

# Management case study examples

[Business](#), [Company](#)



There are two main characters in this case study, the first is Harvey Finley, who is the manager and owner of Troupville Business Systems and second is the receptionist Cathy Brennen. Seven years ago Mr. Finley decided to explore the opportunities in business and decided to open up his own firm. Though the conditions of the market were not favorable in Troupville due to recent cases of layoffs, bankruptcies, and plummeting real estate values, he decided to take this as an opportunity and build something to capitalize upon his experience and success as a salesman. He was determined that Troupville will soon recover from the recession. The shocking news came for Mr. Finley when he saw the year-end printout of the salary payouts. He was shocked because the salary paid to Ms. Brennen was \$127, 614. 21 which was almost double the payout of the top sales person. He felt something had to be done about her compensation.

### **The Key Issues**

The case has a number of issues but the most impacting issue is the Value over Time of the firm. The time when Cathy was hired, Harvey needed someone experienced enough to handle a business that was still at an inception phase. She also accepted a lower salary in lieu of the two percent of the sales showing faith in the business Harvey was doing. She was a committed employee and this fact is proven by the statement that Harvey himself when he felt that she was better than him in dealing with the potential customers.

Now, Harvey seems disturbed by the fact that Cathy withdraws \$127, 614. 21 a year for a job that can be done by any other receptionist for a salary of less than \$20, 000. Harvey is under the dilemma that if he keeps Cathy

working for the company, he would be paying her huge sum each year which can be accounted for his personal profit. But if he asks her to leave the company, he would lose the value and faith amongst employees which is more important than \$127, 614. 21 each year.

## **Problem**

1. The problem refers to the fact that it is an extra expense keeping a receptionist for a value of \$127, 614. 21 a year for the same job that can be done for less than \$20, 000 per year.
2. If Harvey lets Cathy go, this would create trust issues amongst the employees which would be a long term loss for the company.

## **Opportunity**

1. The decision of letting her go would save the company a whopping amount of \$107, 614. 21 which can be used for growth and expansion.
2. The money that was being given to her can be used for employee benefit programs that would help trust again.

## **Solution to the problem**

The amount of salary Ms. Brannen had been withdrawing for past few years would certainly have made her accustomed to the luxuries. But, on the other hand she will also be attached to the company as she is working there for past seven years. So, one of the ways to sort the issue is to bring this to her notice. Fire the manager who overlooked the issue at the first place, then promote Ms. Brannen to take her position and adjust her salary to \$55, 000 a year.

The second solution to the problem is a bit harsh, especially to such a faithful

employee who played an important part in the companies' growth and has been there since the inception of the company. This would be going very straight forward and telling her about the oversight in her salary for the past few years and adjusting her salary to \$25, 000 a year and stopping the further payout of the sales bonus.

The third solution possible is that the company is doing great in terms of profits; Harvey should not attend to this issue at all. He should let things go on as they are, maintaining the trust of the employees for the company and its stability. This would also keep Ms. Brannen happy as well.

### **Value over Time maximization**

Two of the most important value drivers to consider in achieving the value over time maximization are “ Owner values” and “ Individual employee values”. The compensation issue was the result of the fact that the company was started by Harvey with just one employee who served different roles like receptionist, secretary, general assistant and also sales representative in his absence. The salary payout for her was \$14, 000 per year which was average salary at Troupville for a receptionist but was not enough for Cathy. Harvey wanted to hire Cathy, so he offered her a two percent sales bonus. This was not much of a deal at that point of time but turned out to be great for Cathy after a few years. Now, Harvey has to deal with the salary being paid to Cathy. This will prove the owner value. Individual employee values refer to the dedication towards work, sense of responsibility, honesty, strong work ethic and positive attitude of an employee towards the company and the employer. These values are best shown by Cathy. Her efforts led the company in becoming a successful business. Her dedication towards work is

also accepted by Harvey, when these values are optimized the company reaches the point of Value over Time maximization.

If we look at the potential positive and negative impacts, the 'Owner Values' as established by the VOT implies the faith in the employees who have been with the company for a very long time however at the same time paying the employees not according to their knowledge and expertise seniority but according to their seniority in terms of the number of years can lead to dissatisfaction within a specific set of employees.

Similarly, from the Individual employee point of view, it may be beneficial to stick around with a company for a long time in order to benefit out of the positive aspects related to loyalty. At the same time, if the loyal employees are not rewarded that may be a direct de-motivation for the employees who expect a better future through loyalty.

The 'Owner' values have a direct impact on Individual employee values and vice-versa as they are interrelated in the same environment. It is important to understand that if the owner values are not compatible with the Individual employee values then there will be negativity in the overall system as both the owner and the employees will have issues with each other. Value over Time is important for both the owner and the employees, and it has financial impact on both due to which in case if the owner wishes to reduce the financial benefits of value over time then there will be a direct impact on the kind of loyalty that the employees show and vice versa. A zero-surprise environment is the best way to come out of this situation for both value drivers, hence information at the time of joining with respect to the Value

over Time prospects will help to completely clear the picture.

It is important to first resolve the issue that has been discussed, for Ms Brennan and once that happens, adequate steps may be taken to improve the information dissemination related to the Value over Time issues. The overall activity should be done in two steps, the first being a circular to all the company employees informing them about the value that they gain from loyalty. The circular can be in the form of a milestone plan that tells them about the kind of benefits that they will be entitled to with the kind of time that they spend within the organization. Secondly, all the new employees must be given an update at the time of joining which specifies all the details that are provided to the existing employees related to the Value over Time. The above steps will ensure that the entire organization is on the same page with respect to their expectations and this will help to eradicate any negativity within the system.

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