STAFFING MANAGEMENT

CASE STUDY

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SOCIETY FOR HUMAN RESOURCE MANAGEMENT

After the Merger: D-Bart Industries

Scenario F: Downsizing and Performance Appraisal

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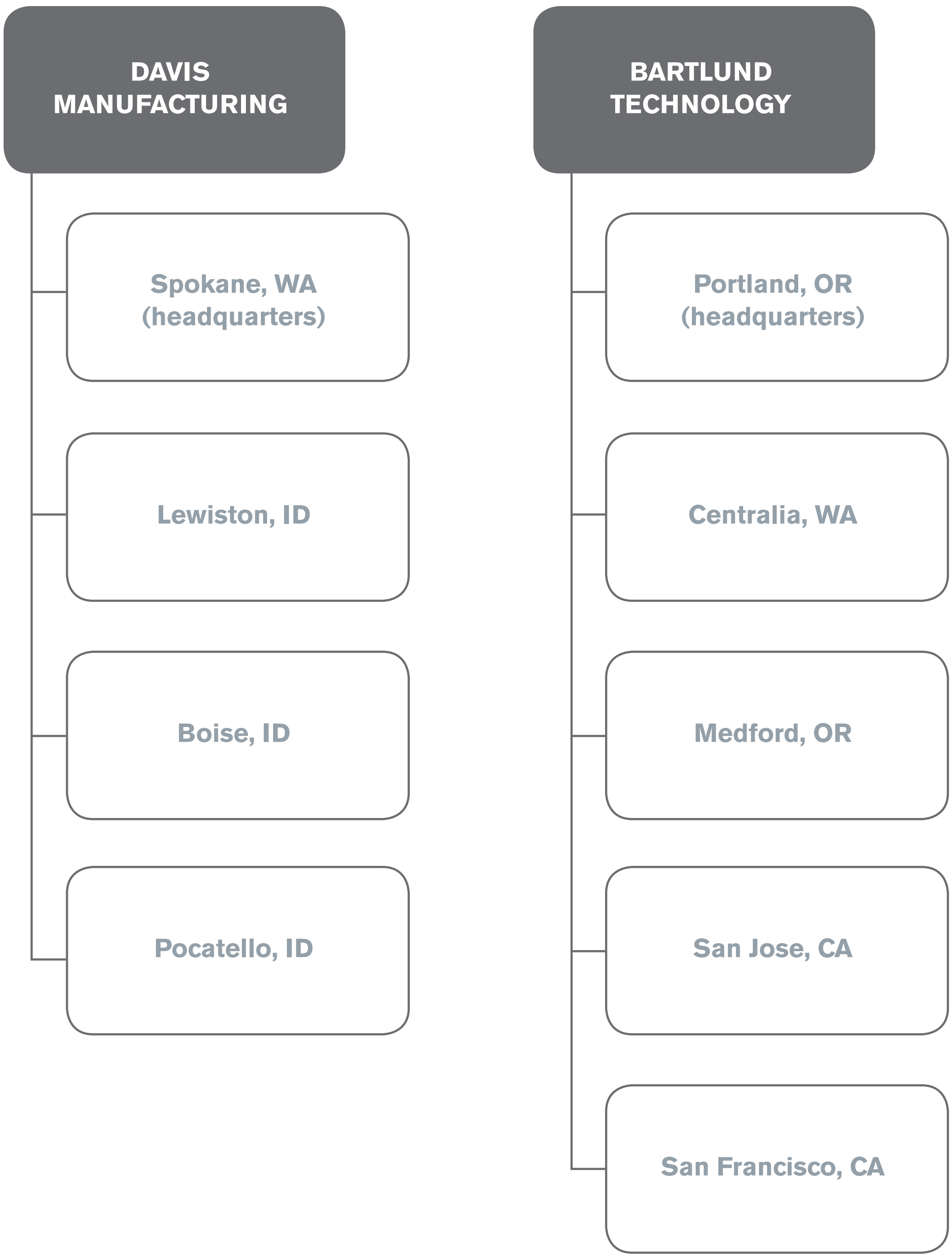
Case Abstract

This case involves a fictitious company, D-Bart Industries, formed by the merger of Davis Manufacturing and Bartlund Technologies, two former rivals in the fabrication of precision parts used in medical equipment and airline manufacturing. It is appropriate for undergraduate or graduate students majoring in human resource or business management. Six scenarios comprise the entire case study; however, this document contains only Scenario F: Downsizing and Performance Appraisal. The major themes covered in each scenario are:

- Scenario A: Risk management and employee privacy.
- Scenario B: Union decertification, unfair labor practices and maintaining a union-free organization.
- Scenario C: Family medical leave, employee rights, temporary labor and increasing employee productivity.
- Scenario D: Compensable time under the FLSA and preventing off-the-clock work.
- Scenario E: Differentiating between an unpaid intern and an employee.
- Scenario F: Downsizing and performance appraisal.

Teaching note:
In order to create a student workbook, please make one copy of pages 2 through 7 for each student.

The Organization Before the Merger



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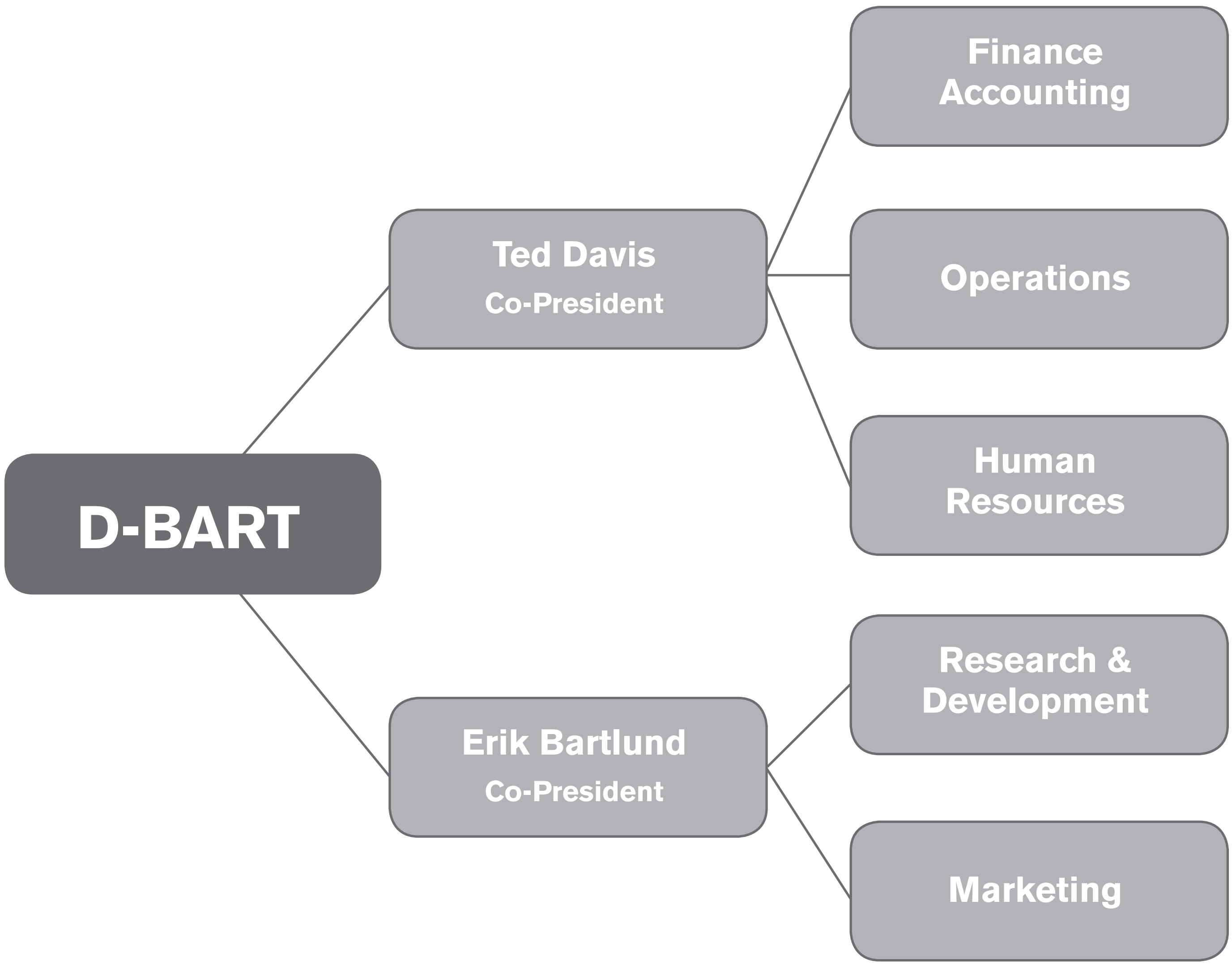
After the Merger: D-Bart Industries

The New Organizational Structure and Management Staff



Director of Human Resources Wendy Wright	Centralia, WA Mary Haggerty, Division Manager
Lewiston, ID Kendal James, Division Manager	Medford, OR Ray Houser, Division Manager
Boise, ID Lois Franklin, Division Manager	San Jose, CA Karen Howell, Division Manager
Pocatello, ID Rick Stephens, Division Manager	San Francisco, CA Brad Smith, Division Manager

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After the Merger: D-Bart Industries

THE ORGANIZATION

This case involves the recent merger of Davis Manufacturing and Bartlund Technology. Before the merger, the organizations were fierce competitors in the manufacturing of precision parts used in building medical equipment and airplanes. When the economy slowed in 2008 and 2009, it became apparent that the two organizations would have a stronger market presence if they joined forces. The merger was approved in late 2009, and on March 1, 2010, the two former rivals became D-Bart Industries.

This was a true merger of equals, not an acquisition of a smaller company by a larger company, and although Davis and Bartlund had very different corporate cultures, the new leadership team embraced a philosophy of collaboration. There was no power structure being imposed by one company over the other and no assumption that one set of employees had priority over the others. New structures were forming to play on the strengths of each organization. As things changed, nothing was guaranteed and employees were nervous about what was to come.

Because the original organizations were led by very different personalities, it would take some time before a comfort level was established. Bartlund's founder, Erik Bartlund, was an idea man with seemingly boundless energy. He claimed to sleep little, and in the early years of the company, he kept a notepad on his nightstand so he could jot down ideas as they bubbled forth in insomniac sprees of creativity. His notebook was now an electronic tablet, but his ideas were no less frequent, if sometimes a little bizarre. He was always more interested in product design and innovation than in the nuts and bolts of running his company.

As one would expect, Bartlund Technology developed into a creative workplace where risk taking and working outside the box was the norm. Employees had authority to make decisions and the autonomy to structure their work. The dress was casual, and there were lunch-hour games of competitive volleyball in the grass next to the parking lot. Employees brought their dogs to work, and a water bowl and dog biscuit jar were standard in the break room along with coffee and pastry. That was fine with Erik. As long as employees got the job done, produced a quality product, and Bartlund was considered the most innovative in the industry, he was satisfied.

Although Davis had a very different corporate culture from Bartlund, it, too, was highly respected in the industry for its quality products. The CEO, Ted Davis, was a retired Marine who took over the company when his father, the founder, retired. Davis ran a tight ship. True to his military background, he believed in having a procedure and policy in place for every eventuality. He had a top-down management style and liked to maintain personal control over decision-making, a characteristic some employees found oppressive.

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It was understood by all that nothing happened at the organization that Davis didn't know about and personally approve.

When Davis production and shipping employees voted to unionize in 2003, Ted was not particularly happy, but he did little to oppose the process, saying that it was their right to do so. This accepting attitude has served Davis well; union/management relations have always been excellent, with a level of respect and cooperation not always found in union environments. The union contracts from Davis were honored by D-Bart with the intent that employees previously represented by unions would continue to be represented by their bargaining units. Bartlund employees have never been unionized.

Both organizations were located in the West. Bartlund had five facilities: Portland and Medford, Ore.; San Jose and San Francisco, Calif.; and Centralia, Wash., Bartlund's headquarters in Portland was the company's newest facility. Davis had its headquarters in Spokane, Wash., and three facilities in Idaho: Lewiston, Boise and Pocatello.

Although there had been no official announcement from D-Bart, it was expected that the merger would necessitate scaling back some facilities, with employees transferred to other locations or laid off. At the same time, other facilities could add new employees. It was rumored that the Centralia and Pocatello facilities would be shuttered and put up for sale. Employees at the Centralia and Pocatello plants were understandably nervous.

Davis and Bartlund worked cooperatively to select a new management team for D-Bart. Davis and Bartlund were appointed co-presidents, with Davis assigned to the day-to-day operations and Bartlund managing the products. Davis had recently relocated to the Portland headquarters, where he was responsible for operations and production, finance and HR. Bartlund managed research and development, product innovation and marketing. He remained in the San Francisco office. Wendy Wright, director of human resources for Davis, was appointed the new HR director for D-Bart, and she also relocated to the Portland headquarters. Although many positions were still vacant, it was expected that the rest of the employees would be a mix of workers from both companies, with no clear power structure that favored one group over the other.

Scenario F: Who Gets the RIF? Downsizing and Performance

Location: D-Bart Facility, formerly Bartlund Technology, San Jose, Calif.

Players: Karen Howell, division manager
David Bradshaw, production supervisor
Ben Renfro, production employee
Jackie Callahan, production employee

Employees at D-Bart's San Jose facility have reason to be concerned. Division Manager Karen Howell received word from headquarters that the San Jose plant would be closed, with operations merged into the San Francisco facility. Most of the San Jose staff would be transferred to San Francisco, since the change was more an effort to save facility costs than to eliminate workers. Even so, approximately 20 percent of the San Jose staff would be let go. Howell was to work with supervisors to decide who would go and who would stay. Since there was no particular area that is to be reduced, Howell thought the most straightforward and equitable method to determine staff cuts was to eliminate 20 percent from each department, with termination decisions based on performance appraisal scores. She has reviewed appraisal records and generated a list of employees she believed should get notice.

Howell has not yet shared her list with managers, and no general announcement has been made to employees. Managers have been informed of anticipated cuts and were asked to come up with suggestions on which employees to cut. Howell planned to meet with each department manager to finalize their decisions before they took any action. Howell met with Production Supervisor Dave Bradshaw this morning. They needed to cut five people from his department. Howell and Bradshaw both agreed that reductions would be difficult, but she was surprised when Bradshaw said, "I know this is going to be hard for some people, but it'll be a good thing, too. I've got a couple of people I have wanted to get rid of for a very long time."

"Who's that?" asked Karen.

"Ben Renfro and Jackie Callahan," Dave said without hesitation.

"Why?" asked Karen, "They both have outstanding performance appraisals."

"Well, it doesn't matter what the paperwork says," he answered, "they're both terrible. Renfro's always wasting time chatting with other employees. He keeps everybody from working, and he never meets production goals. Callahan can't get to work on time. I bet she's late three days out of five."

"How do you know she's late three days out of five?" Karen asked. "Have you kept a log or documented her absence?"

"No, but I work with these people. I know what they're doing. We're pushed to meet production numbers," Dave said in his defense. "We don't have time for that paperwork

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stuff, and besides, people know they have to be at work on time. If they can't even do that, we should just get rid of them!"

Howell found much the same response from all the managers. It appeared that no one had been taking the appraisal process seriously. Feedback to employees had been haphazard at best, and discipline, if it had occurred at all, had been arbitrary and not properly documented. Managers simply checked off boxes on the appraisal forms so they could get back to the "real" work of production.

Howell shook her head. Obviously, the existing performance appraisals could not provide reliable documentation on which to base reduction decisions. She would have to come up with a different reduction plan.

Questions

1. What should Howell do? How should D-Bart make reduction decisions when performance appraisal documents are inaccurate?

2. How can D-Bart improve its performance appraisal process?

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Debriefing for Scenario F

WHO GETS THE RIF? DOWNSIZING AND PERFORMANCE

1. **What should Howell do? How should D-Bart make reduction decisions when performance appraisal documents are inaccurate?**

The existing performance appraisal documents will not be useful for reduction decisions, but there are other considerations that could be made to validate RIF decisions.

Organizations can always defend reduction decisions made on seniority. This is a common practice in unionized organizations. The problem with seniority-based decisions is that it doesn't ensure keeping the most productive employees or those who have the most desirable experience or job skills.

If there are specific job categories that are needed at the San Francisco facility, employees in those job categories could be retained while employees in other categories may be legitimately eliminated. The same is true with particular job skills. If a particular skill is in short supply in San Francisco, San Jose employees with those skills could be transferred, while those lacking the needed skills could be reduced.

If D-Bart has a merit system in place, decisions could be made based on merit. However, this could be problematic for D-Bart because ratings on merit systems must be defensible and non-discriminatory. D-Bart has unreliable performance ratings, and it is likely that its employee merit rankings are no better.

There are a variety of criteria the division manager can use to determine the employees to be reduced. The important issue is that it be equitable, non-discriminatory and legal in protecting the organization and the employees while ensuring that the most desirable staff members are retained.

2. **How can D-Bart improve its performance appraisal process?**

It appears the existing appraisal system at the San Jose facility is nothing but a liability risk waiting for a disgruntled employee to sue. Hopefully, things are better at the San Francisco facility, but if inaccurate appraisal ratings are systemic, the company must correct the problem or trouble awaits. It may be helpful for D-Bart to hire an outside consultant to overhaul the existing system, if need be, or, at the very least, to provide training to appraisers to ensure the system is properly implemented and equitable for the employees.

Whatever system is in place, HR must ensure that the system meets the needs of the organization, is workable for the managers implementing the system and provides useful feedback to the employees. An effective appraisal system contains the following characteristics:

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- Job-related criteria.
- Agreed-on performance expectations.
- Standardization.
- Trained appraisers.
- Continuous open communication.
- Review and feedback.
- Due process (Mondy, 2010).

It also may be useful for D-Bart to think in terms of performance management instead of just performance appraisal. Instead of merely assessing employee performance, performance management promotes better communication between employees and the employer with an emphasis on employee autonomy, goal setting and results (Slyke, 2010). Regardless of the process used at D-Bart, managers must be trained to ensure proper implementation.

References and Additional Reading

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