Karen Hannen sat in her office preparing for a meeting with Robert Welch, one of the economists on her staff. After just over a year as manager of the Division of Economic Analysis, Hannen decided it was time to make some moves on lingering work performance problems in the department which were exemplified by the situation of the senior economist, Robert Welch. His work was having a detrimental effect on the division. While she recognized that an effective solution might take a while, she felt the need to begin to address the problem.

Hannen recognized that Welch was under-utilized and during her first year had sought to increase his responsibilities, particularly in the more visible "representational roles" that he seemed to enjoy. In fact, he had represented the division on important economic development task forces established by the governor. While Welch was popular with long-time colleagues in other departments who appreciated his jocular sense of humor, the positions and viewpoints he voiced on behalf of the department were consistently under-researched, poorly analyzed, and badly presented. His performance was also weak on other tasks Hannen assigned in an effort to provide him with work he would find satisfying, worthy of his stature, and which required skilled attention.

The Division of Economic Analysis was part of the Department of Commerce and Economic Development (DCED) in Orewash, a northwestern state whose natural resource based economy had experienced a serious downturn during the last recession. The Department traditionally conducted research and compiled technical reports which were used to gauge the state’s economic activity, promote international trade, assist small businesses in obtaining loans, and distributing community revitalization grants. In an effort to boost the economic base of the state, particularly in the harder hit rural areas, the Governor widened the mandate of the DCED. Although the technical functions the Department performed would be no less important, staff members would increasingly engage in outreach activities such as recommending legislation for state tax incentives and energy policies, working with rural towns to construct housing for seasonal agricultural workers, and administering WorkFirst program contracts.
In keeping with the governor’s priority of economic revitalization, the DCED director embarked on a nationwide search for a strong manager. A seasoned executive from out of state, Hannen stood out with her hands-on background in rural economic issues and commitment to high work standards. Hannen was hired to strengthen this economic analysis shop after years of poor management and neglect, and to promote a proactive approach to diversifying the economic base of the state.

**Year One—Hannen Takes Over**

In the early months of her new job, Hannen discovered that half of her staff of 30, consisting mainly of economists, were well matched to the new directions and demands for the office, were eager for leadership, and possessed the requisite technical, outreach and political skills to pursue the governor’s program. The other half were less easy to characterize as some had the necessary technical talent but appeared to lack sufficient motivation, practical problem-solving and outreach skills. She concluded that most of this second group were not well matched to the anticipated thrust of the division.

During her first year, Hannen didn’t differentiate among these groups but concentrated on elevating the skills of all staff to improve potential for success of the division. A great deal of supervision was required, which included many evenings and weekends spent determining how to develop skills and provide guidance to those employees who were willing. She ensured the quality of work performed by the agency—sometimes editing plans or work products, redoing work by some staff members before turning it in to the department director or outside parties, and providing feedback to help staff learn to perform tasks more effectively.

Some of the "second half" employees determined, either on their own or from frank discussions with Hannen, that the department would no longer be the place where they could fulfill their professional aspirations. Many of them preferred a more theoretical approach over the hands-on collaboration with communities, work with the legislature, coordination with other departments, and related day-to-day activities that were now required. Hannen wasn’t surprised when a significant proportion of these staff found a better fit for their skills with other employers. In each case, the parting was amicable. A few others, like Robert Welch, seemed uninspired by the work but made no moves to leave or adjust. Although he held a masters degree in economics from the well regarded state university nearby and had previously served as the president of the monthly Economic Development Roundtable, which brought together economists from business and government, he seemed uninterested in pursuing the new mandate of the DCED.

At 44, Welch was both the eldest and longest term economist on staff, having worked in the division for nine years. He had been hired by Hannen’s predecessor twice removed and promoted several times by her immediate predecessor, Bernie Mann. Welch earned $65,500,
about $6,000 more than the next highest paid person and $15,000 above the average annual salary for economists in the division.

**Images and Impressions**

In the last few months as the staff grew more comfortable with Hannen and she in turn, acquired a clearer sense of daily operations, she realized that junior employees were often drafting and conducting analyses originally assigned to Welch. He would delegate the work to these staff—who were already fully assigned, using his seniority and not inconsiderable charm to smooth the way. Despite the poor divisional performance and related professional disaffection among the staff prior to Hannen's arrival, they were a tight group which often socialized outside the office. It seemed to Hannen that these close relationships fostered a willingness to go along with the extra work without complaint. As she got to know them however, she felt sure that most of them would just as soon not handle Welch’s assignments. Other problems attracted her attention including Welch’s poor performance on two of the governor's pre-existing task forces on economic development in different regions of the state. After some of the task force meetings, Hannen fielded lots of calls from senior staff in other departments or the governor’s budget office, asking for clarification on the department’s position, although they never criticized Welch directly.

Bernie Mann, Hannen's immediate predecessor, now served upstairs as a special assistant to the department director. Mann initially encouraged her to "clean up" the shop, recognizing that it really didn't fit the current mandate. He was ordinarily silent and grew either embarrassed or defensive in staff meetings when leftover issues within the division surfaced. On the other hand, he was responsive to most of the new initiatives Hannen recommended and supported her during conversations with the department director.

In another few months it would be budget request time and Hannen was thinking of requesting an extra couple of positions to pursue several new projects advocated by the governor. The budget office had strongly resisted adding staff during the previous year’s cycle, given the office’s reputation for poor productivity under Hannen’s predecessor. She had only just begun to reverse that impression. By initiating the collection of data for most of her employees and project teams in order to demonstrate their productivity, she hoped to avoid the same old crossfire at her upcoming budget hearings. For Welch and a few others, there really wasn't much to show in the way of tangible accomplishments. Their work would not help strengthen her argument. The legislative staff had also been cool to requests for additional slots, citing the same reservations expressed by the budget office. Hannen was determined to do better this year. Addressing the Welch situation seemed imperative to changing these perceptions.

**Welch's Feelings**

Based on what others told Hannen and from her own observations of Welch at work, Hannen was certain that Welch was miserable in his job. He vehemently resented his former boss,
Bernie Mann, whom he felt had frequently broken promises and never given him the necessary support to fulfill his career goals. In some informal conversations with Hannen over coffee at the Starbucks around the corner, he bitterly complained about Mann’s earlier supervision and how Mann had withheld promised opportunities.

Off and on over the last couple of years, Welch considered leaving his position, but having held the job most of his professional life, he hadn't seriously explored other options. However, the need to go elsewhere had still occurred to him. In a few candid moments with Hannen, he subtlety revealed these feelings, usually blaming Mann or other external factors for his frustration. He told several friends in state government that he was actually very unhappy and was embarrassed about the quality of his work and his loss of stature in recent years. He generally thought it prudent to demonstrate an interest in doing better on the job to Hannen. This led to their many conversations about his task force assignments and other assignments which had been tailored to his obvious desire to play a visible role on behalf of the division. He was used to playing a prominent role, perhaps owing to his natural charm or abilities that were no longer in evidence, or perhaps up to date.

As the senior economist, Welch had been vocal in staff meetings, responding to ideas and policies that Hannen posed for discussion. He often acted as if he were the group spokesperson. Everyone was polite, including Hannen, and gave him the floor when he asked for it. This leadership role lessened as Hannen more evenly distributed the work, feedback, and visibility among staff without regard to formal seniority status. Other staff began to participate more, deferring less and less to Welch as competence and contribution replaced charm and seniority in determining status in the division.

Welch was a bit from the old school and took pride in his role as breadwinner, though his wife was a successful professional in a social service nonprofit organization. Their children were in college, one in a community college and the other in the nearby state university—Welch’s alma mater. When Welch mused about his career and future, he thought more about using his already good interpersonal skills rather than the analytical side of his work in which he had long ago lost interest. Computer technology, such as online databases and new statistical software programs were not part of his training, but were of growing importance to success in economic analysis. He preferred to sit and chew the fat with people or talk about baseball scores, relying on relationships and connections. Looking for a job was scary after twelve years of comfort, enhanced by civil service tenure which was not something to give up just like that.

**Hannen's Observations**

Since the beginning of her tenure, Hannen made a point of formally evaluating each employee every six months. She had been through two of these cycles and the evaluations were on record. She also had made it her habit to provide “real-time” feedback for ongoing assignments.
According to some of the experienced managers she had gotten to know in state government, Hannen learned it was possible to fire someone on the basis of poor performance evaluations. But eighteen months (three formal evaluations) of on-the-record data showing consistently poor performance was required before an appeal could be sustained on a long-term employee. Even then, it took a lot of effort to put the case together, aside from considering the general trauma that could ensue in the work unit when trying to effect such an action.

Hannen had consciously sought during the past year to have two distinct types of conversations with Welch. One was a series of straightforward performance evaluation discussions about his work. These took place in her office as traditional supervisor-subordinate interactions. She also talked with him in more casual settings, such as the coffee shop, discussing his personal goals and aspirations, colleague to colleague. It was during those discussions that he obliquely expressed his unhappiness and his interest in a more gregarious, conversational professional life. But he had been extremely resistant to any implication that he was unhappy or wasn’t doing well.

Hannen sensed that the reactions to the remaining problems in her shop, to which Welch had contributed, were going to cut into her credibility and influence in various quarters, including with her own staff. In addition, Welch himself was obviously unhappy. She felt obliged as the manager to act but wasn't quite sure of the appropriate action. The next round of formal evaluations was in three months. Welch had the right to grieve or appeal any disciplinary action or unsatisfactory rating he disagreed with and had been around long enough to know the rules. Hannen thought he would likely grieve the next set of evaluations if they were negative. Thus far the personnel office had been supportive of Hannen's evaluations, even though they were much stricter than any of her predecessor’s and those of many other division managers.

The head of the Counties’ Association had called for the second time yesterday, asking if the department was going to help them or not on the rural development initiative proposed by the Governor, as he hadn’t yet received a response. She assured him the department was committed and that she would see why the follow through was delayed. But she knew why. Welch was the lead staff representing the department. The Counties Association Director was a widely respected, cooperative individual who delivered on commitments and expected others to do the same.

Welch was due in that afternoon for his regular weekly meeting with Hannen. She knew it was time to start taking action to resolve Welch’s impact on her responsibilities. Though her efforts to rehabilitate the performance of the office over the last year had been largely successful, Welch’s work and that of a few others, were hanging over her.

Hannen asked her assistant to hold all calls. She had to evaluate this situation without interruption and consider how to proceed. She wondered what kind of conversation she should have with Welch today, and how she would handle the three months leading to his next evaluation.