

Frostburg Fit

Scenario B:

Employee Conduct/HR Strategy

PROJECT TEAM

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Please note: All company and individual names in this case are fictional.

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The case begins with introductory information about the organization and is then divided into three scenarios.

Each scenario includes question sets for **undergraduate** and **graduate** students. A debrief is included with each scenario, but because management dilemmas can be resolved using a variety of solutions, expect that students may come up with solutions that differ from those included in the scenarios. This document contains only Scenario B: Employee Conduct/HR Strategy. The scenarios are as follows:

- **Scenario A:** Fair Labor Standards Act
- **Scenario B:** Employee Conduct/HR Strategy
- **Scenario C:** Moonlighting

Overview

Frostburg Falls is a thriving community 125 miles northwest of Minneapolis recently voted as one of the top 100 small towns in the United States by a major travel and tourism publication. Located in Otter Tail County with a population of nearly 15,500, Frostburg Falls is described by many as having active, engaged residents. Because of its access to numerous biking and hiking trails, lakes, golf courses and retail stores within a vibrant downtown district as well as to a major shopping outlet 10 miles from the town, Frostburg Falls has become a popular destination for retirees. It is also known for its Frostburg Falls Fest in early October, which brings more than 60,000 visitors to the town over a four-day period.

Figure 1: Community Data—Frostburg Falls

Population (2015): 15,447 (90% urban, 10% rural)

Population change since 2005: +0.8%

Male: 48.2% (7,445)

Female: 51.8% (8,002)

Median Age: 42.1 years (Minnesota: 37.7)

Median household income: \$45,260 (Minnesota: \$61,702)

National Origin

White: 91.5

Hispanic: 2.8

African American: 2.3

American Indian: 1.2

Asian: 1.2

Other: 1.0

Unemployment rate: 4.5% (Minnesota: 4.6%)

Frostburg Fit is a nonprofit recreational facility that was established as the Frostburg Falls Recreation Center in 1993 for the purpose of offering opportunities for the community's youths to increase their level of physical activity. At that time Gail Wolfe, the founder and executive director, served as a physical education teacher at Frostburg Falls Middle School. In her role as an educator, she became increasingly frustrated with witnessing the majority of her students engaging in exercise only during physical education

classes. In the early 1990s video games and television were viewed as the primary culprit for inactivity, which has only magnified with other sedentary activities driven by technology, including the Internet, and in more recent years, by social media and texting. Gail's passion for physical activity and a report at the time by the Otter Tail Health Foundation (see below) that listed childhood obesity as a top-five health concern for Otter Tail County inspired Gail to want to do more than just teach gym classes to a limited number of students. Although she felt she made a difference in her position, she believed physical activity must play an important role outside of school as well.

Figure 2: Highlights of the 1993 Otter Tail Health Foundation Community Assessment—Childhood Exercise and Nutrition

Physical Activity

About one-fifth of county students reported engaging in 60 minutes of physical activity every day:

- 17 percent of 5th graders
- 21 percent of 8th graders
- 22 percent of 9th graders
- 16 percent of 11th graders

Forty-six percent of 5th graders, 57 percent of 8th and 11th graders, and 56 percent of 9th graders reported 10 or more hours of screen time per week.

Nutrition

Rates of overweight and obesity have increased in adults and children.

Among children ages two to five enrolled in the community health study, 13 percent had a body mass index (BMI) greater than or equal to the 95th percentile for their age. For children ages six to 10, the percentage was 17 percent, and for children ages 11 to 15, the percentage was 19 percent.

With her vision to create meaningful change within the Frostburg Falls community, Gail first approached the borough council with a proposal to build a recreation center at the site of an abandoned shoe factory, which closed its doors due to economic conditions shortly beforehand. Gail's bid included offering after-school and summer programming exclusively for the children (ages 9 to 18) of Frostburg Falls. Gail collected more than 250 signatures from parents and concerned community members, which she presented to the council. In addition, she also brought to the city council meeting several of her current and former students who expressed a concern for the limited areas for physical activity, particularly during the harsh winter months. In comparison to warmer climates, the opportunity for children to experience outdoor activity in Minnesota can be limited to six months out of the year.

Gail's persuasive presentation convinced the council to dedicate start-up funding to open a section of the shoe factory to offer group-facilitated strength and conditioning classes five days each week. Additional funding would have to be approved by the council each year. The borough's agreement included a stipulation of various performance metrics, including number of members, retention of members, and a series of community-based studies focused on improved fitness levels and nutrition of the community's youth in partnership with the Otter Tail Health Foundation. Shortly after the initial funding was approved, two local businesses committed sizable donations to create a basketball court and to purchase exercise equipment. Parents could purchase different levels of membership based on how often their children attended and the types of activities they participated in at the center. The recreation center, referred to as the "Shoe Box" by one of the council members, opened for business on June 11, 1993.

In 1997, the owner of the town's only adult-centered fitness facility approached the borough about purchasing the facility's equipment because he was planning to close the business. The borough agreed to the purchase and relocated the equipment to the recreation center, requiring it to expand to an additional area of the factory and thus increasing the square footage from 2,500 to 6,000 square feet. The borough, shortly after the purchase, opened membership to adults, which increased its membership from 250 children to 650 total members within the first 12 months. The facility expansion also required an increase in the operating hours of the center. The borough manager approached Gail about becoming the full-time director of the center. Gail was conflicted with this offer given that she had dedicated nearly 20 years of her life to the Frostburg Falls School District. However, she accepted the position because she felt she could create more of a lasting impact on the community in this role.

The center now included a kids' gym, adult weight training and cardio room, an exercise room for fitness classes, and an additional room for day care. Locker rooms were also installed shortly after the expansion thanks largely in part to another community donation. To help fund the costs, the borough leased four areas of the factory for retail space, including an athletic apparel store and a nutritional supplement store. A year later, an indoor kid's playground was installed next to the day care location, and the center was at maximum capacity.

In 2005, the recreation center received a state grant to begin construction of a facility next to the existing location that would house a hockey rink and turf field. The hockey arena was named Nichols Arena after Bret Nichols, a native of Frostburg Falls who played in the National Hockey League (NHL) from 1991 to 2003. It was Nichols who had the idea to build an arena in his hometown to provide local opportunities for the youth of Frostburg Falls

and the surrounding communities. Nichols' donation helped pay for almost half of the initial expenses, including the rink, turf field, and equipment for the hockey teams. The rink is used throughout the year and serves as a venue for many local and state hockey tournaments as well as for open skating sessions and group lessons.

In 2007, the recreation center began to expand its reach beyond Frostburg Falls, allowing residents from other local communities to be members. This angered some community members, but most realized it was necessary given the increased labor and capital costs with the continued growth of the center. The membership fees for individuals who were not residents of Frostburg Falls were 20 percent higher. That same year, the borough initiated a marketing study to strengthen the footprint of the center. Among the outcomes, the borough changed the official name of the center to Frostburg Fit. Unfortunately, a year later, the economic recession hit the community of Frostburg Falls quite hard. Beyond just witnessing a decrease in membership, many businesses were forced to close because of the financial environment. The borough, already forced to lay off 5 percent of its staff, including some employees at the center, gave serious consideration to selling Frostburg Fit to a for-profit fitness franchise based out of Minneapolis. However, the leagues and tournaments were still having a positive impact on the hospitality industry within the community, and the borough decided against selling the center.

Gail was recently awarded a humanitarian award by the state of Minnesota and traveled to Saint Paul to accept the award. In her acceptance remarks, Gail commented that there is nothing that can stop a community when everyone is going in the same direction. Her remarks only strengthened her position among the residents of Frostburg Falls. Now that the center is only a few years away from celebrating its 25-year anniversary, Gail can look back with pride on all of the accomplishments that have been made, particularly during the difficult economic challenges. Gail is most proud to offer employment opportunities to residents interested in the area of health and well-being. She feels many of the center's exceptional employees would have left the area if it were not for Frostburg Fit.

However, the growth Frostburg Fit has experienced during the past several years has come with its own set of challenges, especially in the area of human resources, which Gail has realized. What began as a community recreation center with five part-time employees in 1993 has now increased to 28 full-time employees and 43 part-time employees, although some questions about the classification of many employees are beginning to surface. Currently, Frostburg Fit does not have a person dedicated to human resources. Laura Finley serves as the office coordinator and is responsible for several aspects of the operations. Among her growing list of responsibilities includes human

resources, but her background in the field is limited, and her role has not been clearly defined. The growth, coupled by a lack of a strong human resource presence to provide both structure and consistency, has placed a pillar in the community at serious risk.

Figure 3: Organizational Chart

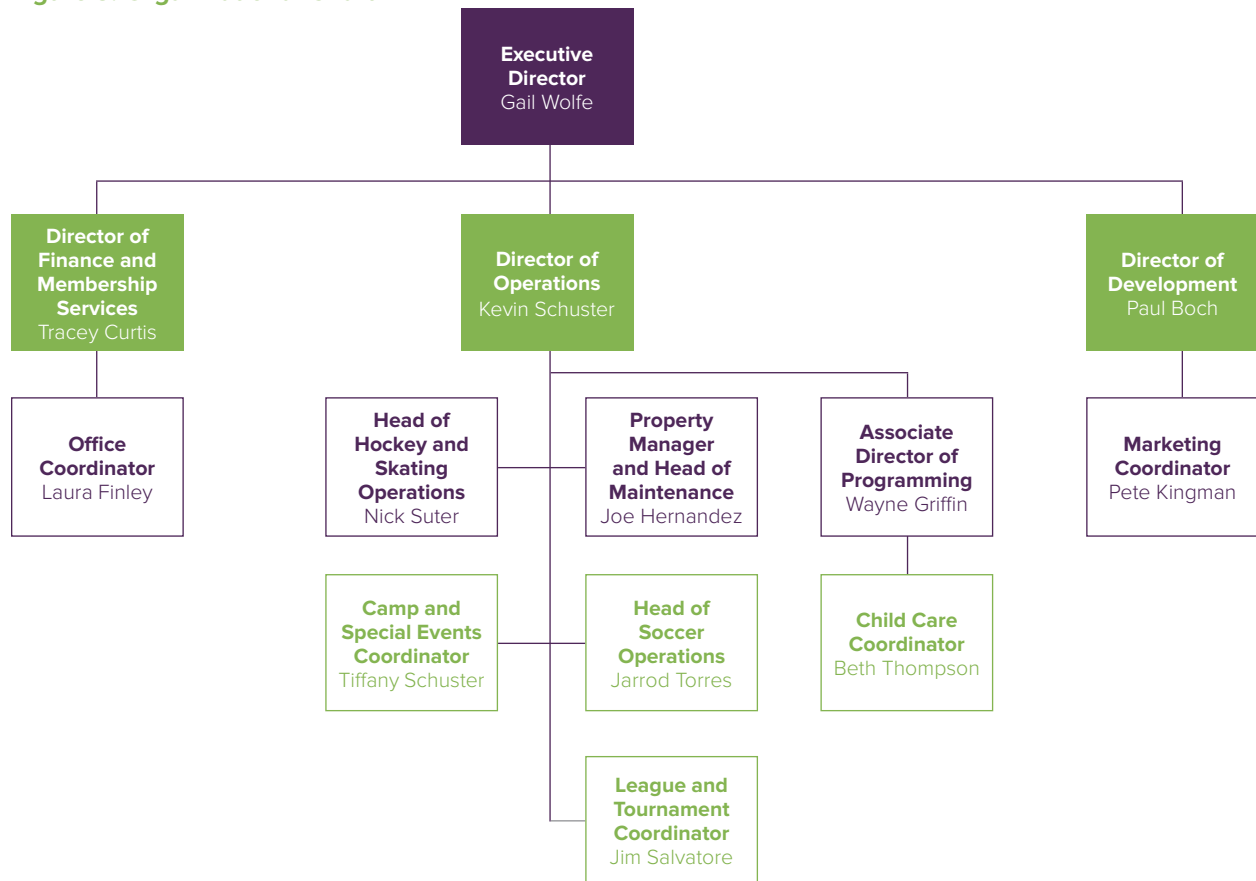


Figure 4: Performance Metrics (2010-2015)

	2010	2011	2012	2013	2014	2015
Number of Members	673	662	692	723	762	796
Annual Increase in Membership	-1.6%	-1.2%	4.4%	4.3%	5.2%	4.3%
Membership Retention	86%	87%	87%	89%	87%	86%
Number of Children (Youth Fit Camp)	53	51	62	68	65	71
Member Satisfaction Score	73%	72%	77%	78%	77%	74%
Annual Giving	\$332,684	\$318,902	\$330,653	\$328,257	\$334,590	\$337,720

Scenario B: Employee Conduct/HR Strategy

Because of increasing member demands and an expansion in the services being provided during the past several years, the hiring practices within Frostburg Fit have been criticized by many, both internal and external to the center, including hiring managers and job applicants. In fact, data from a recent new-employee survey referenced the terms “short-sighted” and “sloppy” when describing the hiring process. In many instances, several part-time employees resigned from the organization shortly after starting with Frostburg Fit. Beyond hiring concerns, performance management issues have also surfaced as a number of long-term employees are not performing their responsibilities as expected, and, according to some current employees, these issues are not being addressed appropriately by management. Many believe supervisors lack the necessary preparation to be effective in their roles, including how to counsel employees when performance issues arise. They feel this inability to make employees accountable begins with Gail and her conflict-averse and hands-off approach to management, which has affected the culture of the center as it continues to expand.

Gail, while respected by so many in the Frostburg Falls community for her dedication to the well-being of its citizens, is seen differently by employees. One employee commented recently when responding to a satisfaction survey, “I know she has a heart of gold, and I respect her for what she has done. That said, I speak for many employees who question her management skills, particularly as we continue to grow. We are losing good people. She got us to where we are, but many of us feel it’s time for us to go in a new direction under new leadership.”

Frostburg Fit has also had to deal with an increasing number of employee relations matters from insubordination to substance abuse. Most recently, Ken Richards, a maintenance worker who has been with Frostburg Fit since 2003, allegedly made a verbal threat to a newer part-time fitness instructor, Justin Parker, in front of several members near the vicinity of the front desk. Although his supervisor (Joe Hernandez, property manager and director of maintenance) confronted and counseled Ken, he did not lose his job, to the amazement of both employees and members. In addition, the incident was not documented even though multiple employees and members witnessed

the incident. Joe did not reach out to any witnesses, but a member of the front desk staff felt the need to speak with Joe about the altercation. The employee indicated to Joe there was an argument between Richards and Parker about problems with the sound system in one of the fitness studios that escalated to the point at which Richards told Parker that he had better “watch his back.” This is not the first time that Richards’ temper has been on display. To make matters worse, Parker resigned the day after the incident, sharing that he did not want to be part of an organization that allowed such behavior to take place. He had worked at the center for only three weeks, but members enjoyed his classes, evidenced by each of his sessions being at full capacity. Only after the meeting with the front desk employee did Hernandez then speak to Richards about the incident. Even if the altercation was documented, individual employee files have not been established to contain information including disciplinary actions, new-hire paperwork or performance appraisals.

Michelle Cartwright, a Frostburg Fit board member who is the HR director of the regional American Red Cross office, has developed a keen awareness of the human resource challenges facing Frostburg Fit while being on the board for two years and serving as vice president for the past six months. She has seen Frostburg Fit grow significantly in terms of the number of employees and programs as well as the issues associated with such growth. Michelle enjoys regularly using the center, where she routinely comes in contact with members who know she serves on the board. After completing her Wednesday morning workout, Michelle was approached by another attendee who asked if she had heard about the incident involving an employee making a verbal threat to the new, part-time employee. Michelle replied, “Yes, I was informed, and it is unfortunate,” not wanting to provide any additional information to the member. The member, who joined Frostburg Fit when it was first opened to adults within the community, is known for being vocal about her criticisms of the center—from there not being enough towels in the cardio room to the center’s lack of customer service—and was quick to voice her displeasure about this incident: “It’s more than unfortunate. Why is this employee still working here? Michelle, you’re in HR, and I spent several years in the field as well. This is not acceptable. What is that employee going to say about the center now that he left?” Michelle thanked the member for her concern, which she played over in her head throughout the remainder of the day. Later that day, Michelle e-mailed Brad, the current board chair, to see if they could meet for a few minutes before the next board meeting scheduled for the following week.

Michelle and Brad converse before the board meeting

Brad serves as a tax accountant for a local firm that is in walking distance from Frostburg Fit. Michelle does not have the same luxury, having to

serve an entire region that spans 23 counties in the northwestern region of Minnesota. Though she lives in town, her position has her traveling several hundreds of miles each week. A few minutes behind schedule, Michelle hurried to the room at the center where she was to meet with Brad. “Sorry, Brad, I had a meeting with one of our managers that ran longer than anticipated. Thanks for being here a few minutes ahead of time.” “No problem, Michelle,” replied Brad. “I feel guilty given the short commute I have to the center. What’s on your mind?” Michelle got straight to the point by saying, “I have been on the board a little more than a year now. From an HR perspective, we assisted on some difficult employee relations issues and helped create our first employee handbook during that time. But it’s not enough.” Brad quickly responded, “Michelle, you have done great work in your first year. This will take some time.” Michelle, not at all comforted by Brad’s statement said, “There are some real fundamental HR problems we need to deal with here.” Brad was not surprised by Michelle’s statement and only nodded in agreement. Michelle added rhetorically, “And we write the policies, but are they being followed? For instance, I think Kevin and Tiffany Schuster are great employees and even better people. But Kevin should not be supervising his wife. We wrote a very clear nepotism policy saying exactly that.” Not missing a beat, she continued, “I’m sure you heard something about the threat made by an employee to a part-timer who then quit the following day saying he did not want to be part of an organization that condoned such behavior.” “I did,” commented Brad. “Joe (his supervisor) spoke with the employee but did not document the incident. We don’t even have personnel files for all employees. We wrote a progressive discipline policy when we created the handbook, but apparently it is not being followed. This is basic stuff that is not being done.” Michelle added in frustration, “This should not be the board’s problem. We need to be removed from the day-to-day operations, but we also have an obligation that the center fulfills its mission.”

PROGRESSIVE DISCIPLINE POLICY— FROSTBURG FIT

All employees are expected to meet Frostburg Fit’s standards of work performance. Work performance encompasses many factors, including attendance, punctuality, personal conduct, job proficiency and general compliance with the organization’s policies, procedures, mission and values. Whenever possible, Frostburg Fit believes in a positive, constructive approach to discipline. The disciplinary action taken depends on the seriousness, nature and frequency of the offense. Disciplinary action may include documented counseling, written warning, final warning, performance improvement plan and suspension. Ideally, the goal is to have the employee, the supervisor and other members of management work

together to solve behavioral problems and to maintain a harmonious work environment.

Discipline may follow a four-step plan, although it is the discretion for management to deviate from this plan when circumstances indicate more severe discipline (or immediate discharge) is appropriate.

1. **Documented counseling.** An employee's supervisor will counsel the employee about the problem and work with him or her to avoid further disciplinary action. Should this correct the problem, no further action will be taken.
2. **Written warning.** Should the problem continue (or an additional problem arise), an employee's supervisor will counsel the employee again. A written statement of the problem and the agreed-on plan or action to correct the problem will be prepared and signed both by the employee and his or her supervisor. A copy will be given to the employee and also placed in his or her personnel file. If the problem is permanently corrected here, no further action will be taken. If the problem continues (or any additional problem arises), the supervisor is required to move to the next step.
3. **Final written warning, performance improvement plan or suspension.** A performance improvement plan is a specific period of time in which an employee has the opportunity to correct the unacceptable behavior. Suspension is a final written warning informing the employee that he or she is suspended for a specified period without pay. If the problem continues, after suspension or the performance improvement plan, or any additional problem arises, further disciplinary action up to and including termination will occur.
4. **Termination.** Unfortunately, the preceding steps do not always produce the desired result. In some instances, it is recognized that it serves no useful purpose for either the employee or the Association to continue an unsatisfactory relationship, and termination may be necessary.

Brad commented that the center has experienced growing pains in recent months. He added, "What do you suggest?" Michelle, thinking for a moment, asked, "Would it be fine if I first spoke with Gail about the need to address employee performance issues as was intended when we developed the handbook?" Brad welcomed the idea knowing that a culture shift was needed. Since joining the board, Brad has had a very positive working relationship with Gail. In the time that he has been the board president, Frostburg Fit has experienced strong growth in several of its key performance indicators, including membership, retention and annual giving.

Success comes with its own set of challenges, though. Brad has witnessed Gail's hands-off management approach firsthand. He realizes that she enjoys the community outreach aspect of her position more so than the day-to-day operations of the center. He has hinted at having a discussion with Gail about her thoughts on her future at the center, but he has hesitated up to this point. Michelle then added, "I eventually want to talk with her about performing a comprehensive audit to address the HR needs for the center, but that might be too much for one conversation." Brad stated, "It makes perfect sense to determine what is needed, and it is perfect timing as you begin to transition to the role of board president." Michelle replied, "Thanks. I will speak with Gail after tonight's meeting and let you know how it turns out."

UNDERGRADUATE QUESTIONS

If you were the supervisor, how would you have handled the verbal threat made by the employee?

If you were Michelle, how would you address your concerns to Gail? What advice would you give to her?

Assume Gail identifies the need to offer training to her supervisors and hires an outside consultant to facilitate the session. Develop a comprehensive approach of what topics should be addressed in the training session given what you know from this case.

GRADUATE QUESTIONS

Define an HR audit specific to Frostburg Fit. What components might be included in such an audit? What recommendations would you have on how best to conduct the audit that would result in a stronger human resource function at the center?

Identify how Frostburg Fit can use the HR audit to become more strategic in how it can view human resources. What specific performance metrics would you consider the center using to continually evaluate the effectiveness of its human resource practices?

Assume that a workplace violence prevention policy does not exist at Frostburg Fit. Develop a policy to include components that would effectively address the incident between Richards and Parker that recently occurred at the center. Is there an obligation for someone who witnessed an act of violence to report the incident to management?

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