

BEIJING EAPS CONSULTING INC.

Lily Jiao Li wrote this case under the supervision of Professor Mitch Rothstein solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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It was November 2007, and Mr. Zheng, the chief executive officer (CEO) of Beijing EAPs Consulting Inc. (BEC), was sitting in his office, thinking about the conversation he has just heard between two of his employees, Mr. Yang and Ms. Song. The two colleagues often collaborated on various projects, and the conversation that Mr. Zheng overheard took place at an internal training program. The purpose of the training was to discuss problems and improve communication among employees. During the self-reflection part of the training, Mr. Yang, who managed the training department, commented:

I notice that, recently, Ms. Song does not communicate with me as frequently as she used to. I guess the reason is that sometimes I get upset due to work pressure. My voice grows louder, and my tone is not always pleasant when Ms. Song passes tasks on to my department. Ms. Song, I apologize for that. You know, I have to work on 10 projects at the same time.

Ms. Song, who was one of the two project managers, replied: “I am not blaming you for that. I respect you very much, and I understand you are very busy, but your behaviour does make me feel afraid of communicating with you. Sometimes, I would rather stay late in the company to work on the tasks that are meant to be passed to you.”

The conversation reminded the CEO, Mr. Zheng, that recently Ms. Song had been asking him to pass training-related tasks to Mr. Yang and his subordinates even though, as a project manager, Ms. Song had the authority to assign tasks to other department managers, including Mr. Yang.

Mr. Zheng was not worried about the personal relationship between Ms. Song and Mr. Yang, which had always been positive. However, Mr. Zheng was concerned that there seemed to be some confusion over managerial responsibilities in BEC’s current structure. He had heard employees complaining about receiving tasks from both their department managers *and* from project managers, a situation that often created conflicts in their task deadlines. As a result, employees were not sure how to prioritize these tasks. Another problem arose from the fact they were confused about who their direct supervisor was: was it the department manager or the project manager? Project and department managers were located on the same

level of the BEC hierarchy, and they worked together on planning and conducting each project. This work relationship between the two kinds of managers confused the employees: Who had the power to make a final decision when there is disagreement? On the other side of that same coin, the project managers felt that they did not have enough authority to give direction to the departmental employees.

Since the project management structure had recently been adopted by BEC, neither the employees nor the managers were familiar with its procedures. Even so, Mr. Zheng strongly believed that project management was the right approach for BEC. Since its adoption, he had seen an increase of BEC's business and profit. But he also wondered what he could do to improve the present structure and procedures in order to clarify work relationships and responsibilities for his managers and employees.

COMPANY BACKGROUND OF BEC

Founded in 2001, BEC was the first consulting company to provide employee assistance services in mainland China. Between 2001 and 2006, there were only six employees in BEC; this number increased to 20 by the end of 2007.

Employee assistance programs (EAPs) are employee benefit programs offered by many employers, typically in conjunction with a health insurance plan. EAPs are intended to help employees deal with personal problems that might adversely affect their work performance, health and well-being.¹ EAPs are widely used in North America, but their use is rare in China.

BEC'S CUSTOMERS AND SERVICE

Most employees in BEC had a bachelor's degree or a master's degree in psychology, which made BEC the leader in providing professional EAPs services in China. BEC's market share was also the highest in mainland China. The company provided EAPs to many customers, including multinational organizations operating in China, such as Siemens, Samsung and IBM, and Chinese organizations such as Lenovo, the China Development Bank and Guangdong Mobile. These customers came to BEC with a common purpose: to provide their employees with psychological assistance to reduce stress and increase job satisfaction.

A typical project at BEC included the following procedures:

1. *Conducting interviews to collect information:* At the beginning of each project, BEC would interview employees in the customer company to collect information on employee stress, such as the sources of stress and the behaviours that employees exhibit under stress.
2. *Delivering brochures:* BEC provided information brochures to its clients' employees. These brochures included some basic knowledge on stress management, an introduction to the employee assistance program, details of the EAP process at their own company, and instructions on how to seek help from BEC.
3. *Setting up a toll-free helpline:* BEC set up a toll-free helpline for their customers' employees who could then use it to access one-on-one psychological consulting. BEC guaranteed that these phone conversations were confidential, which allowed the employees to openly discuss their problems with counsellors. Over 40 counsellors worked at BEC, mostly as part-time employees, and made up of

¹ http://en.wikipedia.org/wiki/Employee_assistance_programs, accessed January 29, 2009.

undergraduate and graduate students who were majoring in psychology. Others were school counsellors or hospital psychologists.

4. *Providing on-site training sessions:* BEC also provided on-site training to its customers. Attendees at these on-site training sessions ranged from front-line employees to senior managers. The training also provided managers with stress management skills.

BEC'S STRATEGY CHANGE

In BEC's early years, its founders lacked business experience, so they sought out BEC's opportunities to conduct practical research into stress management practices. Therefore, in the first few years, the founders did not put much effort into increasing their customer numbers. By the end of 2006, however, when its business had rapidly increased, BEC began to change its strategy and structure. Mr. Zheng decided to shift the company's focus away from research to focus more on business practices and to tap into the market's potential profit sources.

This shift in company focus was influenced by BEC's successful business with Guangdong Mobile, a subsidiary of China Mobile (see Exhibit 1). In April 2006, BEC began to provide EAP services to Guangdong Mobile's branch in Guangzhou, which had more than 50 million customers across Guangdong Province, China, and more than 7,000 customer service employees.² On average, each call centre employee answered a customer inquiry every two minutes, covering questions about a wide range of Guangdong Mobile's products, such as phone rates, fees, policies and so forth. To provide high quality service to their customers, call centre employees had to memorize a wealth of information about Guangdong Mobile's products and services. In addition, dealing with customer complaints and with difficult customers was an ongoing part of customer service. Guangzhou Mobile faced high turnover rates and low employee satisfaction in its customer service department, and this situation eventually led the company to contact BEC.

In 2006, Guangzhou Mobile signed a contract with BEC to provide its employees with psychological assistance, representing BEC's largest contract since the company had been founded. To provide faster and more direct service to Guangzhou Mobile, BEC set up an office in Guangzhou, the capital city of Guangdong Province, and regularly sent employees to the Guangzhou office. Guangzhou Mobile was very satisfied with BEC's service.

In January 2007, China Mobile, Guangzhou Mobile's parent company, sent a policy statement to its 31 subsidiaries across China, stating that each office must provide its employees with psychological assistance, and encouraging the provincial subsidiaries to pay more attention to their employees' psychological health. Immediately after that announcement, Beijing Mobile, another subsidiary of China Mobile, also came to BEC for EAPs service.

With its accumulated experience and increased business opportunities, BEC decided to put all of its limited resources into the company's current and potential customers in the mobile phone industry, a move that put a lot of pressure on the company's existing employees. Since all of BEC's employees were working on client projects, it was difficult to maintain the research stream that BEC had been working on. Due to the intense competition from the market at this stage, BEC had to focus on its business. BEC also had to face the realities of the labour market: the company needed employees with degrees in psychology, but only a

² Source: <http://campus.chinahr.com/2008/pages/gmcc/index.asp>, accessed January 29, 2009.

few universities in Beijing provided such degrees. The difficulty of finding qualified employees restricted BEC's growth and forced BEC's current employees to become team players and multi-taskers.

EAP was an emerging industry in China, which meant there was great opportunity accompanied by great competition. To take advantage of such an opportunity, BEC was going to have to make some changes.

BEC'S STRUCTURAL CHANGE

Faced with an increase in business volume and the resulting workload, Mr. Zheng felt that his company would need more people and a different structure in order to maximize the efficiency of BEC's human resources.

BEC's Structure Before 2006

Before 2006, there was no clear structure at BEC. Six full-time employees, including the two co-founders as managers, worked in a single office in Beijing. One of the co-founders of BEC was a professor of psychology at a university in Beijing, and most of the employees at BEC were recent graduates of that same university. BEC also hired many graduate and undergraduate students from the psychology department as part-time counsellors, whose main responsibilities were to provide psychological assistance through the company's toll-free helpline.

Before 2006, there were no clearly identified departments in BEC, and the full-time employees' job responsibilities were not clearly designated. Whenever there was a project, all BEC employees got involved. Usually, the managers would assign tasks based on each employee's skills and schedules. All employees worked on two or more tasks, including designing the project plans, interviewing customer employees, providing telephone and face-to-face consulting, designing promotional brochures, and so on. Employees treated these projects as more than just a job; they looked on each one as a learning opportunity. Throughout their work on a given project, BEC employees discussed the difficulties they had experienced and provided each other with suggestions for improvement.

At this stage, the informal structure worked quite well at BEC. The work process was mainly project-based, and all six members worked as a team on every project. Each employee's role and responsibilities were flexible and mainly depended on the employee's personal interests and schedule. This structure also allowed all employees access to all the stages of an EAP project, which helped them to learn new technology and understand each other's work. The small size and flexible structure of the company made BEC able to tailor its services to adapt to a variety of customer requirements. After each project, BEC would hold an internal workshop where employees would have an open discussion about the project: what they did well, what they needed to improve, what they had learned, and what they could expect from each other in the future. This flexible structure made BEC a learning-oriented organization with an open culture.

BEC's Employees and Structure Since 2006

In October 2006, faced with an increase in business from China Mobile subsidiaries and from other companies, BEC started to recruit more employees and set up new departments as a way of specializing its employees' responsibilities. The new structure included a marketing department, a consulting department, a training department, a research and development (R&D) department, an administration department and

two project departments. Having two project departments would reduce the number of projects for each of the project departments so that the project managers would not face too many scheduling conflicts. The functions of the two project departments were very similar. See Exhibits 2 and 3 for BEC's organizational chart and a list of departmental responsibilities.

The top management team included a chief consultant, CEO Mr. Zheng, and a vice-president (who joined BEC in 2006). They each managed different departments, according to their own areas of expertise. The chief consultant led the R&D department because he was a university professor and because he had the most knowledge in EAPs research. CEO Mr. Zheng led the consulting and training departments since he was very familiar with these tasks. The vice-president brought a wealth of experience to his role as the leader of the marketing department. Since the two project departments had similar responsibilities, the vice-president and the CEO lead project departments A and B respectively, which gave both of them sufficient time to manage the projects.

Ms. Song managed project department B, and Mr. Yang managed the training department; both of them reported to Mr. Zheng. Ms. Song had a master's degree in psychology and had been a licensed psychological counselor in a local hospital before she joined BEC in 2004. Since 2006, when BEC started its new project management structure, Ms. Song had led many projects. Mr. Yang had worked as a professional manager in training industry for over a decade before he joined BEC in 2005.

In 2006, BEC decided to adopt a project management approach. For each project, a project manager would lead a project team. Teams would be composed of employees from marketing, consulting, training, and R&D. Together, project managers and other department managers would work out a plan for each project and would then co-conduct the plan. Project managers could assign tasks to other department managers and their employees, and department managers were free to ask project managers to adjust work procedures, based on the actual processes of each department. This new structure allowed employees to focus on their specialized fields and to grow more familiar with certain work procedures. For example, employees in the training department could spend more time on designing and delivering training sessions and less time on discussing contract content. Once the new structure was established, it saved a lot of time with respect to work assignments and preparation.

Mr. Zheng felt that BEC was much more efficient after the structural change. By March 2007, the number of employees had increased to 20, and Mr. Zheng was planning to hire even more.

SPECIFIC PROBLEMS

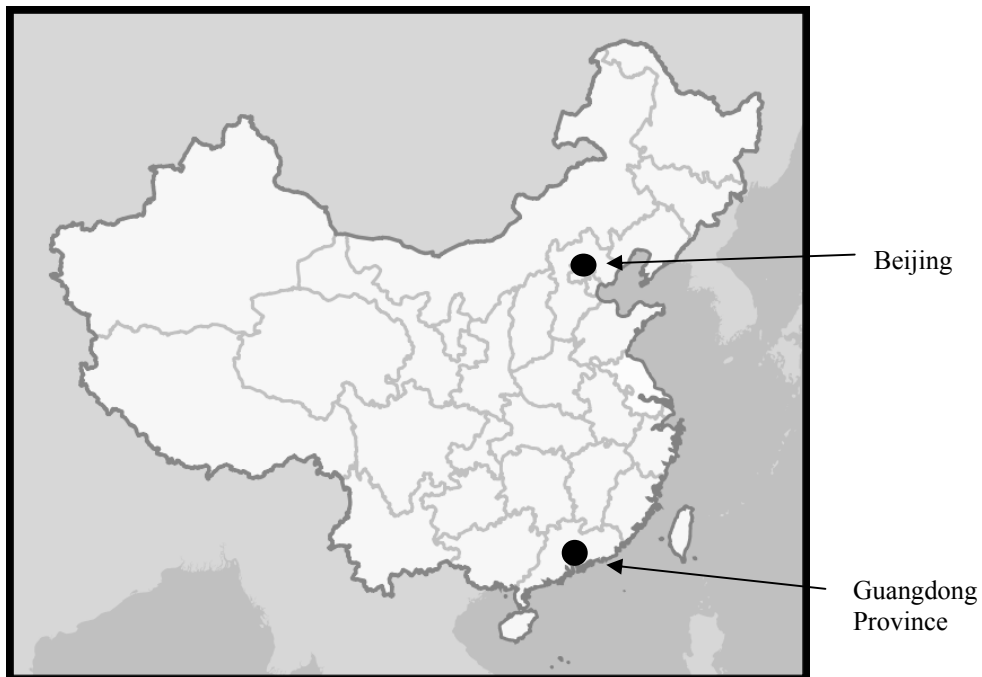
After the restructuring, Mr. Zheng felt that the company was more efficient and more market-oriented. He could see BEC growing rapidly, both in size and in profit in the near future. However, as BEC and its profits were growing, some problems began to surface. Since there were many projects going on at the same time, employees had to work on multiple tasks and face various demands from each project as well as meeting the day-to-day requirements of their own departments. Some employees were working on more than 10 tasks at the same time, many of which had strict deadlines. Employees had to carefully plan their schedules and work extra hours to meet all the deadlines. Moreover, sometimes tasks were urgent. For example, a customer would ask for an extra report or analysis, and BEC would try to meet this request, which meant that BEC employees would often have to fit a new task into their already tight timetable. It was very common for staff to work nights and weekends at BEC, just like the employees in many other organizations in Beijing.

Another problem at BEC stemmed from the project management system itself. The role of the project managers did not seem to be well accepted among the departmental staff. With two project management departments and five other functional departments, employees working on a project would receive directions from their department manager and from the project managers as well. When there was conflict between two managers' assignments, employees tended to use their own judgment to decide the priority of tasks and would then adjust their schedules according to their decision. On the other side of the fence, project managers felt frustrated by their relationships with managers and employees in the functional departments. Sometimes the project managers would feel uncomfortable assigning tasks to functional managers who were at the same level in the organizational hierarchy. According to the new structure, project managers and department managers were peers, so it was difficult to apply any direct influence on each other. And when the project managers did assign tasks directly to employees in these functional departments, they might find that the employees were already working on tasks assigned by their department manager and would therefore find it hard to make time for the project manager's task.

In general, BEC continued to experience problems with its rapid growth; the increase in business has certainly yielded an increase in profits, but these have been accompanied by several new challenges for management. Mr. Zheng planned to recruit more employees in the near future, but first he had to make sure that BEC's organizational structure and management processes were efficient and effective. He was not sure how he could continue to expand the company and solve the growing management problems at the same time.

Exhibit 1**CHINA: LOCATION OF BEIJING AND GUANGDONG PROVINCES**

China Mobile: Officially established on April 20, 2000, China Mobile Communications Corporation (“China Mobile” for short) has a registered capital of RMB51.8 billion assets of more than RMB400 billion. It wholly owns subsidiaries in 31 provinces across China. The total number of customers had exceeded 240 million by the end of 2005.¹

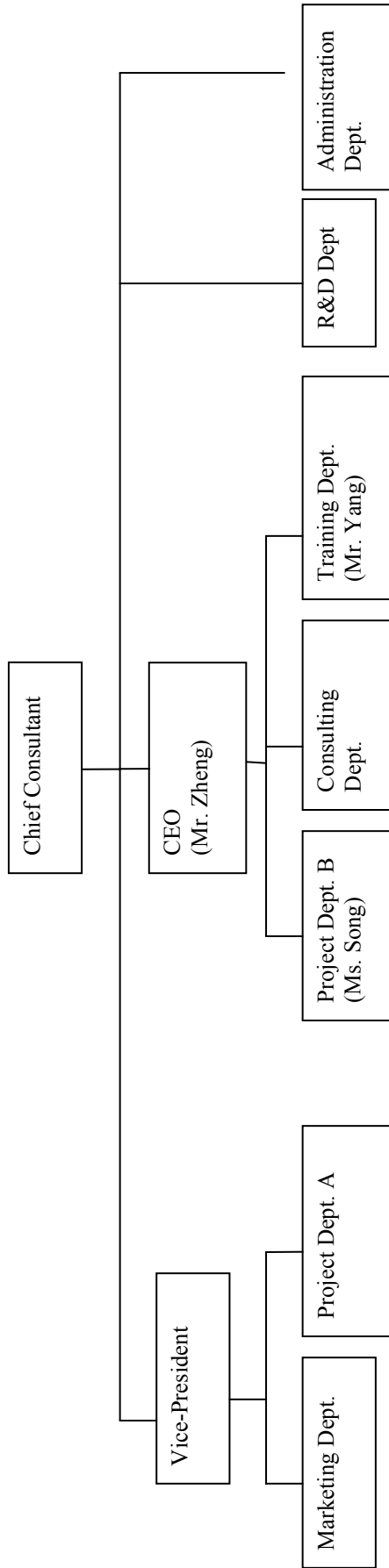
Map of China and the Location of Beijing and Guangdong Provinces²

¹ <http://www.chinamobile.com/en/mainland/about/profile.html>, accessed January 29, 2009.

² http://commons.wikimedia.org/wiki/File:China_blank_map.svg, accessed January 29, 2009.

Exhibit 2

BEC'S ORGANIZATIONAL STRUCTURE IN MARCH 2007¹



¹ Internal documents from Beijing EAPs

Exhibit 3**DEPARTMENTAL RESPONSIBILITIES¹**

1. Marketing Department:
 - Sell BEC's products and service to target markets
 - Establish BEC's leading image in the market
 - Promote BEC's brand name
 - Manage relationships with media, industry associations and partners
2. Project Departments A & B:
 - Co-operate with the marketing department to provide proposals to customers during the initial contacts
 - Allocate employees and other resources to provide high quality service to customers
 - Provide project documents to the R&D department; share the knowledge and technology created during each project with other departments
 - Research information related to the customer companies to develop a better understanding of the customers
 - Write advertising articles and co-ordinate with the marketing department
3. Consulting Department:
 - Develop and conduct a quality management system for consulting
 - Based on the requirements of the company, organize consulting teams through internal promotion and external contact
 - Provide consulting services to the customers based on the project department's design
4. Training Department:
 - Design and develop training courses on psychological assistance for clients' employees
 - Customize training sessions for various customers
 - Initiate employee assistant programs within customer organizations
 - Develop books and other publications on EAP
5. Research and Development Department:
 - Develop and conduct BEC's research strategy; ensure BEC's leadership in technology, products and services
 - Co-ordinate with other departments to develop new products
 - Collaborate with external resources (such as universities) on R&D issues
 - Design a project management process; design a research plan, data analysis process and report templates; provide training to relevant employees
 - Manage project documents
 - Co-operate with project departments to write the research plan, analyze data and write research reports
6. Administrative Department:
 - Conduct financial functions
 - Develop a human resources plan; develop reward and compensation systems; recruit new employees
 - Conduct daily administration functions

¹ Internal documents from Beijing EAPs