried service contracts, requiring B-MED to support a broader range of services to their customers. To meet this demand, B-MED started a new company in Trinidad (CASI) and hired 12 new engineers to service existing customers. The majority of these engineers came from MM Healthcare.

MM Healthcare was managed and organized much differently than B-MED. MM Healthcare had a modern structure that was flat with few middle managers. This gave the employees of MM Healthcare a sense of ownership and had enhanced the company's culture by capitalizing on employees feeling empowered and in control. When MM Healthcare's employees were hired by B-MED, they were extremely grateful to have their jobs back, but these feelings of satisfaction quickly dissipated. The CASI employees found themselves in a traditional organization, where their voices were not heard and their opinions did not matter. Further, B-MED's management did not have the proper tools, safety equipment, or safety procedures in place. The new employees began to complain and voice their opinions to B-MED's existing employees. This caused tension between the two groups since B-MED's employees were loyal to Samuels.

To add to the tension, B-MED grew rapidly. In addition to the new engineers, they hired additional sales staff and administrative staff. B-MED was now a company of more than 50 employees located in Trinidad and Miami. The original staff at B-MED began to blame the staff in Trinidad for all of the problems B-MED was facing. The staff in Trinidad blamed Samuels' bureaucratic style of management and his lack of commitment to his employees. The tension between the two groups had a direct effect on the performance of employees. The high level of tension created stress among the employees, creating a toxic workplace.