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# **Reality of Use and Nature of Change in Small Business: A Case Study in Inefficient Compromise**

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*Through this case we ponder an inescapable issue faced by all small businesses. Of interest are both the positive and negative roles information technology plays when affecting organizational change. We tell a story of a small successful business that is evolving into a larger organization. While this subject brings with it myriad facets, we evaluate the actions taken in terms of technology, staff, and procedures. What learning difficulties did this enterprise face? How did management address these challenges? Why did the original entrepreneur not want to let go when the next generation attempted to implement support mechanisms? What was the outcome? Our case concerns a small service enterprise located in the western United States. There are numerous organizational issues presented in this case.*

- *Case Industry: Temporary Staffing and Service Business, OTI*
- *Major Technical Issue: Appropriate use of database technology*
- *Major Strategic Issue: Sustainable expansion when undergoing technological change*
- *Major Players/Leaders: CEO-owner (CO), operational manager (OM), IT technical manager (TM)*
- *Case Conclusion/ Recommendation: Inefficient compromise may result when small businesses employ IT to meet an increasingly competitive business environment.*

## **BACKGROUND**

Most case studies one encounters ponder successes and failures of large and complex organizations. The successes and failures of small businesses are by and large ignored. However, small enterprises are a major economic driver, not only in the United States, but

all over the world. With the majority of small businesses in the US failing within the first few years, and the majority of the early survivors closing within ten years, one can conclude that there is a problem sustaining long-term growth in small business. How does a closely held, owner-managed, small local business take the next evolutionary step and grow into a professionally managed, geographically distributed, competitive enterprise?

Even in small business, in order for meaningful change to occur, learning must be engaged at all levels. Most importantly, the behavior and attitudes of the small business owner may provide enormous leverage for successful change. Likewise, the behavior and attitudes of the owner can exert destructive pressures, and compel anti-learning defenses throughout the organization.

## **SETTING THE STAGE**

OTI is a full-service staffing company, providing jobs for workers and workers for assignments lasting a few hours to many months. The company provides a number of employment-related services including testing, screening, interviews, payroll provision, and so on. In brief, employees register with OTI and are tested, interviewed, and screened. When a client calls for a temporary employee, the staff at OTI reviews the office list of employees and dispatches qualified employees to the client.

OTI began operations in 1980 with the owner running the business out of a one-room office. As with many small businesses, OTI experienced significant, rapid growth. By 1990, OTI had grown into the region's largest privately owned temporary service, consisting of seven remote offices, nearly 40 staff employees, and reaching annual revenue in excess of US \$10 million.

In spring of 1995, the CEO and sole owner of OTI (referred throughout this case as CO) decided to change the way her company operated. While successful, OTI had reached a critical point in its development, both in size and in its ability to provide consistent, quality customer service. The owner believed that in order to compete in a rapidly changing service industry, increased efficiency in customer service was vital. After meeting with a consultant, she determined that an increased focus on technology and employee development as a good way to increase this efficiency and make sure the company remained competitive through the next decade.

## **CASE DESCRIPTION**

Beginning in the mid-1980s, the entire temporary service industry began experiencing a boom, as a result of U.S. companies "rightsizing" and utilizing temporary employees as a flexible, variable cost. Since that time, the industry has maintained a growth rate that well exceeds the average for U.S. industries (20-30% per annum). The 1990s were a time for continued prosperity and growth for OTI, and labor shortages that began in the 1990s, continue to create additional challenges and opportunities.

In order to meet these challenges, CO recognized a need for new staff that was familiar with information technology and with managing change. Recently retired from a large electronics firm, CO's daughter was brought into OTI as its operations manager (OM), who would be responsible for coordinating business processes enterprise-wide. Additionally,

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