***Scenario One:* Cost Club**

**Background**

Cost Club is a growing retailer, similar to Super Wal-Mart or Target. It provides discount merchandise and supermarket products in large stores located in many areas of the United States. Cost Club is administratively organized into regions, and each region is permitted to develop its own operational policies, as long as the bottom line of low cost and reasonable service to customers is maintained. There are many strong competitors to Cost Club, with some regions experiencing more competition than others.

**Your Role in Cost Club**

You recently have joined the Atlanta regional office of Cost Club as the Assistant Manager of Human Resources (HR) for the region. If you do well in this assignment, you may advance to the HR manager spot when your boss, Pat, moves on to another executive role in Cost Club. For memo purposes, Pat’s last name is the same as the last name of your facilitator.

Pat has explained that while the Manager’s role is to focus on long-range and integration issues involving the entire region, your role as assistant manager is to deal with HR issues that arise routinely in the workplace. Pat has forwarded you a number of e-mails that present situations referred to HR; you must look at the situations and respond to Pat in an e-mail that addresses all the forwarded e-mails. Pat apologizes for not giving you time to settle in to your new position, but says that these are significant and time-sensitive issues that have to be dealt with quickly. You immediately begin examining the forwarded messages.

**Dealing with the Problems**

**Message 1: Discharges at the Anderson Cost Club store.**

The first e-mail, with attachments, provided background on the discharges that had recently occurred at the Anderson Cost Club store, which is located in a right-to-work state. The general manager (GM) had fired two employees without giving them any reason for the discharges. When questioned, the GM at Anderson said that he wanted to downsize his workforce in his store, and because Cost Club was nonunion, there is no restriction on discharging anyone for any reason. He claimed that he did have to give a reason. Pat forwarded the information with a note saying, “The GM believes there is no restriction on the right to fire people, but we are concerned that the employees in question will file wrongful discharge lawsuits against us. If they do, we may lose the case, because we didn’t give a reason for the discharge.”

**Message 2: Regional CEO’s question about reducing employee costs.**

The second e-mail was sent to Pat from the Region’s Chief Executive Officer (CEO), who is looking for ways to reduce employee costs. The key comments in the memo included:

“Nearly 40% of our region’s costs are employment related. Right now, nearly 100% of our workforce are full-time or part-time employees. We have few employees who are provided by temp agencies, and we have even fewer independent contractors doing the things that have to be done for us to serve our customers. I’d like you to consider the use of temps and contractors as a way to reduce our employment costs. Will the law allow us to do that? I don’t want the lawyers involved yet—just an initial explanation. You don’t need to worry about the cost issues of the various types of workers—I just want to know what the differences are, and if we can use those other types more to do our work.”

Pat asks that you briefly explain the differences in the types of workers, discuss the extent to which we can use these types of employees, the implications that arise in employment laws, and what that means to the regional CEO’s idea.

**Message 3: Safety Manager’s concern about injury and damages**

The third e-mail included a memo from the safety manager for this region of Cost Club. It raised the concern about events in which Cost Club may be responsible for payment of medical or other obligations. The relevant section of the safety manager’s message is as follows:

There are a number of things that have happened—things we have not invited or condoned—that involve people linked to Cost Club. These activities worry me, because Cost Club may be held responsible in some way. Here’s the specifics:

1. A customer services associate at the Springfield store had listened to a customer yell at him for a long time, and as a result, the employee yelled “Shut up!” and slapped the customer’s cheek. We certainly didn’t condone it. We don’t think that we’re liable, because the employee did something that he has been warned not to do—touch a customer. Nevertheless, the customer has threatened to sue us and the employee.

2. An employee in the electronics department of the Hillsboro store realized that a customer buying a big television didn’t know how to set it up. He offered to go to the customer’s home and set it up for $100. While setting up the television, he not only damaged the wall, requiring about $2,000 in repairs, but also shorted out the electrical system, which will require another $4,000 in electrical work at the house. The homeowner has no electricity and has moved into a motel room, saying that we are liable for the $10,000 in total costs incurred by the employee.

3. Finally, the real estate agent who helps us identify prosperous locations for new stores in Kentucky got carried away and entered into an agreement for us to purchase a large building site at a new shopping center in Lexington. We had not signed off on the purchase yet, but the property owner passed up other offers to sign with our agent, and the owner says that we’re responsible, because the agent carried a letter that said that he was the authorized representative of Cost Club. We say that we’re not liable, because we didn’t sign off on it, but it’s another example of a problem created by employees and others.

Pat asks that you provide the wording for a brief explanation of whether Cost Club is liable in these three situations. If there is any necessary information lacking, Pat asks you to address it.

**Message 4: Resolving disagreements that arise in employment**

Pat mentions, in a separate memo, the interest in a project that could potentially reduce the cost of dealing with lawsuits and other problems, such as Equal Employment Opportunity Commission complaints alleging discrimination. Pat summarized the potential this way:

“We have a number of disagreements between our business and employees. Many of these are resolved between the supervisor and the employee, but if it can’t be settled there, the absence of any structured process to discuss and finalize the argument means that the employee’s only alternative is to initiate a lawsuit—something that is expensive for all concerned, and that often doesn’t resolve the matter, but actually magnifies it!

What alternatives could we use to settle any issues on the job between the company and its employees? Which processes work best, and for what types of problems? How are the alternatives the same and different? When you assemble this material, we’ll decide what to do.”

**Message 5: Legal implications of Employment-related processes**

Almost as an afterthought, Pat asks you to provide some general information to help in a training session that Pat has agreed to conduct. Pat said the following:

“I have been asked to conduct a training session that covers best practices in selection, promotion, and performance evaluation of employees, and how to best select employees for developmental training. The folks who have provided input have covered best practices pretty well, but I’d like to also have some perspective on the Employment Law matters that can arise in these personnel actions. Please provide me a brief summary of the important Employment Law concepts that would relate to selection, so that I can touch on the legal dimension of the issue.”

**The Deliverable to Pat**

After you review the messages that have been forwarded to you, Pat asks that you submit a single memo that addresses all five of the messages and the issues contained in them. Pat closes with the admonition to cover the issues that arise in the four messages, answer the questions and requirements presented, reference the legal principles or statutes where possible, and write it in 1,050 to 1,400 words. “I don’t have time to read *War and Peace*,” Pat reminds you.

You return to your office to research and prepare the memo, wondering if the remainder of your first day on the job will be as exciting as the first half.