Case Study:
A WINDOW ON LIFE

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For Gilles LaCroix, there is nothing quite as beautiful as a handcrafted wood-framed window. LaCroix's passion for windows goes back to his youth in St. Jean, Quebec, where he was taught how to make residential windows by an elderly carpenter. He learned about the characteristics of good wood, the preferred tools to use, and how to choose the best glass from local suppliers. LaCroix apprenticed with the carpenter in his small workshop and, when the carpenter retired, was given the opportunity to operate the business himself.

LaCroix hired his own apprentice as he built up business in the local area. His small operation soon expanded as the quality of windows built by LaCroix Industries Ltd. became better known. Within eight years, the company employed nearly 25 people and the business had moved to larger facilities to accommodate the increased demand from southern Quebec. In these early years, LaCroix spent most of his time in the production shop, teaching new apprentices the unique skills that he had mastered and applauding the journeymen for their accomplishments. He often repeated the idea that LaCroix products had to be of the highest quality because they gave families a "window on life."

After 15 years, LaCroix Industries employed over 200 people. A profit-sharing program was introduced to give employees a financial reward for their contribution to the organization's success. Due to the company's expansion, headquarters had to be moved to another area of town, but the founder never lost touch with the workforce. Although new apprentices were now taught entirely by the master carpenters and other craftspeople, LaCroix would still chat with plant and office employees several times each week.

When a second work shift was added, LaCroix would show up during the evening break with coffee and boxes of doughnuts and discuss how the business was doing and how it had become so successful through quality workmanship. Production employees enjoyed the times when he would gather them together to announce new contracts with developers from Montreal and Toronto. After each announcement, LaCroix would thank everyone for making the business a success. They knew that LaCroix quality had become a standard of excellence in window manufacturing across Canada.

It seemed that almost every time he visited, LaCroix would repeat the now well-known phrase that LaCroix products had to be of the highest quality because they provided a window on life to so many families. Employees never grew tired of hearing this from the company founder. However, the phrase gained extra meaning when LaCroix began showing his employees photos of families looking through windows made by LaCroix Industries. At first, LaCroix would personally visit developers and homeowners with a camera in hand. Later, as the "window on life" photos became known by developers and customers, people would send in photos of their own families looking through elegant front windows made by LaCroix Industries. The company's marketing staff began using this idea, as well as LaCroix's famous phrase, in their advertising. After one such marketing campaign, hundreds of photos were sent in by satisfied customers. Production and office employees took time after work to write personal letters of thanks to those who had submitted photos.

As the company's age reached the quarter-century mark, LaCroix, now in his mid-fifties, realized that the organization's success and survival depended on expansion into the United States. After consulting with employees, LaCroix made the difficult decision to sell a majority share to Build-All Products, Inc., a conglomerate with international marketing expertise in building products. As part of the agreement, Build-All brought in a vice-president to oversee production operations while LaCroix spent more time meeting with developers around North America. LaCroix would return to the plant and office at every opportunity, but often this was possible only once a month.

Rather than visiting the production plant, Jan Vlodoski, the new production vice-president, would rarely leave his office in the company's downtown headquarters. Instead, production orders were sent to supervisors by memorandum. Although product quality had been a priority throughout the company's history, less attention had been paid to inventory controls. Vlodoski introduced strict inventory guidelines and outlined procedures on using supplies for each shift. Goals were established for supervisors to meet specific inventory targets. Whereas employees previously could have tossed out several pieces of warped wood, they would now have to justify this action, usually in writing.

Vlodoski also announced new procedures for purchasing production supplies. LaCroix Industries had highly trained purchasing staff who worked closely with senior craftspeople when selecting suppliers, but Vlodoski wanted to bring in Build-All's procedures. The new purchasing methods removed production leaders from the decision process and, in some cases, resulted in trade-offs that LaCroix's employees would not have made earlier. A few employees quit during this time, saying that they did not feel comfortable about producing a window that would not stand the test of time. However, unemployment was high in St. Jean, so most staff members remained with the company.

After one year, inventory expenses had decreased by approximately 10 percent, but the number of defective windows returned by developers and wholesalers had increased markedly. Plant employees had known that the number of defective windows would increase as they had used somewhat lower-quality materials to reduce inventory costs. However, they heard almost no news about the seriousness of the problem until Vlodoski sent a memo to all production staff saying that quality must be maintained. During the latter part of the first year under Vlodoski, a few employees had the opportunity to personally ask LaCroix about the changes and express their concerns. LaCroix apologized, saying due to his travels to new regions he had not heard about the problems, and that he would look into the matter.

Exactly 18 months after Build-All had become majority shareholder of LaCroix Industries, LaCroix called together five of the original staff in the plant. The company founder looked pale and shaken as he said that Build-All's actions were inconsistent with his vision of the company and, for the first time in his career, he did not know what to do. Build-All was not pleased with the arrangement either. Although LaCroix windows still enjoyed a healthy market share and were competitive for the value, the company did not quite provide the minimum 18 percent return on equity that the conglomerate expected. LaCroix asked his long-time companions for advice.