

Project Management Scenario - Cosmetic Products Inc. and Personal Care Online Merger

Cosmetics Products Inc. (CPI), located in Ontario, provides hair products, cosmetics and personal care products to 2,500 salons across Canada. The company has 30 full-time, salaried administrative and 20 full-time warehouse employees. In addition, the company has 50 sales representatives in every province and territory who are paid minimum wage plus a commission. These sales representatives participate in the company's benefits plan.

Sally Weld, CPI's founder and President, began her career as an independent sales representative for a cosmetic company. She started CPI and built it up by adding products from other companies and gradually hiring sales representatives to support her growing product line. With rapid growth, it has become increasingly difficult and costly to manage the employees across the country. Sally has always focussed on increasing sales and is aware that she has not invested in building efficient administration systems. The accounting, human resources and payroll systems are not integrated and reside in various ten-year-old software systems.

Over the past year, Sally has noticed that several large clients have shifted to buying on the internet from Personal Care Online (PCO). These clients told her sales representatives that the internet is much more convenient. They can order anytime of the day and there is always a phone representative available if they need any assistance in selecting a product. What they really needed was training on how to use new products.

At an industry conference, Sally met the owner of PCO and learned he wanted to retire and was interested in selling his business. Sally immediately contacted her accountant and a lawyer, and two months later the sale of PCO to CPI was finalized.

The CPI employees were shocked when they heard Sally had bought PCO. They knew that PCO was more profitable and efficient. There had been several stories in the trade magazines about the technological innovations PCO had taken. The CPI employees realized that Sally would probably be terminating many CPI jobs.

All PCO sales are through internet sales. PCO has 60 full-time salaried employees at headquarters who manage the product sourcing, marketing and sales functions. There are also 30 full-time, salaried employees in the adjacent warehouse. PCO is located in Ontario in a large industrial park about fifty kilometres from CPI's headquarters.

PCO has a fully integrated accounting, human resources, payroll, sales and customer profile system. For example, the system can produce a report on what each phone salesperson sold by product, sales value and the geographic location of the customer.

Sally hired a consultant who was experienced in merging companies. His recommendation was to integrate all files into the PCO system and shut down CPI's records systems. He strongly recommended that PCO employees take the lead because they all have extensive training in the technologies used. He also recommended that Sally keep 30 of her travelling sales representatives as trainers and demonstrators; they would be moved to a salary without any commission. The other 20 sales representatives should have their employment terminated. The consultant suggested that the phone sales representatives with PCO be given a 5% commission for every transaction over \$500.

Sally asked the consultant for advice on the future of the administrative employees at CPI. The consultant recommended that training be provided, but in his experience, she could expect most of the employees who were used to outdated technology would quit within six months. The consultant advised that CPI move its administrative employees to PCO, which had extra office space.

The consultant also recommended that Sally set up an Integration Committee that should include a representative from each department.

Sally had a difficult conversation with Bertha, CPI's office manager and payroll manager for 15 years. She told her that the transition required specialized knowledge and there wasn't enough time for Bertha to obtain sufficient training before the total transition of systems in ten weeks. Sally offered Bertha three options: she could move to a sales position where she would take orders from customers who saw the products online; she could enroll in courses to learn the PCO's system at CPI's expense; or, she could accept a settlement package that included a continuation of her salary and benefits for one year. In the meantime, Sally stressed how valuable Bertha's knowledge would be in moving the files over to the PCO system.

Sally had a meeting with Tina, PCO's payroll manager and told her she would be the project manager for the merger of the CPI and PCO payroll systems. Tina would be reporting to the Integration Committee. Tina was so relieved that she would keep her job that she couldn't think of any questions. She knew this assignment was an important career opportunity and she was determined to do her best. She had never managed a large project before and had never merged two payroll systems. To get started, Tina compiled the following partial Statement of Work:

Objective	Create an integrated payroll system	
Scope	Activities limited to payroll specific data and does not include sales records	
Timeline	Week 1	Plan the transition
	Weeks 2 to 5	Transfer CPI data to spreadsheets that can be imported into PCO's system
	Week 6 to 8	Import CPI data into PCO's system
	Week 9	Test system
	Week 10	Go live
Quality	All payroll must be accurate, on-time and	

	compliant during and after the transition	
Resources	Project Manager	Tina, PCO
	Payroll Manager, CPI	Bertha
	Payroll administrator CPI	Carl
	Payroll administrator PCO	Norman
	PCO's IT manager	Vera
	Chair of Integration Committee	William
Communication Plan	Present a progress report to William every Friday	
Budget	No additional funds provided	
Monitor	Ask each of the resource contacts for a report each Thursday	

Tina was busy with her ongoing duties as payroll manager at PCO. In addition to her usual payroll duties, she had to configure the payroll system to accept commissions based on the transaction value for each phone sales representative. She had to work with the server administrator to ensure the servers could absorb the increased data that would be added when CPI's files were incorporated. She helped Norman answer the dozens of phone calls every day from employees of both CPI and PCO; they wanted details on the commissions they had heard about for the phone sales representatives, CPI sales representatives wanted clarification on their new roles, many employees wanted to know what would happen if they were terminated and others wanted information on the benefits package for the merged company. Often, she and Norman didn't have the answers and didn't know who could tell them. Tina often worked ten to twelve hours a day. Sally, the President, had gone on a national tour to meet major customers and get them excited about the new organizational structure.

Tina communicated with Bertha by phone and email. She and Bertha did not meet in person. Tina knew CPI did not have an integrated data system so she created a spreadsheet template of the information the PCO system would need. She emailed the template and expected delivery dates to Bertha. Each Thursday, Tina called Bertha for an update.

By Week 3 the planning stage was still underway. Bertha told Tina she needed more direction on how to prepare the CPI files. She said she and Carl had tried to use the template but felt it didn't reflect CPI's compensation system. For instance, the template did not have a category for the commissions that the sales representatives earned or for the remittance requirements for all the provinces and territories. Tina felt that Bertha was resisting the transition and kept hoping that she would be able to catch up and be able to meet the implementation deadline. In any case, Tina was under such pressure at PCO that she did not have time to spend with Bertha. She felt that Bertha was a professional payroll manager and should be able to adapt the template to CPI's situation.

By week 5 the CPI team was just beginning to enter data in the spreadsheets supplied by PCO. Tina was frustrated by the delay, but felt there was little she could do. During her weekly meetings with William and the Integration Committee, she reported that significant progress was being made. At the end of Week 6, Bertha left CPI and accepted the severance package Sally had offered her.

Tina called William and said they had a problem. She had thought they could become more efficient as the weeks passed, but they were behind schedule and a key resource had left.

William asked Tina to review the original schedule and the revised schedule based on her report of progress on the payroll transition project. “Don’t you see,” he said, “that there will be no payroll data from CPI according to this schedule. Haven’t you been gauging the progress of your project? Payroll is your area of expertise. Please present an analysis of the problem and a plan of action in two days. The deadline will not change.”

Note to students: Use the decision-making process to prepare Tina's analysis.

Schedule for Payroll Tasks as indicated in Original Statement

Task : Payroll	Start	Finish	Responsibility	Weeks									
				1	2	3	4	5	6	7	8	9	10
Plan	Day 1	Day 5	Tina										
Transfer data to spreadsheets			Bertha										
Import CPI data in PCO system			Tina										
Test system			Tina										
Go Live													
Critical Path													
Computer systems move to PCO			Secure Data Movers										
Movers transport CPI furniture and equipment to PCO location			Office Relocation Inc.										

Actual progress of Payroll Tasks when reported by Tina

Task : Payroll	Start	Finish	Responsibility	Weeks									
				1	2	3	4	5	6	7	8	9	10
Plan	Week 1	Week 4	Tina										
Transfer data to spreadsheets	Week 5		Tina										
Import CPI data in PCO system			Tina										
Test system			Tina										
Go Live													
Critical Path													
Computer systems move to PCO			Secure Data Movers										
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Tina's Response:

Identify the Issues

1. Unrealistic timeline
2. Inadequate resources
3. Poor communication
4. Risk management – no back-up plan
5. Poor monitoring and troubleshooting
6. No measurement of progress against the project's objectives

Analyze the data

Scope

Tina realized that she should have asked more questions. She had not examined the scope of the project or the resources needed at the beginning. She had accepted the timeline without examining if it was feasible. She hadn't told the Integration Committee that the new compensation plan for both companies would require significant programming and testing and that the change in compensations should wait until the systems of the two companies had merged.

Resources

There were no additional resources provided for the transition. The payroll employees at both companies were busy with their ongoing responsibilities. They did not have the time to consolidate two systems plus introduce new compensation plans.

Tina should have requested a consultant who had experience in merging payroll systems. The consultant would have also advised on what additional resources would be needed.

At the very least, both CPI and PCO need short-term help to extract the payroll data from CPI's records and import it to the PCO system.

Communication

Aside from weekly phone calls to find out how things were going, Tina and Bertha did not communicate. Bertha was never given an introduction to the PCO system or given a tour of the PCO facilities. Further, Tina and Bertha did not have an informal exchange about payroll management and how they could work together. Tina does not appear to have even inquired about the structure of the payroll system at CPI.

Bertha was familiar with salary plus commission compensation and knew the compliance requirements for each jurisdiction. Rather than learn from Bertha, Tina struggled on her own to understand a compensation system that was new to her.

There was also no communication plan to inform employees about the changes that would happen. The Integration Committee should have a communication strategy for every department. For Payroll, Tina should compose an email or notice that will be inserted in the pay envelopes that answers all the employees' questions. This communication would reduce the number of calls the payroll office receives every day.

Every integration project requires a communication plan. The payroll communication plan should have included:

- Announcement (email, department meetings or enclosure in pay statement) of the changes:
 - Move to PCO systems
 - Change from salary plus commission for travelling sales representatives to fixed salary
 - Addition of commission (5% of transactions over \$500) for phone sales representatives
 - No change in benefits package
 - Notice that there would be a reduction in employees and department managers would provide more information
- The payroll announcement to employees should be approved by the Integration Committee to ensure that employees are receiving the same message from all departments. The main communication should have come from Sally, the President
- The payroll employees at both companies should have created a transition plan together through face-to-face meetings
- Tina and Bertha should have communicated every day and each should have been open to assist the other

Risk Management

None of the stakeholders in this merger appear to have experience combining two companies and their systems and cultures. Mismatches and unanticipated events are inevitable. The President and Chair of the Integration Committee should have developed a risk management plan and each department should have created a department specific plan.

If Bertha and Tina had discussed the opportunities and challenges of the merger project, they would probably have devised strategies to deal with likely problems. For example, they would have known right away that there were not enough resources to complete the project on time and they would have requested help from the beginning. They would have also identified similarities and differences between the two payroll systems and devised a back-up plan in case the transition encountered problems.

Tina also knew that Bertha would soon lose her position as a payroll manager and could decide to take the severance package. Tina should have gotten to know Carl as well to ascertain if he could take over if Bertha left.

Monitoring and Troubleshooting

This merger was new for everyone in both companies. As project manager of the merger of two payroll systems, Tina should expect problems to arise and she should be available to look for solutions immediately. She and Bertha should have worked together closely on the transition plan from the beginning. When the plan was not completed in the second week, Tina should have alerted the Integration Committee and sought resources to meet the project's milestones.

The Gantt chart indicated that the computers at CPI were moving to PCO in Week 7. Therefore all the inputting of the CPI data into spreadsheets had to be completed by the end of week 6. Tina should have been alarmed much earlier that the transition was not progressing. When Bertha left in week 6, CPI had not input the data in the spreadsheets and their systems would be down the following week as the computers were moved to PCO headquarters. If a solution is not found immediately, the CPI employees will not receive their next pay.

Measurement

Tina was not measuring the project's progress against the expected outcomes. The critical path indicates that the CPI data had to be at the PCO location before week 6. Tina had many warnings that the project's objectives would not be met. The planning stage took three weeks longer than scheduled and there were no adjustments in the delivery schedule to accommodate that delay.

Alternatives

1. Change the project schedule

Call the President and say the move has to be stopped until payroll is ready. The chair of the Integration Committee said the deadline could not be changed, but the loss of payroll data is more critical than rearranging moving dates. However, there may be factors beyond CPI's and PCO's control that limit the flexibility of the move dates.

2. Redesign the data transfer strategy

Have a discussion with Carl about the CPI payroll system and explore if there is a more efficient way to merge the CPI payroll information into the PCO system. Explore if a parallel system can be used in the short run. Then the emphasis will be on backing-up the CPI data so nothing is lost when the computers move to PCO the following week. In that case, Carl would move to PCO and continue to manage the payroll of CPI employees. The integration of CPI to the PCO system could then be carefully planned when all the payroll employees are in the same location.

Two payroll administrators would need to be hired for the duration of the project to assist Carl in the routine payroll function for CPI employees and to assist in the transition of data to the PCO system.

3. Develop a communication plan to reduce the daily phone calls from employees, find additional resources immediately and actively manage the project.

Appoint Norman, PCO's payroll administrator, to take over the routine payroll manager tasks at PCO. This added responsibility will offer Norman an opportunity to showcase his management skills. At least four payroll administrators have to be hired for the duration of the project. One to take over Norman's duties, one to take over Carl's duties as he steps into Bertha's role and two to transfer the data from CPI to PCO.

Action Plan

The first step is to contact Bertha if possible and explore if she would come back. If she cannot be contacted, have a meeting with Carl, CPI's payroll administrator, to identify differences and similarities between the two payroll systems. Perhaps Carl has a solution. In any case, take immediate steps to operate parallel payroll systems until the transition is complete.

Advise the chair of the Integration Committee of the plan to run parallel systems and present a report to justify the hiring of four contract payroll administrators.