

Performance management—or lack thereof—at Bella’s

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ABSTRACT

The primary subject matter of this case concerns developing, implementing, and making operational a performance management system at a small/medium sized organization. This includes the role that strategic management, the management process, and job analysis play in this process. The case depicts a general manager’s attempt to design a performance management system to be used throughout the organization. This case has a difficulty level of four. It is designed to be taught in one class hour and is expected to take approximately three hours of student preparation time.

Students are provided with a management scenario describing a general manager’s decision to develop and implement a system of performance management in the organization. Students are asked to review the scenario and develop and describe a system of performance management that will lead to enhancing long-term organizational effectiveness. Students should consider both operational and strategic issues, problems, and concerns associated with completing the assignment. To facilitate their analysis, students are provided with brief definitions/ explanations/descriptions of performance management, performance appraisal, job analysis, and job descriptions.

Keywords: Performance management, employee appraisals

Author’s Note

Extensive research was done regarding the organization referenced in this case. Articles by the author that address other management issues and concepts as they relate to this company have been previously published based on the same research. Consequently there may be some textual similarity among these articles. In addition, articles by the author regarding the primary management issue examined in this case study as related to other organizations have also been published previously.

CASE DESCRIPTION/SYNOPSIS

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THE COMPANY

Bella's is a full service day spa and hair salon featuring a wide variety of spa treatments including full body massages, body scrubs and wraps, European facials, specialty manicures and pedicures, skin treatments, waxing, and complete varieties of cuts, conditioning treatments and chemical services for the hair. Exclusive lines of hair and body products are also available. Bella's also features a retail department which specializes in unique custom jewelry. Bella's flagship store and headquarters are in a city with a population of approximately 250,000 people in the southern United States. It also has spas/salons in four other smaller cities (all with populations over 40,000) in the same state. Last year, Bella averaged approximately 45 employees per store; annual sales last year were approximately \$3,000,000, a decrease of 12% from the previous year. The company lost money last year for the first time since its initial year of operation. The management of Bella's considers the firm to be a one-of-a-kind establishment serving a wide segment of the population. The success and growth of Bella's has far exceeded all Illa Fitzgerald's (the founder and owner of the business) original expectations.

COMPANY HISTORY

The company was founded twelve years ago by Illa Fitzgerald, a former beautician/massage therapist who had worked in the salon industry since finishing cosmetology school at age 21. She used an SBA loan, investment dollars from five family members, and her personal life savings to fulfill her dream—owning her own spa/salon. Her vision was to create a unique company that offered a complete array of products and services aimed at creating and maintaining healthy minds, bodies, and spirits. Bella's is now more than a decade old, and Illa takes great pride in knowing that her company has come very close to completely fulfilling her vision.

Illia fully recognized from the very beginning that her business/managerial experience

was very limited. She was also fully aware that managing the day to day operations of her business had very limited appeal to her anyway. Therefore, her first critical decision was made three months before the salon opened—the decision to hire Lynne Gibson as general manager of Bella's.

Lynne Gibson had served as the general manager of Bella's since its inception. Prior to taking this position, Lynne had worked at a major women's clothing retailer, initially as a management trainee and finally as a regional manager. Before Bella's, Lynne and Illa, while not close friends, were certainly acquaintances who had gotten to know each other professionally. Illa had shared her dream with Lynne and had often told her "you know when I do this thing, I want you to come run it for me." Lynne never really gave it much thought, but when Illa made a formal offer, Lynne decided it would be a good move, professionally and personally. She had been very successful in retailing--but the long hours plus the weekend demands had begun to take a toll on her personal life. A single mother of two, Lynne decided that this change would be a new challenge, and it would also enable her to be more successful in balancing family and career. From day one, Lynne basically was involved in or actually made all the managerial decisions at Bella's. Though Illa was certainly the lead player in strategic decisions, Lynne was the ultimate decision maker for anything operational. Bella's began with six employees: Illa, Lynne, three hair stylists, and one massage therapist. All were friends or acquaintances of the owner. Very little recruiting took place in the initial hires beyond Illa convincing each to come be a part of her new business. A salary was offered with a promise of "as we grow and become more and more successful, I'll make sure you're rewarded for your contribution."

A year ago, Lynne Gibson decided to leave Bella's to pursue her Master's degree in education. As one who was not only resistant to and often paralyzed by change, this greatly troubled Illa—so she managed to convince Lynn to remain as a consultant to the company while working on her degree. Lynne's new role was to offer input and advice on any and all issues of Illa's choosing. Prior to this point, the basic structure of Bella's was the following: Lynne was the general manager of Bella's Incorporated; she also served as the store manager of its flagship location. Within her store, a retail manager and a service manger reported directly to Lynne. Additionally, the store managers at each of the other four Bella locations reported directly to Lynne. Within each store, individual store managers were the only employees serving in a supervisory position with each being responsible for all daily operational issues of his/her salon. All other responsibilities/decisions for individual locations were Lynne's. This included all purchasing, marketing, financial, and human resource decisions. Individual store managers did have the opportunity to offer informal input into hiring decisions for his/her store. The salon managers' salaries averaged approximately \$32,000 annually. Three had college degrees, and they averaged four years experience. Each began as a part-time sales clerk/receptionist either at Bella's or at another salon. Bella's offered a benefits package that was fairly standard for an organization of its size. This included health insurance (of which the employees shared in the cost of the premiums with Illa's and Lynne's being paid totally by the firm) and retirement (in which Bella's made modest contributions).

The structure described above has essentially remained the same since Lynne left the company. Due to some difficult economic times, virtually all salaries for all supervisory positions have remained the same. Lynne's replacement (who will be discussed in the next section) received a salary slightly below the salary being paid to Lynne.

THE CURRENT SITUATION

Kris Jenkins is the new general manager of Bella's. Her career began as a hairdresser after finishing cosmetology school. Ten years later, Kris had completed her Business degree and was the store manager of a national hair salon that was located in a mall in a midsize southern city. Her ultimate goal was to own her own salon—but she did not feel that she was yet prepared either financially or from an experience standpoint. Though she had learned many valuable lessons—particularly in dealing with employees—while managing the firm in the mall, she recognized that her experience with executive decision making was very limited. Therefore she was hoping to make a career move that would enable her to have direct input regarding all top management decisions of a salon. That was the primary reason that she decided to take the General Manager's position at Bella's. Plus, her career goals were almost identical to those of Bella's owner 12 years ago. Illa had achieved exactly what Kris aspired to achieve. Also, her background was essentially the same as Illa's. Kris had discovered a new role model. What could be better? The opportunity looked ideal.

PERFORMANCE MANAGEMENT CASE

Kris had spent the entire morning in Illa's office. Much of the morning was spent debating Kris's recommendation that Bella's develop and implement a performance management system in the organization. But, it really wasn't a debate about the merits of Kris's idea. It was much more listening to Illa's explanation of what had gone on in the past—and the reasons why. Illa readily admitted that she had no idea what Kris even meant by performance management. She also agreed, almost proudly, that virtually nothing had ever been done regarding “whatever it is you want to call them—performance evaluations, or appraisals, or the annual “ok, what's my raise this year”. “I'm a hairdresser who started my own salon—that was my dream. My dream wasn't to be a great business woman—it was to have the coolest, funkiest spa and salon in the world. And I've come pretty close”, said Illa. Kris couldn't argue that point. Bella's had been very successful—though she sometimes wondered if it was despite not because of Illa.

“Why didn't Lynne ever do anything about this?” asked Kris. Lynne was the former general manager. Kris had visited with her extensively before taking the job; but for some reason, the question of performance management or formal appraisals had never been discussed. They talked at length about individual employees and his/her performance, but Kris never asked to see any documentation—she just assumed all this information had been done and was available.

“Believe me,” said Illa. “She tried. But I just wasn't interested. And, she was so incredibly busy with so many other things. It seems like every fall, she would bring it up. But it wasn't important to me. And I needed Lynne to focus on other things that were. The company was doing well, we were growing. It was easier for me to just run down the list of employees to Lynne—and say she's good, give her a nice raise; she's bad, give her no raise at all, or whatever. Some years I just told Lynne to give everybody the same thing. That's about the extent of our performance management function around here.”

Kris just sighed and shook her head. “No one ever complained?” asked Kris. “No one ever asked why? No one ever wondered if they were doing a good job or how they could improve?”

“Oh, I’m sure they did,” Illa replied. “Lynne shielded me from much of that stuff. She made certain she never let me get too crazy—good or bad—with the raises. And she was so good with people that she would make them understand. She always seemed to be able to make everyone feel they were treated fairly. But, as you know, much of that has changed since Lynne left. That’s why you’re here now!”

Kris wasn’t really sure how to react to all this. She remembered asking Lynne before taking the job: “What’s your biggest challenge running this spa?” The answer resonated in her head: “Dealing with Illa.”

Kris finally broke the silence. “Illa, we’ve discussed all this. You promised your support concerning implementing professional business practices, that I could run this company strategically. That is one reason I finally agreed to take the position. I feel strongly that we need a performance management program. We need a formal mechanism in place to decide raises, training, development—not to mention a way to determine how our people are making this spa successful.”

Illa threw up her hands. “OK, OK, you’re right. I did promise. Do this. Put together a presentation for a week from this afternoon. Show me what you’ve got. Convince me it’s important. Tell me what resources you’ll need. Show me how this is going to make us better. If I go for it, you can figure out how to implement it throughout the spa.”

“Outstanding! I better get busy,” said Kris. “Oh, were you really serious when you told me during the interview that Bella’s had never had a formal mission statement? And, no written job descriptions? And, no written job specifications? And obviously, no formal performance appraisals?”

“Of course I was serious,” said Illa. “Never needed them. Not sure we do now.”

“I’ll talk to you soon,” said Kris as she headed back to her office.

Preparing for the meeting

Kris knew that Illa would play a vital role in the success of any attempt to implement a performance management program in the firm; therefore, she felt that the most important thing she could do before the meeting was to make sure that she had a definition of the whole concept—one that Illa would understand and one that would enable her to recognize its importance to Bella’s. Given that, Kris crafted the following definition/explanation of performance management:

Performance management is a strategic process designed to ensure that employees’ activities, behaviors, and outputs are aligned with the mission, objectives, and strategies of the organization. The primary purpose of performance management is to make certain that employee performance contributes to the accomplishment of the organization’s objectives and the achievement of its mission. Performance management specifies which aspects of performance are relevant to the effectiveness of the organization (as determined through job analysis), measures those aspects through performance appraisal, and provides feedback to employees through performance feedback sessions.

It did not take long for Kris to begin to feel very frustrated. Performance appraisals, job analysis, and job descriptions all were critical aspects of performance management and none of

this related to Bella's. She had never even seen a job description for her position—much less anyone else's. Kris was also completely convinced that for performance management to work, top management had to be totally committed to the idea, and she suspected that, despite her assurances, Illa would be very reluctant to embrace the idea. She also recognized that performance management should be tied directly to the strategic management function of the company--linked directly to the mission, objectives, and strategies of the organization. Kris was certain that Bella's had never had a formal mission statement. She was just as certain that no formal strategic objectives had ever existed. "Bella's doesn't do strategic management," she said depressingly to herself.

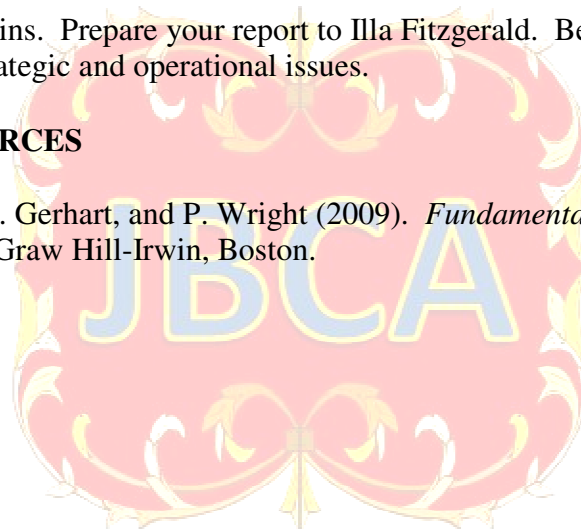
Kris's head was starting to spin. "We really need to do this. It will make us so much better," she thought. "But, it's going to be huge challenge. I've got a lot of work to do."

INSTRUCTIONS TO STUDENTS

1. List and briefly explain the strategic and operational challenges facing Kris Jenkins.
2. You are Kris Jenkins. Prepare your report to Illa Fitzgerald. Be sure that your report addresses both strategic and operational issues.

ADDITIONAL RESOURCES

Noe, R., J. Hollenbeck, B. Gerhart, and P. Wright (2009). *Fundamentals of Human Resource Management*, McGraw Hill-Irwin, Boston.



Performance management—or lack thereof—at bella’s Teaching Note

CASE DESCRIPTION

The primary subject matter of this case concerns developing, implementing, and making operational a performance management system at a small to medium sized business. This includes the role that strategic management, the management process, and job analysis play in this process. The case depicts a general manager’s attempt to design a performance management system to be used throughout the organization and to convince the owner of the company to embrace and support that system. This case has a difficulty level of four. It is designed to be taught in one class hour and is expected to take approximately three hours of student preparation time.

CASE SYNOPSIS

Students are provided with a management scenario describing a general manager’s attempt to develop a performance management system for the organization. Students are asked to prepare a comprehensive report that describes the proposed system. This report should include both strategic and operational issues associated with implementing and making operational performance management.

RECOMMENDATION FOR A GENERAL TEACHING APPROACH

This case has been successfully used to specifically reinforce the performance management function for junior and senior level management and human resource management students. This case forces the student to explore all aspects of performance management including potential problems, development, implementation, and requirements for long term effectiveness.

A general instructional approach includes a thorough discussion of performance management, performance appraisals, job analysis, and job descriptions. A review of the tasks of strategic management and the management process would also be appropriate. This review and discussion should take approximately two in-class hours. The case instructs students to develop a comprehensive report based upon information in the case. Individual instructors may require each student to submit a written report or he/she may prefer to require teams of students to make formal presentations as if presenting to the owner of the firm. Reports would be graded primarily for content with specific attention being paid to students’ ability to address both strategic and operational issues while effectively describing a performance system for the organization. If instructors decide to make the case a team presentation assignment, grading could also include an oral communication skills and/or a teamwork component. A general in-class discussion of the case may be appropriate after assignments are submitted or presented. The instructor may choose to highlight specific items from the case that offer significant concerns or challenges and ask students to identify the actions to address these items.

THE REPORT

Students are asked to list and explain the problems, issues, and challenges facing the general manager. In addition, students are required to develop a comprehensive report to present to the owner of the company that describes a proposed performance management system for the firm. Students are instructed to address both strategic and operational issues within the report.

Strategic issues

Students should recognize the strategic nature of performance management. Performance management is linked directly to the mission, objectives, and strategies of the organization. Job analysis gathers information that determines the elements of each job that are essential to organizational effectiveness. Job descriptions reflect this information and are critical management tools for effectively appraising an employee's performance. Reward and development decisions for employees should flow directly from these appraisals.

Bella's appears to have no mission statement and no stated long-term or short-term objectives. There are no job descriptions. Performance appraisal criteria are not linked to job descriptions since job descriptions don't exist. Formal performance appraisals have never been conducted. No evidence indicates that job analysis ever takes place at Bella's. It could be deduced that job analysis activities do not take place at the firm at all.

Based on the information provided, students should be able to develop a mission statement for the firm. While students should not be expected to actually create objectives, individual job descriptions, or employee appraisal criteria for the company, their reports should describe the processes that will lead to the development of these items. Particular attention should be given to identifying implementation responsibilities within the suggested processes. Specific approaches may vary among students, but students should provide appropriate support for all recommendations. From a strategic perspective, reports should be evaluated based on whether the proposal results in a well-articulated mission statement that is regularly reviewed and revised; organizational objectives that flow directly from the mission statement; current job descriptions that reflect the elements of the job that are critical for organizational effectiveness; performance criteria based on these essential elements; and individual employee reward and development decisions based on his/her appraisals.

Operational issues

The primary operational issue concerns making sure individual managers incorporate performance management into the operational management process. Briefly stated, this process involves managers ensuring that subordinates understand their goals, are provided resources and support to accomplish these goals, and are rewarded and developed based on the accomplishment of these goals. If effective strategic processes (as discussed in the previous section) are developed, individual supervisors should have the necessary tools to ensure that the individual goals are appropriate in terms of enabling the firm to achieve its mission; however, supervisors must be diligent in modifying these goals as the organization revises its mission and changes its objectives. Supervisors must also ensure that performance criteria are regularly revised to reflect these changes. In addition, supervisors must make certain that individual reward and additional training and development decisions are based on individual employee appraisals.