

Dr. Nick Bontis prepared this case solely to provide material for class discussion. The case is not intended to illustrate either effective or ineffective handling of a managerial situation. Certain names and other identifying information may have been disguised to protect confidentiality. Version Sep. 1, 2005.

REHABILITATION RESEARCH CENTRE

On the morning of December 1, 1995, John Korpela, Co-ordinator of Business Development, arrived quite early at the offices of the Rehabilitation Research Centre (RRC) in Toronto. He had not slept well the previous night and continued to feel agitated as he entered into his office. He had been anxiously waiting to turn on his computer and read his electronic mail.

After months of mental torment highlighted by dozens of “ups and downs”, Korpela finally realized that drastic circumstances often require drastic actions. After reading the e-mail sent to him by a close friend detailing the possible future fate of the RRC, Korpela wondered if there was only one alternative left for him to pursue.

PROVINCIAL GOVERNMENT

When his Progressive Conservatives (Tories) swept to power in the provincial elections on June 8th, 1995, Mike Harris boasted, “Voters have chosen major change.” However, most Ontarians, from organized labour to civic leaders, anti-poverty advocates to women’s groups, business leaders, and even fellow Tory MPPs, never anticipated the sweeping cuts that Harris would initiate. Although the cutbacks started right away and lasted throughout the summer and fall of 1995, Harris warned, “we’ve only just begun, and we’re just at the starting line.” That statement sent shock waves throughout the province in anticipation of the provincial mini-budget on November 30th, 1995.

Leading up to the mini-budget were many expressions of Harris’ mandate to clean up Ontario’s runaway finances and make the province more competitive (see Exhibit 1). First came \$1.9 billion in sooner-than-expected cuts on July 21st that the new government claimed was a response to the slumping economy and the fact that the former New Democrat Party (NDP) government had left the province’s books in worse shape than expected. Following that were two major proposals that had quickly passed through legislation without public hearings: i) a 21.6% cut in welfare benefits; and ii) a new labour law, Bill 7, that paved the way for easier privatization of public services with unionized work forces. Both of these announcements were in direct response to policies that the previous NDP government had supported.

Feeling the pressures of all of the “chopping” that was occurring around them, many of Ontario’s provincially-run agencies anxiously continued their day-to-day operations not knowing when or if they would be next in line for the chopping block. One of these organizations was the Workers’ Compensation Board (WCB) which the Tories had targeted for future consideration. Rumours at Queen’s Park spread like wildfire as political insiders attempted to guess the fate of absolutely every organization under the Tory umbrella – no one was immune.

The WCB had not formally been mentioned until the mini-budget on November 30th, but campaign promises had been made earlier by the Tories who vowed that WCB premiums for employers would be cut by 5%. With less revenue to work with in the future and a projected increase for medical and rehabilitation costs for workers injured in the workplace, it seemed that the WCB would also be closely scrutinized for its costs by the Tories. One of the agencies that the WCB supported was the Rehabilitation Research Centre.

REHABILITATION RESEARCH CENTRE

The WCB annually granted funds to the Rehabilitation Research Centre (RRC) so that the latter could pursue research in order to evaluate the effectiveness of programs instituted by the WCB. The RRC also was given responsibility to develop standards for accrediting rehabilitation centres in the province that the WCB would support (see Exhibit 2 for excerpts of the contract between the two organizations).

The RRC employed just over 50 individuals, many of whom were researchers supplementing their regular academic careers. The organizational structure was relatively flat (see Exhibit 3). Established in 1989 to conduct a scientific evaluation of the medical rehabilitation strategy developed by the WCB, the RRC was a knowledge-based organization which aimed to be Canada's leader in disseminating knowledge related to the reduction of work-related disability and to the improvement of rehabilitation practices for injured workers.

The RRC's main activities included research and accreditation activities under contract with the WCB. Additional contract work was done with other government departments and insurance companies as negotiated. Its mission statement was:

- to improve the understanding of factors that determine workplace health, injury and disability;
- to recommend and evaluate initiatives to reduce work-related disabilities; and
- to continuously improve the quality of Ontario's rehabilitation services.

The two largest divisions in the RRC were the Research Department and Quality Improvement. Traditionally, the former was considered a cost centre due to its limited ability to generate revenue (working papers were sold for a nominal cost of \$5 to cover printing and mailing expenses). On the other hand, Quality Improvement was considered a profit centre because it generated revenue from the accreditation of rehabilitation clinics in the province.

The Research Division – Developing A Niche

The Research Division was the largest department of the RRC and comprised 60% of the employees and nearly 70% of the total salaries of the organization. This department consisted of Ph.D.s and M.D.s who were interested in doing work-related research. Although the RRC conducted research in areas that covered many medical disciplines, it had established an international reputation for its work on the causes of work-related back pain. Researchers at the RRC soon developed an expertise in the area and published widely in many of the top medical journals in the world. Traditionally, most researchers investigating low back pain tended to concentrate either on the individual worker, or the workplace, or the social and economic climate affecting occurrence and reporting. Thus, conventional views of low back pain had fallen into one of three camps:

- the “clinical pathology view”, which focused on the pathology and prognosis of the worker;

- the “biomechanical exposures view”, which focused on adverse, and potentially preventable, biomechanical exposures at work; and
- the “perverse incentives view”, which looked at back pain as a consequence of modern life and viewed increases in reporting as linked to incentives such as the availability of disability payments.

The RRC argued that the compartmentalization of research was creating roadblocks to successfully identifying, and acting on, modifiable causes for occupational back pain. The RRC’s approach to research gave equal emphasis to all three camps and utilized a transdisciplinary perspective. This approach gave the RRC a considerable international reputation and thus attracted major consultations and collaborations with other agencies around the world.

The Quality Improvement Division – Establishing A Reputation

Since the Quality Improvement (QI) Division was first established, the overall number of rehabilitation clinics/centres in Ontario had increased tremendously. Changes to provincial automobile insurance legislation had led to an increase in demand for a variety of rehabilitation services and for up-to-date knowledge of clinical services.

In keeping with the RRC’s philosophy and practice, the QI Division introduced the idea of “an outcome orientation” to community clinics. This involved QI employees working with clinics, assessment centres, and with the relevant regulatory bodies governing rehabilitation professions, to move towards monitoring the effectiveness of treatment activities undertaken at clinics and assessment centres. In response to the fact that there was no one source of information on the rapidly growing field of rehabilitation services, the Ministry of Health, the Ontario Insurance Commission and the Workers’ Compensation Board, in conjunction with the QI team, focused on an inventory project that described the standards and evaluation methods currently in use. With these and other innovative initiatives, the QI Division had established itself as a critically important area of the RRC and the WCB as a whole. Unfortunately, a large managerial gap soon began to develop and the RRC needed more manpower to manage many of these projects.

Korpela Recruited by RRC

The General Manager of the RRC, Rob Simon, identified the need for more managerial talent and posted the position of Co-ordinator of Business Development at the Western Business School (WBS). John Korpela, a graduating MBA student who took mainly Accounting and Operations courses in his second year, successfully interviewed for the position and was hired. He signed a one-year contract with a mandate to develop a strategy that would diversify RRC’s revenue-base. Simon promised Korpela that he would be taking on a strategic role at the RRC.

Four years prior to entering the MBA program at WBS in 1993, Korpela completed his undergraduate education at the University of Toronto in Pharmacy. Between degrees, Korpela was a Captain in the Canadian Armed Forces and worked as a Pharmacist Officer. After an initial stint as a brigade pharmacist for the special services force, he was stationed at Hafar-Al-Batin, Saudi Arabia during the Gulf War. This was approximately 40 km. from the Iraq-Kuwait-Saudi Arabia border. Upon his return from the Middle East, Korpela was posted to the Central Medical Equipment Depot. He was responsible for the material management of disposable medical equipment and oversaw a budget of \$11 million. Within a year, Korpela had saved the Canadian Armed Forces nearly \$1 million in logistic efficiencies.

Learning about the RRC

Korpela spent the first two months (July and August, 1995) at RRC completing a strategic size-up of the organization. He was scheduled to present a report with recommendations to Rob Simon by the end of August. Korpela did not want to disappoint Simon in his first project.

During the first few weeks, he spent most of his time interviewing employees, visiting rehabilitation clinics, analyzing corporate information such as financial statements and contracts, and generally familiarizing himself with the “ins and outs” of the RRC and the WCB. As he settled into the culture of the RRC, Korpela realized that few of the other employees had any professional managerial training. Most of them had research backgrounds but lacked any actual skills in managing a business. He often found himself looking at the organization in a completely different way from the rest of his colleagues.

The Financial Situation

Rob Simon pushed Korpela towards finding a way to secure at least \$1 million in revenue from sources outside the government. In a presentation to his Board of Directors, Simon announced:

The generation of external revenue is intended to add credibility, independence and flexibility to the organization, in a fashion consistent with our not-for-profit objectives, and with due regard to the mission of the RRC.

The financial statements for the RRC were prepared according to accounting standards for not-for-profit organizations (see Exhibit 4 for the Statement of Revenue, Expenses and Surplus, Exhibit 5 for the Balance Sheet, and Exhibit 6 for the Statement of Changes in Financial Position). The additional revenue earned by the RRC was from contract work with the Ontario Insurance Commission, the Ministry of Health and other private organizations. Next to salaries and benefits, the largest expense that the RRC faced was for the services of research consultants and related costs. These payments were for outside peer validation of RRC research prior to publication.

Playing out the Scenarios

As the summer continued and the Harris government continued to make changes, Korpela soon realized that there was a possibility that the RRC was going to be affected. The RRC was not an essential service to the government. In fact, the WCB had operated successfully without it prior to the 1990s. Clearly, there would be little public outcry if funding to the RRC ceased. The WCB would not grind to a halt without it and the RRC’s demise could symbolize “the sacrificial lamb” that the government would need to prove that things were getting done. In sum, there existed five possible scenarios for the RRC: i) pulling the plug; ii) privatization; iii) value-for-money audit; iv) university collaboration; and v) independent business.

The first scenario plagued the minds of many at RRC and could theoretically come with no warning. Many believed that as Harris’ confidence grew in slashing other programs, the fate of RRC would worsen. If the government were to privatize the WCB, companies would be required to buy workers’ compensation insurance privately and the activities of the WCB would pass to the private sector. The RRC, by virtue of its relationship with the WCB, would continue to operate under its umbrella as a private research institution.

The WCB and other government agencies were in line to be put through value-for-money audits. The value of services (like RRC's research) would be judged to see if the WCB would be better off (financially or operationally) with or without that service. Korpela believed that the RRC would probably be evaluated as not providing enough added-value for the WCB or for the Government of Ontario. Nevertheless, he pushed for having it done so that the RRC would be forced to recognize its unstable position.

Universities, with the competitive advantage of economies of scale and scope, as well as brand equity, were formidable competitors for the RRC. However, the intellectual capital at RRC was an attractive asset. Universities could perhaps collaborate or even acquire the RRC in the future as a satellite operation. Although this was not a frequent event, there had been precedent. The not-for-profit Ontario Blue Cross (a business unit of the Ontario Hospital Association) was taken over by Liberty Mutual in the summer of 1995.

Finally, the RRC could diversify its revenue stream by securing research contracts with large private institutions such as General Motors, Ford and TorStar. Many of these organizations were very interested in the research that the RRC had conducted (especially their expertise in back pain). These organizations would be willing to fund research in this area if the recommendations for prevention also became their property. Furthermore, the RRC would have to demonstrate material benefit for these companies (i.e., lower labour costs due to decreased disability).

Conveying the Message

Korpela had spent most of the summer putting together his report for Rob Simon (see Exhibit 7 for a brief outline of the presentation). He had expressed four critical issues that faced the RRC: i) the financial situation; ii) the organizational structure; iii) business processes; and iv) marketing. A synopsis of Korpela's presentation to Rob Simon follows:

The RRC is financially sound but the budgeting process does not tie into the strategic management of the organization. There exists no current cash planning system which often leaves the RRC in an emergency situation (i.e., telephone calls to the WCB warning: "We cannot make payroll tomorrow!"). A formal revamping of the budgeting process would aid the RRC in fulfilling its mission.

The current "stovepipe" model for the organization does not support the project-type work in which it is involved. There exists a lack of communication between departments and research teams. The RRC should develop project managers to act as "liaisons" among all the areas of the organization. These people could coordinate the activities of many individuals and thus decrease the inefficiencies that currently exist. This particular "net and stars" organizational design has proven successful in other knowledge-based industries such as software development and mutual fund management.

There exist no formalized business processes at the RRC. Since the organization works on a project basis, no two tasks are identical. It seems that each time a function is carried out, it is re-invented. This is apparent from the diversity of publishing methods and re-work evident in the publication process. By creating a centralized knowledge map of business processes, the operations at RRC would become more efficient and effective. This database would track both ongoing and completed projects in order to aid in the development of new ones.

Finally, one of the critical problems that Korpela faced is a lack of understanding of who our customers are. As Peter Drucker pointed out:

One of the most basic differences between non-profit organizations and businesses is that the former has so many more relationships that are vitally important. Every non-profit organization has a multitude of constituencies and has to work out the relationship with each of them.¹

Korpela realized that the RRC had many important relationships with key stakeholders. However he was not positive in recognizing who belonged in each of Drucker's categories. The list of the RRC's stakeholders are as follows:

- Ontario employers who pay workers compensation premiums;
- Ontario employees who get injured at the workplace;
- the Workers Compensation Board and the Provincial Government;
- the rehabilitation clinics; and
- labour unions.

White Water at the RRC

Rob Simon acknowledged many of the issues that were enlightened by Korpela's presentation, but steadfastly continued with his original mandate. Simon stated that the RRC was in a healthy position and the government would not be pulling the plug anytime soon.

Simon's priorities for Korpela were: i) commercializing outcomes-focused accreditation; ii) commercializing an assessment instrument for upper-extremity injuries, and iii) commercializing back guidelines training software. Although the first and second assignments made sense, given his analysis of the organization, Korpela was uncomfortable with the third. Even though he had come up with the original idea in his "analysis and recommendations" report (refer to Exhibit 7), he had never thought that it would go through given the RRC's unrelated core competencies. The company had never worked on a project like this before and there were so many other more pertinent issues at hand. After all the work he had done, Korpela became frustrated. He wondered whether or not anyone in the organization had understood his report. After his meeting with Simon, Korpela jotted down three points to himself:

- current organizational design problems hamper all commercialization efforts (i.e., administration should be centralized);
- short-term activities versus threat to long-term survival; and
- no management control system

It was at this point that Korpela began to consider seriously his future with the RRC. He had completed what he thought was an exhaustive review of the business and the steps that it should follow but he had met with indifference.

Korpela kept busy over the next few months working on his assignments. The outcomes-focused accreditation program was moving along nicely. The RRC studied all the rehabilitation centres in the province and classified each of them by its area of expertise. This information, in turn, would be sold to the insurance companies. Korpela wanted to change the established pattern of trying to work directly with the agencies. The RRC also earned \$5,000 per accredited clinic. With over one hundred insurance

¹ Drucker, Peter F. (1990). *Managing the Non-Profit Organization*. HarperCollins: New York.

companies doing business in rehabilitation and over 3,700 potentially accredited clinics (1,200 physiotherapy + 2,500 rehabilitation), it seemed that Korpela's program would yield tremendous revenue. Only limited time was spent on Korpela's third assignment. Although he had no experience in producing software, this did not bother him that much because he still felt that software development was not part of the RRC's overall mandate.

Although Korpela's work continued to be successful, the environmental threat imposed on the RRC's survival by the Harris' government was a constant reminder of reality. This high level of anxiety started taking its toll in the RRC. Many employees, including Korpela, became increasingly concerned and this affected their day-to-day performance. Although no formal announcements had yet been made about the fate of the RRC, media speculation continued to cast a dark shadow on the situation:

"We may have to cut our funding to some parts of the public sector by well in excess of the 20 per cent figure that has already been discussed," Mr. Eves announced last night. "Indeed, some programs will have to be eliminated altogether." Premier Mike Harris, speaking to reporters agreed, "the province will collapse if the government's deficit is not eliminated." The deficit stands at about \$8.7 billion.²

December 1st, 1995 – 7:38 a.m.

After months of anxious waiting, Korpela was ready to face the music. He had done some very good work thus far that he was proud of. But, it may all have been for naught. Upon arriving at his office, he quickly turned on his computer where he read an e-mail from Stacy Pliakos, a close friend of his at the WCB, who knew the RRC's fate (see Exhibit 8). Even after the provincial government's mini-budget announcement the previous night, the fate of the RRC had not become any clearer. Although no immediate slash in funding was announced, the RRC would have to go through a value-for-money audit. A value-for-money audit ensured the accountability of entities in the public sector. It typically measured such items as efficiency, economic value-added and effectiveness. Efficiency was determined by examining the maximization level of outputs for a given level of human, financial and physical inputs. Economic value-added determined whether or not the acquisition of these inputs came at an optimal cost level. Effectiveness was the ability to meet stated objectives.

Korpela believed that this process would determine the final fate for the RRC. He knew that the report would be written on behalf of the WCB to let them know exactly what action to take with respect to the RRC. The options were still many: i) decrease funding; ii) increase funding; iii) remove funding, or iv) no change. However, Korpela was uneasy about the results of the audit. Philosophically, he agreed with what the RRC stood for; politically, he did not believe it was being managed in the best way.

² *Globe & Mail, September 23rd, 1995.*

**Exhibit 1
Harris' Political Agenda (1995)**

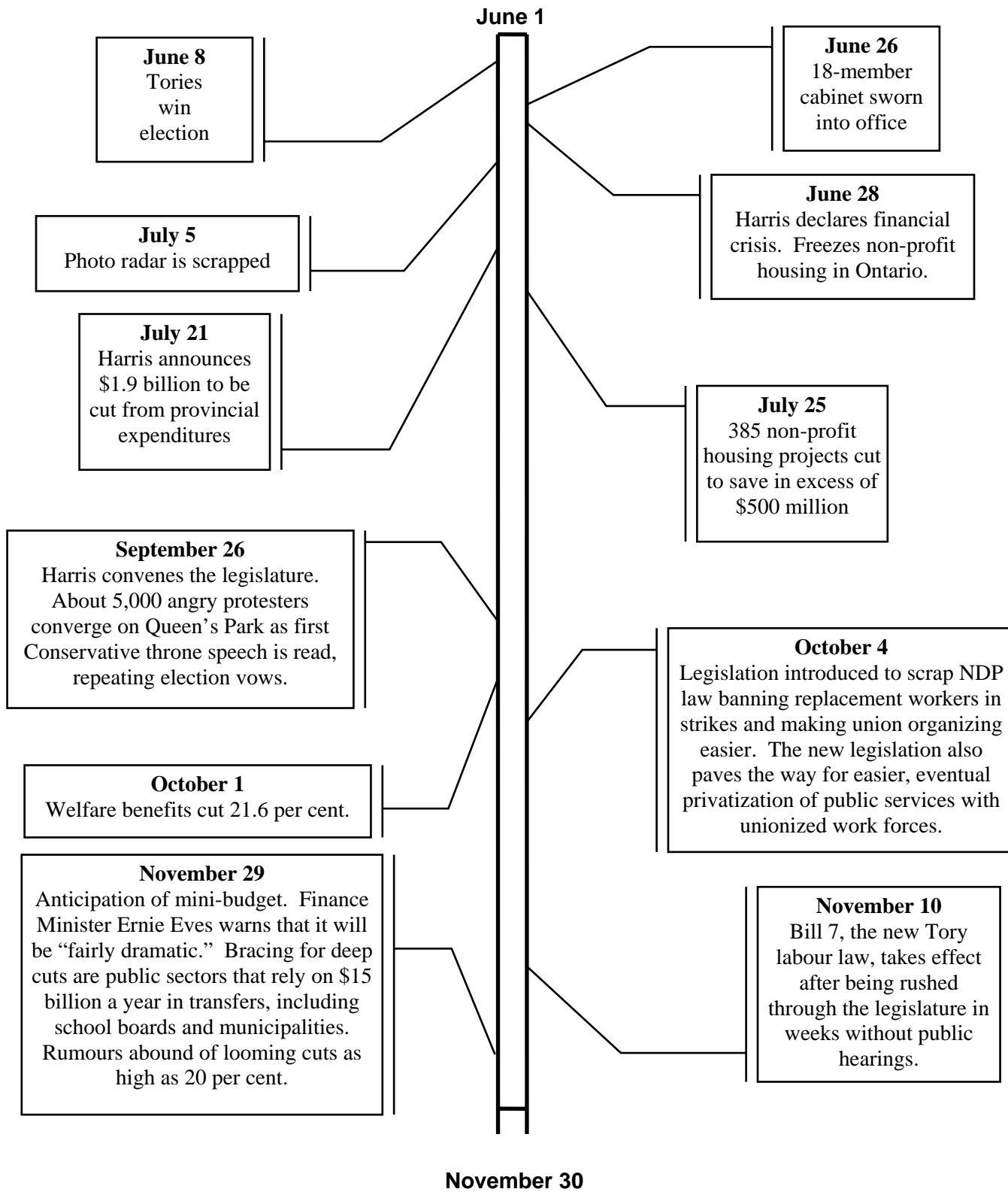


Exhibit 2
Excerpts from Agreement between RRC and WCB

- 1.10 The RRC shall be independent from the WCB and shall maintain a position of impartiality with respect to any group or person. The RRC shall not engage in any activity which in the opinion of the WCB would interfere with or delay completion of work on behalf of the WCB or result in a perception that the RRC is not impartial. Upon written notice from the WCB, the RRC shall immediately cease and desist from any activity which, in the opinion of the WCB, is objectionable on the above grounds.
- 1.13 The WCB's external auditors shall, at the end of each fiscal year of the RRC and upon the termination or dissolution of the RRC and at such other times as may be requested by the WCB, audit the books and accounts of the RRC and for such purpose shall have access to all books of account and record and all vouchers, cheques, papers and documents of or which may relate to the RRC.
- 1.15 The RRC and the WCB agree, in accordance with the provisions of the Corporations Act, R.S.O. 1990, Chapter C.38 as amended, that upon dissolution, surrender of charter or winding up of the RRC, the RRC shall transfer all of its remaining assets to the WCB to be used for the purposes and objects of the corporation.
- 2.10 The WCB undertakes to provide funds to the RRC for the provision of the services and obligations herein before set out including those related to research, quality assurance and accreditation, and education and program development. Such funding shall be provided in monthly instalments in accordance with budgets to be submitted by the RRC.
- 3.50 If legislation is enacted during the currency of this agreement which would, in the opinion of the WCB, acting reasonably, require it to amend or renegotiate this agreement, the WCB may at its option, within six months of such legislation coming into force, provide notice to the RRC of the WCB's intention to amend or renegotiate this agreement. Any amendments or renegotiations must be completed within ninety days of the delivery of such notice to the RRC.
- 3.60 Before publication by the RRC for general distribution of any paper, article or book by a Senior Scientist or other researcher associated with the RRC, the RRC shall use its best reasonable efforts to provide to the WCB a copy of such paper, article or book in final edited version within seven days of the production of a final draft receipt of same by the RRC for the purposes of review by the WCB. The WCB shall provide its written comments to the RRC within thirty days of receipt of such paper, article or book. Respecting the scientific aspects of such paper, article or book, the RRC shall consider any suggested comments of the WCB before publishing the final version of such paper, article or book.
- 3.70 The RRC and the WCB acknowledge that background material the RRC gathers and uses in its research may be useful to the WCB in carrying out its mandate. Accordingly, in addition to the obligation in paragraph 3.60, the RRC shall make available to the WCB, at the WCB's request, the background material it gathers and uses in its research. The WCB acknowledges that the RRC may from time to time reasonably impose restrictions on the public circulation of such material.

**Exhibit 3
RRC Organizational Chart**

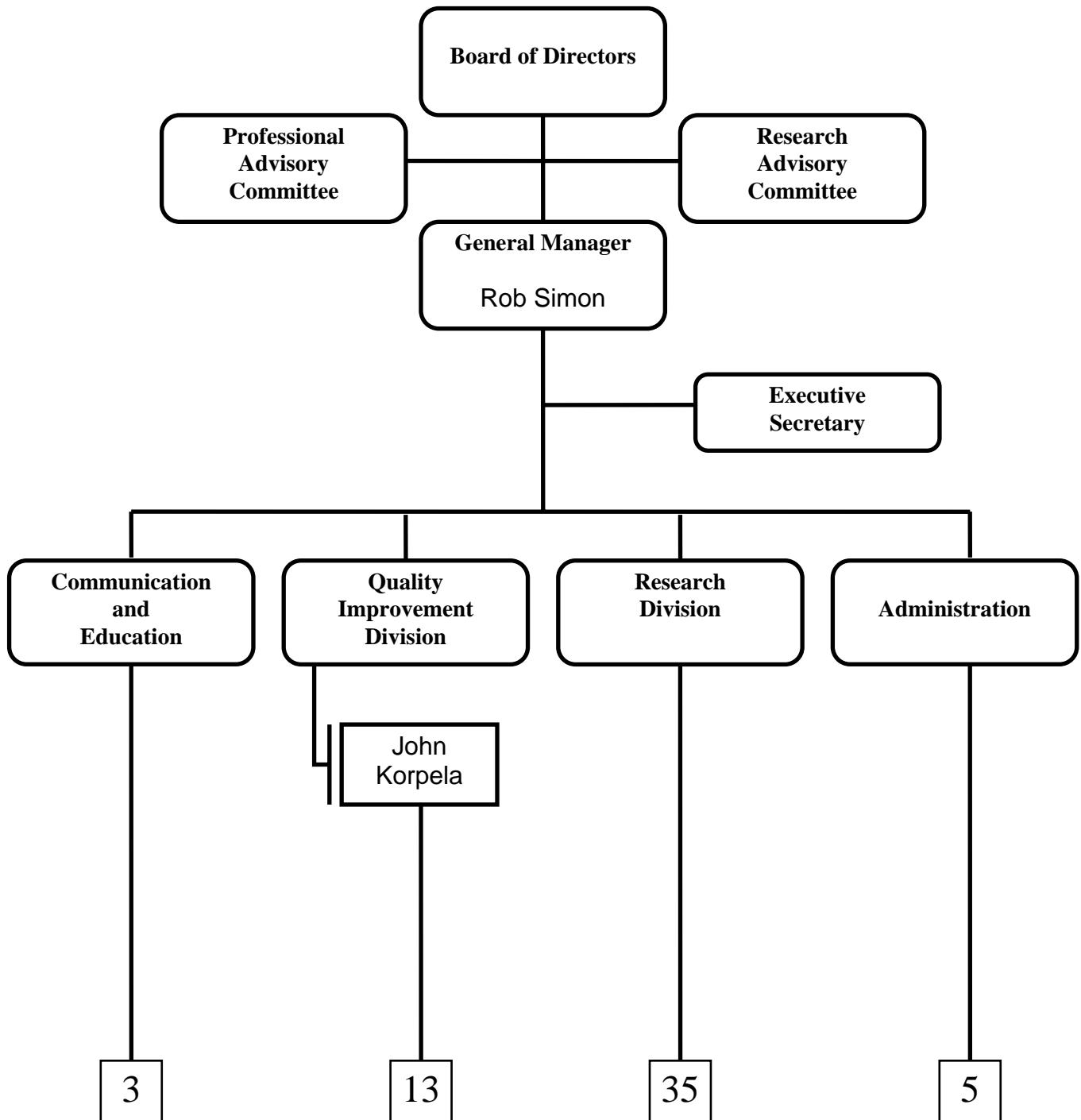


Exhibit 4

Statement of Revenue, Expenses and Surplus (For the years ended December 31, 1993 and 1994)

	1993	1994
Operating Revenue		
WCB Grant	\$ 4,831,563	\$ 4,888,854
Additional Revenue	\$ 351,024	\$ 361,289
Total Operating Revenue	\$ 5,182,587	\$ 5,250,143
Financial Revenue		
Interest - Forgivable Loan	\$ 37,375	\$ 31,360
Interest - Other	\$ 33,961	\$ 39,267
Total Financial Revenue	\$ 71,336	\$ 70,627
Total Revenue	\$ 5,253,923	\$ 5,320,770
Operating Expenses		
Salary and Benefits	\$ 2,930,247	\$ 2,748,798
Program Development	\$ 433,425	\$ 468,586
Capital Asset Acquisitions	\$ 210,553	\$ 220,499
Computer Software	\$ 65,668	\$ 39,439
Research Consultants and Related Expenses	\$ 551,683	\$ 786,742
Rent and Occupancy	\$ 236,077	\$ 309,025
Research Advisory Committee	\$ 49,700	\$ 31,951
Office G & A	\$ 136,510	\$ 224,239
Meetings and Conferences	\$ 171,086	\$ 178,085
Telecommunications	\$ 53,011	\$ 50,503
Travel	\$ 167,817	\$ 149,990
Total Operating Expenses	\$ 5,005,777	\$ 5,207,857
EBIT	\$ 248,146	\$ 112,913
Financial Expenses		
Contribution to Trust Fund	\$ -	\$ 400,000
Interest on Forgivable Loan	\$ 37,375	\$ 31,360
Total Financial Expenses	\$ 37,375	\$ 431,360
Total Expenses	\$ 5,043,152	\$ 5,639,217
Net Surplus (Loss)	\$ 210,771	\$ (318,447)

Exhibit 5
Balance Sheet (As at December 31, 1993 and 1994)

	1993	1994
Assets		
Current Assets		
Cash	\$ 91,314	\$ -
Short-Term Investments and Accrued Interest	\$ 1,070,171	\$ 1,296,248
Due From WCB	\$ 381,642	\$ 222,921
Accounts Receivable	\$ 245,848	\$ 22,655
Prepaid Expenses	\$ 45,082	\$ 12,578
GST Recoverable	\$ 15,465	\$ 13,969
Capital Assets		
Capital Assets	\$ 1	\$ 1
TOTAL ASSETS	<u>\$ 1,849,523</u>	<u>\$ 1,568,372</u>
Liabilities and Surplus		
Current Liabilities		
Bank Debt	\$ -	\$ 310,290
Accounts Payable and Accrued Interest	\$ 586,047	\$ 264,325
Lease Inducement	\$ 308,512	\$ 325,880
Long-Term Liabilities		
Loan From WCB	\$ 631,974	\$ 663,334
Total Liabilities	\$ 1,526,533	\$ 1,563,829
Surplus		
Surplus	\$ 322,990	\$ 4,543
TOTAL LIABILITIES AND SURPLUS	<u>\$ 1,849,523</u>	<u>\$ 1,568,372</u>

Exhibit 6
Statement of Changes in Financial Position (For the year ended December 31, 1994)

		1994
Sources of Cash		
WCB Grant	\$	4,888,854
Other Revenue	\$	361,289
Interest	\$	39,267
Changes in W/C		
Decrease in Accounts Receivable	\$	223,193
Increase in Accounts Payable	\$	(321,722)
Decrease in Inventory	\$	-
Cash Generated	\$	<u>5,190,881</u>
Operating Expenses		
Salaries and Benefits	\$	2,748,798
Program Development	\$	468,586
Capital Acquisitions	\$	220,499
Computer Software	\$	39,439
Research Consultants and Related Costs	\$	786,742
Rent and Occupancy	\$	309,025
Research Advisory Committee	\$	31,951
Office G & A	\$	224,239
Meetings and Conferences	\$	178,085
Telecommunications	\$	50,503
Travel	\$	149,990
Total Operating Expenses	\$	5,207,857
Operating Cash Flow	\$	<u>(16,976)</u>
Financing		
Increase in Taxes Owed	\$	-
Increases in Debt	\$	-
Decrease in Trust Fund	\$	(400,000)
Net Cash Flow	\$	<u>(416,976)</u>

Exhibit 7

Summary of Report to Rob Simon

ANALYSIS

ENVIRONMENT

- current demand for the RRC's services is increasing slowly
- great risk of loss in funding for WCB in wake of governmental elections
- no direct competitors (other institutions have not tapped into the rehabilitation market yet)

STRATEGY

- the RRC has no identified product-market focus; it has failed to identify its customers/constituents
- the Board of Directors is only used as a rubber stamp, it is not being used effectively
- internal integration and overall consensus of what the RRC does are lacking

RESOURCES

- MIS capacity is straining the organization; centralized information system would help the RRC
- the RRC no longer has the physical space to hire more employees
- availability of future financial resources is at the core of the RRC's future
- the RRC employs high quality scientists but its administrative/managerial staff is lacking

MANAGEMENT PREFERENCES

- the RRC has a very strong research culture, others believe that it is only useful if it can be applied
- many agree that increased funding would be welcomed, but most believe that research is main focus
- no senior managers are willing to supplant their research in order to concentrate on raising funds

ORGANIZATION

- current functional structure in four departments, not well-suited for project-oriented business
- MIS reports to Quality Improvement, Library to Research, Accounting to the General Manager
- no control management system or performance evaluation system
- a lack of appreciation of quantitative information that can be generated from accounting

POSSIBLE RECOMMENDATIONS

SERVICING INSURANCE COMPANIES

- industry is increasing its coverage of disability insurance, could act as independent educator

SEEK OUT PRIVATE ORGANIZATIONS

- secure contract work from large private manufacturers where disability insurance is a concern

CONSULTING

- provide research and accreditation consulting services internationally for foreign governments

PROFESSIONAL REGULATORY COLLEGES

- provide educational services for medical/health associations

SOFTWARE DEVELOPMENT

- extensive knowledge base exists to develop interactive rehabilitation software, many target markets

Exhibit 8
E-Mail from Stacy Pliakos

X-POP3-Rcpt: jkorpela@rrc
Return-Path: spliakos@wcb.on.ca
From: "Stacy Pliakos" <spliakos@wcb.on.ca>
Organization: Worker's Compensation Board
To: "John Korpela" <jkorpela@rrc.on.ca>
Date: 30 Nov 1995 18:06:31 EST
Subject: RRC's Status - Post mini-budget
Priority: normal
X-Status: OK

John,

I'm sure you are just freaking out by now. Well things haven't been too comfortable around here either lately. Anyway, we were meeting until 6:00 last night discussing the mini-budget after it was announced.

I have some good news and bad news. The good news is that the life-line to the RRC has not yet been severed. However, the bad news is that the government has requested that the WCB conduct a value-for-money audit on the RRC. I am sure you know what that entails.

In my opinion, this is a stalling tactic. You have been given one last request before the final execution. My bet is that the audit will finally determine what you have been trying to communicate to your boss after all these months.

I know this is a scary time for you. I am not sure what advice to give you. Jumping the ship now may not really help you in the long-run unless you have something else lined up. If not, you might as well just hang around for the inevitable.

Cheers,

Stacy Pliakos
Worker's Compensation Board