

BRIGHT AND DEDICATED:

what more do you want?

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Susan Reynolds carefully studied her first annual performance review at Marco Pictures, a highly successful motion picture company headquartered in Los Angeles. Although in many respects the review was favorable, she was disturbed by the following comments made by Anita Lockwood, her immediate supervisor (Appendix I and Appendix II):

My only concern is Susan's tendency to stay in her office and avoid contact with others in the company. As the controller, she should be involved with the production, postproduction, licensing, royalties, and other departments. She should be aware of the activity going on in each and should

"touch base" with the department heads periodically to determine

the future requirements of the accounting department.

She should also become more involved in the personnel matters of the department. She should be aware at all times of the status of work in the department and should be the first 'manager' to tackle personnel problems as they arise.

As Susan reflected on these comments, the following thoughts went through her mind:*

Perhaps I should have listened to Bill, my assistant, confidant, and

*These are direct quotes from one of the principal characters. The names of the firm and people involved in the case have been disguised.

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the future opportunities she might have, she eagerly accepted. Later, when he was promoted to chief financial officer, he once more chose Anita to be his successor.

After her promotion to vice president, one of Anita's first responsibilities was to find a new controller. During the search and interview process she learned that Susan, who had worked in the same big-six accounting firm with Anita, was looking for new employment challenges and opportunities. Anita had been impressed by Susan's auditing and accounting skills and believed that Susan would be a valuable addition for Marco. Following interviews by Anita and Marco's CEO, Anita offered Susan the job. Anticipating that this would be a smart career move, Susan accepted.

Susan Reynolds

Susan Reynolds was born and raised in rural America. Growing up, her activities were restricted to public school, household chores, and church activities. Religion was very important to Susan's family and her parents were strict disciplinarians. Spending her formative years in this environment, Susan developed a strong work ethic and a respect for authority. She was also quite reserved and shared little about her personal life with anyone other than her few close friends. Her parents were strong supporters of higher education, even though both had managed only to earn a high school education. Graduating as valedictorian of her high school class, Susan went on to complete an undergraduate degree in accounting maintaining a 3.88 GPA.

Upon graduation, she was recruited by several of the leading accounting firms and eventually accepted a position with a big-six accounting firm in Los Angeles.

Within two years Susan was promoted to audit senior and three years later to audit manager, a position she held for four years prior to her move to Marco. Susan's responsibilities included being in charge of the audit of a large entertainment client. The assignment included coordinating the activities of two other audit seniors and supervising two to three staff members. She was most comfortable and motivated in her position as audit manager when she was designated as the second manager on a project. The primary manager would be in charge of the more ambiguous aspects of the task, such as developing and maintaining interpersonal relationships, while Susan worked behind the scenes making sure that all the details of the assignment were carried out as required. In situations where responsibilities were not well defined, such as following through on client billings and maintaining client contacts, Susan was often uncomfortable.

THE CURRENT SITUATION AT MARCO

"What a fantastic office! What a fantastic job!" Susan often marveled at her large corner office overlooking Sunset Boulevard. Tower Records was located right across the street and she recalled that not long ago she watched in awe the throng of people standing in line hoping for a chance to get the autograph of a famous recording artist. In the evening

she was able to see the sun setting over Hollywood. Nevertheless, even before receiving her annual performance review, she began to feel apprehensive that something was not quite right.

Susan's earliest projects with Marco had gone smoothly. Her schedules had been concise and reasonable and the external auditors had been able to finish in less time than the previous year, resulting in substantial savings for Marco. Susan worked closely with the auditors and welcomed the interaction with them and the opportunity to learn more about Marco's corporate structure and its international ventures. But, as she was assigned other projects, her enthusiasm waned. Her first concerns surfaced after seven months, when Anita's office was moved to the opposite corner of the building. Before the move, Susan could catch Anita in the mornings for a short chat about what was going on within the departments before she had settled into her schedule for the day. Gone were the days when Anita would spend an hour here and there with her, telling her about the company's ongoing operations, its key players, and the company's financial strategies. She was also concerned that the participations/royalties and payroll clerks offices—two departments with which she had to work very closely—were now located closer to Anita's office than hers.

However, these morning meetings were no longer feasible. Anita commuted 60 miles to work and her time in traffic was often unpredictable. By the time Susan was certain that she had arrived, Anita was

often busy with others or engrossed in her current spreadsheet project. Susan felt that just "touching base" was not a valid reason for interrupting Anita's train of thought. Consequently, Susan felt they talked all too briefly and then only about specific questions regarding Susan's current projects. Although Susan knew that Anita was busy, she often wished that Anita would hold weekly staff meetings so she would know more about what was going on in the department and the company. As a result of Anita's move, Susan suddenly felt out of the loop.

Susan's Reflections

One of Susan's first assignments had been to complete the annual U.S. Department of Commerce survey. Anita's instructions had been:

This survey needs to be completed as soon as possible. We've already extended the due date once. This project will be a good way for you to learn where specific financial information can be found in the general ledger and files. It will also be a good way for you to learn about Marco's operations. Feel free to ask me any questions you may have as you compile the data and write the final report.

After successfully completing the project, Anita had Susan undertake some of the department's more routine activities, giving Susan the following instructions:

Until we hire an assistant controller, I want you to review the invoice packages before the checks are taken to Joe (the chief

financial officer) for signature. We're just now finishing the financial package for May. Joe wants us to reduce the time it's taking to close the general ledger at the end of the month and prepare the financial package for his review. Beginning the last week of June, I also want you to start working with the participation/royalty and pay clerks to make sure they get their journal entries prepared and posted as quickly as possible. Once we have the final copy of May's package, we can go through it together so you can see how each department contributes to the final product.

Susan had been performing as expected for three months when Anita was finally successful in hiring an assistant controller to support Susan.

Bill Mayer

Bill Mayer (30) was a recent graduate of UCLA with a master's degree in accounting. Prior to returning to school to pursue his graduate degree, he had completed two years active duty with the Army reserves and been employed by a small accounting firm in Los Angeles. Upon completing his MS in accounting, Bill passed the CPA exam on his first attempt and immediately began searching for a more challenging position than was possible with his current employer. He was brought to Anita's attention by a member of UCLA's accounting faculty, an acquaintance of Anita's, who had heard through the grapevine that Marco was searching for an assistant controller. An interview followed during which Anita became convinced

that Bill would be a perfect fit. She found him to be outgoing and personable and was impressed with his academic performance and his recommendations from his previous employer. Susan had also expressed to Anita that she believed Bill would be a welcome addition to the team. Susan and Bill began an enduring cordial relationship.

Once Bill was on board, Anita gave the following instructions to Susan and her new assistant:

Now that Bill is on board, I want him to review all of accounts payables work. I also want him to orchestrate the month-end closing process, as well as the preparation of the financial package. I want you (Susan) to review the financial package before I do. Then, I'll review it before we give it to Joe. Deloitte and Touche will be here in two weeks to audit Marco International's financial statements. Here's a list of the schedules you need to prepare and have ready for them when they arrive. I also want you to provide access to all the documents they may need and answer any questions that may arise.

THREE MONTHS LATER

Although Bill was a welcome addition to the accounting department, as time passed Bill assumed more and more responsibility, and Susan began to feel that her talents were not being utilized to the extent that they should be. In addition Anita seemed to be becoming more distant. For example, one night as Susan was leaving the office, she noticed that

Anita was working late. On her way out, Susan stopped by Anita's office and asked:

"Is it going to be another late one?"

"Looks like it," Anita replied.

"Anything I can do to help?"

"No, Charles (Marco's CFO) wants me to run some new numbers through this pro forma for his meetings tomorrow," Anita answered.

"Sure you couldn't use some help?"

"No, but thanks for asking"

"Okay, see you in the morning."

"Have a good evening"

It bothered Susan that Anita would not let her help and seemed to be so determined to do the work herself. "But, she's the boss and in reality this appears to be how she prefers to do things," she thought. Another concern was that although Anita had instructed her to review the month-end financial package before passing it to her for review, over the next few months Susan's review came to be concurrent with Anita's or was skipped altogether. Having these responsibilities taken from her further increased her anxieties.

Susan would have preferred to have more interaction with others in the department but felt left out when it came to administrative and personnel matters. She believed that if more information was shared with her, she would have been able to help the department run more smoothly. She knew she had more to offer than she had the opportunity to give. For example, Susan recalled

the time when Bill had told her that he and Anita were getting ready to dismiss the cash management clerk in her department. She knew nothing of the decision until right before Bill and Anita had asked him to clean out his desk! Susan believed that Bill informed her only so that she would be ready for any commotion should it arise.

Moreover, Susan was not enjoying her current assignment. It involved a lengthy analysis of all the transactions posted to the "intercompany" accounts between Marco and Marco International over the last two years. This long, complex and tedious project required that Susan spend countless hours doing the work herself. Although she wished that she could have delegated some of the work, in the past Anita had indicated that she had taken sole responsibility for this undertaking. Susan believed that Anita also expected her to do the entire project without assistance.

As the task of analyzing the intercompany accounts began to drag on, Susan began to think more and more about her current situation. It bothered her that she was receiving inadequate feedback from Anita. And, although Susan continued to view Bill as a close friend, she began to have concerns about her willingness to share supervisory responsibilities with him—especially those tasks she found to be distasteful—and how this would affect her overall performance review. Several questions went through her mind: Shouldn't Anita be giving me more direction? Why doesn't Anita tell me directly if she is dissatisfied with my

performance and what she expects me to do differently? What exactly are my supervisory duties? What does it really mean to "manage" this department? What should I do at this point?

It had been very different in public accounting where each assignment had an overall plan from which it was easy to identify each person's specific duties. And, although she had had supervisory responsibilities, the staff members under her direction were all self-motivated high achievers who required little or no direct supervision.

Because of Susan's doubt, her belief that asking for more direction would reflect negatively on her performance, and her increasing concerns about her overall value to Marco, her self-confidence and self-esteem began to suffer. She was troubled that working diligently and producing accurate reports and schedules was simply not enough.

ANITA'S REFLECTIONS AND THE ANNUAL PERFORMANCE REVIEW

In preparing for Susan's upcoming year-end performance evaluation, Anita thought about Susan's initial orientation into the accounting department. When Susan began her employment at Marco, Anita recalled that she had spent quite a bit of time with Susan talking about the company, how its projects were going, and its financial status. In addition to expecting that Susan complete the special projects assigned, Anita anticipated that Susan would easily be able to assume the day-to-day supervisory responsibilities

in the department. However, as projects were assigned to Susan, it appeared that she tended to become so engrossed in each project that important departmental personnel matters were neglected. One example was a situation that occurred earlier in the year when it became necessary to discharge the cash management clerk. In her position as controller, Anita had expected Susan to be more involved in overseeing the clerk's performance and noting or correcting any improprieties. She believed that Susan had failed to appropriately monitor and manage the situation. This aspect of Susan's management style concerned Anita.

Anita wanted to make sure that her upcoming evaluation of Susan's performance included her appreciation for the significant and substantial contributions that she had made to the accounting department over the last year. She also, however, had to include her concerns in the evaluation. Specifically, she needed to convey to Susan the need to develop her interpersonal skills and to take the appropriate disciplinary action on her own when necessary. Anita considered how she could best approach Susan without causing bad feelings that might lead to the loss of one of Marco's most valuable employees.

Anita had expected Susan to be more of a "take-charge" person and to be more outgoing and assertive. She had had excellent references and had been highly spoken of by those with whom she had previously worked. Although Susan produced excellent reports and analyses that

required minimal input from Anita, she had not made any obvious effort to assume responsibility for directing and supervising the department personnel. No one could deny that Susan was highly motivated and an outstanding performer on the tasks she was assigned. But, Anita wondered why Susan was so reluctant to perform these duties at Marco. She performed them in her previous position; why isn't she doing it here?

The following week, Anita met with Susan to discuss Susan's annual performance evaluation. Anita began the discussion by saying:

You've been at Marco for over a year now and it's time we evaluated your performance. Let me begin by telling you that you're doing a great job and we're giving you a nine percent salary increase. I am pleased with your overall contribution to the accounting department over the past year. You did an excellent job with the Touche Ross audit of Marco International and with the Ernst and Young audit of the company's financial statements.

However, I am concerned that you appear to feel uncomfortable working with other managers within the company. I want you to begin attending the monthly production meetings. These meetings should give you a feeling of where the company's projects are in the production process and the problems encountered, some of which may have accounting implications. You'll also have the opportunity to get to know more

of the people within various departments. And, we'll figure out some other ways in which you can interact more with the other managers.

Take a couple of minutes to read through your Employee Evaluation Report (Appendix I and Appendix II) and let's go over any concerns you might have.

Susan's Reaction

As Susan read the evaluation, she failed to notice the many positive comments. Never in her 32 years had she felt more of a failure. "What should I do now?" she thought. "I know I have terrific technical and administrative skills. How can I become a better manager? Or, should I even try?" Intellectually, she knew how important it was to her career that she display strong interpersonal skills and she knew that she should have been more involved in personnel matters and politics within the department. She disliked dealing with conflict and being even marginally involved in internal politics. And, quite truthfully, she didn't know what steps to take to become more aware and involved. She believed that Anita's recommendations would undoubtedly help, but she was afraid that it would take more energy and time than was possible on both their parts. But, once again, as was typical of Susan, she chose not to share her feelings with Anita and signed the evaluation. With copy in hand, she returned to her office overlooking Sunset Boulevard to further consider her options.

APPENDIX I: SUSAN REYNOLDS' EMPLOYEE EVALUATION REPORT

EMPLOYEE EVALUATION REPORT

Date of this evaluation 1/22 Date of previous evaluation

Reason for evaluation. [X] General Performance. [X] Salary Increase. [] Promotion.

Name Susan Reynolds Soc. Sec. No. 444-55-2222

Job Title Controller Dept. Accounting Clock No.

Date Hired 9/15 Time Employed one [X] Years [] Months

Education: [] Elementary [] Junior H.S. [] Senior H.S. [] College 1 2 3 4

Current Salary \$ 85,000 per year Time employed at this rate one [X] Years [] Months

Date of last previous increase Previous rate of pay \$ per

Time employed at present job [] Years [] Months Date of last promotion

ATTENDANCE RECORD

[X] Excellent [] Good [] Poor

Number of days absent this year Approved days Unauthorized days

Number of days absent last year Approved days Unauthorized days

Number of days late this year Number of days late last year

WORK PERFORMANCE

Ability to do job assigned: [] Superior [] Meets Standard [] Below Standard

Comments on job ability: See attached

Comparison to previous evaluation: [] Improved [] No Change [] Negative

Productivity: [] Superior [] Meets Standard [] Below Standard

Comments on productivity: Susan's ability to complete projects in a timely manner is excellent. She is an extremely hard worker and always puts in whatever time is necessary to complete projects on time.

Comparison to previous evaluation: [] Improved [] No Change [] Negative

PART III CASE STUDY

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Ability to follow instructions: Excellent Good Poor

Comments on ability to follow instructions: _____

Comparison to previous evaluation: Improved No Change Negative

—Comparison to previous evaluation—

Cooperation	<input checked="" type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Poor	<input type="checkbox"/> Improved	<input type="checkbox"/> No Change	<input type="checkbox"/> Negative
Attitude	<input checked="" type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Poor	<input type="checkbox"/> Improved	<input type="checkbox"/> No Change	<input type="checkbox"/> Negative
Initiative	<input type="checkbox"/> Excellent	<input checked="" type="checkbox"/> Good	<input type="checkbox"/> Poor	<input type="checkbox"/> Improved	<input type="checkbox"/> No Change	<input type="checkbox"/> Negative
Work Habits	<input checked="" type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Poor	<input type="checkbox"/> Improved	<input type="checkbox"/> No Change	<input type="checkbox"/> Negative

Comments on cooperation, attitude, initiative and work habits: _____

PERSONAL

Relationship with fellow employees: Well liked Accepted Other (explain below)

See attached

Relationship with customers: Excellent Good Unsatisfactory (explain below)

n/a

Comparison to previous evaluation Improved No Change Negative

Personality (check those which apply):

Friendly Out-going Courteous Aloof Neat in appearance Untidy
 Enjoys work Dependable Conscientious Calm under pressure Nervous
 Complains excessively Negative influence on others Positive influence on others
 Desire for achievement: High Average Low

SUMMARY OF EVALUATION

Overall evaluation: Positive Negative

Overall comparison to previous evaluation: Improved No Change Poorer

Continued employment: Recommended Not recommended

Salary increase: Recommended Not recommended

Recommended salary increase: \$ 8,000 - 9% per year Effective 1/22

Promotion: Recommended Not recommended. Job Change: Recommended Not recommended

Recommended promotion: _____ Effective _____

Recommended job change: _____ Effective _____

COMMENTS

The overall performance of Susan's work is excellent, except for the area discussed in the attachment. This, however, is not such a problem that she cannot perform her work satisfactorily.

Date _____ Evaluated by Anita Lockwood

Date _____ Recommendations approved by _____

colleague (at Marco), who advised me to find a job where I didn't have to supervise people, and where my considerable auditing skills would be more valued. He also suggested that perhaps instead of worrying, I should have spent more time looking for another position. Maybe, he was right.

But, my job with Marco is consistent with those where audit managers with my skills and experience end up and perform very effectively. I like this job. I like these responsibilities. Why isn't this working? Maybe I had better be moving on.

But, Anita has been good to me. I don't want to take advantage of Marco by not telling her that I am in the process of looking for another position. It would be just plain unfair for me to remain on the payroll knowing I may soon be leaving.

MARCO PICTURES, INC.

Marco Pictures was founded by two individuals, who became highly successful in distributing motion pictures in international markets. In the 1970s and 1980s, these two men decided to make a relatively inexpensive movie that became a monumental box office hit. Because of the success of this movie, the partners decided to make more motion pictures, capitalizing upon their international distribution experience to finance these movies by "pre-selling" the rights in worldwide markets. By September 1986, the movie and its sequel had generated worldwide

box office revenues of more than \$390 million.

In 1986, Marco became a publicly traded company. By 1990, Marco had consolidated assets of \$632 million. Consolidated net income for the year ending December 31, 1990, was \$61 million on revenues of \$269 million.

In the high risk motion picture industry companies must make a large investment in the production of each motion picture while gambling that the movie will be well received in theaters and other venues. Often a picture's success in future markets depends largely on its success in theaters. Even movies that are highly acclaimed by critics are not guaranteed a profitable outcome.

Marco operated under three basic principles that were established to minimize shareholder risk:

1. to produce and distribute a limited number of "event" motion pictures (movies with casts and themes having major box office appeal),
2. to finance those productions through "pre-sales" of exhibition rights in the various media around the world, and
3. to maximize return on investment from "ancillary" markets such as video, television, and merchandizing.

The financial group at Marco was headed by Anita Lockwood (vice president of finance) and included the accounting, payroll, royalty, and cash management departments. Although Susan Reynolds, in her position as controller, was nominally in charge of the twelve-person accounting department and

reported to Anita Lockwood, there was no formal organizational chart. Those accounting personnel who had been with the company since its inception, as well as those who had worked directly with Anita before her career move from controller to vice president, continued to report directly to Anita after her promotion. Moreover, Anita directly assigned projects to personnel in all departments regardless of position. This lack of formal reporting lines was somewhat consistent for the entertainment industry, and especially for a company that was still young and entrepreneurial.

Anita Lockwood

Anita Lockwood, 37, grew up in an affluent Los Angeles suburb. She was the younger of two sisters and was quite vivacious. She had initially planned to become an elementary school teacher, but eventually attained a master's degree in accounting. She began her accounting career with the audit division of a big-six accounting firm. After two years, Anita left public accounting to work in the accounting department of a large entertainment company where, in her capacity as manager of general ledger reporting, she supervised several accounting clerks and worked closely with other accounting supervisors. A year after Anita's former supervisor had departed the company to accept the controller position at Marco Pictures, he was promoted to the position of vice president of finance. Faced with filling the controller position, he remembered Anita's professional competencies and managerial ability and offered her the position. Recognizing