Atlanta home loan company

Education

Case StudySynopsis of the Situation / Key Issues / The Problem --Founded in April 2002 by Albert (Al) Fiorini, Atlanta Home Loan (AHL) was a mortgage lending and financing co. based in Atlanta, GA. --After beginning operations in his home, Al's business grew rapidly; by summer he employed 8 loan officers, all of whom telecommuted. --In June 2002, Joe was admitted to an MBA program in California and was faced with 3 choices for AHL: sell it, shut it down, or find someone to run it.

As it was a profitable business with considerable growth potential – it had 90 loan applications in the pipeline, constituting 300K in potential revenue – Al chose the latter option. --Based only on initially favorable judgments, including 20 years experience in the mortgage industry and seemingly excellent sales ability, Al entered into a verbal partnership agreement with AHL loan officer Joe Anastasia in July 2002. In exchange for an investment of $8, 400 for office rent and office equipment, Joe and Al would share AHL's profits equally. -Joe quickly proved to be a bad choice, failing to show for the first meeting with the new landlord, being unaccounted for for two days, and showing up in the office only 3 of 10 days. --Al replaced Joe with an acquaintance with banking experience, but after 3 days, this new manager quit the day before Al was to leave. --Desperate to find someone to run the company, Al reinstated his previous agreement with Joe, who offered a weak apology for his previous absences.

Al monitored Joe's absence from afar, and found that despite his promise to not let it happen again, Joe made only 4 office appearances in the following 2 weeks; a 3-day absence followed Joe's taking home a large batch of loan files. --In September 2002, Al decided that he could no longer trust Joe.

Wilbur Washington, to whom Al had been introduced by Joe several months earlier, had considerable experience in mortgage banking and was " smooth. " Based on these quick assessments, Al signed a written partnership and licensing agreement with Wilbur. -Wilbur asked for authority to sign checks written against AHL's main bank account. Al refused but, as a gesture of good faith, left with officer manager Letitia Johnson, who had been with Joe since May, four signed, blank checks written against the main account, along with instructions that the checks were not to be used without his permission. --Later that month, Joe discovered what was happening and wanted his $8, 400 investment back. Al refused until he returned all of AHL's lead and loan files in Joe's possession were returned. -Still monitoring things from afar, Al felt that Wilbur was employing an excess of loan processors and/or salaried, overhead personnel and informed him of this. Wilbur responded angrily, informing Al that he was managing AHL in the best way he saw fit and to not tell him what to do. --In October 1, following the funding of four loans that generated $11, 700 in revenues to be wired into AHL's main corporate account at Bank of America (BofA), Wilbur, without Al's permission, collected the checks personally from the closing attorneys, pooled them together, and deposited them into BofA.

Using the four presigned checks Al left with Letitia, Wilbur immediately wrote checks to himself and Letitia for the entire amount of $11, 700. Having been written against uncleared funds, the checks bounced. Al, monitoring the account activity, ordered Wilbur and Letitia not to write anymore checks without his permission and to make sure that there were sufficient funds in the account to cover checks they wrote. -Despite Al's calling BofA to stop payments on the four checks and requesting a transfer of funds from the general checking account to a side payroll account to which Wilbur would not have access, Wilbur managed to release the stop payments on the checks, transferred themoneyfrom the payroll account back to the general account, and cashed the checks, bank personnel apparently assuming that Wilbur had authority over the account since he originally deposited the funds. --Al could no longer trust Wilbur and asked a friend to act as his agent to fire all employees. When they refused to go, Al called the police to support the firing action.

Wilbur told the police that he, not Al, was the owner, and the police, not knowing who to trust, simply left. –On October 15, Wilbur opened a new account at Citizens Bank & Trust (CBT), where he did his personal business and where he knew the manager personally. Wilbur now had signing authority over checks, and wired the funds being held in AHL's corporate name at the offices of the closing attorneys into this new bank account. --After discovering the second bank account, Al called bank personnel and informed management that Wilbur had opened a fraudulent account with CBT.

After CBT refused to freeze the account or return the money, Al informed Atlanta police as well as the FBI, neither of whom gave the case any attention. --Wilbur renegotiated a lease with the landlord and established AHL as his own company. Al suspected that Wilbur had used all his means of persuasion to mislead the employees in order to break their bonds with Al. In February 2003, Following the loss of his company, at least $15, 000 in licensing fees, and his credit rating, Al was forced to sell his home.

Alternative Solutions --Fight to regain control of AHL, which was probably only worth about $25, 000 in equipment --Build somewhere else --Give up. Selected Solution --Fight to regain his business and prevent what happened in the first place from reoccurring. --In an effort to do so, Al should apply elements of results controls, controls that reward employees for generating good results. This involves 4 steps: (1) Defining the right performance dimensions, (2) Measuring performance, (3) Setting performance targets, and (4) Providing rewards/incentives. -Al must also implement action controls, the most direct form of management control because they involve taking steps to ensures that employees act in AHL's best interest by making their actions themselves the focus of control. Forms of action controls include behavioral constraints, preaction reviews, actionaccountability, and redundancy. --In light of the small number of employees, Al could have success in implementing cultural controls, which are designed to encourage mutual monitoring, a powerful form of group pressure on individuals who deviate from group norms and values.

Positive and Negative Results Positive: --Defining clear performance dimensions that are congruent with AHL's establishedgoalsshould shape employees' views of what is important. --Clear performance measures will emphasize to employees what is important and enable them to strive toward meeting AHL's goals. --Performance targets can stimulate action (improvemotivation) by providing conscious goals for employees to strive for, and allow employees to interpret their own performance. --AHL can derive motivational value from linking any valued rewards to results that employees can influence.

If AHL can tailor its reward packages to their employees' individual preferences, they can provide meaningful rewards in a cost efficient manner. --Group rewards can positively affect motivation and performance, encouraging teamwork, on-the-job training of new workers by more experienced ones, and the creation ofpeer pressureon individual employees to exert themselves for the good of the group. --Physical arrangements (office plans, interior decor) and social arrangements (dress code, vocabulary) can help shape orgcultureby delivering messages about the importance of innovation and employeeequality. -Al can shape culture by setting proper tone at the top, making his statements consistent with the type of culture they are trying to create and their behavior consistent with their statements. --Lack of direction can be minimized by hiring experienced personnel, training,, or assigning new personnel to work groups for good direction. --Motivation problems can be minimized by hiring motivated people or assigning people to work groups that will make them adjust to group norms. --Personal limitations can be reduced through selection, training, and provision of necessary resources.

Negative: --If performance measurement dimensions are not defined correctly (i. e. , not congruent with the org's objectives), employees will work to improve the areas that are measured regardless of whether or not the measurement dimensions are defined correctly; or the results controls will actually encourage the employees to do the wrong things. --If performance measures weightings are partially or totally implicit, communicationto employees about what results are important will be blurred, and employees will be left to infer what results will most affect their overall evaluations. -If implementing if done poorly it can easily lead to employee perceptions of unfairness and potentially have the opposite effects of those intended: demotivation and poor employee morale. --If the wrong result areas are chosen, or if the right areas are chosen but given the wrong importance weightings, the combination of results measures is not congruent with the org's true objectives and will actually motivate employees to take the wrong actions. --AHL's tainted name, as well as Al's botched credit rating, will provide obstacles. Conclusion: -Al cannot be a remote operator of his business, especially when his staff consists of employees he barely knows. He needs to provide a physical presence in order to ensure that the proper tone at the top is implemented and consistently communicated. In light of all events, as well as Al's initial desire and attempt to fire the employees, it is strongly recommended that he clean the slate and begin with a new staff. This will provide Al with the best chance to imbue AHL with a distinctive culture and implement the results controls so badly needed.