

EXERCISE 1.3: HUMAN RESOURCE ISSUES AT VALLEY NATIONAL BANK*

Overview

Chapter 1 introduced you to the human resource issues that HRM professionals and general managers must deal with if they are to assist the organization in becoming competitive and in meeting its goals. This exercise enables you to further develop your analytical skills as you assess the human resource issues affecting competitiveness at Valley National Bank.

Learning Objectives

After completing this exercise, you should be able to

1. Identify human resource issues that may affect organizational effectiveness and competitiveness.
2. Develop strategies for dealing with human resource concerns.

Procedure

Part A: Individual Analysis

- Step 1. Read Chapter 1, paying particular attention to the discussion of the human resource domains as they relate to competitive advantage.
- Step 2. Read the background information on Valley National Bank provided in Exhibits 1.3.1 and 1.3.2. Identify the human resource issues facing the vice president's department and under which of the HR domains (e.g., Organizational Design, Staffing, Performance Management and Appraisal) each issue belongs. Outline

some strategies for dealing with these issues. Develop a rank-ordered *chronological* priority list of the first three issues that require your attention. Provide a written justification for your recommendations. Enter your rank orderings and justifications in the space provided on Form 1.3.1. **Answer the assessment questions on pages 611 and 612 before class as well.**

Part B: Group Discussions

- Step 1. In groups, identify what you believe to be the potential competitive advantage(s) of the accounting department. Review Form 1.3.1 and the assessment questions for this exercise and determine the human resource issues or activities of greatest concern to the accounting department. Reach a consensus on the chronology of the top three issues that require attention. Discuss why these issues must be resolved if the department is to assist the Bank in becoming more competitive. Identify the benefits and drawbacks to each recommendation. Reach consensus on the assessment questions as well.
- Step 2. A representative from each group will then present the consensus recommendations and rationale to the rest of the class.

Part C: (Optional)

Students should complete the self- and peer assessment instrument.

Background Information for Valley National Bank

Exhibit 1.3.1

Recent Bank History

Valley National Bank is a relatively young financial institution with close to \$10 billion in assets, although it shortly will acquire another bank to bring its size up to about \$12 billion in assets. As a whole, there is a wealth of technical talent in the company, yet most of the experiences have been developed within the confines of \$1 and \$2 billion institutions. The managers and employees have not had much collective experience managing a \$12 billion company. Senior managers currently recognize they must make some critical strategic decisions regarding the future of the bank if they are to remain competitive in the next decade.

Accounting Department

The vice president of accounting reports directly to the senior vice president of management accounting, who in turn reports to the controller of the company (see the condensed organizational chart in Exhibit 1.3.2). The vice president, **Suzanne Roberts**, was promoted into her current position to manage a department that the previous manager had let get out of control. Her job is to provide managerial accounting software to line and staff management throughout the organization so that managers might be able to make better decisions in the daily operations of their respective departments. The software, although difficult to implement, has proved to be very useful in institutions with postures of high growth. The information provided by the programs is financial in nature and, for the most part, is the type of information that VNB bankers are not used to receiving. Therefore, two key goals are: to educate the company in the use of the new software so that the bank ultimately benefits in terms of bottom-line results and to use the software to identify those sectors of business in which the bank does exceptionally well so that better and more focused strategic decisions can be made.

As challenging as her stated primary job responsibilities are, Ms. Roberts believes that another issue she currently faces is getting the right people in the right places in her department so that they can accomplish their goals. When she came into the department, she quickly concluded that some of the best contributors in the department were also the lowest-paid employees.

Bob Phillips was the former manager of the department. Through a merger, he came to Valley National Bank to manage the department, having had experience supervising two people at his previous position. In his role as vice president of accounting, he was asked to supervise about 10 people. Over two years, things got so out of hand that his employees reported that they were not clear what they were supposed to do, except in emergency situations, which seemed to be happening every day. Performance reviews of employees were late by up to six months. Naturally, employee morale was very low and attitudes toward the company became hardened. Good people quit the bank or transferred to other departments. Finding replacements for these individuals was done poorly; often the first person who walked in for the interview was hired. Today, there are several people working for the department who probably should never have been hired. Unfortunately, their options are such that it probably pays for them to stay rather than voluntarily leave.

Bob lacked the organizational and planning skills needed to effectively manage his people. In addition, his weak interpersonal skills have created hard feelings among some of the employees in the department. He usually can arrive at a very good financial/accounting solution to a problem and has an extensive knowledge of all major software programs related to bank operations. However, he has a difficult time working with other people to implement his solutions. Needless to say, some employees resent that Bob is still paid a good salary and given a

good title to go with his reduced responsibilities. **Mr. Sterrett**, the VP of HR, believes the company should sever its ties with Bob, but other external factors make this choice difficult. For example, Bob has faced some very severe personal and health problems since transferring to Valley National Bank.

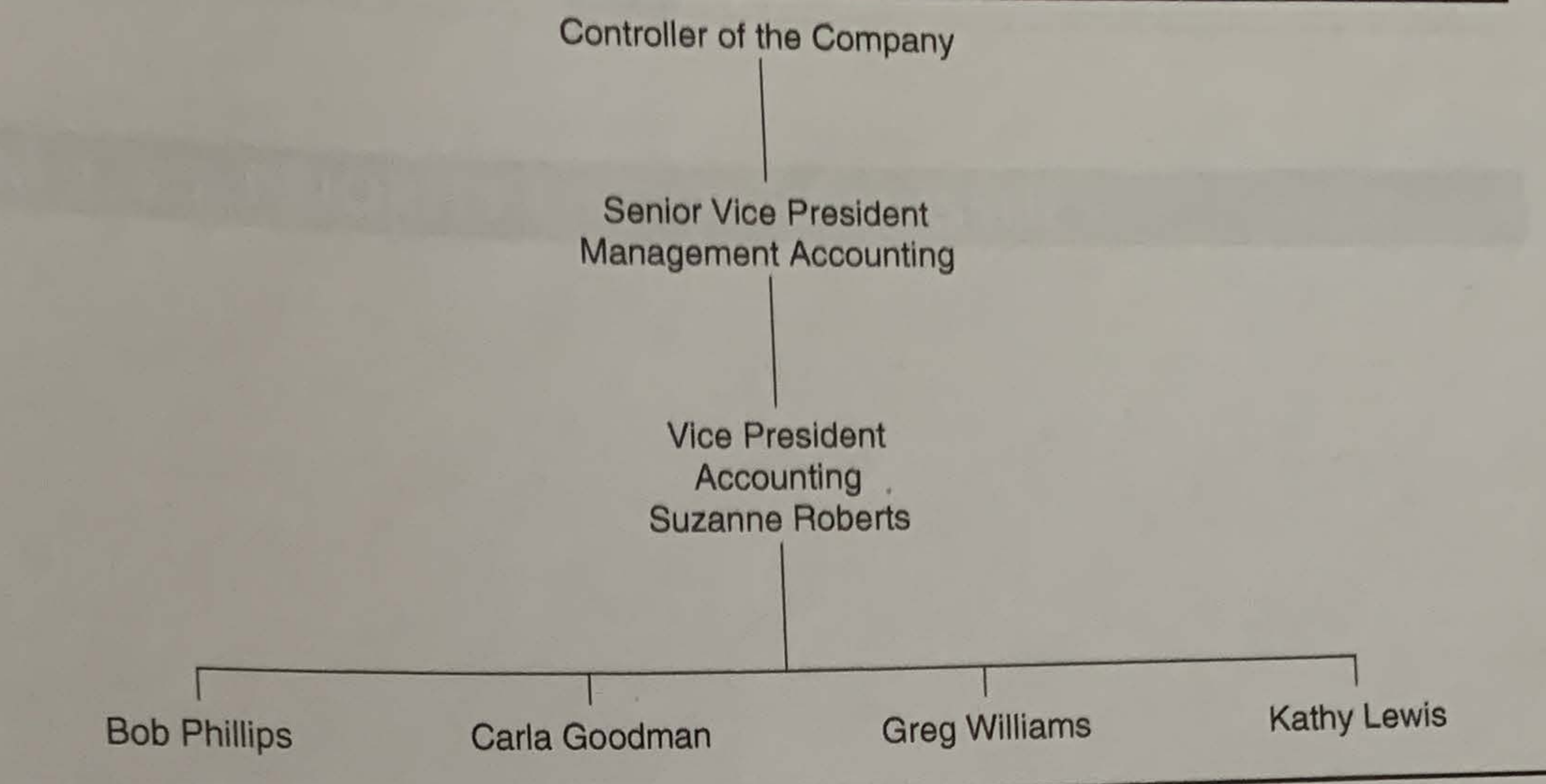
Carla Goodman previously worked for Bob for about 15 years. When the accounting department at Valley National was established, she was placed in charge of several people and given a promotion of two pay-grade levels. This decision proved to be disastrous because she could not (or would not) accept the responsibility of supervising and reviewing people. She was quickly relieved of these duties, but her salary grade level remained intact so that today she is overpaid for her overall responsibilities. Her title is such that it implies a lower pay level in the company, but it fools no one. She is average as a technical worker and understands the flow of transactions well. Currently, Ms. Roberts often has Carla working by herself because she doesn't make very good impressions with people. She tends to openly criticize the company, which draws concerns from other employees in the department. In fact, on occasion, she and Bob have resorted to shouting matches to get their respective points across to each other. Ms. Roberts also received an anonymous note reporting possible sexual harassment issues between Carla and another employee.

Greg Williams has been with the company about eight years and has worked for Ms. Roberts for about 2.5 years in various capacities. He has progressed in a very normal fashion in the bank. However, he has seen younger people such as Ms. Roberts move ahead of him on the organizational ladder. He expresses concern that his career may be leveling off unless something dramatic happens. He is not the quickest person to catch on to things in a technical sense, and he has a difficult time interacting effectively with people. This reduces his chances for a promotion. In general, he is a conscientious, mild-mannered employee who doesn't normally complain about things. He is good at taking orders but not very good at handing them out.

Kathy Lewis is the most promising employee in the department today in terms of future potential within the company. She is technically sharp, with considerable knowledge of the new information systems, and has shown some promise in the effective management of people. She has been an employee of the company for a number of years and worked for Bob at the previous bank before the merger. She understands his odd nature. Her skills allow her to get more done than most people, and she is willing to put in extra hours to get things done. She did announce her resignation from the company at one time because of the mounting problems with the department, but a senior vice president talked her into staying by implying changes would be made sometime. Kathy is probably worth more to the bank than her current salary indicates, especially in light of the salaries of Bob and Carla. The normal guidelines should allow her to catch up in the next one to two years. She probably could also gain from receiving experience in other departments, but Ms. Roberts recognizes that she could not afford to let Kathy go because of the lack of depth with the other employees.

Overall, things are probably not as bad as they may appear to be. Ms. Roberts, however, does get concerned from time to time about the general lack of depth in the department as Mr. Jack Richter, Valley National Bank president, looks to the department to help the bank become more competitive. Ms. Roberts has met with Mr. Sterrett of the HRM Department, who has recommended that Bob be terminated immediately but that Carla should be retained because she could file a sex discrimination lawsuit. Sterrett also recommends that Carla's pay should be cut immediately.

Exhibit 1.3.2
Organizational Chart



Name _____

Group _____

FORM 1.3.1 PRIORITY LIST OF HRM ISSUES

First issue in need of attention:

Justification:

Action to be taken:

What is the HR domain (e.g., Organizational Design, Staffing, etc.) for this issue?

Second issue in need of attention:

Justification:

Action to be taken:

What is the HR domain?

Third issue in need of attention:

Justification:

Action to be taken:

What is the HR domain?

FORM 1.3.1 (*Continued*)

Name _____

Group _____

1. List the potential internal strengths at Valley National.

2. List the potential internal weaknesses at Valley National.

FORM 1.3.1 (Continued)

Name _____ Group _____

3. List the potential external opportunities at Valley National.

4. List the potential external threats at Valley National.

Name _____

Group _____

EXERCISE 1.3 ASSESSMENT QUESTIONS

1. Do you agree or disagree with the recommendations of Mr. Sterrett? Explain your position. Is it lawful to cut employees' pay as Mr. Sterrett recommends?

2. What other information would be helpful in preparation for recommending action to be taken?

EXERCISE 1.3 (Continued)

Name _____

Group _____

3. What steps would you take to determine the legality of your action?
4. What is potentially “unique” about VNB, and how could the “uniqueness” give the bank a competitive advantage?
5. Among the five domains of HRM (see Figure 1-3 in Chapter 1 of the text), what domain usually drives other HR domains when significant organizational change is necessary?