



CASE STUDY

The Beckett Corporation: The Challenge of Cultural Continuity in Foreign Expansion

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Dr. Kevin Cabe, Dr. George Howell, Dr. Marcus Myers, and Dr. Gary Wilkinson

DeVoe School of Business

Preface

The Beckett Corporation is a leading manufacturer of combustion products. These products are used primarily in residential and commercial heating applications, bringing comfort and convenience to more than eight million homes in North America. The DeVoe School of Business chose this firm for a case study because of its biblically based corporate leadership and culture. The firm is privately held, and the current CEO is the grandson of the founder.

A few years ago, the firm expanded its operations into China. The expansion did not reduce its production in North America; rather it allowed the firm to introduce new technologies, including the production of electronic and other specialized components. This case study presents students with an opportunity to examine how a real-world firm attempts to address important management and leadership issues that organizations must face in today's global economy. It also provides a window into the challenges of introducing a biblical framework in a country whose cultural roots are very different from those in the west. Questions for reflection are interspersed within the case study to help students gain understanding.

Students are encouraged to examine the firm's website, www.beckettcorp.com, and related resources available at www.beckettpress.com, including John Beckett's book, *Loving Monday*, which focuses on his journey to integrate faith and work.

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Introduction

Research at the DeVoe School of Business at Indiana Wesleyan University has focused on understanding how to achieve and sustain virtuous business leadership and management. The research began with a paper by Hein and Wilkinson (2015) which described the foundations, motivations, and challenges of building virtue into the core values of business. This paper on Beckett was developed as part of this research agenda. As noted, there are unique challenges to preserving a biblically based corporate culture when expanding internationally.

The Beckett Corporation was the subject of a case study by Redmer (2007), available online, which covered the history and organization of the firm. In that study, Redmer mentions the decision to build a facility in China, but it was too recent for a description of the decision process and implementation. This new case study describes that process and the challenges the firm has encountered and some of the lessons learned.

The Indiana Wesleyan University/DeVoe School of Business case study team was composed of four faculty members who interviewed executives of the firm and its China-based consultant on its decision to expand into China. During these interviews, the challenges and opportunities of the China expansion were explored. Interviews were conducted with Mr. John Beckett, Chairman and former CEO; Mr. Kevin Beckett, the current CEO; Mr. Ben Hopwood, general manager of the Beckett China operations; and Mr. Dwight Nordstrom, President of Pacific Resources International, who aided in the implementation and is an investor in Beckett's China operation.

Formulation and Challenges of Maintaining the Beckett Corporate Culture

The corporate culture of the Beckett Corporation was imparted to the firm by its founder, R.W. Beckett. The firm was established in 1937 and grounded in ethical practices embraced by Reg Beckett. The culture more fully crystallized under the leadership of the founder's son, John Beckett. John assumed responsibility for the firm on the death of his father in 1965. He built the business from a modest beginning of twelve employees to its current status as a major industrial firm supplying heating components for residential and commercial applications. With its affiliates, the Beckett companies currently have 1000 employees in ten locations on three continents. John Beckett's objective has been to model an active faith in leading the company and, as possible, to bring two worlds together: faith and work. With this mindset, he relied on scriptural guidance and his personal faith in Christ to guide workplace decision-making.

When the current CEO, Kevin Beckett, was asked about goals of the firm, he stated, "our leadership style and corporate culture goals are described in my father's book, *Loving Monday*." The mission statement of the firm summarizes its long-term objectives: "By God's Grace we will Grow, Relentlessly Improve, and Passionately Serve Our Customers and Fellow Employees." The firm's Statement of Enduring Values describes the characteristics it wants to build into its corporate culture: "Integrity, Excellence and Profound Respect for the Individual" (Beckett Corporate Roadmap). Nonetheless, maintaining that corporate culture is far more than an occasional communication of the mission and values. It requires focus and intentional actions. Kevin spends significant time with all employees discussing the Beckett corporate values including regular meetings on the topic.

The history of the firm demonstrates that there are constant challenges in maintaining and applying the corporate culture values to business problems. In 1994, as the firm began a

major expansion of the business, including the formation of new ventures, John Beckett recognized that they had to be more intentional about transmitting core values, especially as the number of employees increased and their relationships with companies using their products became more complex. In one example of a shift to bring practice together with culture, John said they moved from having independent manufacturer's representatives to having in-house Beckett employees represent the firm. Feedback from customers showed that there were serious deficiencies with the outside representatives who were not representing well the company's values. Despite higher costs in the short-run, in the long-run, the new personnel better represented the core values of the firm.

With a clear definition of the company's core values, Beckett was better able to align its growing workforce, policies, and practices with biblically-based values/principles. For example, employees were asked how each of them could help make the core values come to life. Responses included giving the values visibility on everything from nametags to corporate signage. Employees invented a board game designed to teach the company's values. Since the introduction of these core values in 1994, leadership revisits them on an annual basis to ask: what do they mean and how do they apply? Both John and Kevin Beckett said that the most important organizational learning comes from employees as they make decisions leveraging a process of keeping the company centered on the most important things. Applying core values in real time, of course, reinforces their personal relevance. Some of the lessons learned throughout the process of developing, communicating, and refining the core values of the firm were that people want to do the right thing and will communicate to leadership when there are questions and conflicts as long as there is constant, honest, and open dialogue. The company realized that

ethical centering of an organization needs room to breathe through the dialogue of how faith-based values should continuously inform business decisions.

While the interview team was onsite at the Beckett facility outside of Cleveland, two examples of the essence of the Beckett corporate culture were observed. In a brief tour around the production facility led by John Beckett, employees were addressed by name and greetings from Mr. Beckett were not just a perfunctory hello, but included questions about family, and he even remembered a recent birthday. Employees were relaxed in conversations with the Chairman of the Corporation. In a second instance, a few days before the interview team's visit, an envelope with several hundred dollars in cash was found in the parking lot. It had been accidentally dropped by a supplier who had visited the plant. The employee who found the money immediately turned it into the office and visitors were called until the owner was found. In a brief discussion with that employee, it was evident that turning in the money and actively trying to find its rightful owner was the only course of action. His comments describe the corporate culture: doing the right thing without fanfare or expecting recognition. Each of these observations served to reinforce that the culture of integrity and value for the individual advocated by the executives was active within the firm.

Questions for Discussion

What are the major challenges for a manufacturing firm like the R. W. Beckett Corporation in the US?

Do you think a culture like the one described above is typical of a manufacturing firm? Relate any experiences you may have with corporate cultures in manufacturing firms.

How does a virtuous culture of a firm based on biblical values like this help or hurt its competitive positioning?

What are the advantages and disadvantages of Beckett being a private firm?

What are some lessons learned from this case study that can be applied to a publicly-traded company?

Success Factors for International expansion

Often when firms look at international expansion opportunities, external factors are given the most attention. New market potential, favorable economic and geopolitical trends, and strong demand often lead the conversation to go global. However, Quackenbos, Ettenson, Roth, and Auh (2016) made the case that internal factors play a significant role in the success or failure of these expansion opportunities. While external factors are part of the equation, Quackenbos et al. found seven internal attitudes deemed “critical” to success when going global.

The seven internal characteristics include the prioritization of the expansion, aptitude, the ability to draw connections between opportunities and abilities, the ability to adapt, tolerance for uncertainty, and the commitment to the expansion. Also included in the list was the attitude of “rectitude” which was the title for the legal and ethical practices of the organization.

The idea of rectitude refers to the corporate values already in place within the organization. The transfer of these corporate principles to the new venture is critical for success. When Quackenbos et al. split surveys from more than three hundred corporate leaders into winners and losers (based on whether their firms met profit and market objectives), 63% of winners agreed that their firm was successful in this transition of culture while only 43% of the

losers agreed. Among the seven attitudes, 77% of the winners stated that their company excelled in these areas while only 31% of the losing firms agreed.

The respondents who claimed their firm excelled in rectitude supported the notion that their organization “encouraged open discussion of known issues.” This discussion recognized that cultural norms might be different and require adaptation. At the same time, these successful firms elucidated their goals and identified “deal breakers.” For these successful leaders, the ability to advance into a new market and culture with the capacity to adapt should be balanced with the fortitude to persist in upholding an already established set of core values when expanding internationally.

Questions for Discussion

How do business leaders maintain the essence of their corporate culture when expanding internationally and into regions of the world which may have considerably different values and beliefs?

What are some of the initial action steps an organization needs to take to maintain its corporate culture in a new international corporate expansion?

The Application of the Core Values to the China Expansion

The R.W. Beckett Corporation is not a large firm. From the outset, the idea of an international expansion into China was daunting. So much was unknown. So much was highly risky. Only through multiple visits, extensive conversations and, yes, prayer, did Beckett take the plunge into doing business in this ancient and mysterious land.

Kevin Beckett noted in the interview that now, nearly a decade later, by God's grace Beckett Asia Pacific is a worthy contributor to the Beckett family of companies, producing revenue of some \$10 million per year, the equivalent of around 20% of Beckett's total revenue.

The key theme that emerged from interviews with the Beckett organization regarding the decision to expand their business into China was the idea that they must be "China Ready." Interviews with Dwight Nordstrom and Kevin Beckett expanded on this point. Several themes emerged: (1) for any international expansion there must be a deep understanding of the culture of the country where the expansion will take place; (2) the firm must be committed to a long-run view and expect tensions and challenges; and, (3) the firm should be committed to the expansion for reasons beyond simply forecasts of financial results. The expansion into China was the firm's largest, but not its first experience with international expansion. The leadership team knew that the compatibility of its corporate culture with that of its host country was a primary consideration. Also, international expansion for Beckett required decisions based upon not only expected financial results but also upon the firm's mission of integrating faith and work.

Another aspect of being "China ready" was the recognition that the process must include both the organizational learning of the culture of the host country, but also a teaching process of the Beckett corporate culture grounded on the values of integrity, excellence and profound respect for the individual. This is consistent with the concept of rectitude, which is one of the important principles for international expansion success. In the case of building and staffing the China manufacturing facility, there were a number of tensions. Operating with integrity—foundational to the Beckett culture—was, at times, at odds with many Chinese business practices. It was critical that decisions were guided by Beckett's corporate values even with the

unfortunate impact of delays and increased costs. This, in turn, became a visible example of the Beckett corporate culture.

Another important aspect of the expansion into China was the use of partnerships. Initially, Kevin Beckett teamed with Dwight Nordstrom and the staff from Pacific Resources, Incorporated. Both organizations had a heritage of synthesizing business and mission. This provided the foundation for an effective working relationship. With its core values and help from its partner, the firm was able to overcome some difficult start-up problems. There were delays as building rules changed; a bank loan, which had been approved, was re-evaluated using tighter lending standards, and the firm lost the loan; and, finally, there was a downturn in sales of the firm's products, which reduced corporate cash flow. With the combined expertise and resources, Beckett was finally able to begin production at its facility south of Beijing in 2006. As production and service capabilities ramped up, Beckett took first steps toward being a partner and supplier for other firms operating in the China market.

With its core values based on biblical principles, it was important for the firm to adapt these core values in a manner compatible with Chinese governmental rules and society. For example, faith cannot be openly shared in that country. So, it is by example and the use of the language of "blessing" that Beckett carries out its mission. This language of blessing, framed in the perspective of a Beckett employee, asks: what does a blessing look like for our customers, employees, investors, community, and competitors? With this way of thinking, the organization can communicate key biblical principles and transfer this blessing mentality (and its corporate culture) to its employees and also to its key stakeholder groups. In addition to regularly scheduled core values training and the use of the language of blessing, Beckett leaders also use the sharing of stories of employee actions linked to its core values.

Questions for Discussion

One of the policies of the Beckett Corporation was that they did not pay money or provide gifts for favorable treatment from government officials—in other words, bribes. This policy hindered the approval process and delayed construction. What are the consequences of this policy? In many areas of the world, paying government officials is customary. How do virtuous firms deal with this?

What are the pros and cons of partnering with a firm already in a foreign market when considering international expansion?

What other “blessings” can be used to further the Christian mission of the Beckett Corporation?

How can you communicate key biblical principles and transfer a blessing mentality to employees in a publicly-traded company?

Conclusions

With its faith-based mindset, Beckett looks at its business as a way to fulfill missional goals. Domestically it looks for opportunities to integrate business and faith. In international locations where Beckett’s leadership may not be able to share their faith openly, it places a high emphasis on all employees handling business situations in moral/ethical ways, which may be starkly different from normal behavior in the local culture. The firm continues to be guided by biblical principles even when near-term financial returns are diminished and seeks to apply these principles in new locations and new circumstances. John Beckett summarized it very well when he said the foundation of Christian business leadership must focus on the “sweet spot” at the intersection of faith and work.

Questions for Discussion

What does the intersection of faith and work mean to you and how you make decisions?

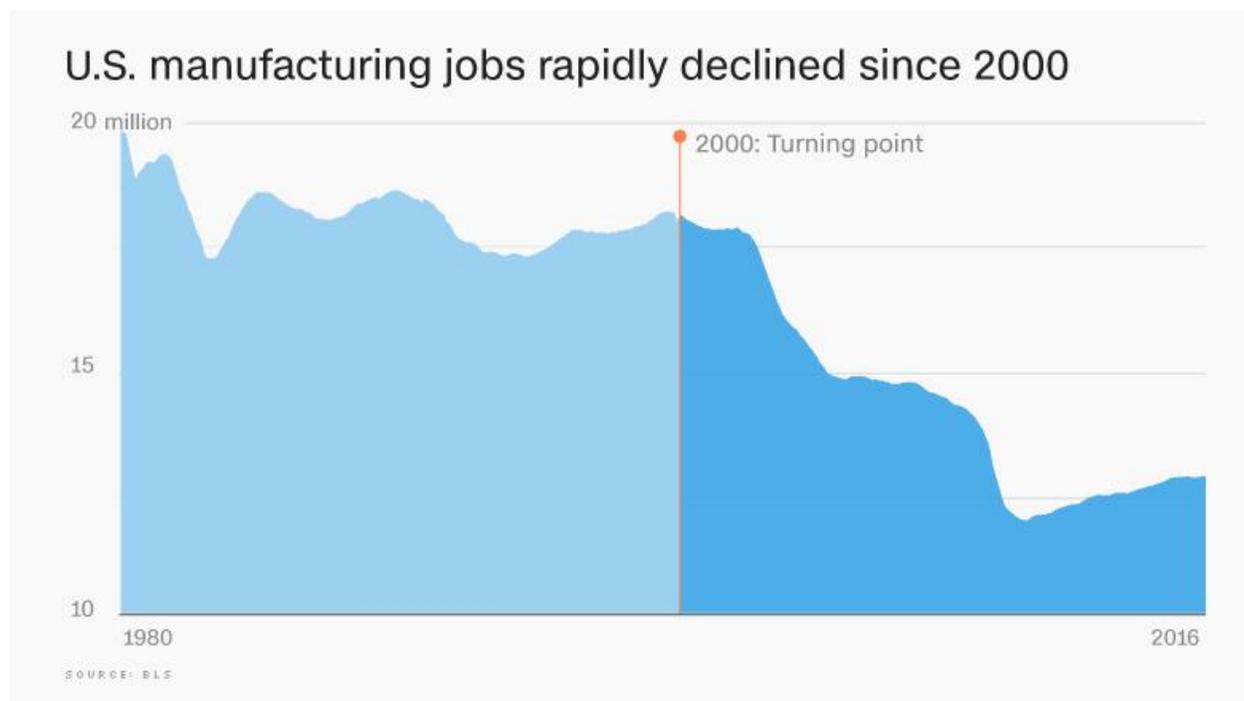
Cite some examples of how your faith informs your business decisions.

Special thanks to Mr. John Beckett for his valuable suggestions and guidance throughout this research project.

Epilogue

The Beckett Case Study represents an ideal opportunity for students to consider how their faith and work lives intersect. Students should focus on understanding the characteristics of a virtuous firm, how a firm establishes a virtuous culture, and how it must adjust to changing demographics and market conditions while maintaining the fundamental essence of that culture.

The Beckett Corporation is in the manufacturing sector. The following graph shows how employment has declined in manufacturing.



The Beckett Corporation faces considerable competitive and efficiency challenges. A corporate culture which places a high value on the individual still faces real world cost constraints. John and Kevin Beckett in their interviews both related that these challenges require hard decisions, and the firm has had to make reductions in costs; however, the way it was implemented showed the respect for the individual, which has been one of their corporate values.

Open and honest communications and a willingness to meet frequently with employees has been the leadership response to these challenges.

As mentioned, the Beckett Corporation is a private firm. While this might provide some advantages in maintaining its corporate culture, there are still many stakeholders (such as employees, customers, the communities where they are located) that must be considered in the decision-making process. The company's leadership relies on faith and biblical guidance as a primary motivator.

One of the major lessons from this case study was the need for perseverance. Dwight Nordstrom mentioned that most firms he has worked with experience delays and frustration when entering the China market. A mindset that problems will be solved is essential. Finally, as discussed in the narrative, the firm has used the language of "blessings" to reinforce its corporate culture of integrity, value for the individual, and constant improvement. Although the firm cannot be overt in advancing Christian principles, it can carry out its mission through example and educational opportunities for employees.

Finally, students are encouraged to constantly ask how faith is integrated within the business environment. We have seen too many examples of business leaders succumbing to temptations for improving profits or personal gain, trading short-term gains for the erosion of long-term health. This firm is a wonderful example of how leaders live out their faith and constantly seek God's purpose for their business.

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