
Journal of Critical Incidents

Timothy Brotherton, Editor
Timothy Redmer, Associate Editor

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SCR

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SCR Mission and Purpose

The Society for Case Research (SCR) facilitates the exchange of ideas leading to the improvement of case research, writing, and teaching; assists in the publication of written cases or case research and other scholarly work; and provides recognition for excellence in case research, writing and teaching. The society publishes three scholarly journals:

- Business Case Journal
- Journal of Case Studies
- Journal of Critical Incidents

If you are interested in joining SCR, publishing in one of the journals or contacting the Officers of the Society, go to www.sfcr.org. To purchase copies of the Critical Incidents or Teaching Notes contact Roy Cook at cook_r@fortlewis.edu

WELCOME to Volume 4 of the *Journal of Critical Incidents*! As the “new guy,” I appreciate everyone’s patience with me this year. This is my first attempt at editing a Society for Case Research journal. In spite of my inexperience, I think it turned out pretty well. There are 26 critical incidents on a variety of interesting subjects published in this volume.

Obviously I would like to thank the authors for their successful production of some high quality critical incidents. The success or failure of any journal is ultimately due to their good works. In addition, I want to thank the reviewers who volunteered their valuable time to give constructive feedback to the authors at every stage of the process.

I really want to thank the Associate Editor, Tim Redmer. He worked very hard assisting authors, developed a number of creative suggestions for improving our processes, and was excellent at enforcing deadlines.

I would also like to thank the founding editor of JCI, Joy Benson and her Associate Editor, Sally Dresdow, for all that they have done for JCI. It is a great deal harder to start a journal than it is to maintain one. We can see further only because we stand on the shoulders of giants. Thank you for your time and talent, and we wish you good luck in all of your future endeavors.

Finally, I wish to thank my intern, Troy Vos. A PR student at Ferris State University, he has helped with the final editing of all of the CIs and did much of the formatting for this volume.

We are trying some new things this year, including a stricter page limit of 3 pages, a new front cover design, and a new organizational format. We hope that you like the changes we have made and will continue to support our efforts. We look forward to working with each of you in the years ahead.

Sincerely,



Tim Brotherton
2011 JCI Editor

Publication Information:

The goals of the Society of Case Research (www.sfcr.org) are to help authors develop and publish worthy business case studies. The Society of Case Research publishes three journals: *Business Case Journal*, *Journal of Case Studies*, and *Journal of Critical Incidents*.

While the first two case journals have no page limits, the *JCI* does not publish long cases. *JCI*'s focus is on brief incidents that tell about a real situation in a real organization (similar to end-of-chapter cases in textbooks). The critical incident tells a story about an event, an experience, a blunder, or a success. Unlike a long case, the incident provides only limited historical detail or how the situation developed. Rather, it focuses on a real time snapshot that stimulates student use of their knowledge to arrive at a course of action or analysis.

Critical incidents can be based on either field work or library research. The maximum length of the critical incidents is three single-spaced pages. A teaching note must be submitted with the critical incident. The quality of the teaching note is a central factor in the review and acceptance process. Submissions are double-blind, peer reviewed. Formatted copies of acceptable critical incidents and teaching notes are available to assist author(s) in meeting the *JCI* submission requirements. The *Journal of Critical Incidents* is listed in [Cabell's Directories of Publishing Opportunities](#) and is published annually in the Fall.

JCI Publication Process:

- | | |
|-------------------|---|
| 11/09/11 | Submit draft of Critical Incident to the Case Research Track at the Annual MBAA International meeting in Chicago (March 28-30, 2012). |
| 3/28-30/12 | Present Critical Incident. Receive constructive feedback from Critical Incident session discussants. |
| 4/27/12 | Submit Critical Incident & Teaching Note to the <i>JCI</i> editor (jci@ferris.edu). Include a memo indicating how the author addressed recommendations from the conference |
| 5/11/12 | Critical Incidents sent to reviewers (Round 1) |
| 6/01/12 | Reviewers return with comments |
| 6/11/12 | Reviewer comments sent to authors. |
| 7/06/12 | Revised Critical Incidents due |
| 7/16/12 | Critical Incidents returned to reviewers (Round 2) |
| 8/17/12 | Reviewers return with comments |
| 8/27/12 | Notify Authors whether Accepted, Conditionally Accepted, or Rejected |
| 9/21/12 | Final submissions due (CI, Teaching Note, and Abstract). |
| 10/31/12 | Publication of <i>JCI</i>, Volume 5. |

Authors of Critical Incidents will be expected to review other submissions. Additionally, *JCI* will gladly accept volunteers from all disciplines to serve as reviewers. To volunteer, e-mail the editor at jci@ferris.edu.

THE DECISION TO ADMIT OR NOT TO ADMIT

Tracy Farnsworth, Idaho State University
Leigh W. Cellucci, East Carolina University

SYNOPSIS

Over the past five years, Bob Allred, Administrator of Mountain State Hospital, recognized that magistrate and district judges across his rural state had been increasingly directing that severely mentally ill patients be placed under the charge of the state's Department of Health and Human Services (DHHS). Consequently, Allred has to decide whether or not to accept and admit into the state hospital a mentally ill patient who had a history of violent crime—including aggravated assault and murder. If he refused to admit the patient, he would retain the support of the healthcare staff leadership at Mountain State Hospital, but he would go against the Judge's order and his supervisors' wishes. If he admitted the patient, he might put some of his current patients in danger by being near a violent, mentally ill patient, but he would allow the patient under question to receive much needed care.

This incident can primarily be used as an ethics decision case/incident in which the manager is faced with a moral and legal dilemma. It is appropriate for use in introductory or advanced courses in organization behavior, ethics, leadership, or healthcare law and ethics.

LEARNING OBJECTIVES

The objectives of this critical incident are to:

1. Identify and gain an understanding of how state statutes may create conflict with business and political realities.
2. Recognize the importance of stakeholders and their interests in a healthcare situation that is politically charged.
3. Identify and analyze the legal and ethical conflicts in making the decision, given the difficult situation.
4. Recognize the importance of the Hippocratic Oath and how healthcare patients can both need treatment and threaten a healthcare provider's ability to adhere to the oath.
5. Identify a rational decision making model that may be used to help administrators make the best decision in complicated circumstances.
6. Propose and defend a course of action.

APPLICATION

This incident can primarily be used as an ethics decision case/incident in which the manager is faced with a moral and legal dilemma. It is appropriate for use in introductory or advanced courses in organization behavior, ethics, leadership, or healthcare law and ethics.

KEY WORDS

Ethics, healthcare law, organizational behavior, leadership.

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BUY A TICKET AND WIN A CAR

David E. Morris, Sr., North Georgia College & State University

John Scott, North Georgia College & State University

Robert A. Orwig, North Georgia College & State University

SYNOPSIS

This critical incident focuses on an individual facing an ethical dilemma. The central character in the critical incident is Mrs. Betty Lawley. She has been recently hired as a secretary at Gulfport High School. She feels very fortunate to have obtained this job as she and her husband had been unemployed for almost a year. They have been facing very serious financial problems given that they have three children to support and a house payment. The school is involved in a very worthwhile fundraiser in which a car will be raffled. The ads for the raffle indicated that only 2,000 tickets would be sold for \$5.00 and that a winner was guaranteed. However, Betty discovered that nine other schools were also selling raffle tickets for the same car. Thus, the odds of winning the car were not 1 in 2,000, as the ads seemed to suggest to Betty, but were in fact only 1 in 20,000. Betty believes these ads are misleading and thus dishonest. Betty has now been asked by her supervisor to take part in the promoting and administering of this fundraiser. She did express her ethical concerns about the raffle to the supervisor. However, the supervisor quickly dismissed her concerns saying that there was nothing dishonest about the fundraiser and, besides, it was going to a very good cause. She also implied that Betty should do as she was told or risk losing her job. Betty must decide if she should refuse to take part in an activity she believes is unethical and risk losing her much-needed job or just go along and remain silent.

LEARNING OBJECTIVES

The objectives of this critical incident are:

1. To allow students to apply ethical decision-making frameworks.
2. To allow students to examine the difficulties individuals must sometimes face when determining ethical behavior in the workplace.
3. To place students in an ethical dilemma which requires resolution.

APPLICATION

This critical incident is appropriate for use by instructors in Organizational Behavior classes, Business and Society classes, as well as other management and ethics classes.

KEY WORDS

Professional Ethics, Ethical Frameworks.

CONTACT

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IS FEMALE COSMETIC GENITAL SURGERY LEGITIMATE?

Nanette Clinch, San Jose State University
Asbjorn Osland, San Jose State University

SYNOPSIS

Is female cosmetic genital surgery (FCGS) a legitimate business? Doctors performing FCGS and their patients think so while professional societies question the practice. Services include vaginal rejuvenation and tightening, labia reduction and beautification, and reconstruction of the hymen. Successful businesses must find legitimacy in legal approval and avoid ethical denunciation that could hamper growth. Laws are often influenced by public opinion, but controversial services and products could result in lobbying for restrictions. Influencing legislative bodies to favor a new enterprise may be an ongoing effort where the utility of the technology is questionable.

LEARNING OBJECTIVES

The objectives of this critical incident are:

1. Explain the special challenges to legitimacy of an FCGS enterprise as a new technology.
2. Analyze how the current legal environment supports the FCGS business. [Instructors should note that the legal issues discussed in the answer to Question 2 might pose difficulties for students without some background in the law of reproductive privacy or separate instruction on particular legal issues, which cannot be adequately represented in the CI.]
3. Identify the primary areas of concern of health professionals regarding FCGS and explain how opinions regarding each of these concerns about FCGS in the health professions could contribute to the success or failure of the business.
4. Develop an ethical argument explaining how the idea of beauty utilized by some FCGS marketing conflicts with beauty as beauty is universally valued for its transformative powers that benefit humankind beyond generating sexual attraction.
5. Explain how FCGS associations with pornography impact the legitimacy of the business.

APPLICATION

This critical incident is best suited for Business & Society, Business Ethics, Entrepreneurial and Gender Studies classes at the undergraduate level. The critical incident is decision oriented since it asks students whether or not such a business is legitimate.

KEY WORDS

Female cosmetic genital surgery, plastic surgery

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“EXCEPTIONAL” FRAUD- SOCIÉTÉ GÉNÉRALE

Joseph Kastantin, University of Wisconsin – La Crosse

Barbara Eide, University of Wisconsin – La Crosse

Ann Hackert, Idaho State University

SYNOPSIS

The “Exceptional” Fraud - Société Générale critical incident provides an opportunity for students to prioritize a wide range of crucial decisions the board of directors of a publicly traded French bank must consider and make when confronted with an apparent fraud scheme perpetrated by a trader for the bank. The setting for the critical incident is a series of emergency meetings of the board of directors, which has been apprised of the fraud. The meetings commenced on Friday, January 18, 2008 and continued through Thursday, January 24, 2008, the date on which Société Générale made its first public announcement concerning the discovered fraud scheme.

LEARNING OBJECTIVES

The objectives of this critical incident are:

1. State and explain the overall principles of good corporate governance of a publicly held company in Europe that apply to the company’s board of directors. (For purposes of this objective students may refer to Financial Reporting Council: Combined Code on Corporate Governance (UK) (2006) as a proxy for good corporate governance in a European context. An extract from this document follows the learning objectives. There may be other sources as well).
2. Compare the decision process a board of directors applies to “normal” meeting agenda items versus items that pose immediate and profound threats to the company.
3. Identify the key decisions the directors must make in response to the threats arising from the “exceptional” fraud. (As a reference point students may consider some or all of the points at the end of the critical incident but are free to compose their own ideas about the key decisions to be made).
4. Prioritize the decisions you identified.

APPLICATION

This critical incident is intended for undergraduate students enrolled in a capstone strategic management course. It may be used in other courses near the end of the students’ program, at which point the critical thinking skills necessary to prioritize the decisions identified in the incident along with any additional decisions are better developed.

KEY WORDS

Fraud, crisis decision making, GAAP departure

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HIPAA AND THE FAMILY TREE CLINICS

**Leigh Cellucci, East Carolina University
Tracy Farnsworth, Idaho State University**

SYNOPSIS

Gail Barton, Administrator of The Family Tree Clinics, stopped-- dead in her tracks. She had been walking through one of the three clinics that comprised Family Tree--the Pediatric clinic waiting area-- and had overheard one of the two receptionists talking on the phone with a patient's mother. From the part of the conversation that Barton heard, it was clear that the patient's mother was seeking help for her daughter as she thought her daughter had been experiencing sexual abuse. The receptionist was listening to the mother and setting up an appointment for the mother and child to see the pediatrician, which was appropriate and followed office protocol. However, Barton realized that if she had overheard the conversation, then other people in the waiting room could have heard it as well. This was a problem that warranted attention as it violated the Health Insurance Portability and Accountability Act (HIPAA) and also, in Barton's opinion, created an unwelcoming waiting room environment.

LEARNING OBJECTIVES

The objectives of this critical incident are:

1. Understand the importance HIPAA in healthcare delivery
2. Identify and gain an understanding of how clinics' governance works to address clinic operations.
3. Understand the importance of pre-service, point-of-service, and post service strategies to enhance patients' experiences at Clinics.
4. Propose and defend a course of action to ensure HIPAA compliance.

APPLICATION

This incident is a decision critical incident that can primarily be used as a HIPAA incident, but it also raises related issues concerning clinic governance and patient management. It is appropriate for use in undergraduate and graduate courses in Health Administration, Health Law, Health Information Management, and Physician Practice Management.

KEY WORDS

Operations improvement, HIPAA, medical group management, physician practice management.

CONTACT

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INTERIOR DESIGN SERVICES OF CHARLOTTE

Kenneth S. Rhee, Northern Kentucky University
Cara Peters, Winthrop University

SYNOPSIS

Interior Design Services of Charlotte (IDSC) was a one-person company owned and operated by Cheryl Johnson in Charlotte, North Carolina. Cheryl provided a full range of interior decorating products and services for clients. In 2009, Cheryl was referred to Kimberly Banks, who was looking for an interior decorator to help her improve the look of her home. Cheryl's first project with Kimberly went well, except that Kimberly called Cheryl on a daily basis. Sometimes she called multiple times during the day and would continue to call until Cheryl answered. When pricing a second project for the Banks family, Cheryl decided to raise her prices to compensate for the extra time spent in dealing with Kimberly's phone calls. On project two, Cheryl presented sample materials and products to Kimberly, who took the photos of the objects and shopped around for the same items. Kimberly purchased the products from competitors and then expected Cheryl to manage the installation. Upon completion of project two, Cheryl was extremely frustrated with Kimberly's behavior but a third project was about to begin in which Kimberly wanted Cheryl to help her select and install new lighting. Cheryl was at Kimberly's house picking up the final payment for project two when she realized that she needed to either terminate the relationship or get over the difficulties and start work on the next project with Kimberly.

LEARNING OBJECTIVES

The Objectives of this critical incident are:

1. To identify and analyze the characteristics of successful client/consultant relationships
2. To identify potential issues/conflicts with respect to the professional boundaries between clients and consultants
3. To analyze the impact of work/life balance on small business owners or entrepreneurs
4. To analyze the relationship between value congruence and sales/marketing.

APPLICATION

This critical incident is appropriate for courses in management, small business management, entrepreneurship, and sales/marketing.

KEY WORDS

Client/consultant relationships, conflict, work/life balance, values, value conflict

CONTACT

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HOW BAD DO I NEED THE MONEY?

Eric Nelson, University of Central Missouri
Heather Loomis, Toshiba Business Solutions

SYNOPSIS

Heather Loomis, a seasonal tax preparer working for Liberty Tax Services in Independence, Missouri; was approached by a client to complete a personal federal and state tax return. The client likes her work and wants to hire her privately to amend several returns from previous years. He does not want to work through Liberty. Heather is fresh out of college and the pay rate the client is offering is substantially higher than what she is earning at Liberty. Heather, who is working two part-time jobs to support herself, could use the extra income. With the tax season, and her job ending soon, she is concerned how she will repay her student loans. The critical incident asks learners to make a decision as to whether Heather should take on the client, and to evaluate the possible repercussions of the decision.

The critical incident follows William Wilhelms' decision-making framework for analyzing situations or dilemmas to reach ethically defensible decisions: problem recognition, identification of alternative courses of action, evaluation of alternative courses of action, estimation of probabilities, calculation of values, and justification of the course of action chosen (2006). The overall approach is for learners to offer alternative courses of action about the offer the client has put in front of Heather.

LEARNING OBJECTIVES

After reading and studying this critical incident students should be able to:

1. Clearly identify what the issues are in an ethical dilemma.
2. Apply ethical theories to make a decision.
3. Evaluate the consequences of a variety of decision options.
4. Demonstrate how moral intensity impacts decision-making.
5. Develop an effective, ethical decision in a personal and business setting.

APPLICATION

This incident is appropriate for use in both introductory and advanced courses in: Ethics; Accounting; Business & Society; and Leadership. Students should be encouraged to discuss why even though an act is legal, it may not be ethical.

KEY WORDS

Business Ethics, Decision-Making

CONTACT

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ROTH IRA: TO CONVERT OR NOT TO CONVERT

Ann M. Hackert, Idaho State University
Jeff Brookman, Idaho State University

SYNOPSIS

More so than in any previous generation, households need to understand a variety of calculations related to investment and personal finance. Retirement accounts proliferate because most companies no longer offer defined benefit plans that use formulas and years of service to determine benefits. Instead, workers make decisions as investors that can have a significant impact on their and their family's financial future.

In addition to 401(k) plans, many realize they need to supplement retirement savings to fund their retirement. Seemingly simple questions like whether or not to convert from a traditional IRA to a Roth IRA require analysis and understanding of the relevant issues. For this decision, David Peltier wants to consider whether to move money into a Roth IRA. In order to evaluate that decision, he needs to make some basic assumptions about rates of return, life expectancy and taxes.

LEARNING OBJECTIVES

The objectives of this critical incident are:

1. Identify the advantages and disadvantages of a conversion from a traditional to a Roth IRA.
2. Analyze the financial consequences of a Roth IRA conversion by calculating alternative scenarios for the future.
3. Evaluate some of the important qualitative issues affecting the outcome of a Roth IRA conversion.

APPLICATION

This Critical Incident can be used in an introductory basic finance class, a personal finance class or in introductory investments courses, but the handouts provided to students, the background discussion and instructions will vary depending on the application.

KEY WORDS

Finance, Investments, Modeling

CONTACT

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BUILDING A CULTURE OF SAFETY

Darryl L. Jinkerson, Abilene Christian University

Phillip D. Vardiman, Abilene Christian University

SYNOPSIS

This critical incident was written about an organizational change intervention designed to significantly change the safety culture of a manufacturing facility. Deeply entrenched in the organization are safety norms that suggest that doing the job effectively trumps doing the job efficiently or safely. Other prevalent norms support the idea that unless one is “really” hurt, one just ignores the injury and goes back to work. The plant leader is getting pressure from corporate management to improve the safety level within their plant and thus reduce the number of recordable injuries which in turn will reduce insurance costs. Resistance to changing the acceptable norms is high in some areas but the plant leader is determined to make Behavior Based Safety a reality by amassing a significant number of “believers” to really change the organization to one where safety becomes a passion.

LEARNING OBJECTIVES

The learning objectives identify what the students will be able to do after working through this critical incident:

1. To describe the process and execution of an organizational change process.
2. To comprehend the complexity involved in attempting to change the culture at an organization.
3. To relate the concepts of “tipping point” and “critical mass” as components in implementing organizational change.
4. To evaluate the merits of behavioral based safety in motivating employees to change their (safety) behavior in light of other motivational theories.

APPLICATION

This critical incident is primarily intended for use in an undergraduate course in Leadership, Change Management and/or Safety and Health. It demonstrates the issues organizations face when trying to implement (behavioral) change. It also presents a methodology that was successfully employed in strategically approaching change.

KEY WORDS

Safety, Organizational Behavior, Change

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FLYING THE FRIENDLY SKIES: FLIGHT ATTENDANT SNAPS

Lizabeth A. Barclay, Oakland University

Karen S. Markel, Oakland University

SYNOPSIS

Flying the Friendly Skies: Flight Attendant Snaps is a discussion oriented critical incident centering on the actions of Steve Slater, JetBlue flight attendant, in August, 2010. According to news reports, Steve Slater experienced physical and verbal abuse from a female passenger before the flight departed. Upon arrival, a second incident occurred when the woman lashed out at Mr. Slater. After those incidents, Mr. Slater reportedly 'lost it' by spewing obscenities over the public address system, activating the emergency slide, grabbing two cans of beer and leaving the airplane via the slide. The implications of this action were complex. Steve Slater had clearly crossed the line of acceptable behavior. The reputation of the JetBlue and its staff were on the line.

LEARNING OBJECTIVES

The objectives of this critical incident are to:

1. Analyze the role of the media and organizational communication in a highly public employee incident
2. Examine the role of person-environment fit
3. Examine the role of stress in employee performance
4. Identify the key components of a stress management course
5. Develop a set of recommendations for JetBlue to respond to this event

APPLICATION

This critical incident provides an opportunity for undergraduate students in introductory organizational behavior or human resource management courses to

KEYWORDS

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FROM BAD TO WORSE

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Edwin C. Leonard, Purdue University Fort Wayne

SYNOPSIS

This critical incident involves an employee who believed that she performed her job well; however, company documentation painted a very different picture. After many written warnings and citations plus verbal warnings, she was terminated. The employee claimed that the termination was because she turned in the material control department supervisor for viewing pornography on his computer during work hours and sending the pornography to others. The critical incident puts the student in the plant manager's shoes by asking them if anything could have been done sooner and if the whole situation was handled properly.

LEARNING OBJECTIVES

After reading and studying this critical incident, students should be able to:

1. Identify the major categories of legally protected employees and describe the general guidelines for Connie Brown's complaint.
2. Explain the issues from the company's perspective.
3. Explain the issues from the employees' perspective including Connie Brown, Mitch Smith, and Bob Asche.
4. Discuss the factors that are particularly important for Mitch Smith and the human resources manager as they deal with the discrimination complaint.
5. Discuss the pervasiveness of discrimination and sexual harassment in the workplace.

APPLICATION

This critical incident is best used in introductory principles of human resources courses when discussing protected categories of employees, sexual harassment and job performance. We have also found it to be useful in organizational behavior, supervisory development programs and in management courses.

RESEARCH METHODOLOGY

All of the information for this critical incident came from secondary sources. The names of the people have been changed. The authors first became aware of the incident through one of their human resources subscription services. All the critical incident material came from *Burkhart v. American Railcar Industries, Inc.* United States Court of Appeals, Eight Circuit, Nos. 09-2077, 09-3043 (Filed May 10, 2010).

KEY WORDS

Retaliation, performance reviews, pornography from company computers, importance of documentation

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IS IT FAIR TO BAN TOBACCO USERS IN HIRING PROCESS?

Nanette Clinch, San Jose State University
Asbjorn Osland, San Jose State University
Lauren J. Ramsay, Understanding Work
Pamela Wells, San Jose State University

SYNOPSIS

The Scotts Company, LLC refused to hire an applicant because of tobacco use. For decades Union Pacific and Alaska Airlines had tried to avoid hiring tobacco users. There appeared to be a movement in hospitals to refuse to hire people that use tobacco. The concern for employee health is laudatory, but 20.6% of American adults smoke and could not work for employers that prohibit tobacco use. Smokers tend to be less well educated and poorer than non-smokers. For example, only 5.6% of people with advanced degrees smoked while approximately 31.1% of poor people smoked (CDC, September 10, 2010). There are also the individual differences in smoking behavior, such as young people that smoke rarely while having a few beers with friends versus reformed older people that smoked for decades but have stopped. How can one implement such a policy and be fair? If it's illegal in so many states, is a restrictive policy on personal behavior ethical?

LEARNING OBJECTIVES

The Objectives of this critical incident are:

1. Evaluate the risks and problems associated with restrictions on employees that may affect their personal lives outside work and compare them to the potential benefits of policies.
2. Analyze the legal issues and possible consequences associated with tobacco bans as related to privacy, state statutes, the Americans with Disabilities and discrimination.
3. Examine the ethical implications of employee tobacco bans.
4. Develop a model policy based on the legal and ethical implications and issues to ban employee tobacco use.

APPLICATION

The critical incident is suitable for Business & Society, Legal Environment of Business, Human Resource Management and Ethics classes for undergraduates. The critical incident is decision oriented since it asks students whether or not such tobacco use bans are ethical.

KEY WORDS

Tobacco, recruitment, privacy

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SCRATCHING THE SURFACE OF THE STEAKHOUSE: IS PSORIASIS AN EMPLOYMENT DISABILITY FOR A WAITER?

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Edwin Leonard, Indiana University Purdue University—Fort Wayne
Mary Gayle Hartzell, Mary Gayle Hartzell & Associates

SYNOPSIS

This critical incident involves the contentious relationship between a waiter at a high-end restaurant, The Steakhouse, and his female supervisor, whom he had been dating. Following their breakup, the waiter filed sexual harassment charges against his supervisor and The Steakhouse. He also filed a claim with the EEOC against The Steakhouse, for discriminating against him because of a disability. After he was fired, he filed a claim against The Steakhouse for retaliating against him for filing the disability claim. Workplace communication is a difficult enough problem in organizations without it having become blurred by personal relationships between employees and supervisors. For Paul Davis, the waiter who was popular with his restaurant patrons, he saw the breakup as the start of mistreatment by his supervisor. Yet for Susie Jones, his supervisor, she saw the breakup as Paul's excuse for his slackening performance at work.

LEARNING OBJECTIVES

The objectives of this critical incident are:

1. Students will identify the major categories of legally protected employees and determine if the rules of the game apply in this critical incident.
2. Students will explain what constitutes sexual harassment.
3. Students will explain why it is critical to address employee complaints in a timely manner.
4. Students will describe the manager's role at the initial step in resolving employee complaints effectively.
5. Students will outline procedures to follow when confronted with an ADA complaint or other employment lawsuit.

APPLICATION

This incident is appropriate for use in both introductory and advanced courses in organization behavior and in other courses focusing on leadership. Discussion issues arising from the incident are leadership style, leader member exchange theory, motivation theories, and communication issues. Student discussions should focus on identifying why two leaders who are so different are both basically effective. Students should also be encouraged to discuss why groups with leaders such as Ernie may often have higher commitment levels than groups with leaders such as Chris.

KEY WORDS

Sexual Harassment, Employment Discrimination, Americans with Disabilities Act (ADA), Human Resources Management

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TWO LEADERS: ONE MAN'S VIEW

Neil Tocher, Idaho State University
William E. Stratton, Idaho State University
Michael Santistevan, Idaho State University

SYNOPSIS

This descriptive critical incident was written in conjunction with a university student in his early twenties relating his experiences on summer jobs over several years as a fire crew member in the western United States with a company under contract to the National Interagency Fire Center. The central issue of this critical incident is to compare and contrast the two dramatically different leadership styles of the crew leaders Earl and Craig. From the student's perspective, Earl and Craig were both effective leaders, but used basically opposite styles. Earl appeared to lead primarily through fear and transactional leadership, while Craig appeared to rely more on charisma and open communication. Interestingly though, despite Earl's "hard-ass" style, his employees liked him a great deal and did not appear to have any hard feelings towards him. Alternatively, while Craig appeared to be able to hand pick his crews, with whom he was very popular, he and some of his crew members were critical of Earl and often put down his crew.

LEARNING OBJECTIVES

The objectives of this critical incident are:

1. Students will analyze the leadership styles of the two supervisors and identify aspects of modern leadership styles (e.g., transactional, transformational, and authentic) exhibited by each supervisor.
2. Students will be able to compare and contrast the factors affecting motivation and productivity for employees working for leaders with varying styles.
3. Students will develop an understanding of the Leader Member Exchange theory and distinguish if and how Earl and Craig use the "in group" and "out group" concepts to motivate their employees.

APPLICATION

This incident is appropriate for use in both introductory and advanced courses in organization behavior and in other courses focusing on leadership. Discussion issues arising from the incident are leadership style, Leader Member Exchange theory, motivation theories, and communication issues. Student discussions should focus on identifying why two leaders who are so different are both basically effective. Students should also be encouraged to discuss why groups with leaders such as Earl may often have higher commitment levels than groups with leaders such as Craig.

KEY WORDS

Organizational Behavior, Leadership Style, Communication

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UNWELCOMED ADVANCES: FEMALE-TO-MALE HARASSMENT

Kelly Trusty, Trine University

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Roy Cook, Fort Lewis College

SYNOPSIS

The situation described in this incident raises the question of whether sexual-harassment had occurred and how management should respond to an employee's allegations of such harassment. Dan Ryan believed that co-worker Bunny Bolen had made a number of offensive comments and taken actions that he felt were unwelcome. Ryan complained to several high-level managers who failed to take any action. Ryan's on-the-job performance deteriorated because of the harassment and, in part, because of actions of fellow male employees, some of whom encouraged him to take advantage of the opportunity; while others implied that only a homosexual would refuse the advances.

In 2009, only sixteen percent of all sexual harassment charges were filed by males. Female-to-male harassment has been an unknown in most organizations and management needed to chart a course of action into these previously uncharted waters.

LEARNING OBJECTIVES

After reading the critical incident and related course assignments, the student should be able to:

1. Recognize the various types of sexual harassment that may be present in today's workplace.
2. Discuss managements' handling of Dan Ryan's concerns.
3. Identify and discuss the alternatives that are open to Human Resource (HR) director, Nora Caldwell, at the end of the incident.

APPLICATION

This incident can be used in any business course that focuses on human resource management, supervisory, and legal/ethical issues in the work place. We used the critical incident in the fall 2010 semester in a Business/Government/Society sophomore/junior-level course and found it to lead to a heated class discussion.

QUESTIONS FOR DISCUSSION

1. From Dan Ryan's perception, why are the actions of Bunny Bolen's unwarranted?
2. Do you consider Bunny Bolen's actions to be sexual harassment? Why? Why not?
3. What should Ryan's immediate supervisor, Neil Patrick, have done when Ryan first approached him about his concerns?
4. What options are open to HR manager, Nora Caldwell, at the end of the incident?

KEY WORDS

Female-to-male sexual harassment, Organization Behavior, Human Resource, Business Ethics

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WHOSE MONEY IS IT?

Roy A. Cook, Fort Lewis College

Edwin C. Leonard, Indiana University Purdue University Fort Wayne

SYNOPSIS

While receiving tips may seem like simple and expected practice, the distribution of tips can become a cause for concern and dissatisfaction. No matter how tips are received, it seems like someone is always dissatisfied. This incident involves a server, Katy, at a restaurant, Charley's, who is dissatisfied with how her tips are being distributed. Charley's has a tip pooling plan where servers receive 30% of the pooled tips and the kitchen staff receiving the remaining 70%. Although Charley's hourly pay rate for servers is \$2.10 above the full federal minimum wage, Katy has decided that the tip pooling plan is unfair and has filed suit against Charley's claiming it had violated the Fair Labor Standards Act.

LEARNING OBJECTIVES

The objectives of this critical incident are to:

1. Examine how tip credits are used to reduce the Federal minimum wage,
2. Differentiate between customary and non-customary tip pools,
3. Examine the arguments put forth by Katy and Charley's restaurant, and
4. Create alternative tip pooling plans to address the needs of all employees other than those classified as supervisory or management.

APPLICATION

This incident is suitable for undergraduate and graduate compensation, human resource management, hospitality, restaurant, and food service management courses.

KEY WORDS

Compensation, wage and hour, tip credit, human resource management, and hospitality

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TO MARKET OR NOT: SHOULD ARLO INC. COMMERCIALIZE ITS SOAP DISPENSER PRODUCT?

Anuradha Basu San José State University
Minnie H. Patel, San José State University

SYNOPSIS

Dave Hadden is faced with a dilemma about whether to commercialize his latest invention, a soap dispenser designed using remote sensing technology, and how to turn it into a business. He has created a 'touchless' soap dispenser at a time when competition for the same type of product is just coming to market. Dave has a history as both an inventor and entrepreneur who can afford to have some failures due to the number of big successes he has experienced. The latest issue facing Dave is whether he should invest additional money in order to reduce the unit price of his product and potentially improve its performance, to give it a competitive edge in the market.

LEARNING OBJECTIVES

The objectives of this critical incident are:

1. Knowledge/comprehension – students should be able to explain the difference between an inventor and an entrepreneur and explain the concepts of a lifestyle entrepreneurial venture and sunk costs, and the approaches entrepreneurs use to identify and validate new business opportunities.
2. Application/Analysis – students should be able to conduct a competitive analysis of the liquid soap industry using Porter's 5-forces model.
3. Synthesis/Evaluation – students should be able to evaluate the pros and cons of commercializing a new product. Students could also evaluate the subsequent steps that need to be taken to commercialize and market the innovation, keeping in mind the aspirations and motivations of the entrepreneur.

APPLICATION

This CI can be used at the undergraduate or graduate level. Since it focuses on a lifestyle entrepreneur who has to decide whether or not to commercialize a new product invention, it would be appropriate for courses in Entrepreneurship, Technology Entrepreneurship, New Product Development, Marketing (Principles or Strategy), or Small Business.

KEY WORDS

Entrepreneurship, New Product Development, Marketing New Products, Small Business.

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BALLIN' ON BURRIS

Steven Cox, Queens University of Charlotte
Brad Brooks, Queens University of Charlotte
John McArthur, Queens University of Charlotte

SYNOPSIS

Seeking to enhance interest in the University's men's and women's basketball programs, the McGee University Sports Marketing Club organized a pep rally. Invitations to the event, which the Club named "Ballin' on Burris," were emailed to a few faculty members whom the students had identified as having shown spirit in supporting the university. Several of these faculty members took offense to the name "Ballin' on Burris," claiming that the term "ballin'" carried overt sexual connotations that were explicitly offensive and potentially marginalizing to females. The Sports Marketing Club, in conjunction with the University's athletic department, wanted to keep the name it had selected for its event. Their argument was that "ballin'" had become a slang term for playing basketball and they perceived no sexual association with this term. The president of the university faced the dilemma of mediating the situation. In addition, the president had to consider the reaction of other stakeholders when making her decision. The "Ballin' on Burris" critical incident is a decision incident. This incident facilitates rich discussion in undergraduate courses in Corporate Communications and Organizational Behavior.

LEARNING OBJECTIVES

Learning objectives for the critical incident include:

1. The student will be able to identify relevant facts and background information pertaining to a decision based on varying subcultural interpretations of terminologies.
2. The student will be able to evaluate decision options using Nash's 12 questions.
3. The student will be able to develop arguments for a proposed course of action based on various stakeholder interests.
4. The student will be able to evaluate stakeholder interests through the Coordinated Management of Meaning (CMM).
5. The student will be able to develop arguments for a possible incident resolution (that considers the stakeholder communication from the perspectives of coherence, coordination, and mystery).

APPLICATION

This incident facilitates rich discussion in undergraduate courses in Corporate Communications and Organizational Behavior.

KEY WORDS

Ethics, Communication

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BITTER WITH THE SWEET

Ralph I. Williams, Middle Tennessee State University
Joe Thomas, Middle Tennessee State University

SYNOPSIS

John is V.P. of Sales for a commercial printing company competing in a tough market. Roger, John's top sales producer, is very important to the company. He has complained about losing money on a new "job" he recently sold. The company's incentive plan is based on the profitability of each order. While the plan was once very motivating, it has recently become a disincentive as profit margins have been reduced. Sales people are reluctant to seek new business with uncertain costs since they must share in the company's losses if orders are not completed profitably. John's options have consequences. If he makes a concession on Roger's problem job, he'll be setting a precedent for handling the other ten salespeople's negative commission jobs. Any adjustments likely will increase the total sales costs for the company, further distancing PremoPrint from its competitors. To ignore the problem will almost certainly have negative effects on the sales-team's motivation.

LEARNING OBJECTIVES

After studying this critical incident, students can be expected to:

1. Discuss the importance of compensation plan development.
2. Understand how incentive plans can harm employee motivation and performance.
3. Discuss how conditions in the work environment can moderate employee motivation and performance.
4. Apply the Expectancy Theory of Motivation to this situation.

APPLICATION

This critical incident is intended for application in management and marketing classes discussing motivation and performance. The incident allows for an introduction of performance based incentives and their impact on the behavior of the sales force. It would be most appropriate for undergraduate classes in management, organizational behavior, or sales management.

KEY WORDS

Sales Management, Organizational Behavior, Marketing, Incentives

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JD & SONS HAVE TO DECIDE ON THE FATE OF THE BUSINESS

John Beever, Center for Closely Held Firms, Loyola University Maryland

Harsha Desai, Loyola University Maryland

Kiran Desai, McNeese State University

SYNOPSIS

Jack Smith, fourth generation owner of JD & Sons, was determined to recover damages and stop the abuse by a major building material manufacturer by threatening to terminate its distributors if they sold competing products. The competing product had become a major part of JD & Sons' product offerings filling those needs that were not satisfied by the major building manufacturer's products; because of this the manufacturer had decided to terminate JD & Sons distributorship!

Jack and his sons were meeting to consider options moving forward in the face of a liquidity crisis created by loss of product support and a general reduction in the housing market; this crisis could bankrupt their company.

LEARNING OBJECTIVES

The students should be able to:

1. Analyze a company's business options in a liquidity crisis.
2. Develop pros and cons of bankruptcy for a business.
3. Evaluate various recovery strategies used by companies with declining fortunes to survive.

APPLICATION

This critical incident has been used 'profitably' in Entrepreneurship and Business Strategy courses in Executive MBA and the other MBA programs. This CI is an integral part of a larger critical incident involving the company, its long history and its present state. The students really are engrossed in a family owned company that has lasted decades when a typical life of a company is only about 40 some years.

KEY WORDS

Business turnaround, liquidity crisis, bankruptcy

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MSWIRES: SOURCING FOR A PARTS SUPPLIER

Susie S. Cox, McNeese State University
Harsha Desai, Loyola University Maryland
Kiran J. Desai, McNeese State University

SYNOPSIS

MSWires, a Tier 1 parts supplier to Toyota's Georgetown, Kentucky plant, has experienced a supply chain disruption. One of its small plastic molding suppliers, CCMaterials, has declared bankruptcy, indicating it will not be able to supply any more parts. Keith Godeaux, purchasing agent, and Horace Gardner, purchasing manager, at MSWires are evaluating the situation and must decide how to respond. Should they engage another local, but relatively new, supplier, CMParts, to replace CCMaterials, or should they consider working with one of their Japanese contacts? If MSWires was not able to keep its end of the supply chain contract, it was likely to suffer heavy penalties from Toyota!

This real-life critical incident is set up so that it affords students the opportunity to review MSWires' current supply chain integrity, and develop possible recommendations for immediate and long-term future.

LEARNING OBJECTIVES

1. Students will learn to analyze operational and supply chain strategies, and related interdependences.
2. Students will be able to analyze the risks involved in these strategies and identify risk mitigation strategies.
3. Students will be able to evaluate these risks, risk mitigation strategies and recommend course(s) of action to be taken to mitigate the future risks.

APPLICATION

The critical incident can be used in undergraduate operations classes and beginning level graduate operations management courses. Given the propensity of an instructor, one can go quite deep in ISO 9000 processes and supply chain analysis.

KEY WORDS

Supply chain management, Toyota's supply chain

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FRANCHISING IN THE DAIRY SERVICE INDUSTRY

Deni Oas, University of Central Missouri

Steven Lance Popejoy, University of Central Missouri

SYNOPSIS

SDF manufactures, markets and sells dairy equipment to independent dealers specializing in the sale, installation and maintenance of dairy equipment on dairy farms. 2008 was one of the best years in the company's history. 2009 was one of the worst. With the crisis in the dairy industry, SDF wants to know if there is a better way to service its customers. One option it is considering is franchising.

LEARNING OBJECTIVES

After reading and analyzing this critical incident, students should be able to:

1. Identify and evaluate the advantages and disadvantages of distribution through franchising from SDF's perspective.
2. Discuss what effect, if any, that a decision to offer franchises might have on SDF's current dealers.
3. Analyze how the current conditions in the dairy industry might affect SDF's decision to offer franchises.

APPLICATION

This decision critical incident is designed to help students evaluate the advantages and disadvantages of distribution through franchising with a goal towards helping SDF decide whether it would make sense for it to franchise its business in 2009. The name of the organization has been disguised to preserve its anonymity. The critical incident is intended for courses on business law and the legal environment of business but may also be used in marketing, distribution, supply chain management and entrepreneurship classes.

KEY WORDS

Business organizations, distribution, franchising, dairy industry

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SINK OR SWIM

Katherine Newbury, Queens University of Charlotte

Tim Burson, Queens University of Charlotte

Steve Cox, Queens University of Charlotte

SYNOPSIS

Sink or Swim is a decision-oriented critical involving expansion of a business. The key participant is Karen Greene, the owner of the firm.

Greene's firm is a facility specializing in swim instruction. She would like to increase profitability by adding more students during peak instruction hours, but fears that doing so could threaten the type of personal instruction which has made the facility popular.

LEARNING OBJECTIVES

The Objectives of this critical incident are:

1. The student will be able to assess the financial viability of different strategies and determine a course of action
2. The student will be able to assess the effect of potential change on the learning environment provided by the firm.
3. The student will be able to assess the effect of potential change on the overall experience provided by the firm.

APPLICATION

This critical incident can be used in a business strategy or introductory entrepreneurship class at the undergraduate level. The information presented is relatively straightforward and there is a clear decision point. There critical incident also contains financial information which should add an additional layer to the class discussion.

KEY WORDS

Small business, entrepreneurship, expansion, strategy.

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TROPICANA: SOCIAL MEDIA TEACH MARKETERS A BRANDING LESSON

Colleen P. Kirk, Mount Saint Mary College
Karen A. Berger, Pace University

SYNOPSIS:

In early January 2009, the management for Tropicana Pure Premium orange juice, a PepsiCo brand, introduced a new, updated package design. Research had shown Tropicana that about half of consumers thought orange juice contained added sugar, and brand managers felt that Tropicana's purity needed to be highlighted. With the removal of the classic "straw in the orange" graphic from the packaging, the new packaging was intended to "hero" the juice and trumpet its "natural fruit goodness." It was launched along with a \$35 million new advertising campaign.

Within days, bloggers made it clear that the new package design was not an improvement and that they found the product difficult to find in the supermarket refrigerator critical incident. Blogger comments were ubiquitous, from Facebook and blogs by individuals to blogs from the advertising profession. Consumers had problems with the brand name and its new vertical position on the carton, as well as with the brand identity and brand recognition. Many consumers thought the package looked like a generic brand package. Sales of Tropicana were falling and the company needed to decide what to do.

LEARNING OBJECTIVES:

The objectives of this critical incident are:

1. Describe why the development of a new package design was a major strategic objective.
2. Identify the consumer responses and behavior toward Tropicana's new package design.
3. Analyze and explain the effect of the new package design on consumer response using the taxonomy of consumer goods and Keller's brand equity pyramid.
4. Apply the key elements of good package design to Tropicana's new packaging.
5. Explain how social media affects packaging decisions.
6. Synthesize the key branding issues involved to discuss the advantages and risks of the options facing Tropicana management.

APPLICATION:

Appropriate for an undergraduate Advertising, Promotion or Branding course or unit in a basic marketing course.

KEY WORDS:

Branding, brand equity, package design, product marketing.

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IS UNILEVER HYPOCRITICAL?

Nanette Cinch, San Jose State University
Asbjorn Osland, San Jose State University
Aline Dorso, San Jose State University

SYNOPSIS

Successful outcomes of Dove's Campaign for Real Beauty, in both economic and social areas, attest to this effort as a good example of strategic philanthropy in most respects. Dove created a foundation that donated funds to a Girl Scouts USA program. Nevertheless, Dove's parent, Unilever, may be missing a critical opportunity to display its conviction that the Dove message matters and to reveal its conviction that its philanthropic efforts are guided by a sincere corporate interest in social outcomes. Unilever also markets products for male skincare under the Axe brand where the marketing focus undermines the Dove message that women possess inner beauty. Axe does not distance itself from stereotypes of the egocentric male who delights in coarse behavior and sexual desire.

LEARNING OBJECTIVES

The objectives of this critical incident are:

1. Analyze critical issues in the decision process
2. To distinguish strategic philanthropy from other forms of corporate social responsibility and explain how strategic philanthropy can contribute to sustainability
3. To use the social and ethical value of beauty in analyzing the Dove Campaign and Axe products.
4. To analyze the inconsistent actions of Unilever in regard to the Dove and Axe brands and determine whether Unilever is risking an opportunity to engage in strategic philanthropy and to reap long-term benefits from the same.

APPLICATION

This critical incident is best suited for business & society and the brand management module within an introduction to marketing class at the undergraduate level. This is a decision-based critical incident in the sense that students need to decide if Unilever had been hypocritical in supporting both the Dove campaign and the sexist Axe ads.

KEY WORDS

Strategic philanthropy, sexism, Dove, Axe, beauty

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COMMUNITY CHAPEL

Timothy Redmer, Regent University

SYNOPSIS

Community Chapel is a decision-oriented critical incident featuring a building expansion proposal of over \$2.5 million. The key participant is Harold Rush, the associate pastor.

Harold needs to decide if a much desired building expansion program should be undertaken at this time and if so, how he can convince the church leadership and membership on the feasibility of this initiative.

LEARNING OBJECTIVES

The Objectives of this critical incident are:

1. Analyze critical issues in the decision process
2. Complete a comprehensive analysis of the decision situation
3. Identify other primarily non-quantitative factors in a decision of this nature
4. Review some of the critical issues that are unique to non-profit organizations

APPLICATION

The Community Chapel critical incident can be used in a management or not-for-profit accounting class at the undergraduate level. The information presented is relatively straightforward and there is a clear decision point. There are a sufficient number of extenuating circumstances to make for a good discussion of critical factors in this type of decision analysis.

KEY WORDS

Not-for-profit, fund raising, mission and vision, leadership.

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THE DECISION TO ADMIT OR NOT TO ADMIT

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Over the past five years, Bob Allred, Administrator at Mountain State Hospital, recognized that magistrate and district judges across his rural state had been increasingly directing that dangerous and severely mentally ill patients be placed under the charge of the state's Department of Health and Human Services (DHHS). Although he was deeply conflicted and troubled, Allred, as the administrator of the hospital that was under the auspices of DHHS, was not entirely surprised then when he was directed to accept and admit a mentally ill patient who had a history of violent crime, including aggravated assault and murder. Allred's rural state was one of just a few states in the U.S. that did not own, operate, or contract with a secure forensic mental hospital—mainly because of poor funding and/or unwillingness to receive transferred patients because of limited capacity or overcrowded conditions of their own. As a result, severely mentally ill criminals who required significant mental healthcare either languished without needed psychiatric care and medications in secure, lock-down units in county jails or the state penitentiary, or they were admitted to minimally-secure civil units at state-owned/operated or contracted hospitals where they received much needed care, notwithstanding the risk they posed to others.

The Hippocratic imperative to physicians: "Bring benefit and do no harm," expresses the principles of nonmaleficence: "do no harm" and beneficence: "bring benefit." By its very declaration, the Hippocratic Oath invites trust. The doctor, and those who work with and for him, voluntarily promise that they can be trusted to "bring benefit" while, above all, pledging to "do

no harm," (Paola, Walker, and Nixon, 2010). As Allred and his colleagues would learn, balancing these imperatives is, at times, extraordinarily difficult.

State Law, Social/Political Realities, and Incompatibility

Consistent with other states, Allred's local state legislature had enacted statutes which required the DHHS (notably the state's network of clinics and state hospitals) to evaluate and treat all severe and persistent mentally ill citizens who were not otherwise treated by private mental hospitals and clinics. Allred's state statutes also required that dangerously mentally ill patients and/or criminals be treated in properly designated forensic (lock-down/secure) hospitals and/or facilities. In 2005 Allred's state did not have separate and distinct facilities for: (a) civil and non-dangerous mentally ill citizens, and (b) dangerous/criminal/forensic patients. Thus, two great conflicts routinely (and increasingly) came into play: (a) dangerous patients were placed and cared for alongside vulnerable patients/staff in non-secure settings – thus violating state law; and/or (b) dangerous/forensic mentally ill patients who, for reasons beyond their control (mental illness), were denied access to desperately needed care and medication available in state hospitals—instead left to languish in county jails and state prisons for unreasonable lengths of time. While most states have long since resolved the difficult matter described above, Allred's state—with its limited funds and highly conservative views on welfare and state-provided mental healthcare—continued to operate without the needed facilities and ranked near the bottom nationally in mental healthcare spending per capita.

Allred's state law provided that severe and persistent mentally ill citizens were to be cared for in a safe, secure environment. But without a separate forensic health facility to serve violent patients, the non-violent mentally ill were not afforded a safe, secure environment. Notwithstanding this dilemma, the violent mentally ill needed healthcare, too.

The Risk

As at other state mental institutions, personnel at Mountain State Hospital were regularly trained and oriented in matters of personal safety as relates to the risks inherent in caring for mentally disturbed patients. Although these risks are commonly understood and protective measures are routinely employed, employees and vulnerable patients still, on occasion, get injured. These injured staff and patients have even been known to file battery charges against their psychotic aggressors.

Notwithstanding these risks, accepting and caring for extremely aggressive and/or dangerously violent mentally ill patients at Allred's State Hospital created heightened risk for several constituencies. First and foremost were the other patients in the state hospital. If a violent, mentally ill patient were admitted, how could the other patients be protected from potential harm? The second concerned the hospital staff members who provided healthcare. How could

their safety be assured, given their work environment had not been set up to deal with violent patients? Also, how could they guarantee safe care for the nonviolent mentally ill when violent mentally ill were nearby? The third concerned the public. What role would public opinion hold regarding the violent, mentally ill criminal being placed with the nonviolent mentally ill in a state owned hospital?

The Tipping Point

Allred sighed as he opened his desk drawer and removed the documents that had been sent over from his supervisor at DHHS. A district judge had directed the DHHS to accept and admit Mr. Harold Bentley, a middle aged man who, several years earlier, had violently murdered his supervisor. In his delusional state, Bentley believed his boss was out to kill him, and reacted accordingly. After being tried and convicted of first degree murder, (Allred's state did not have a "guilty but mentally ill" law) Bentley was admitted to life in prison at the state penitentiary. For four years, Bentley sat in prison—in near isolation—locked down in a four by eight foot cell 23 hours per day. He had been given limited psychotropic medications with little other mental health evaluation or treatment. Thus, while the public was safe from what most regarded as a truly violent criminal, mental health advocates plead in his behalf that he was not receiving mental healthcare.

For over three years the media followed Bentley's case, resulting in various feature stories from television and newspaper outlets. During this time, repeated appeals on Bentley's behalf were entered into court. Advocacy groups that proposed Bentley's removal from prison and placement into an acute mental healthcare facility had gathered favorable mental health evaluations in his behalf. Coupled with Allred's state statute that required DHHS to arrange for or directly treat all severe and persistent mentally ill citizens, the media were able to keep the Bentley story alive. In the most recent appeal, the judge, citing the favorable mental health professions evaluations, directed that Bentley be released from prison and admitted to Mountain State Hospital.

Allred and the Decision

Upon learning of the Judge's ruling, various members of the Mountain State Hospital medical staff responded quickly. They told Allred they viewed the Judge's order negatively and demanded he ignore the Judge's ruling and refuse admittance to Bentley. They argued that Mountain State Hospital did not have the ability to care for a violent, mentally ill patient and that the medical staff leaders were within their rights to argue this point. Moreover, state law provided that the state Hospital Administrator consult with the hospital's Medical Director on matters related to all hospital admissions, and as a result of their consultation, they had the legal right to accept or reject patients based on the hospital's ability to care for such patients in a safe and effective manner. To further demonstrate their negative view of Bentley's admittance, two of the seven leaders threatened to resign if Bentley were to be admitted.

Other hospital caregivers (e.g., psychologists, nurses, social workers, etc.) were mixed on their opinions regarding Bentley's admittance. Some expressed that Bentley needed the care and that "we are or should be the obvious providers of that care." Others were more verbal supporters of the medical staff's view. One nurse commented, "We should care for our patients—the nonviolent mentally ill; the violent should not be allowed in the facility. I can't keep my vulnerable patients safe with dangerous and violent patients around!"

Beyond the medical staff, Allred had another constituency with a markedly different demand. Because of its state hospital status, Mountain State Hospital operated under the direction of the Department of Health and Human Services (DHHS). Any decisions made by Allred and/or the Medical Director could be heavily influenced by DHHS officials. Thus, notwithstanding the medical staff leaders' position, DHHS officials strongly encouraged Allred to admit Bentley. In fact, Allred's supervisor at DHHS had all but demanded that Allred follow the Judge's directive and admit Bentley to Mountain State Hospital.

Allred reread the Judge's order. What should he do? Should he follow the Judge's order and DHHS's directive to admit Bentley? Should he follow the demand by his medical staff leadership not to admit? To begin this decision making process, Allred took out a piece of paper and listed the key players and how he saw their positions regarding Bentley's admittance. He also considered various decision making models he had been introduced to in college and in more recent management books he had read (Drucker, 1974, 2001). Questions such as: Have you defined the problem accurately? How did this situation occur in the first place? What is your intention in making this decision? What is the symbolic potential of your action if understood/misunderstood? And under what conditions would you allow exceptions to your positions? (Nash, 1989). Allred hoped that by clearly identifying the key players' positions, and following a thoughtful, rational decision making model, he would make the best decision, notwithstanding the difficult circumstances.

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BUY A TICKET AND WIN A CAR

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As Betty Lawley was driving to Gulfport High School, she was thinking about how fortunate she felt having been recently hired as a secretary to the school's principal. She and her husband had both been out of a job for almost a year. With three children to support as well as a house payment, things were starting to look bleak. The family's financial situation was getting worse by the day. Now, at least one of them would be bringing home a paycheck. Betty felt it was an answer to their prayers. As she was entering the school, she noticed a new car parked in front of the school with a big sign stating "Buy a \$5.00 raffle ticket and win this new \$29,000 car! Only a total of 2,000 tickets will be sold. A winner is guaranteed! All proceeds to benefit afterschool athletic clubs."

As she entered the front office, Betty was curious about the car as she had not seen it before. After greeting the principal and the other office staff, she asked principal Donna Smith about the car. Donna explained that it was a fundraiser sponsored by the car's manufacturer. Their high school had been chosen as only one of ten schools in the state to take part in this program. Each of the ten schools would sell 2,000 raffle tickets at a price of \$5.00 each. After four months, all of the tickets would be sent to a central location and a winner would be picked at random to receive the car. The car manufacturer was donating the car so that all of the proceeds would go to the schools.

Donna further stated that the school would use the money to provide children from low-income families the ability to participate in afterschool athletic programs. As she was explaining it, Betty could detect the excitement in her voice. Donna said, "This is such a wonderful fundraiser! You know how expensive some of these afterschool programs are. This money will allow children in

our community to be a part of these programs and it will also be an encouragement for them to stay out of trouble.” Donna went on to say that she would be asking local businesses to promote the sale of these tickets. Other office staff members seemed to share in Donna’s enthusiasm for this program.

Betty, however, felt a little concerned. Her impression from reading the sign attached to the car was that the probability of winning the car (assuming all 2,000 tickets were sold) would be 1 in 2,000. However, her impression from Donna was that all ten schools would raffle one car. If this was the case, the probability of winning the car could be as little as 1 in 20,000 (assuming all tickets were sold). Betty decided not to say anything at the time, as they were preparing for the new school day.

Later that afternoon Donna called Betty into the office. She gave Betty a sack of flyers and several large posters. She told Betty that she had contacted several businesses that had agreed to place the posters in prominent places in their stores and had also agreed to put the flyers near the check-out counters. A local radio station agreed to advertise the raffle over the air three times a day for the next month. Donna asked Betty to deliver the flyers and posters to the businesses and to the radio station. The flyers and posters stated that the school was raffling a new car and that “only a total of 2,000 tickets will be sold. A winner is guaranteed!” The material went on to briefly state how the proceeds from the raffle would be used to help children to take part in afterschool athletic programs.

Betty asked Donna if she was correct in believing that all ten schools would only be raffling one car. Donna told her that this was true. One car had been donated by the manufacturer for the entire state. Betty proceeded to express her concern that the ads for the raffle were misleading. Betty stated, “The ads seem to imply that since only a total of 2,000 tickets are to be sold, the probability of winning the car is 1 in 2,000. In reality, if all ten schools sell all 2,000 tickets, the probability of winning the car is only 1 in 20,000. This appears to me to be deceptive and dishonest.”

Donna told her that the ads were not dishonest. She went on to explain that the school would only sell 2,000 tickets, a winner was indeed guaranteed and that the probability of winning was not stated in the ads. She reminded Betty that the raffle was for a very good cause. Donna told Betty that she, along with others on her staff, had written the ads and had approved them for use in the fundraiser. Donna also told Betty that if people knew the probability of winning, fewer people might buy a ticket. However, Betty again stated her belief that the ads were dishonest. Donna became visibly angry. She told Betty there was nothing more to discuss and that she should take the ads to town and distribute them as she had been told.

Betty left the office upset and not sure what she should do. She felt strongly that the ads were misleading and dishonest. Given this fact, she just did not feel right helping to promote the raffle. However, given her family’s financial problems, she felt she could not afford to risk getting on the bad side of the principal and possibly losing her job. It was true that the money would go to a good cause. She was torn between going back into the office and telling Donna that she could not distribute the flyers and posters because she believed it was dishonest and thus morally wrong or just putting her personal beliefs aside and taking the flyers and posters to town as Donna had instructed.

IS FEMALE COSMETIC GENITAL SURGERY LEGITIMATE?

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Is female cosmetic genital surgery (FCGS) a legitimate business? Doctors that performed FCGS and their patients thought so while professional societies questioned the practice. The Second Global Symposium on Cosmetic Vaginal Surgery was held on September 23-25, 2010 in Las Vegas (International Society of Cosmetogynecology, 2010). Plastic surgeons had established FCGS as a service promoted on the internet, including vaginal rejuvenation and tightening, labia reduction and beautification, and reconstruction of the hymen.

Several professional societies voiced their opposition. The Royal Australian and New Zealand College of Obstetricians and Gynecologists (RANZCOG) publicly opposed FCGS (Braun, 2010, p. 1393). At least one professional society in the US expressed its opposition; the American College of Obstetricians and Gynecologists (ACOG) cautioned against the various practices.

Plastic surgeons offered FCGS services even though ACOG stated these are, “are not medically indicated, nor is there documentation of their safety and effectiveness,” and that “it is deceptive to give the impression that any of these procedures are accepted and routine surgical practices.” It warned of “potential complications, including infection, altered sensation, ... pain, adhesions, and scarring.” The report indicated wide variation in the external appearance of female genitalia. ACOG was “concerned with the ethical issues associated with the marketing and national franchising of cosmetic vaginal procedures. A business model that controls the dissemination of scientific knowledge is troubling.” Medical advances are supposed to be documented in professional journals, not true of FCGS.

Health benefits and risks were a concern. According to Braun (2010), FCGS procedures were questionable. Vaginal tightening may not lead to improved sexual function. The role of engorged

labia minora during sexual arousal was not fully understood, so permanent alteration of the labia minora through FCGS could pose unknown risks and reduce sensitivity vital for sexual functioning.

Since appearances of female genitalia vary, promotion of cosmetic surgery rested on the unscientific assumption there was a perfect model. Liao and Creighton (2007, p. 1091) discussed women's requests for FCGS: "... our patients sometimes cited restrictions on lifestyle for their decision. These restrictions included an inability to wear tight clothing, go to the beach . . . or avoidance of some sexual practices." The authors referred to the current market orientation as a demand for "designer vaginas." They pointed out that in their study of 50 premenopausal women there were significant variations in the physical features and symmetry of female genitalia. Yet women approached the physician with a standard view, relying on images from advertising or pornography.

External images of ideal female sexuality in the media did not, of course, represent the natural beauty of women or the range of what a female might consider beneficial. The New View Campaign (2010) challenged the notion that current medical practices and standards fully acknowledged the sexual needs of women. The complexity of women's needs thus demands enhanced appreciation of the socio-cultural, political and economic context, partner relationships, psychological factors and medical factors (New View Campaign, Manifesto 2010). Female sexuality was complex; most women would not really be satisfied by an FCGS standard established by plastic surgeons responding to clients' incorrect standard images.

Business Legitimacy

When a new technology, FCGS in this case, lays a foundation for a potential new line of business, entrepreneurs need to learn how to deal with strategic issues peculiar to the embryonic stage of an industry. Furthermore, a technology is not always value neutral, but can involve ethical controversies. Entrepreneurs should assess the ethical implications of the technology and formulate strategies to shape the institutional environment to their advantage. In the case of FCGS, the technology was far from mature. Peer reviewed published studies had not been conducted. Failure to deliver would compromise the viability of FCGS. Issues included the following:

Low Demand

The demand was unclear. The numbers of surgeries performed were unclear because as of late 2010 the American Society of Plastic Surgeons had not published specific statistics on FCGS. In the earliest stage of an industry, there is usually a low demand for a new product or service. Potential customers tend to be unaware of or unfamiliar with the product or service. Entrepreneurs need to invest heavily in marketing. In addition, lacking the economies of scale, the price of the product or service tends to be high, which suppresses demand. Women may have been aware of FCGS yet remained unconvinced of its importance; perhaps they had not adopted a standardized view of genitalia or they simply accepted individual differences. The business had to convince women this surgery would enhance their sexuality.

Immature Technology

Over time, technologies improve. In the early stages, when they are immature, flaws can result in minor or major damage. The resulting disappointments, even if not legally actionable, could impact business reputation. Surgery always presents risks. Pain and discomfort experienced in sexual acts would be particularly distressing and might call for repeated surgery with the patient responsible for the costs.

Physical and Psychological Inconvenience and Moral Ambiguities

The physical, psychological, and moral ambiguities of sexuality make FCGS complex; hence, surgery promising greater sexual satisfaction might create an illusion of sexual empowerment. Some women wanted better looking genitalia. If FCGS appeared to frame women as sexual objects, then public opinion might discourage women from considering this surgery. Entrepreneurs must assist potential customers to overcome physical, psychological, and moral obstacles.

Legal Issues

The absence of federal and state legislation prohibiting or restricting FCGS in the United States does not signal legislative indifference. One need only consider how pharmaceutical products, once new innovations, were eventually regulated by the FDA. The same is true of medical implants. If FCGS resulted in law suits, outcries from feminist groups could lead to direct regulation.

FCGS entrepreneurs might rely on a constitutional right to privacy to justify the value of FCGS, yet the right to express oneself with one's body has yet to be clearly determined by courts. Armed with arguments about freedom of choice and self-determination, plastic surgeons and some patient advocacy groups might contest the legitimacy of court decisions banning services.

Legitimacy is not Defined Solely by the Law

It's difficult for a new business to be accepted as legitimate when it contradicts ethical beliefs held by parts of the society. Identifying and disseminating the value of products and services, supported by ethical and legal theories, would speak to legitimacy issues. Joining with businesses similarly constrained by ethical and legal objections to innovation could provide strategic alliances. Given constructions of a beautiful life, FCGS may well remain limited to a niche market.

Is FCGS legitimate?

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“EXCEPTIONAL” FRAUD- SOCIÉTÉ GÉNÉRALE

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Introduction

During the period of January 18 – 24, 2008, the board of directors of Société Générale confronted a problem of staggering proportions. An internal investigation during the preceding two weeks revealed that Jerome Kerviel, a derivatives trader employed by the bank, had entered into unauthorized and in some cases fraudulent trades involving derivative financial instruments, exposing the bank to losses between €6-7 billion in a plunging securities market. The bank’s internal control system had failed to detect more than 1,000 unauthorized or fraudulent transactions entered into over a period that appeared to encompass more than three years. Even though the annual financial statement audit for the year ended December 31, 2007 was well underway, the auditors appeared to be equally surprised by the discovery of the massive fraud scheme.

Media rumors were beginning to emerge and the bank’s share price was in a free fall. On Saturday, January 19, 2008, The Times (UK) reported that “Market rumours about writedowns at Société Générale, the second-biggest French bank by market value, pushed its shares down by more than eight percent yesterday. As fears of losses in the credit market continued to haunt the world’s banks, its shares closed down €7.66 at €85.34, their lowest since 2005. The bank was among the biggest losers in Europe yesterday.”

In light of this discovery and the results of the internal investigation, the board of directors needed to identify and prioritize several crucial decisions to minimize the damage to its reputation and to assuage its frantic shareholders. The board needed to decide what information to communicate and how to present the information for the bank regulators, its investors, and to the public.

Economic Environment of Société Générale

The most recent financial crisis commenced on a global scale in 2007 and continued, depending on the sources consulted, until 2010. After the burst of the high-tech bubble in 2000, followed by the terrorist attacks in the United States on September 11, 2001, investors had resumed an attitude that Alan Greenspan, former Chairman of the U.S. Federal Reserve, had previously described as “irrational exuberance.” In its simplest form, this period could be described as one in which investors sought and expected eight percent returns in a four percent market. This was not likely to happen in the absence of large scale shell games often involving derivative financial instruments.

By the middle of 2007, there were significant signs of renewed economic stress. Financial analysts were beginning to challenge the true value of certain derivative financial instruments that had come into vogue in the form of collateralized debt obligations (CDO). These instruments, with variations in nomenclature, generally consisted of debt securities backed by collateral in the form of mortgage loans. Many of these mortgage loans were made, with encouragement from the U.S. government, to debtors of questionable credit worthiness. Eventually, these loans were dubbed “sub-prime loans.” This condition was further exacerbated by a real estate market that appeared to be improving as evidenced by ever increasing real estate prices. CDOs were packaged and repackaged in tranches based on supposed levels of credit risk that the debtor in the underlying mortgage loan would default on the required payments. Because of the novel composition of CDOs, it was nearly impossible to determine any reliable fair value except by using a model based on soft assumptions. However, proponents of CDOs, mostly banks, asserted that investors were fully apprised of the level of credit risk they assumed when investing in these instruments.

Banks had a long-standing practice of trading on their own account. This practice was considered to be normal for financial institutions including insurance companies. The activities of in-house trading desks provided banks with rich returns, which in turn provided investors in bank shares significant capital gains and dividend income. Traders routinely engaged in multi-million dollar transactions many times in a single day. These transactions were often entered and settled in a matter of seconds, sometimes profitably and sometimes not. The unauthorized and fraudulent trading activities of Société Générale were eventually traced to Jerome Kerviel.

Regulatory and Financial Reporting Environment

Société Générale was domiciled in France, a member of the European Union (EU). The bank was subject to regulation by the French Banking Commission and the European Banking Committee of the European Commission.

The bank prepared its financial statements in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB). IFRS required that the discovery of fraud be accounted for and reported in the period to which it related. In this case the financial statements for 2005-2007 should have been adjusted for the effects of fraud during each financial statement period. The effects of the fraudulent transactions in 2008 should have been reported in the 2008 financial statements. The bank’s financial

statements were audited by its independent auditors according to professional audit standards applicable in France.

During the period of January 18-24, 2008, the bank was able to ascertain that there was a cumulative gain at the end of 2007, but that there was a cumulative loss on the unauthorized or fraudulent transactions on January 18, 2008, the date the matter came to the attention of the board. This raised the question of whether each transaction was a separate act of fraud or whether the entire scheme was one continuous act of fraud.

Red Flags That Could Not be Ignored

Friday, January 4, 2008, appeared to mark the first irrefutable evidence that Kerviel's activities were problematic. A crucial daily regulatory report failed to transmit due to data not being up-to-date. On Monday, January 7, 2008, information on eight forward trades transmitted, but rejected on the January 4 regulatory report, revealed very high risk levels, resulting in an error report. On Tuesday, January 8, Kerviel was questioned about the rejected information. His response to this inquiry was: "This materializes the give up of puts made late; I owe money to the counterparty. It will be rebooked ASAP." (Société Générale, 2008). Regrettably, the supervisor making the inquiry did not understand the explanation and did not take further steps to determine the underlying cause of the rejected transactions.

Decisions Facing the Board of Directors

When their internal investigation identified the trading irregularities, Société Générale's directors faced several crucial decisions and the resulting actions to be taken with respect to immediate communications with the bank's regulators, shareholders and the public. The bank's share price during 2007 reached a high of €158.4 early in April. The price plunged to a low of €93.9 in mid-October, mirroring the overall collapse of both global bank shares and the equity markets in general; however, the price now had reached a low of €85.34. Regulators, investors and analysts demanded to know how the bank would respond to its plunging share price.

The internal investigation revealed that the extent and magnitude of Kerviel's derivative positions and unauthorized trades were staggering. Some of these positions were fictitious. The French bank regulators would be keenly interested in how the second largest French bank could experience a fraud of this magnitude without previously detecting it. Rumors were running rampant in the marketplace fueled in part by the apparently leaked information that the bank would delay issuance of its 2007 financial statements.

The board considered many issues as it went into emergency session including some of the following. The board realized that additional issues might surface as well.

- The cumulative unauthorized position and loss as of January 18, 2008.
- The cumulative unauthorized position and gain as of the fiscal year ended December 31, 2007.
- Whether the unauthorized transactions constituted one continuous act or 1,071 discrete acts.
- Given the board's responsibility to provide entrepreneurial leadership of the company within a framework of prudent and effective controls enabling the assessment and management of risk, how to explain the apparent internal control lapses that facilitated this exceptional fraud to occur and go undetected.
- How to minimize losses from unwinding the unauthorized positions given a rapidly deteriorating equity market?
- The most advantageous (or least damaging) financial statement presentation and disclosures, given that the unauthorized positions and trades occurred over at least a three year period.
- How Kerviel could have executed and covered the execution of such an enormous number of unauthorized trades and positions?
- To what extent did Kerviel have accomplices?
- Exactly who among the directors, management and employees would of necessity be fired or asked to resign based either on collusion with Kerviel or on negligence?
- How to detect and avoid similar problems in the future?

HIPAA AND THE FAMILY TREE CLINICS

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Introduction

Gail Barton, Administrator of The Family Tree Clinics, stopped-- dead in her tracks. She had been walking through one of the three clinics that comprised Family Tree--the Pediatric clinic waiting area-- and had overheard one of the two receptionists talking on the phone with a patient's mother. From the part of the conversation that Barton heard, it was clear that the patient's mother was seeking help for her daughter as she thought her daughter had been experiencing sexual abuse. The receptionist was listening to the mother and setting up an appointment for the mother and child to see the pediatrician, which was appropriate and followed office protocol. However, Barton realized that if she had overheard the conversation, then other people in the waiting room could have heard it as well. This was a problem that warranted attention as it violated the Health Insurance Portability and Accountability Act (HIPAA) and also, in Barton's opinion, created an unwelcoming waiting room environment.

Barton sat down in one of the waiting room chairs and listened for a few more minutes, becoming more concerned. She paid attention to the noises that surrounded her. Parents were talking with their children and they were visiting with other parents. But their conversations were constantly drowned out by the ringing of the telephones, and the receptionists' answering "Family Tree Clinics, how may I help you?" Then, they could all hear the receptionist's side of the phone conversation. As Barton sat, she overheard the setting up of appointments, the name of the patient, when and why he or she was to be seen by a physician. Barton groaned. The mid-level Providers— physician assistants, nurse midwives, and nurse practitioners--had said that they would like for the Board to talk about options to reduce the noise level in the waiting rooms, and Barton knew that more than discussion was needed--something had to be done in the pediatric clinic, and quickly. Barton then had another thought. If this was a problem in the pediatric clinic, the problem also existed in the women's and internal medicine's clinics as well.

Family Tree: The Pediatric Clinic

The Pediatric Clinic had been formed when Family Tree was formed 12 years ago. Two older pediatrician practices merged. Each brought to the merged clinic his own receptionists (who both worked part time) and his own nurses (who also worked part time). One consequence of this merger was that the design of the merged office reflected separate but identical reception desks, work stations, and pod of exam rooms. The physicians only shared a common waiting room, kitchen, and clinic manager. When a third pediatrician joined the clinic, the three physicians shared the receptionists, and the two receptionists found it more convenient for them to share one desk. Hence the waiting room in the pediatric clinic was comprised of two receptionists desks (of which only one was currently being used) and chairs and couches designed for patients with tables that held children's books and magazines.

In addition to the three pediatricians, there was one physician assistant (PA), 12 nurses who all worked part time (six worked mornings and six worked afternoons), and the aforementioned four part time receptionists (two worked mornings and two worked afternoons). Each physician rotated hospital to clinic to time off; so, for a scheduled week, one physician and the PA would see patients in the clinic while another physician would be at the local hospital. The third physician would be off for that week. The pediatric clinic was indeed busy. On average, the physician at the clinic saw about 80 pediatric patients per day. To compare, the U.S. average number of office visits per pediatrician per day was 20 patients (Goodman et al, 2005). With the constant coming and going, the office was noisy. In fact, "high noise level in waiting room" was on the agenda for tonight's bimonthly Board meeting. Nonetheless, as the three year strategic plan included the purchase of a new healthcare facility for the three clinics, little support existed to spend money to remodel the current facility.

The Family Tree Clinics: Pediatrics, Women's, and Internal Medicine

The Family Tree Clinics, a 14 provider group, was located in Stanley City, Idaho, population 28,000. Family Tree dominated the market share for women and children's healthcare services in Stanley City. Twelve years ago, the physicians decided to form a partnership. Three years ago, the Stanley City Community Hospital sold the underperforming Internal Medicine Clinic to Family Tree. Thus the three clinics--Pediatrics, Women's Health, and Internal Medicine—comprised Family Tree. Each clinic was housed in the same building. Internal Medicine's office space occupied most of the first floor. However, there was also on the first floor a large conference room (about 36 feet by 24 feet) that was not in use and was simply an empty room. Pediatrics and Women's Health occupied the second floor, with most of the space occupied. There was one room (about 8 feet by 10 feet) currently being used as a storage space.

The Family Tree Clinics was named Family Tree because the healthcare staff "took care of you and your whole family tree." It was not unusual for an entire family to come to the clinics at the same time. They could schedule their appointments together so, for example, Grandpa Jones could see the physician at Internal Medicine while his daughter could be seen at the women's clinic and her daughter could be seen at pediatrics—all within the same morning. Each service area receptionists worked together to schedule appointments so that family members could group together their medical appointments. This full service healthcare delivery was appreciated by the families. One woman reported, "Since my parents are getting older, I am responsible for bringing them to and from their physician appointments. I can schedule Dad and Mom's appointments

close together and on the same day.” She laughed and continued, “For this visit, I scheduled Mom for her mammogram at the Women’s Clinic, Dad had a follow up appointment in Internal Medicine, and my son received his vaccinations. It only took a little more than one hour, for three appointments!”

Family Tree Clinics’ governance structure was a Governing Board that met every two weeks. Each clinic had one physician representative on the Board, each of whom had voting rights plus there were an additional four physicians who had bought ownership into the practice and hence, had voting rights as well. Even though seven votes decided actions for Family Tree, the Board members endorsed shared governance. Their support of “shared governance” resulted in decisions that were based on the partnership of all employed at Family Tree clinics. Simply put, shared governance meant team management and shared leadership (Ballard, 2010). To elaborate, a Providers meeting was held weekly, during which all physicians and mid-level providers (e.g., physician assistants, nurse midwives, and nurse practitioners) attended. Discussion items were presented in the following manner. The item was identified as pre-service, point-of-service, and/or post-service. Was the item for discussion related to patients prior before they come to the clinic (e.g., scheduling appointments)? If so, that was pre-service. Is it related to patients after they leave the clinic (e.g., lab results)? If so, that was post-service. Noise level in the waiting rooms was point-of-service as it occurred during the patients’ time at the Clinic. Presenting items in this manner encouraged all to remain focused on actions that would enhance patients’ encounters. Moreover, this process allowed for all to remain focused on what was best for the patients at all stages of their care. Further, it was not uncommon for the Board to create a task force which would ask for provider and other staff input on an issue relating to clinic operations. Overall, the Board members appreciated the input. The physicians and mid-level providers appreciated that they could provide input regarding Family Tree business decisions. As one non-voting physician commented, “We are like a family here. We listen to each other and offer advice and support to help our clinics prosper.”

Agenda items for the next board meeting, which would be held that night, included: (1) update from the local architect regarding the planned new site to house Family Tree (involved pre-service, point-of-service, and post-service); (2) discuss whether to invite the privately owned pharmacy, located adjacent to the new planned site, to join Family Tree (point-of- service and post-service); and (3) discuss high noise levels in clinic waiting rooms (point-of-service). Barton attended every Board meeting and she was to prioritize agenda items, present each item, participate in the discussion, and follow-up on any actions decided.

Barton’s Dilemma

Barton left the pediatric waiting room and returned to her office. She opened her computer notepad, clicked and opened a new Word document. She typed the following:

HIPAA-- an acronym for the Health Insurance Portability and Accountability Act, providing privacy standards to protect our patients' health information, and providing patients more control over how their personal health information is used and disclosed.

Barton opened the Word file “Board Meeting Agenda.” She needed to update the agenda to reflect priority and ensure the Board addressed matters to be HIPAA compliant.

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INTERIOR DESIGN SERVICES OF CHARLOTTE

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This critical incident was prepared by the authors and is intended to be used as a basis for class discussion. The views represented here are those of the authors based on their professional judgments and do not necessarily reflect the views of the Society for Case Research. The names of Cheryl Johnson and Interior Design Services of Charlotte have been disguised to preserve anonymity. Copyright © 2011 by the Society for Case Research and the authors. No part of this work may be reproduced or used in any form by any means without the written permission of the Society for Case Research.

Cheryl Johnson was sitting on the grass on a Saturday afternoon watching her son play lacrosse. As her son was running down the field, she could feel the Blackberry in her purse vibrating like crazy. Cheryl owned her own interior design firm in Charlotte, North Carolina but she did not typically work on Saturdays, so that she could spend time with her family. She tried to ignore the call, but the phone buzzed again and again. Eventually, Cheryl pulled the Blackberry out of her bag and looked at it. She had three missed calls in the past fifteen minutes, all from a current client with whom she had been having some issues of late. Cheryl took a deep breath as she thought about whether she should call her back immediately or wait until Monday.

Company Background

Interior Design Services of Charlotte (IDSC) was a one-person, franchise operation owned and operated by Cheryl Johnson in Charlotte, North Carolina. Cheryl sold a wide range of interior decorating products and services to clients. She sold upholstered furniture, case goods (i.e., wood furniture such as a side table or buffet), rugs, fabrics, window treatments (including shutters and blinds) and decorative accessories. In addition, Cheryl sold various interior design services such as paint selection services and staging (i.e., layout of furniture in the home).

Cheryl worked out of her home, which was ideal, as she also took care of her husband with a heavy work and travel schedule, and three school age children with plenty of extracurricular activities. Cheryl had bought into a national franchise, called Interior Design Services (i.e., the parent company, IDS) because it allowed her to effectively compete with large stores in the area who sold similar products and services. The IDS franchise gave Cheryl access to product discounts, access to vendors, advertising and promotions, legal services, and information technology (IT) services, among other benefits. Per the recommendation of the IDS parent company, Cheryl purchased furniture and fabric at wholesale prices and then marked them up to full retail (which was two and half times cost).

Cheryl obtained almost all of her clients via word of mouth. At any point during the year, Cheryl had between six and fifteen clients. Most client projects lasted about six months in length from the initial consultation to the installation of the finished product. An average client account resulted in \$12,000 in gross sales for IDSC. Furthermore, approximately 50% of Cheryl's new customers became repeat clients within a short time of finishing the first project.

The Client

In the fall of 2009, Cheryl had a very good client who referred her to a friend who was looking for an interior decorator to help her improve the look of her home. The client did tell Cheryl that her friend "could be difficult but she was serious about working with a decorator." The next week, Cheryl gave her client's friend a call. Kimberly Banks was very pleasant over the phone. By the end of the conversation, Cheryl had secured an initial consultation with Kimberly and her husband, Bill.

During the initial consultation, Cheryl tried to gauge what kind of client Kimberly would become. She seemed to have a charming personality but did not have exquisite taste. Cheryl noticed right away that Kimberly's "furniture was cheap and poorly laid out," two signs that Kimberly "might not understand how to work with a high end interior decorator" of Cheryl's quality. In addition, Kimberly communicated unrealistic expectations of what products and services she wanted versus what she wanted to pay for these items.

However, Bill owned a large construction company and tempered Kimberly's expectations throughout the meeting. Bill knew what high quality furniture and decorating cost. Bill kept telling Kimberly that she was being unrealistic and needed to defer to Cheryl as the expert. At the end of the visit, Kimberly admitted that she needed a professional decorator's help and was willing to be open and receptive in working with Cheryl.

Project 1

Cheryl's first project with Kimberly and Bill went well. The Banks wanted Cheryl to create a design for their whole basement, consisting of an entrance area, den, kitchen, card playing area, and office. Cheryl put a proposal together for upholstered furniture, case goods, rugs, window treatments and decorative accessories. (Because Cheryl typically made money by marking up the furniture and other products she sold, not by charging an hourly fee, she was explicit about her revenue model when presenting her written proposal to Kimberly and Bill.) Thus, Cheryl explained her business model when presenting Kimberly with the proposal and budget for Project one, and Kimberly willingly accepted. Kimberly paid on time and the job was completed successfully.

This was a profitable project for Cheryl, and Kimberly had asked her to do a second project on the house. The only sign that Kimberly could be difficult throughout the project was that she called Cheryl on a daily basis. Sometimes Kimberly called multiple times during the day and would continue to call until Cheryl answered. (For typical clients, Cheryl mailed project status reports and usually spoke to them about once every two weeks.)

Kimberly was always positive and respectful on the phone but she seemed "extremely needy." Upon discussing the opportunity to do a second project, Cheryl explained to Kimberly that she

preferred that Kimberly not call her so frequently and that she did not want to receive any calls on the weekends. Cheryl clarified that she did not work on weekends, because this time was devoted to her family.

Project 2

The second Banks' project was also potentially lucrative for IDSC. However, unlike the first project in which Bill was more involved, he had gotten busy with a large-scale construction project at work and Kimberly took more of a lead in making decisions. For this project, Kimberly asked Cheryl to make several design improvements to the living room and dining room located on the main level of the home. Specifically, Kimberly wanted new hardwood floors, tiles around the fireplace, rugs, upholstered furniture, and case goods.

Because the frequency of Kimberly's phone calls did not decrease since the last conversation, Cheryl decided to raise her prices in the second proposal that she presented to Kimberly. Kimberly happily accepted the proposal and gave Cheryl a deposit. However, when looking back Cheryl realized, "that is when things started to go wrong."

When Cheryl presented sample materials and products for project two, Kimberly took the photos of the objects and shopped around for the same items at other retailers. Cheryl recalled one instance in which she gave Kimberly a picture of a rug that she had chosen for the dining room. Kimberly went and found the rug at a cheaper price through a retail store. Cheryl told her that she would match the competitor's price but Kimberly ended up buying it from the other store anyway, and then Kimberly called Cheryl to install the rug. Kimberly paid Cheryl a nominal fee for installation that involved measuring, laying the rug, and cutting the rug pad.

Throughout project two, Kimberly continued to shop around for products and installers, and then expected Cheryl to manage the installation even though she purchased the products and services from a competitor. Although these activities annoyed Cheryl, she continued to tolerate Kimberly since they still generated small revenues for IDSC. What was more frustrating to Cheryl was the persistent phone calls. Toward the tail end of project two, Cheryl was moving her home across town. She picked the time slot that would least interfere with her business and explained to all her clients that she would be unavailable for two weeks. Kimberly nevertheless ignored this request and continued to call Cheryl on a daily basis. To appease her, Cheryl ended up going to Kimberly's house two times during that two-week moving period.

The Last Straw?

Upon completion of project two, Cheryl was extremely frustrated with Kimberly's behavior. However, a third project in which Kimberly wanted Cheryl to help her select and install new lighting was proposed and about to get underway. Cheryl was at Kimberly's house picking up the final payment for project two when Kimberly said, "I sense hostility from you." Cheryl then said, "You are cute and charming. You have used those skills to get what you want from me. But you are not considerate of other peoples' needs." Kimberly started crying and it was at that moment at which Cheryl thought to herself: "Do I give her deposit back for project three and say, 'I am not your girl?' or do I suck it up and continue to work with this person?" Cheryl knew that she had to make the decision now.

HOW BAD DO I NEED THE MONEY?

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Introduction

Heather Loomis, a seasonal tax preparer at Liberty Tax Services, was working in the Independence, Missouri, office by herself when the phone rang. On the other end was Mike, a client who had come in several days earlier looking for help in amending his previous years' tax returns. "Just the person I wanted to speak to, Heather this is Mike, is there anyone else that can hear this phone call?" After informing Mike that she was the only tax preparer in the office that hour, Mike asked her if she would be willing to prepare his taxes outside of the Liberty Tax office. Mike stated: "I tried to fill out the paperwork myself, but I got lost and would like your help. I trust you and your work, and I don't want to pay a company for *your* services, I would like to pay you directly to amend my returns."

Work, Work, Work

After months of searching for the "right" firm, Heather Loomis graduated from the University of Central Missouri's Master of Accountancy program without a job in accounting. To take advantage of the 2010 tax season, Heather expanded her hiring search to include seasonal tax preparation work in order to gain more experience before she sat for her exams as a Certified Public Accountant (CPA). After applying to a job posting on Craig's List for an intermediate to advanced tax preparer, Heather was surprised to receive a phone call from a temporary agency just minutes after submitting her resume. The next day, January 15, 2010, Heather was interviewed and was hired by the temporary agency as seasonal help at Liberty Tax Services.

As a franchise in its first year of operation, the owners of the Liberty Tax Services in Independence, Missouri, had little knowledge of tax preparation and needed a member on their staff that had experience in the industry to train new employees and prepare the most difficult returns. Since the owners were unable to find a seasoned tax professional on their own, they

hired a temporary work agency to fill the position. The agency told Heather that they would keep her on their agency's payroll for two weeks instead of the typical four weeks due to the short tax season. After this two week period, she would be released to the Liberty Tax payroll.

After working her first week, Heather went to the temp agency to pick up her check and discovered that the agency paid her less than what she was told in the job posting. In addition, the representative Heather spoke to during her hiring process was no longer working for the company to verify any of the facts she was given. The agency told her she could only be paid as high as the industry code would allow her and gave her the paycheck. With only one more week under the agency's payroll, Heather accepted the check and continued to work.

At the end of week two, Heather was told that she could not be released from the agency without at least three weeks of work. Heather again was upset, but accepted the terms since the tax season was too short to complain over a few dollars here and there. After the third week of work, Heather sat down with owner of the Liberty Tax franchise to discuss her pay. The owner, not knowing the pay rate Heather was working at for the first three weeks, said he had given raises to two of the employees who excelled and would pay her the same. Upon finding out the pay proposal, Heather told him the amount the agency paid stating that she could not accept the lower pay. To keep her on, the owner agreed to pay Heather \$.50 cents more an hour than the other employees. Heather accepted the offer, mostly so she could continue to pay her bills which seemed to be even higher than they were when she was a full-time student. Repayment of her student loans was lurking on the horizon, so she felt pressured to keep working at both Liberty and Shoe Carnival, her other part-time job. Neither job paid well, she was making \$8.50 to \$9.00 an hour at each job, working about 20-25 hours at each location, resulting in a gross income of about \$400 a week before taxes, or about \$900-\$1,000 take-home pay per month. To save money, she had moved in with Brad, her fiancée, and his brother and monthly expenses were around \$700. Losing the Liberty Tax income was simply not an option.

Towards the middle of the tax season Mike, who had prepared his own tax return for years, came into the office asking if he should amend his prior year's returns. Heather informed Mike of the items that needed to be amended in his return and that she could schedule an appointment once he collected his amendment information. The next week, Mike returned and asked to schedule an appointment with Heather since he appreciated her kindness and knowledge of the subject.

During Mike's appointment, Heather prepared his current state return and amended his current year federal tax return. Mike was pleased and stated he would like to amend past years as well. Mike asked Heather if he could fill out the information himself or if he had to have a professional prepare the amendments. She responded that either one could amend the return, but advised him that the tax preparation fees might consume a share of his amended refund. As per Liberty Tax's policies, Heather offered to prepare the last two years' amendments for him to find out his actual refund amounts and preparation fees without any penalty or payment unless he decided to file the returns. So as not to waste Heather's time, Mike said that he would try to amend the returns himself first. Several days later came the phone call about working freelance.

Decisions, Decisions

Heather was perplexed with the idea of working directly for Mike. The franchise owner had told her she was allowed to work at other tax preparation locations and she had never signed an

exclusivity clause prohibiting her from working with Mike. Heather told Mike that she would feel more comfortable teaching him how to do the return rather than prepare it herself; but, had to consider the ethical implications before giving him an answer. She took down Mike's telephone number and considered whether or not to meet with him.

At the end of her shift, Heather's manager, Marsha, came in to take her place. Heather mentioned the phone call to see her response. Marsha reminded Heather that she was a free agent and she was able to do taxes wherever she pleased as long as she did not do the work on Liberty Tax's time. Marsha, a real estate agent by trade, ended their conversation by stating that the tax season was short and earning extra money was always a plus. It was also common practice at Liberty that when a client came in with self-prepared returns, employees were allowed to review the return at no charge to the client.

That evening, Heather discussed the issue with her fiancé, Brad, who stated quite clearly: "I don't want you meeting with some person I don't know outside your office. You have lived all through school with a low income. We can go a little longer until you find a different job."

The next day, Heather reviewed the Liberty Tax Service's Mission Statement (see Figure 1). She could really use the money working directly with Mike, as she was unaware of where her income would come from after tax season. Since she was also in the process of studying for her C.P.A. exam, she wondered what the American Institute of Certified Public Accountants' Code of Professional Conduct would say about this situation and checked their website. She knew she had to call Mike sometime in the morning to give him an answer.

Figure 1 – Liberty Tax Service Mission

Liberty Tax Service Mission Statement

Set the standard, improve each day and have some fun!

Principles

- Create raving fans!
- Be honest, show respect and have integrity
- Monitor results not activities
- Mistakes are a wise persons' education
- Challenge ourselves, challenge each other, break boundaries
- Give loyalty - Get loyalty
- Communication, Communication, Communication
- Attitude is a matter of choice - you make the right choice.
- Enjoy the journey - do it with pride!
- Contribute to the Team

ROTH IRA: TO CONVERT OR NOT TO CONVERT

Ann M. Hackert, Idaho State University

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Should David convert? Was converting from a regular to a Roth IRA a good idea? David Peltier had a regular IRA as part of his retirement financial planning. This was in addition to his investments in a 401(k) through work. Reading about the Roth IRA convinced David he needed to consider a possible switch of some or all of his money from a traditional to a Roth IRA. If a Roth IRA was a good idea, should all the money in his IRAs be switched? Clearly, "I need to do some research and make some calculations," thought David, as he sat down at his desk.

Traditional, Rollover and Roth IRAs

Traditional individual retirement accounts (IRAs) gave tax advantages to encourage savings. The traditional IRA had a contribution limit of \$5,000. The amount of money contributed into a traditional IRA, up to \$5,000, reduced adjusted gross income (AGI) and lowered taxes. At retirement, the individual would pay taxes on withdrawals when presumably income was lower. Funds in this kind of IRA grew tax free until retirement. Taxes were due on any money withdrawn after retirement. There were limits on withdrawals. Withdrawing money from the IRA before age 59 ½ may result in a penalty. There were also rules about required withdrawals. An individual had to make at least minimum annual withdrawals after the age 70. The size of the withdrawal was dictated by the government based on the amount in the fund and the age of the IRA account holder.

There was also something called a rollover IRA. When an employee left a company the employee had the opportunity to take his or her retirement. Normally, the individual would complete paperwork moving the funds to a rollover IRA at a financial institution of his or her choosing. Then, when the individual started a new job there was the option to move those funds into the new retirement plan. Alternatively, the individual could keep the funds in the rollover

IRA until retirement. The same rules applied as with a traditional IRA. The person could not take funds from the IRA before age 59 ½ without paying a penalty and the person had to make at least minimum withdrawals after age 70.

Roth IRAs were different from traditional or rollover IRAs. Roth IRAs were not tax deductible, meaning the individual could not reduce taxable income by the amount placed into the Roth IRA. Qualified distributions at the time of retirement were tax free. There was no requirement forcing individuals to make minimum annual withdrawals at age 70, which many viewed as an advantage. That meant the Roth IRA could continue to grow. Funds in a Roth IRA could be inherited by a beneficiary. The person inheriting the Roth was required to make minimum withdrawals as dictated by the government but would not have to pay income taxes on the inherited amounts, although estate taxes might apply. The tax issues associated with IRAs and Roth IRAs were important, although an investor had to decide years in advance whether his or her circumstances would make one or the other type of IRA advantageous.

Roth IRA Conversions

Recent changes in tax laws created an opportunity for those with traditional IRAs to make conversions with a more favorable tax treatment. David realized the importance of reevaluating his investments on a regular basis and the change in the tax regulations caught his attention. The government passed a rule allowing individuals to convert all or a part of their traditional and rollover IRAs into Roth IRAs. In the year of conversion, the person treated the amount converted as taxable income. After conversion, the money would follow the regular Roth IRA rules. This complicated the decision to convert because there was an immediate tax on the converted amount, but the benefit of the Roth IRA was future tax-free withdrawals. It all seemed to boil down to taxes, present and future.

The tax benefit from a Roth IRA accrued at retirement. Retiring with the kind of income that meant a higher tax bracket made the Roth IRA an attractive alternative. The benefit of converting into a Roth IRA was that if the individual expected to retire in a higher tax bracket the person would not have to pay income taxes on any withdrawals from the Roth IRA. Also, since the person was not required to make minimum withdrawals from a Roth IRA, the funds could continue to grow tax free and eventually be handed to heirs. Heirs would then be required to make government dictated minimum withdrawals, but they would not pay income taxes on Roth IRA amounts, although estate taxes may apply.

There was an important issue to consider, and it was hard to characterize it other than to call it political risk. The advantage of the Roth IRA hinged on the tax code staying the same. What if in the future Congress made changes to the tax code that made the Roth IRA subject to income tax? Even if the rate was lower than ordinary income, it would affect the decision. Social security income used to be tax free, but that changed. Politics meant a decision today was subject to tax changes that could reduce the benefits of the conversion. David thought this was important, but was it something to work into the numbers?

Evaluating A Conversion

A Roth IRA had appeal for David because of the tax issues and the inheritance feature. David knew the Roth IRA guidelines applied to both him and his spouse. Reviewing the statements David found that at the beginning of 2010 he and his wife had amounts in their accounts as shown in Table 1.

David and his wife were presently in the 15% tax bracket and guessed they would remain at this tax rate for the rest of their lives. They were able to put a total of \$20,000 per year into their other retirement account. They had one child and liked the idea of leaving some money to him in the form of a Roth IRA. They expected to retire in another 15 years and wanted to have enough money to live on. They thought it would be best to have their traditional IRA accounts funded to live on in retirement and to let the Roth IRA grow and bequeath it to their son upon their death. If they needed the funds from the Roth IRA before they passed, it would be available to them.

David's question was simple. Should he put more of his traditional IRA money into a Roth IRA, and if so, how much? He expected his investment return to be 5% per year from now until retirement, then expected the return on his retirement investments to be 3%. David and his wife were not sure exactly how much they would need to live on annually in retirement, but guessed that it would be about \$75,000 per year after tax. By then their house would be paid for and the mortgage payment was their single biggest expense. They were not counting on social security. All these calculations required guessing about life expectancy. It was important that he and his wife have money as long as they lived. It was just a guess, but David expected the retirement money needed to last for 30 years.

As David sat down with his calculator, he wondered whether his assumptions about the investment return were correct and how it might change his decision if the rates were higher or lower than his estimates. There were many uncertainties associated with something so far in advance but it was time to look at the numbers within a framework of reasonable estimates, or guesses as Helen called it, about a future fifteen years away. David thought he and Helen should figure out what they needed and determine if they had enough to fund their retirement or if there might be an excess amount available to put into a Roth IRA. Like most decisions in personal finance, the results would have important consequences for everyone in the family. Time to get to work.

Table 1: David and Helen's Retirement Accounts				
	Traditional IRA	Rollover IRA	Other retirement	Roth IRA
David	0	344,015	125,000	55,508
Helen	52,080	33,536	5,000	14,167

BUILDING A CULTURE OF SAFETY

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The Corporate Management of Blackbird Manufacturing had recently mandated that all manufacturing plants focus on improving their safety records. This was especially true for the San Angelo, TX plant and the plant manager, Brian Sanchez, knew that their plant had an unacceptable number of employee injuries and accidents in recent times. The message from corporate was clear and his job depended on it: Improve the safety of the operations and meet the target of beating the industry average or risk having the plant shut down.

Background: Blackbird Manufacturing

Blackbird Manufacturing was a successful original equipment manufacturer (OEM) for the automotive industry. Blackbird produced interiors (upholstery and carpets) for cars and trucks. The San Angelo plant was one of six plant locations scattered throughout the United States with corporate offices located in Moline, IL. Each plant was evaluated based on the success of their operations resulting in competition among the facilities, especially the Charlotte plant which was similar in size (both around 125 employees) and faced the same safety issues and concerns. The mandated safety goal was to have an Occupational Safety and Health Administration (OSHA) Recordable Incident Rate (RIR) of reported safety injuries or illnesses **below** the industry average on a year to date (YTD) basis. San Angelo's rate was substantially higher than that, as shown in the Figure 1 below.

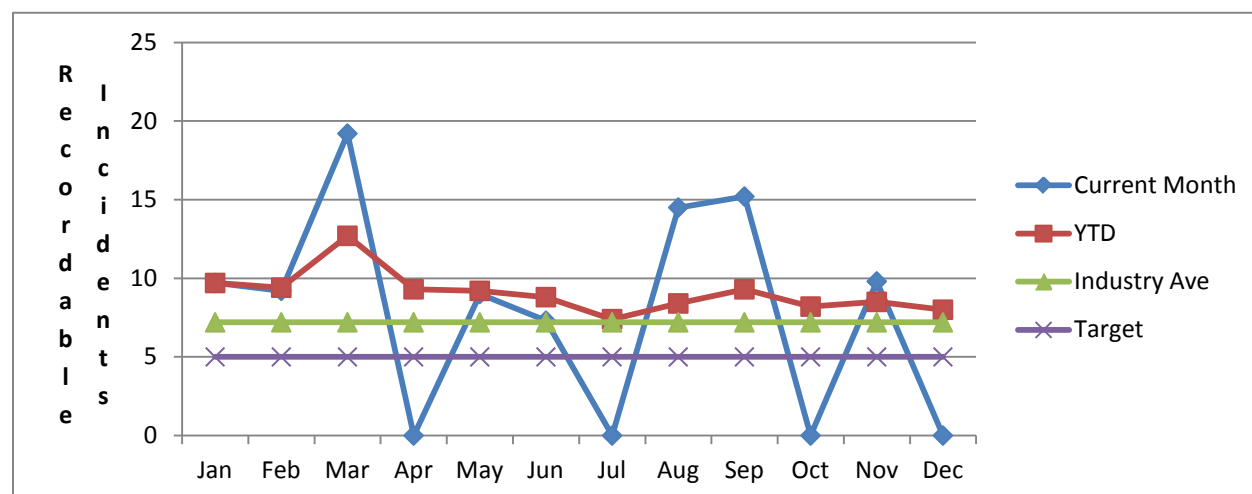


Figure 1: Recordable Incidents for the Past Year

Blackbird's Organizational Culture

With respect to safety, the Blackbird's organizational culture was driven more from the perspective of doing what was deemed right to get the job done efficiently rather than necessarily effectively or safely. Getting the job done right and quickly was more important than worrying about getting hurt and was an established cultural norm common in West Texas. The "cowboy mentality" to show that one could carry their own load was much more important than asking for help or to taking the time to consider if there was a better (or safer) way to perform work. Many of the employees had been employed at this facility for over 20 years and exhibited behavior that supported the cultural norm that if you were not "really" hurt, you "sucked it up" and went back to work without reporting the incident. Senior employee perceptions were that younger employees "wimped out" and reported everything with respect to potential injuries, and often took excessive leave time for an incident. In addition, younger employees were perceived as being out of touch with the established ways things are done at the San Angelo facility.

Behavioral Based Safety

Because of continued failure to meet or exceed the target recordable incident rate on an YTD basis, top plant leadership needed to meet the OSHA requirement. They believed the best way to change employee behavior would be to change their safety culture. The decision was made to implement a Behavior Based Safety (BBS) intervention with the goal of changing the safety culture. It was thought that if the culture changed, behavior would follow and the plant could achieve its target of a reportable incident rate of 5.0 on an annual basis. According to Goetsch (2008), only 10% of unsafe conditions that constitute an OSHA violation were attributable to dangerous equipment and 88% of industrial accidents were the result of unsafe actions, at-risk behaviors, and/or poor decisions. Two percent of industrial accidents are unavoidable. It was the 88% of accidents that were human based that the plant management was targeting to reduce.

Behavior Based Safety (BBS) is a proactive approach to safety and health management that was built on the learning principle of operant conditioning. In traditional operant conditioning, an individual modifies the occurrence and form of their behavior due to the association of their behavior with some stimulus. In essence, the antecedent behavior "operates" on the environment and is maintained (or reduced) by its consequences (Domjam, 2009). The plant management selected BBS because it reflected a proactive approach to injury prevention by simultaneously focusing on at-risk behaviors that could lead to injury and safe behaviors that could lead to injury prevention. Management believed that BBS would be an excellent tool for collecting data on the quality of a company's safety management system.

Safety Training Intervention

The primary launching pad for changing the culture was a four-hour training meeting designed to communicate the need for and the process for implementing BBS. The attendees consisted of the plant leadership (n = 16) plus the Safety Committee (n = 8 plant workers). One of the key steps in this change was to establish a baseline of the audience in terms of their current level of commitment to support a change initiative. The plant manager characterized the attendees as follows:

- Flag Carriers (large flags) – these individuals were already committed to the change and understood the need and strongly supported the desired outcome. Six members of the management team were considered large flag carriers.
- Flag Carriers (small flags)– These individuals would support change but would not place both hands on the flagpole. They would lack the passion and drive shown by the large flag carriers. They would be willing participants but not necessarily lead the charge. Six members of the management team were thought to meet this criterion.
- Fence Sitters – These individuals would behave as if they had heard it all before and typically decide to wait and see what happened. They would have their doubts and deep down inside they believed that it would not work. Two members were viewed as fence sitters.
- Rock Throwers – It was thought that this group included two attendees. Their resistance was hypothesized to be related to a need for power and a desire to keep the status quo. If you did need to change then it was a waste of time to incorporate such an elaborative effort. They believed the plant manager could have mandated the change needed and enforced any new procedures and not wasted time, effort, and money.

In order to sustain the change needed and make the new focus "stick" for BBS, it was recognized that there needs to be a tipping point for sustainable change in behavior (Gladwell, 2002). Based on his experience and understanding of the drivers that facilitate new behavior, the plant manager believed that it was imperative that at least 25 percent of the leadership and safety committee become Flag Carriers (large or small) to drive the new safety based culture. Based on his prior assessment, the plant manager thought that he already had sufficient support, but he was not sure.

The training intervention began by showing a video that set the tone for the importance of safety. The session then focused on contrasting a traditional safety program that emphasized policies and procedures, slogans, regulations, and reprimands with BBS that focused on safe people and behavior management with positive reinforcement. Next, attendees were presented information on the differences between "unsafe acts" and "unsafe conditions." Participants then discussed the assertion

that compliance is necessary but not sufficient for great safety because safety is truly about peoples' safety values and their behavior. Engagement among the attendees was high and the discussion was lively and focused especially when they debated what drives safe and unsafe behaviors.

The Vote

At that moment in the meeting, a PowerPoint slide showing the American Marines anchoring the American Flag following the Battle at Iwo Jima was displayed with the caption "Are you a flag carrier?" A consensus decision process was utilized to gauge the level of commitment to the BBS initiative by publicly voting. The attendees voted by signifying their level of commitment by indicating whether they were a one (Large Flag Carrier), a two (Small Flag Carrier), a three (Setting on the Fence) or a four (Rock Thrower). The vote indicated that that 30% of the leadership team attending were large flag carriers, 65% were small flag carriers and were on board, and only 5% were fence setters. Not one member of the leadership team indicated that they were a four (rock thrower).

Because of this meeting, it was determined that desired percent of members within the leadership and safety committee constituted the necessary "Critical Mass" to move the change process forward. The question now becomes how the plant manager expands the critical mass needed to make BBS a reality from within his entire location in order to meet the corporate mandate and keep the doors of the plant open. What else does Brian do to build on this foundation?

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FLYING THE FRIENDLY SKIES: FLIGHT ATTENDANT SNAPS

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A flight attendant, upset because a passenger refused to apologize after accidentally striking him with luggage, allegedly spewed obscenities over the airplane's PA system and then activated and slid down the emergency escape chute before disappearing into a terminal at John F. Kennedy Airport Monday, an airport official said (Gardiner, August 10, 2010).

On August 9, 2010, JetBlue Flight 1052 from Pittsburgh taxied to a stop at John F. Kennedy Airport. Although the flight was less than two hours, subsequent news reports would indicate that it was more than uneventful. Initial reports indicated that as the plane finished taxing, Steve Slater, a flight attendant, "spewed" obscenities over the public address system berating a passenger he felt was rude, activated the emergency slide, grabbed two cans of beer, departed the plane by the slide, ran into the terminal and left the airport. The implications of this action were complex. Steve Slater had clearly crossed the line of acceptable behavior. The reputation of the JetBlue and its staff were on the line. What steps should JetBlue have taken in the days after the event? What policies should they develop to make sure this didn't happen again?

Initial news reports indicated that the attendant, Steve Slater, a veteran flight attendant, had experienced verbal abuse from a female passenger before the flight departed Pittsburgh. During the interaction, Mr. Slater's attorney said the woman slammed the overhead bin into Mr. Slater's head. Slater was seen with a "gash" on his head. The lawyer also indicated that a second incident occurred when the plane landed and the woman lashed out at Mr. Slater when she could not immediately collect her luggage.

The Wall Street Journal, in related coverage, reported that incidents involving unruly passengers were a growing problem. They stated that according to the International Air Transport Association, there had been a rise in conflict on flights related to disobedient passengers (passengers who don't follow rules such as not smoking or ignoring safety directives). The article indicated that the primary role of the attendant was to insure the safety of passengers. This belief conflicted with the assumption of many passengers that attendants are there to serve them. Some reporters labeled Mr. Slater a "working-class" hero. He acquired fans, some of whom started a Facebook page in his honor. On August 12, 2010, over 140,000 people had registered as "liking" this page. Mr. Slater was arraigned on August 10 and charged with criminal mischief, reckless endangerment and trespassing. He pled not guilty.

After the initial reports, additional information found its way into the media. Passengers from the flight told reporters that Mr. Slater started the conflict by swearing at a female passenger. Another passenger stated that Mr. Slater was rude from the minute she stepped on the plane. She also reported that he spent most of the flight slamming bins and refrigerator doors. A third passenger indicated that Slater was acting "a little strange" throughout the flight. Some reports stated that investigators did not believe that the rude passenger existed, and that Slater came on board the aircraft already supporting his gash.

Media reports also focused on JetBlue. Law enforcement officials were stalled in their investigation by what they believed was lack of cooperation from JetBlue. Aviation officials were delayed in receiving the flight manifest as well as videotapes. JetBlue claimed it was cooperating.

Prior to Mr. Slater's September 7 court date, rumors suggested Mr. Slater was seeking a plea bargain as well as reinstatement in his job at JetBlue. On September 5, the media reported that Mr. Slater no longer worked for JetBlue. However, the airline did not provide details. On September 7, news reports indicated that Mr. Slater will be evaluated by a psychologist as part of a plea deal negotiation. Mr. Slater, according to the District Attorney, made the request for evaluation. The case was adjourned until October 19. Mr. Slater's Facebook fan page at this time had over 209,000 members.

FROM BAD TO WORSE

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“Why oh why hadn’t he fired her when he had the chance? There were so many opportunities!” bemoaned American Railcar Industries’ (ARI) plant manager, Mitch Smith. As he thought back through the employment history of Connie Brown, Mitch berated himself over and over again for failing to act sooner, but his philosophy had always been to give employees a chance to improve. However with Brown, it appeared that the company had endured her poor behavior for too long and for no good reason. The thanks the company received was a lawsuit.

In 2000, Connie Brown was hired by ARI to work as a purchasing agent for the company. As a purchasing agent, Brown was to procure production materials for ARI. ARI was in heavy manufacturing. It manufactured all types of railcars including hopper cars, tank cars, coal cars, gondola cars, well cars and beam cars for railway companies to buy or to lease. It also offered railcar parts for sale and had thousands of product offerings available through its catalog.

After a few years with the company, Smith had asked Brown to move to the material control department. Employees in the material control department were to track and inventory parts and other manufacturing materials the company kept on hand. At the time Brown transferred, the material control department was overseen by June Hyde; however, just a few months after Connie began her job in material controls, June Hyde left the company and was replaced by Bob Asche. Connie’s direct supervisor was Barbara Miller, who was supervised by Asche.

Although she believed that she did her job very well, Connie Brown had a long disciplinary record. In March 2003, Hyde had given Connie a written warning because she was arriving at work late. At that time, Hyde reminded Connie that she had been warned “numerous times” before about her poor punctuality. In addition to punctuality problems, Connie’s file contained nine subsequent written citations regarding her work, including a \$40,712 inventory adjustment that had to be reversed.

In November 2003, Asche offered Connie time off to seek another job, but she did not find a job that suited her—or at least she was not hired by another company. By January 2004, Asche had enough of Connie's poor job performance and told her that she had "until the end of the month to show improvement in her work" or she would be discharged. In November 2004, Connie received a pay increase; however, Asche met personally with Connie and told her that the raise was a cost-of-living adjustment and it was not based on merit. He reiterated at that time that her work performance was still poor and needed to be improved substantially. Her performance continued to be an issue, and in May 2005, Connie was reprimanded, along with other material control employees for what Smith described as "unacceptable . . . repeated mistakes."

The problems with Connie continued. In August 2006, she was disciplined for not properly inventorying \$17,072 worth of materials for an order of tank cars. She was suspended for one day. Just a few months later in October, the annual inventory of the material control department was conducted. The inventory showed there was about \$500,000 worth of materials that were not on the books. Connie blamed this error on another employee, but she also claimed that ARI had not given her enough overtime hours before the inventory so that she could make sure everything was correct. She further criticized the company saying that she was not present for the final count approval. Her supervisor, Barbara Miller, agreed that the error in inventory was not entirely Connie's fault; however, the "highest dollar" inventory problems were Connie's responsibility. Connie was suspended for five days and then fired.

Again, Mitch groaned to himself and muttered, "If only that were all there was to the issue." Mitch went back in time again.

After Brown's disciplinary action and subsequent termination, she claimed that her termination was retaliation for a sexual harassment complaint she made in March 2006 regarding Bob Asche. Brown had claimed that Asche had shown her images of "every type of sexual act that you can imagine" on his computer. Additionally, she claimed that she saw Asche viewing pornography daily, and that he sometimes shared explicit images with his co-workers. Added to that, Brown claimed that every day Asche sent dozens of e-mails unrelated to business to other employees and some of those e-mails contained sexual content.

Brown made other claims as well. She said that once when she was in Asche's office searching for a disk with work-related information on it, she found a disk showing a woman in underwear in sexually provocative poses. According to Brown, who had apparently looked through the disk, the disk also contained a series of e-mails between Asche and the woman's son with sexual narrative.

The human resources department had known about Asche's inappropriate behavior as early as October 2005. Asche was told to stop viewing pornography and sending sexually explicit e-mails while at work or he would be terminated. In March 2006, Brown went to human resources and told them about the pornography and the pornographic e-mails. Asche was suspended for five days with pay. Additionally, Asche was told he would be terminated if this behavior continued plus his Internet access was cut off. Human resources also suggested that Asche seek counseling for his problems with pornography, but the counseling was not required. After Asche's suspension, his behavior seemed to improve, and Brown received no more e-mails, did not see him viewing pornography on his computer, nor did she receive any further out-of-line comments. After Asche's suspension, Brown said that she was "ostracized" because of

her complaint about Asche to human resources and that other employees exhibited a “standoff attitude” toward her. Asche stopped speaking to her. Then, ultimately, in October 2006, Brown was terminated.

On December 5, 2006, Brown filed a charge of discrimination against ARI with the Equal Employment Opportunity Commission (EEOC), nearly nine months after she had received her last offensive e-mail from Asche. She sued for sexual harassment and retaliation in violation of the Civil Rights Act under Title VII. See Table 1 for an abbreviated timeline.

Mitch had thought his problems with Connie Brown had ended with her termination, but it seems that they had only just begun. Now he had to deal with the EEOC and a lawsuit. “Are my problems with her [Brown] ever going to end?” he asked himself.

Table 1
Timeline of Dates Important to the Case

Date	Incident
March 2003	Brown received written warning about tardiness. She had been warned numerous times prior to this regarding her poor punctuality.
November 2003	Brown was given a week off to find another job.
January 2004	Brown was given one month to improve performance or face termination.
November 2004	Brown received pay increase but told it was a cost-of-living adjustment and not because of good performance.
May 2005	Brown was reprimanded, along with several other employees, for poor performance for “unacceptable, repeated mistakes.”
October 2005	HR became aware of Asche’s proclivity toward pornography. He was warned and told to stop or he would be terminated.
March 2006	Brown charged Asche with sexual harassment. Asche was suspended for 5 days, with pay.
August 2006	Brown was disciplined for improperly inventorying \$17,072 worth of materials. She was suspended for one month.
October 2006	During an inventory of materials, the company found discrepancies \$500,000, mostly due to Brown’s errors.

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IS IT FAIR TO BAN TOBACCO USERS IN HIRING PROCESS?

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The Scotts Company, LLC fired Scott Rodrigues shortly after he started work because he failed a urine test; nicotine was discovered (*Rodrigues v. E.G. Systems*, 2009). The court explained that "Rodrigues does not have a protected privacy interest in the fact that he is a smoker because he has never attempted to keep that fact private." It further held that "A person such as Rodrigues, who has only a contingent offer of employment, does not have an expectation of benefits under the potential employer's ERISA plan that Section 510 protects." ERISA referred to the Employee Retirement Income Security Act, which guaranteed that one could not be fired to control health care costs. Rodrigues wasn't fired but rather not yet approved as a new hire because he had failed the urine test. Were tobacco use bans in the hiring process fair when they controlled legal behavior outside of work?

Movement to Ban Tobacco Use

There was a long list of companies that banned employee use of tobacco in states where it was legal. Union Pacific and Alaska Airways had long standing policies banning the employment of tobacco users. There was also a movement in hospitals with a growing list that refused to hire people that used tobacco.

The primary motivation behind tobacco use bans was economic: tobacco users developed health problems. Approximately 400,000 deaths resulted annually due to smoking in the US. The annual direct costs were in excess of \$298 billion. Each pack of cigarettes cost society \$18.05 in medical costs and lost productivity (Rumberger, Hollenbeak & Kline, 2010).

A Legality of Tobacco Use Bans

The Rodrigues case cited above was one court case that had been decided but other cases were possible. R. Joseph Barton, Esq. of Cohen Milstein Hausfeld & Toll, PLLC (personal correspondence, September 29, 2008), when asked if dismissal for smoking would be illegal, he stated that employers could not fire people to lower health care costs in an ERISA-covered health plan. He added that charging differential rates for smoking or other health related conditions deemed within the control of the employee had not yet been decided by courts. However, Arizona planned to charge Medicare recipients that smoked or diabetics that failed to lose weight an additional \$50/year (Roberts, 2011).

Another hypothetical issue was disparate impact, which focused on the effect of employment practices, rather than the underlying intent. The organization may not have intended to discriminate against protected class members, but the outcome of one of their practices could have resulted in adverse impact, and that may be inappropriately discriminatory. That is, as a result of a protected characteristic, people were adversely affected by an employment practice.

One means of demonstrating adverse impact involved showing evidence through the use of statistics. By looking at applicant flow statistics and considering whether there is a significant difference in selection rates between protected groups, one could have identified what appeared to be a problematic practice because of its effect, rather than its intent. For example, whites had a lower incidence of smoking than blacks in Ohio in 2008 (Kaiser Family Foundation, 2011).

Table 1

Percent of Adults who Smoke by Race/Ethnicity in Ohio, 2008

Ohio	Percent
White	19.0%
Black	24.3%

Since better educated people, such as doctors, that applied for jobs in hospitals were more apt to be white or Asian than black (Kaiser Family Foundation, 2010), the higher rate of smoking by minorities could have meant that they were more likely to have been excluded in the hiring process.

Table 2

Distribution of Medical School Graduates by Race/Ethnicity, 2010

	White	Black	Asian	Total Graduates
United States	10,667	1,137	3,505	16,838
Ohio	605	49	177	864

Furthermore, the less well educated had higher rates of smoking (CDC, 2009).

Table 3: *Smoking by Education*

- 49.1% of adults with a GED diploma
- 33.6% of adults with 9–11 years of education
- 11.1% of adults with an undergraduate college degree
- 5.6% of adults with a graduate college degree

Adverse or disparate impact regarding refusal to hire tobacco users remained hypothetical since court cases had not yet appeared, but the threat was real. For example, if a black janitor had been refused employment because of tobacco use and he could have proven that his socio-demographic group was much more likely to use tobacco than a comparable group of whites, then a legal claim for adverse impact could have been possible.

Are Tobacco Use Bans Fair?

Roughly one in five American adults smoked and could not work for employers that prohibited tobacco use. Smokers tended to be less well educated and poorer than non-smokers. Tobacco-free workplace policies were legal in at least twenty states, including Ohio. How could one have implemented such a policy and be fair? If it was illegal in so many states, was a restrictive policy on personal behavior ethical? Was it fair to have a policy that was more likely to cause blacks to be rejected than whites or Asians?

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SCRATCHING THE SURFACE OF THE STEAKHOUSE: IS PSORIASIS AN EMPLOYMENT DISABILITY FOR A WAITER?

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Seven years ago, Paul Davis was hired as a waiter at The Steakhouse, a high-end restaurant in Chicago, which is a city renowned for its love of red meat. Davis was the server you wanted when you dined there. He was one of the restaurant's highest grossing waiters, and regular customers specifically requested him to be their server.

Paul Davis reported to Susie Jones, who was The Steakhouse's Dining Room Supervisor. She reported to Mark Evans, who was responsible for day-to-day operations and is the General Manager. Evans's boss was Sheldon Brewer, the owner's Representative, who was responsible for the operating procedure and organizational policy of The Steakhouse. Figure 1 provides a partial listing of The Steakhouse's personnel policies and procedures.

Despite the language in the employee policy manual, and despite the lack of parity on the job, Susie Jones and Paul began a sexual relationship with each other. After about nine months, Paul ended things with Susie. Six months later, Paul went to see Mark Evans (the general manager) to complain about Susie's behavior towards him. Paul reported that, for the past month, Susie had been sexually harassing him. He cited two specific instances. One occasion, a customer had accidentally spilled champagne on Paul's pants and when he went to the bar to get some paper towels to dry himself off, Susie followed him there. At that point, she put her hands inside his pockets, grabbed his penis, and said, "You sure are soaked." Then, a week later, Susie pressed her chest against him and asked, "Don't you miss me?" Mark Evans listened to Paul's allegations and said he would look into them. It appears that Evans took no remedial action.

Figure 1 – The Steakhouse’s Employee Policies and Procedures (partial listing)

- 1) Associates are expected to avoid relationships that might interfere with the proper and efficient discharge of their duties or that might be inconsistent with their obligations to provide the best quality of service.
- 2) The efficient operation of The Steakhouse and the general welfare of our associates require uniform standards of behavior. Accordingly, the following offenses are considered violations of these standards. Associates who refuse to accept this guidance subject themselves to appropriate disciplinary action:
 - Habitual tardiness and absenteeism.
 - Theft or attempted theft or misappropriation of company or another employee’s property.
 - Horseplay, malicious mischief, or any other conduct affecting the rights of other associates.
 - Refusal or failure to perform assigned work or refusal to comply with supervisory instructions.
 - Inattention to duties; carelessness in performance of duties.
 - Violations of posted safety or board of health rules.
 - Request for sexual favors, sexual advances, and physical conduct of a sexual nature toward another associate or customer on the premises.
- 3) The Steakhouse is an at-will employer. This means associates may resign at any time if they choose to do so. Similarly, The Steakhouse may discharge an associate at any time, for any reason, with or without notice. Nothing in the associate handbook or any other posted policy adopted by The Steakhouse in any way alters this at-will nature of employment.

According to Paul, a few months after that, on New Year’s Eve, Susie asked Paul to kiss her. He told her that her advances were unwanted. Then a month later, Susie approached Paul from behind and grabbed his buttocks. He tried to get her to stop, but his protests prompted her to retaliate against him by reprimanding him in front of other employees and customers. Part of the retaliation included singling him out for undeserved disciplinary write-ups, and assigning him to less profitable tables, even when customers at other tables specifically requested him.

Once again, Paul spoke to general manager Mark Evans and told him of the recent events. Evans said that he would investigate the allegations and that The Steakhouse would not tolerate harassment. Evans and Sheldon Brewer, the Steakhouse Owner’s representative, met with Susie Jones and told her of Paul Davis’s allegations, whereupon they told her they would not tolerate any kind of harassment, including sexual harassment.

During the next eight months, there were no harassment incidents, but Paul Davis still felt he was being given less profitable tables and work schedules. On a couple of occasions, Susie Jones just happened to be at the golf course where Davis played in a men’s league, and at the ball park where he played on a slow-pitch softball team. But there were no reported incidents of harassment or inappropriate conduct; she just happened to be there. Then one day in the

employee common area, Susie saw Paul with his clothes off while he was changing into his work uniform and told him that she missed seeing him naked.

It was during this time period that Paul ran into trouble with management over his use of the employee common area to change into his work uniform. Paul has psoriasis, a skin condition that affects his genital area, elbows, and knees. Wearing underwear increases his groin sweating, which exacerbates his psoriasis-related irritation and swelling. Thus, he does not wear underwear. As a result, Paul frequently exposed himself when changing into his work uniform in the employee common area. A female employee other than Susie complained to general manager Mark Evans about Paul's exposures in the common area. Mark Evans talked to Paul about the employee complaints and told Paul to change in the restroom, but Paul rebutted about the vileness of the restroom and protested that it was not the proper place to change, considering his skin condition. Immediately following that meeting, Evans posted a new policy – effective immediately – that any employee who exposes themselves while changing must change in a restroom.

Davis filed a charge with the State Department of Human Rights, alleging that The Steakhouse discriminated against him because of his psoriasis. After Sheldon Brewer, the owner's representative, received the charge, he directed Mark Evans to meet with Paul. Paul proposed that The Steakhouse install a curtain in the common area, creating a private area for him and other employees to change. Evans said he would discuss the idea with Brewer. Brewer rejected that idea, so Paul suggested that he be permitted to change in a basement room that had no door. Evans said they would think about it and get back to him by the end of the week. The very next day, Evans caught Paul naked while changing in the basement room. He issued Paul a written warning and suspended him without pay for a week. When Paul returned from his suspension, Evans told him that he could change in the restroom of a hotel located within the same building as The Steakhouse. Paul refused, and two weeks later, he filed another charge of disability-related discrimination, this time with the EEOC.

Over a month later, Paul left the restaurant in the middle of his shift without notifying his supervisors, and ran some personal errands, including going to his bank. Because lunch was a busy time for The Steakhouse and because Paul's absence meant there was no one left to serve the customers, Mark Evans fired Paul upon his return.

It was no surprise when Paul Davis sued The Steakhouse and several of its managers, alleging employment discrimination based on his sex and disability, in violation of Title VII of the 1964 Civil Rights Act, and the Americans with Disabilities Act. He also asserted retaliation claims, alleging he was dismissed for complaining about The Steakhouse's sex and disability discrimination.

TWO LEADERS: ONE MAN'S VIEW

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This descriptive critical incident reports a young college student's recollections of two leaders, both of whom were effective despite very different leadership styles, encountered during his summer jobs over several years as a fire crew member in the western United States with a company under contract to the National Interagency Fire Center, the agency coordinating wildland firefighting throughout the United States.

Introduction

My experience as a member of a tight-knit, twenty-man wildfire suppression hand crew started with a two-week introductory class, instructed by a grizzled sixty-something hand crew supervisor and ex-smokejumper. All of his stories, accumulated over forty years of firefighting, seemed to end or nearly end, with death, injury, or attack by some terrible biting or stinging insect. Soon after completing the course, several other class members and I found ourselves in a small, smoke-filled Oregon town, late at night and 280 miles from home. We walked along carrying small duffel bags and wearing our new, stiff, unbroken-in boots, eventually finding the grassy ballpark that served as a crew campsite.

The camp housed the tents of maybe seventy individuals belonging to the members of three twenty-man hand crews plus some other individuals assigned to other duties. These firefighters began filling us in about the job and our assignments and the different crews. I received a lot of useful information and some that was not so useful. A comment like "freshly oiled boots are flammable" was either ignorant or, more likely, fell into the realm of being a joke at the green's expense. Similarly, to my knowledge no left-handed Pulaski (a special hand tool used in wilderness firefighting that combines an axe and an adze in one head with a rigid handle) has ever been found by any ill-advised new crew member sent to retrieve one. Despite this mix of

valid and questionable information, what seemed to be gospel was that Earl's hand crew was the absolute worst crew to be affiliated with.

Earl

Earl had run hand crews for a number of years. Over the first two summers when I was employed with the company, the men routinely talked harshly of Earl when comparing him to the other hand crew supervisors. He had a reputation for being the hard-ass. Earl was of Navajo descent and was consistently a silent man with a seemingly short temper. His hand crew was viewed as being run in a very militaristic style. I personally observed him fire an employee working on his first day for wearing earphones, despite the employee's immediate no-hassle compliance in removing the earphones when told to do so. For a number of years a story circulated, which Earl confirmed, that on an out-of-state assignment he had once fired nine people in a two-week span.

An introductory classmate of mine was assigned a position on Earl's crew. One time, I was given the task of leaving my own location to drive to Earl's hand crew to treat this employee for a medical emergency. Upon seeing Earl and his crew, covered in red fire retardant, hiking out of the smoke, I remember thinking, "God, he is working them into the ground!" One of my best friends, who got me into the firefighting job and was the only individual I personally knew when I started, was on Earl's crew. Because of that, I would have preferred to work on Earl's hand crew that first year despite the war stories about him, but never did. That first night in camp, when I had asked my friend if Earl's crew was that awful, he responded with "No way! Earl's crew is bad-ass."

That first season, opportunities for interaction among the three crews were infrequent because of recurring out-of-town trips by the crews to different locations for two to five weeks. Even when any two crews were in the same place at the same time, socialization between them was infrequent. Crew members work closely together laboring anywhere from eight to twenty-four hours a day. Interestingly enough, this closeness carries over to most other activities when they are not working. That first season, I remember eating in a restaurant at a single table with my crew. I looked over at another one of our crews at their table and thought, "I know none of those guys."

My second season began as a crew member working with Earl for the first time. We spent five weeks on one assignment in the miserably humid South. During that time, and on additional assignments with him that year, I had many opportunities to observe how he treated his employees.

Earl was extremely dedicated to his mission and seemed to be unconcerned about pleasing others in the process of carrying it out. He once told me he really disliked lazy Indians and had worked extremely hard as a beginning hand crew member. He had made crew boss in record time. He showed interest in learning and was open to considering different ways of completing tasks. I saw Earl as impartial when he was correcting employees. He was trustworthy and direct, but he set standards very high and perhaps punished too severely. He seemed to use fear and the potential for meanness as his primary means of control. However, he was able to be a different, more pleasant person when off the clock. Earl attributed his management style to having been learned from his own former crew boss. I realize my perceptions may include my own biases.

I've considered that, in the interest of keeping his crew on assignments longer, Earl exhibited some small amount of favoritism toward me. However, no one ever suggested to me that they thought I received special treatment. I did, and very much still do, trust the judgment of my friend who first introduced Earl to me in such a good light.

Craig

During that same period in the South during my second season, I also was introduced to Craig, one of the other crew supervisors whose hand crew was on the same assignment. Craig was seen as one awesome supervisor who commanded respect. His assignments always ended with a glowing review from his supervisors. He had a great deal of clout within the company, which allowed him to influence who was assigned to his crew. As a result of this selection process, Craig's crews were always highly experienced, and their vociferous approval of him was always high. I believed then, and still believe, that much of the bad opinion among the firefighters toward Earl and his management style resulted from comparing him to Craig. I suspect that without Craig's contrasting example, workers would have focused their complaints on some other aspect of their demanding jobs.

My good friend had decided not to work that second season. However, during our crew's five weeks of working together under Earl, I had developed very positive working relationships with my coworkers. I also had very little to complain about regarding Earl. In fact, I believed him to be a far better supervisor than the boss I had the previous year. I had come to realize an important observation: during both seasons, people on Earl's crew had really never complained about him. The negative comments appeared to be coming largely from those in Craig's group.

During the five-week assignment when the two crews were together, two of Craig's crew members asked me privately if I wanted to switch to Craig's hand crew for the rest of the season. They began their poaching attempt with the usual rhetoric that Craig had the sought-after crew and that I was with the less-desirable Earl. They made it a point to state that their supervisor was specifically interested in me and the medical certifications I happened to hold.

I actually felt little personal commitment to either crew boss; instead, I was more committed to the job. So, without thinking about it very much, I agreed to the offer to switch crews since I got along very well with the two who had approached me. I decided that perhaps the grass was slightly greener on that side of the fence and that I wanted to work with them. This decision determined who I would be working with for the next five months.

Craig was certainly an effective leader overall. I remember him walking us to a fire at the head of the crew down a long dirt road in 116 degree heat. I began to feel sick and sat down for five minutes, resulting in constant razzing thereafter from both Craig and the crew. Craig had good people skills and was far more extroverted than Earl; people liked him. He exuded a strong presence of control. He also could be quite a jokester, sometimes to the point where you never knew when he was serious. However, I saw he could be temperamental and quite moody as well, was sometimes inconsistent with discipline, and could be vague at times, thus seeming to be untrustworthy. And while I never heard Earl say anything critical of Craig, I did see the reverse from both Craig and his crew. Those on Earl's crew simply seemed less interested in making comparisons to other crews.

Craig's influence on hiring and employee placement led to his having a much more experienced crew. I heard numerous times that there were "too many chiefs and not enough Indians" on his crew. I believe Craig used his interpersonal skills to instill a sense of gratefulness in his workers. A vocal and persistent minority made comparisons and placed a halo on Craig and horns on Earl. I believe Craig could have set a better example by not casting aspersions on other crews.

I ended up being one of only a few crew members who had the opportunity to switch crews that year. I've since come to know that both crews had great productivity. Spending time on both crews afforded me a vantage point to compare and contrast the two very different management styles. During those summers and since, I have tried to understand why the two crew supervisors were viewed so differently and what effects their differing management styles had on their crew members. I saw both leaders as having done a great job of supervising despite their extremely different approaches, and I would have no complaint upon being assigned to work for either again, although I've been curious as to why I nearly always preferred Earl over Craig.

Epilogue

It would be Earl's last season supervising crews. After burning his leg badly, he became an engine boss, a job where he was responsible for only two other people. Craig continued to supervise for another few seasons and then moved into a newly created job as assistant base commander, where he supervised two other people and taught the initial two-week courses for new hires and one-day refresher courses for all returning firefighters each year. After moving on to these jobs in the company, neither man expressed any interest in leading crews again, a job that had always had high turnover. Current employees in the company had a very favorable opinion of Earl. When I asked Earl why, his response was "I killed evil Earl."

UNWELCOMED ADVANCES: FEMALE TO MALE HARASSMENT

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There are job-related and non-job-related distractions that come along in every employee's life, but you still have to focus on the work that needs to be done. Consider the situation in which Dan Ryan, a 54-year-old maintenance worker for a large resort in southeastern Georgia, found himself.

Most of his co-workers and members of the management team would say that "Dan has continued to impress us over the years. His performance and [atti]tude are remarkable considering what he has been through." Dan lost his wife of 26 years to cancer six months prior. In spite of this devastating loss, Dan kept his passion for his work. He could have retired several years ago, but it's a good thing he didn't. His job became all he lived for. A mechanical whiz, he could take apart and rebuild computers and service all of the resort's electrical problems. Employees constantly praised Dan. "He can repair a hard drive, install a ceiling fan, or wire outlets. You name the electrical/mechanical problem and Dan is your man. He can take it apart and make it work better!"

But there was one thing that he had not been able to fix – Bunny Bolen. A married, thirty-something receptionist at the resort, Bolen, like Dan, had a blemish-free work history. She consistently welcomed guests with a professional, positive demeanor and provided high-quality administrative support to management and staff. One day for no apparent reason, Bolen handed Dan, a co-worker in another department, a note that said she was "turned on" and wanted to "go out." Dan interpreted this as an unprofessional "basic flirtatious come-on" and told her he was

not interested. Bolen told him that she had heard from a co-worker that he missed coming home to his wife and that he was looking for a female companion. Dan reaffirmed that he was not interested.

Shortly thereafter, Dan informed his immediate supervisor, Neal Patrick, of the situation and stated that he had no romantic interest in Bolen or anyone else. Patrick listened to the story and told Dan to tell Bolen that he had no romantic interest in her, and that if she kept it up, the HR director, Nora Caldwell, would hear about it. Neal had been in the tourism business long enough to know that the potential for allegations of sexual harassment, even from guests, was always present in a resort setting as “booze and beds” are prominent features of the landscape. However, allegations of a female employee harassing a male employee was something new in this particular setting. While these issues could sometimes get messy, Neal was confident that Dan would take his suggestion, be direct with Bolen, and that Bolen would cool off and leave Dan alone. They were both rational people. Surely they could deal with this in a professional way and move on.

The next time Dan saw Bolen, he told her that her “unwarranted flirtatious advance” was not welcome. He told her, “I am NOT interested. You’re married and I don’t want to be involved in something like this. Why can’t we just be friends on a working basis?” Smiling, Bunny sauntered away.

To add fuel to the fire, when Dan shared his frustration with a couple of fellow workers and the team leader, they laughed and told him to take her out and “get it on with her.” One even implied that Dan must prefer men since he didn’t take advantage of the opportunity that was being offered to him. Later that afternoon, though, when the team leader saw Bunny in the hallway, he stopped and said “Hey Bunny, lay off Dan, would you? He’s a good guy.” Bunny didn’t even acknowledge him and just kept on walking.

A few days later on a Friday afternoon, Bolen approached Dan in the parking lot and handed him a picture of her, a head-and-shoulders-type photo which left nothing to his imagination. “I’ve told you, I am not interested in any woman and especially not one that is married. Buzz off!”

Dan immediately sought out Neal Patrick. He related the recent events and asked if there was some company policy or procedure that could be used to get her to stop pestering him. Patrick tried to reach someone in HR, particularly Nora Caldwell, if she was in. No one was available at that time to give guidance. Patrick told Dan to come in early on Monday and they would get to the bottom of this.

On Saturday evening, after returning from dinner with one of his daughters and two grand children, Dan logged on to his computer to see how his favorite teams had done. Much to his surprise, there was an email waiting -- sent by Bolen via the resort’s computer system. The gist of the message was that Bolen was having “crazy dreams about you and I being in the bathtub” and concluded by saying that “I give a good bath and body massage.” Dan was furious and wished that Monday morning was already here.

Early Monday morning, Dan and Neal Patrick met with Nora Caldwell. Dan relayed the events of the past months and gave Caldwell a copy of the email. Caldwell thanked Dan for bringing this to her attention and promised to get back with both men before the end of the day.

After they left, Caldwell quickly reviewed the company handbook and policy and procedure manual. Two items caught her attention: (1) Computer Use Policy: "Using e-mail to harass others is a major infraction and will result in disciplinary action up to and including termination." (2) No-Harassment Policy:

"The Company does not and will not tolerate harassment of our employees, guests, vendors or others affiliated with the resort. ... Harassment includes sexual advances; requests for sexual favors; unwelcome or offensive touching; and other verbal graphic, or physical conduct of a sexual nature. ***Violation of this policy will subject an employee to disciplinary actions, up to and including immediate discharge.*** ...Please do not assume that the Company is aware of your problem. It is your responsibility to bring your complaints and concerns to our attention so that we can help resolve them."

Caldwell found herself in a quandary. Dan Ryan had described an ongoing problem that his supervisors refused to adequately address. He wanted Bolen's behavior toward him stopped, and he brought the problem to Caldwell in desperation. A review of the files of both Dan Ryan and Bunny Bolen revealed that both were "above average employees," and neither had been issued disciplinary actions or write-ups in the past. In fact, both employees' files contained complimentary notes of praise. Taking action would likely result in losing one of these valuable team members, and not taking action could have the same outcome, or worse. And what were her managers thinking, just letting this go on? Something had to be done right away. If you were Nora Caldwell, what would you do now? Why?

WHOSE MONEY IS IT?

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This critical incident was prepared by Roy A. Cook, Professor Emeritus, Fort Lewis College and Edwin C. Leonard, Jr., Professor Emeritus, Indiana University Purdue University Fort Wayne and is intended to be used as a basis for class discussion. The views presented here are those of the authors based on their professional judgment and do not necessarily reflect the views of the Society for Case Research. Copyright © 2011 by the Society for Case Research and the authors. No part of this work may be reproduced or used in any form or by any means without the written permission of the Society for Case Research.

There was no question about it; being a server at Charley's Restaurant was hard work. You were on your feet all evening, doing your best to make the dining experience pleasurable. However, there was a reward to look forward to for all of your hard work – tips.

When the practice of tipping for food service started, no one knows for sure, but the custom had become firmly established in American restaurants and bars. In fact, tips had become so common, that an acronym was now associated with the practice; **TIPS, To Insure Prompt Service**. And, tips had become a significant part of many food servers total compensation.

By tradition and practice, customers typically left 15-20% of the total check as a tip. During a busy meal period, tips for fast, efficient, and pleasant service could be very rewarding. Under the Fair Labor Standards Act (FLSA), restaurants like Charley's were allowed to take a tip credit and pay servers less than the federally mandated minimum wage, based on the assumption that servers received tips from their customers.

While receiving tips may seem like a simple and expected practice, the distribution of tips can become a cause for concern and dissatisfaction. When servers receive all monies left on the table and credit and debit cards the servers are satisfied, but greeters, bussers and kitchen staff can feel left out. Recognizing the importance of the whole service team, servers frequently share a small portion of their tips with bussers. Some restaurants attempt to address what may seem like an inequity by establishing tip pooling plans. In these plans, servers pool and divide all of their tips based on pre-established allocation formulas.

No matter how tips are received, it seems like someone is always dissatisfied. In fact, dissatisfaction would be putting it mildly for one server at Charley's, Katy. She was downright

mad and wasn't going to take it anymore. She had decided that the tip pooling plan at Charley's was unfair and she was taking action to make sure that she would be treated fairly.

Charley's followed the practice of pooling tips. The idea in and of itself wasn't so bad. If you had a bad day, had some lousy tippers for customers, or were assigned to a slow station, you could make it up by dividing tips equitably with other servers. The problem was, as far as Katy was concerned, was that Charley's included the kitchen staff in the tip pool. Katy didn't mind pooling her tips with the other servers or giving a little bit to the bussers, but she finally decided to draw the line when it came to sharing with the cooks and dishwashers.

Katy had known about the practice at Charley's of servers receiving only 30% of the pooled tips in proportion to their hours worked and the kitchen staff receiving the remaining 70% when she was hired. She had accepted the idea because Charley's hourly pay rate had been \$2.10 above the federal minimum wage. But, once she saw the money from her "hard work" being "taken" away from her and being given to "those out-of-sight" people, it was more than she could stand!

Katy wanted "her" money back and filed suit against Charley's to get it. Katy claimed that, although Charley's had paid her more than the required minimum wage, it had violated the FSLA. She claimed that even though Charley's had not taken a tip-credit, it was not customary for cooks and dishwashers to participate in the tip pool.

Since no management or supervisory employee participated in the tip-pooling plan, Charley's argued that the compensation program was valid and no laws were violated. So, whose money is it?

TO MARKET OR NOT: SHOULD ARLO INC. COMMERCIALIZE ITS SOAP DISPENSER PRODUCT?

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Dave Hadden looked at the clock by his bedside. It was 5 am, but he felt wide-awake. His mind was buzzing with ideas about his latest project, the motion sensor liquid soap dispenser that he had developed. All this time, he had not felt any urgency in rushing his invention to market. Then, a few days before, his friend Lance had sent him a website showing a Lysol dispenser with similar features. Dave realized that he had to move quickly if he wanted to commercialize his invention. He didn't feel ready to drop the whole soap dispenser project into which he had already invested a lot of time, energy, and money. Should he invest further in this project that had held so much promise?

The Entrepreneur

Dave Hadden had shown signs of being an entrepreneur from a young age. "I guess it was in my blood" he mused. "When I was five my mom tells of finding me with a wagon full of flowers I'd pulled up from our yard, selling them door-to-door." As an Engineering major at San Jose State University, Dave had his own fixit company. Upon graduating in 1964, he secured his first job at Fairchild Semiconductor Company. He worked at Fairchild for nearly five years, then embarked on his own entrepreneurial career, which included founding three start-ups, of which two were successfully acquired. He founded his third company, Arlo Inc., in partnership with his wife, Joan. Dave reminisced, "I've always invented around a core technology. Over the last 40 years we've had about seven very successful products, a few dozen that were OK, and several hundred failures. But, financially, the successes more than made up for the failures...."

Dave declared, “I discovered early on that I could make a lot more money working for myself than for someone else.” At the same time, he and Joan “were more interested in having free time than seeing how much money we could make. With that philosophy we looked [to develop new] products that could generate a great cash flow, but probably not the kind of company that could be sold for millions or ever go public. We deliberately decided that we wanted to be a virtual corporation...we have no employees, work out of a home office and contract out all of our manufacturing or license products...I leverage my time by licensing. That way I get paid for the value of what I actually accomplished, not for the hours I worked on it. And, it allows me to spend most of my time doing what I enjoy, namely, creating products. I’m results-oriented, not process-oriented.”

Motion Sensor Liquid Soap Dispenser

In 2005, Dave began working on applying motion sensor technology to develop a new liquid soap dispenser product. Convinced that it was a good idea, he invested nearly \$100,000 of his savings plus a lot of time into its development, trying to get Procter & Gamble to see the dispenser as the razor that would allow them to sell more blades (soap), since a hands free dispenser could be a new category for them in a mature industry that lacked significant innovation. In retrospect, Dave mused, “we were too early with our idea. We got indications about a year ago that the timing might be right for the product now, with all the concerns about germs and hand sanitizers.” He continued to refine the product, and decided to survey potential customers to evaluate its demand.

Soap Industry

In 2009, the US soap and detergent manufacturing industry included about 650 companies, with combined annual revenues of more than \$30 billion. The top 50 companies generated about 90% of revenue (First Research 2010). It was about evenly split between the consumer and commercial segments. Both segments were highly competitive, and large companies spent millions to maintain market share. Major companies in the consumer sector included divisions of Procter & Gamble (P&G), Unilever, Colgate-Palmolive, and Dial (a subsidiary of Henkel). Scale advantages in almost every aspect of operations presented major challenges for smaller manufacturers. Packaging accounted for about 20% of product costs, and included bags, boxes, bottles, tubes, and labels. Companies often relied on or provided third party contract manufacturing services (First Research 2010).

Major customers for the consumer segment included supermarket chains, mass merchandisers, drugstores, and warehouse clubs. Most companies also sold to third-party distributors. Marketing and promotional vehicles for the consumer segment included TV and magazine advertising, coupons, direct mail, and websites. The output of US soap and cleaner manufacturing was forecasted to grow at an annual compounded rate of 4%, between 2009-14 (First Research 2010). Companies relied heavily on large retailers like Wal-Mart, Costco, and Target for a sizable share of business. These large retailers had the power to demand price concessions and supply chain management services from manufacturers. In 2008-09, the soap, bath and shower market posted “lackluster growth...in part due to a lack of innovation that would entice consumers to purchase new and different products rather than the usual staples” (Mintel, 2009). With market maturity, large brand manufacturers delivered line extensions that served multiple needs. Liquid soap was an example of a product line extension that offered convenience and could generate growth.

Market Research

In 2009, Arlo Inc. commissioned Totem Brand Strategy Inc., a market research firm, to survey potential customers' preferences for its proposed soap dispenser. The research was conducted among US adults using Zoomerang.com, an online survey tool believed to reach over 2 million people (zoomerang.com). According to Suzan Briganti, Totem's President, "an online survey of this kind is deemed to represent the "population" of US adults with Internet access." Overall, the 660 respondents who completed the survey matched the expected target market. Respondents were shown a prototype of the soap dispenser (Figure 1), which had a wave or swan shape, and was designed to house an aerosol can that contained the liquid soap. The cans of soap were replaceable and recyclable. They were asked to rate the product's appeal, usefulness, and uniqueness, on a 5-point scale. A majority rated the product as 'very' or 'extremely' appealing, unique, and useful. The most important perceived benefits were that it reduced the chance of germs spreading (identified by 72%) and avoided the mess of bar soaps (41%). As regards price, 63% of respondents expected to pay \$7.99-\$12.99 for it, the mid- to higher end of the price spectrum offered, perhaps reflecting the inclusion of three refills in the price. The weighted average price, based on those who responded that they were 'Very or Extremely Likely to Purchase', was \$8.79-\$8.63, respectively.

According to present estimates, the manufacturing cost of the soap dispenser would be \$2.25-3.25 per item. This would exclude the aerosol soap which would cost about \$1.00-\$1.30 per can) for 100,000 units. Based on their experience, Arlo believed that they would need a 5-times mark-up on the manufacturing price, to allow for manufacturer, distributor, and retailer profits. However, that would result in a higher average price than potential customers were willing to pay for the product, based on the market survey.

Decision

As Dave lay awake in bed, he considered his options. Lysol had just introduced the no-touch hand soap system that retailed on Amazon.com for \$18.45. Other similar products were being advertised on TV by Idea Village, a big infomercial company. An Internet search revealed that there were other rival products available on the market, with prices ranging from \$17.95 to \$165. Dave had just thought of a way to lower the production costs of the soap dispenser using a slightly different technology, which would enable it to be retailed at a more competitive price. He wondered whether to start developing the new prototype immediately. If he did enough engineering to validate his idea, he could hire an engineering company to make the prototype. He had already invested \$100,000 cash into this product. Was it worth investing another \$30,000, plus the additional investment in effort and time? Dave felt confident that, if it worked, the new design could lower manufacturing costs to around \$1.70 per unit. Dave knew he had to make a decision in the next couple of days, if he wanted to leverage this opportunity.

Figure 1: Touchless foaming soap dispenser

a. Arlo



1b Gettington



1c Idea Village



1d Lysol



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BALLIN' ON BURRIS

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“How in the world did we get here?” thought Paula Daniels, President of McGee University. What started as a simple basketball pep rally had escalated into a major campus controversy involving students, faculty, staff, and potentially the local community. The pep rally, to be held on campus outside of the administration’s offices in Burris Hall, was scheduled for Wednesday afternoon – only two days away. If President Daniels were to step in, she would need to do so immediately. But did she need to do anything? Or, could she let the issue blow over without action? No matter what her decision something needed to be done quickly.

McGee University

McGee University, a small private liberal arts school was located in the heart of Langley Park, an older, affluent neighborhood of a large city in the southeastern US. Having begun as a women’s college before the civil war, McGee had a long history of supporting women’s educational and career objectives.

With falling enrollments and diminishing student interest in single gender institutions, McGee became a coeducational institution in 1987. With the admission of men, the sports programs had grown rapidly. Even though the student population was still 70% female in 2010, male sports teams were drawing significantly higher attendance and female teams were becoming marginalized.

McGee University Sports Marketing Club

The McGee University Sports Marketing Club was started two years prior by a group of athletes and non-athletes interested in promoting McGee's interscholastic sports teams. A relatively popular club with 25 members who were studying a diverse range of majors, the mission of the club was to increase awareness throughout the university of upcoming interscholastic sporting events and to increase attendance at these events. Some of the promotional activities the students developed included pep rallies; tie-dyed T-shirts with the McGee logo; gift certificates, candy, and team paraphernalia for giveaways at games; various signage announcing game dates and times; and tent cards on dining tables displaying team schedules. Although efforts during the 2009 academic year had been effective in increasing attendance at both male and female events, attendance at women's games continued to lag far behind that of men's games. A 2009 pep rally had proven to be the most effective way to improve attendance. In 2010, the club decided to kick off the basketball season with another rally.

Lindsay Cole, a student member of the Sports Marketing Club, sent email invitations to professors from various colleges within the university whom students had identified as being "highly spirited." In her email, she stated,

"Ballin' on Burris, if you don't already know, is a kick-off celebration to the women's and men's basketball season. It will be held outside in Burris circle on October 22nd, where many students and faculty can attend. There will be bbq and games, along with spectator events as well. The goal is to reach all areas of campus and see representation from all clubs, orgs, athletics, Greek life, and you – the faculty."

The Controversy

Faculty reaction to the theme "Ballin' on Burris" was swift. The first professor to respond stated, "Thank you for including me on your list of "spirited" McGee professors. I am a long-time fan of the Monarchs and have enjoyed an especially close relationship with the basketball teams for many years. However, I cannot, in good conscience, participate in this event: its name is offensive, not only because it is a crude sexual reference, but also because the reference emphasizes male anatomy. Women's basketball at McGee already receives much less emphasis than men's basketball. If the planners of this event genuinely seek to celebrate both of the Monarchs basketball teams, they should reconsider the name and focus of this event."

A second professor stated,

"I agree that language is VERY important. And the reason balling then shortened to ballin originally was adopted was because of its sexual connotations. We need not continue the degradation and vulgarization of our language and culture. In fact, as an academic institution we should insist on rising above it."

A third professor commented,

"I see this as an unnecessary sexual reference that indeed favors the men. I am all about supporting and happy to do anything to help but this is a bit much for me."

In an effort to quell the rising tide of negative feeling elicited by the term “ballin’,” the club’s faculty sponsor wrote the following email to all professors who had received the original email from Lindsay:

“I am sorry this name has become an issue. I can honestly tell you that we had several men and women as part of this committee and nobody ever had this vernacular in their mind. In fact, Ballin’ is used in the basketball world, by both men and women, to mean basketball. While it is slang it is widely accepted to mean basketball. I have copied a web page to give you an example of how it is widely accepted with no reference to male anatomy. In fact, the web site is owned by a female: <http://www.ballinisahabit.net/> .

Nevertheless, I respect your right to have this opinion. But I hope you know that I would never sign onto anything that would be offensive to women or slight women’s basketball in any way. As a former women’s basketball player I know all too well the concerns you are raising, and I appreciate your doing so, but I just do not see them as relevant in this particular case.

In fact, I have spoken with members of the McGee women’s basketball staff and they too have never considered the name to be offensive or slighting them in any way and are supportive of its use for this event.

I hope you know how much I value your opinion and support of athletics and can agree that on this one we can just agree to disagree.”

This effort resulted in the following email from the faculty member who had provided the initial faculty response.

“Have you considered how "Ballin' on Burris" might be perceived by our Langley Park neighbors? Our reaction may be but the tip of the proverbial iceberg here.

The term may have no deleterious implications for you and others on the planning committee, but among old fogies like me it is deeply offensive....

I will not abandon that fight now. For me, language matters. The history of a word matters. For me and others of my generation, "ballin'" does not conjure up images of basketball and the joys thereof. It betokens images of women objectified and marginalized. That this does not matter to women who now benefit from the sacrifices of those who came before them saddens me, but it does not, in any way, deter my Quixotic quest for what I believe is right.”

What to Do

Paula Daniels wondered how to respond to her dilemma. Seeing a clear difference of opinion over the meaning and acceptability of the term “ballin’,” Daniels sought to understand the dilemma from the perspectives of the students, the faculty, and the local community, which had traditionally been supportive of McGee sports programs. Should she act or hope the controversy would quietly fade? Was there a learning opportunity for students that could be exploited? Time was short and the stakes were growing higher.

BITTER WITH THE SWEET

Joe G. Thomas, Middle Tennessee State University

Ralph I. Williams, Middle Tennessee State University

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Roger stormed into John's office and was obviously not happy. Of course, anytime Roger was upset John took time to listen. Roger was Williams Printing's top salesperson; and as Vice President of Sales, John wanted his number one producer to be motivated and concentrating on finding more business. Roger, a print sales veteran and a long time Williams Printing employee was not one to let little things bother him. But, Roger was certainly upset as he painted the picture for John:

"I sold this job for \$20,000 including a \$3,000 markup. As you know, we're paid 4% of the total job price and 25% of job profit. I was expecting to make \$1,550 (4% of \$20,000 plus 25% of \$3,000). But the plant had problems and the job cost \$24,000 to produce. So instead of making \$1,550 in commissions, this job cost ME \$200 in commissions (4% of \$20,000 plus 25% of -\$4,000)! John, why should I fight to bring in new business if I run this risk of actually losing money? I would be better off to just sit on my present book of business, which the plant produces well, and watch the calendar pages turn until I reach retirement."

As John listened to Roger express his frustration, John remembered similar conversations with other members of his 14 person sales staff. And, since a major component of John's compensation was based on commissions from what he sold personally, John had experienced Roger's frustration with a few of his own projects.

The Williams Printing Sales Compensation Plan

In Roger's long tenure with Williams Printing, both he and the firm had enjoyed some great years. Williams Printing's reputation was excellent, known in Oregon for producing high quality

and excellent service. During more prosperous times, Williams Printing's owner, Bob, installed a sales compensation program he called the "Bitter with the Sweet." Salespeople would receive an "estimate" of the costs associated with producing a particular printing project. The salesperson would then decide how much "mark-up" to apply. In the commission-only plan (no guaranteed salary), pay was affected by the actual profit or loss associated with printing the "job." If manufacturing performed better than the estimated cost, the salesperson would make more money. If manufacturing under-performed, the salesperson would make less money. Basing individual sales commissions on actual cost, Bob felt, would motivate salespeople to apply higher mark-ups and also motivate them to do all possible to get the job through the plant efficiently. During the company's prosperous years, high markups were the norm, the salespeople were well paid, and everyone was happy. Occasionally, a negative amount would appear on a commission sheet, but there were more than enough "big wins" to make up for losses, plenty of "sweet" to cover the "bitter."

The Williams Printing Sales Team

Around the turn of the century, market forces in the printing industry began to change. Several technological developments enhanced industry productivity, increasing supply. Simultaneously, demand shrank as several substitutes for printed products began to appear; most notably, the internet. The result was an industry with too many players chasing too few customers. As technological gains provided more printers the ability to produce high quality, most competitors began to offer great service, and supply continued to outpace demand. Williams Printing's ability to sell at high markups vanished. Thus Williams Printing's sales team experienced a reduction in compensation due to reduced revenue and lower markups. Overall, the plant was pretty efficient, but without the higher margins to protect them from plant inefficiency, salespeople were experiencing more negative commissions. While there were still some "sweet" projects on which the plant beat the estimate and the salesperson made more commission than was anticipated, the growing number of "bitter" projects sure left a bad taste in the mouths of salespeople.

As the recession of 2008 bit hard, Williams Printing was struggling each month to generate enough revenue to breakeven. In that context, salespeople were often encouraged to sell jobs "at cost" just to get business in the door. The result, salespeople were often rewarded with the "bitter" taste of negative commissions for doing what management requested they do.

In recent years Williams Printing's seasoned sales team had accepted their shrinking, but dependable, annual sales numbers. Most of the firm's fourteen salespeople were long-term Williams Printing employees and were proving to be a challenge to motivate. John had worked hard to change the culture of the sales team and his efforts were paying off. Recently, more prospecting was occurring and, even in the challenging environment, morale seemed to be improving. But, would growing concern over the "bitter with the sweet" compensation plan cause the positive trend in sales activity to turn south?

Sales Expenses at Williams Printing

And what about the company's overall financial situation? Trent, Bob's son, was now the firm's president. Applying what he had learned in college, Trent performed much more detailed financial analysis than his father had. Bob had lead from his instincts, now Trent managed from

his understanding of the numbers. Trent discovered Williams Printing's total sales costs exceeded industry averages. Just over 9% of Williams Printing's revenue was spent on sales expenses and commissions while the firm's competitors averaged spending only 7.5% of their revenue on sales expenses and commissions.

As Williams Printing averaged \$20 million in annual sales, they were spending \$1,800,000 on sales expenses while their competitors with the same revenue spent \$1,500,000. Given Trent's watchful eye over the company's numbers, a change would have to be considered in the light of what Williams Printing's competitors were paying their salespeople. A move to correct the "bitter with the sweet" issue could enhance their competitors' sales cost advantage, complicating the already difficult pricing situation.

What to do?

John's office was quiet after Roger left, another late night. He pondered Roger's comments and his possible options. Several thoughts swirled in his tired mind. Making a concession on Roger's "problem job" would set a standard for handling negative commissions for Williams Printing's other sales people. John stared out his window and wondered, "What, if anything, should I recommend to Trent?"

JD & SONS HAVE TO DECIDE ON THE FATE OF THE BUSINESS

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Jack Smith, President of JD & Sons, a family owned distributor of building products, was very near declaring bankruptcy (uscourts.gov 2011), experiencing a major liquidity crisis in its long history of over 120 years: The economy was down affecting the company's business; and its key supplier had threatened to terminate its relationship if JD & Sons sold competing products. To top it all off, the company's bank was about to pull out of the bank's credit line.

JD & Sons was owned and operated by the fourth and the fifth generations. The owners were meeting to consider options to respond a liquidity crisis which could bankrupt the company. Jack Smith was at a loss to explain this lack of liquidity. He attributed this liquidity crisis to the general malaise in the economy and subsequent reduction in houses being built. He was also aware that the loss of product support from a major manufacturer was also hurting the business, perhaps more so than the economy itself. Just as important, he was aghast at the speed with which the bank was going to withdraw its financial support.

Following an inability to prevail in a costly lawsuit against a significant vendor, the JD & Sons distributor of custom woodwork and other building products was faced with the loss of credit from its principal bank. Without a line of credit there was insufficient cash to operate the business. Maryland Bank had supported the company since 1900 and JD & Sons was the bank's oldest customer.

The bank's support continued during the litigation but signs were clear that if the company failed to prevail, the bank would likely want to withdraw. Twenty-five current vendors whose products the company distributed were waiting for the results of the litigation and the path forward.

The company owned all the buildings and property together with machinery and equipment. However, these would not provide the liquidity necessary to operate. Jack knew that over the years the company had also established itself as a reputable operation to both customers and suppliers and these two groups would likely not abandon the company in its time of need.

Management needed to plan the next step forward. Making the correct decision to keep the business operating would be the prime goal if the business was going to pass from the fourth to the fifth generation.

In its quest to meet its obligations, Jack had also met with an out of state distributor of building products who wanted to expand to the Baltimore market. However, these discussions did not seem to proceed in a favorable light as it became obvious that the prospective buyer was attempting to take advantage of the company's current vulnerable position.

The struggle to survive the loss of sales of a major product line and potential financial support from its principal lender motivated the company to evaluate its options:

1. File for bankruptcy and re-organize; or
2. Sell the business and property to the out-of-state distributor; or
3. Down size the business.

Notes on Bankruptcy

¹See <http://www.uscourts.gov/FederalCourts/Bankruptcy.aspx> - accessed 29 April 2011
“Bankruptcy laws help people who can no longer pay their creditors get a fresh start – by liquidating assets to pay their debts or by creating a repayment plan. Bankruptcy laws also protect troubled businesses and provide for orderly distributions to business creditors through reorganization or liquidation.

“Most cases are filed under the three main chapters of the Bankruptcy Code – Chapter 7, Chapter 11, and Chapter 13. Federal courts have exclusive jurisdiction over bankruptcy cases. This means that a bankruptcy case cannot be filed in a state court.”

Chapter 7:

<http://www.uscourts.gov/FederalCourts/Bankruptcy/BankruptcyBasics/Chapter7.aspx> - accessed 29 April 2011

Chapter 11:

<http://www.uscourts.gov/FederalCourts/Bankruptcy/BankruptcyBasics/Chapter11.aspx>

“Reorganization Under the Bankruptcy Code

“The chapter of the Bankruptcy Code providing (generally) for reorganization, usually involving a corporation or partnership. (A chapter 11 debtor usually proposes a plan of reorganization to keep its business alive and pay creditors over time. People in business or individuals can also seek relief in chapter 11).”

MSWIRES: SOURCING FOR A PARTS SUPPLIER

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Keith Godeaux, purchasing agent at MSWires (MSW) was talking on the phone on a Friday afternoon with his superior Horace Gardner: “They’re bankrupt! I can’t believe it! How are we going to get the needed parts? Do you have any idea what this will cost us? What can we do?” Both Horace and Keith knew that if MSW was unable to obtain the needed parts it could face financial ruin. To resolve the challenge, Horace asked Keith to calm down and stop by his office.

MSW, a manufacturer of automotive components, was located in Tennessee about 100 miles south of Toyota’s Georgetown Plant in Kentucky. MSW supplied seat mechanism assemblies to Toyota.

Just after 2:00 PM that day, Keith Godeaux, came to see Horace Gardner, the purchasing manager. Keith had been wondering about the challenges created by the failure of CCMaterials (CCM), especially with regard to its inability to provide its plastic parts to MSW. CCM also held MSW’s fixtures for making the plastic parts. Keith remembered from his MBA course on supply chain management that, as a first-tier supplier to Toyota, he was required to meet his responsibilities with respect to reliability and on-time delivery, systematic order fulfillment, fill rate (% of demand met from stock), perfect order fulfillment, flexibility, supply chain response time, upside production flexibility and asset utilization. These considerations also drove MSW’s operations strategy. Figure 1 represents Toyota/MSW/CCM supply chain. In this supply chain, MSW was considered Toyota’s Tier 1 supplier, and CCM was a Tier 2 supplier.

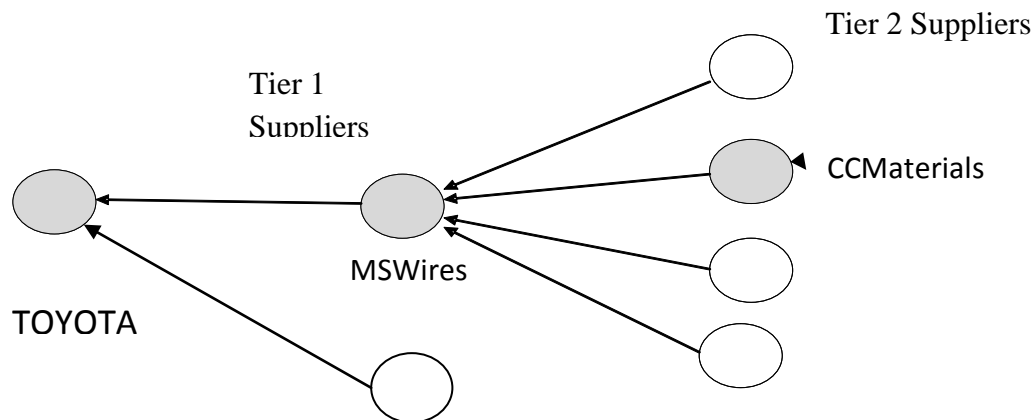
Keith was explaining to Horace, “I just got a call from the owner of CCM. The owner said that at 5 PM today CCM is closing its doors for good. It has filed for bankruptcy and henceforth will not be able to supply us with any more parts. I don’t even know if we can retrieve our molds.”

Keith, continuing the conversation with Horace, said, “We have enough parts to take care of this coming Monday’s and Tuesday’s shipments to Toyota. After that, if we cannot deliver our products to Toyota, Toyota’s Georgetown plant will grind to a halt, with hefty penalties to us. In the event MSW is late in delivering parts to the Toyota assembly line, the penalty to MSWires varies from \$7,000 to \$10,000/minute. Horace, do you have any suggestion to resolve this issue? I will try to retrieve our five main molds and 14 service parts molds from CCM today. The CCM bankruptcy caught me completely by surprise. ”

Horace listened to Keith and said, “What do you think about CMParts (CMP), an ISO 9003 certified business, as a replacement for CCM? CMP has been trying to get the plastic molding business from us. It is only 30 miles from here. But CMP has only two injection molding machines, and may not want to dedicate them entirely to our requirements. The other challenge is that CMP has only been in the injection molding business for a short time. Do you think we can approach Toyota’s Japanese suppliers? Of course, importing from Japan means that the parts will have to be airlifted, and that will be very expensive until we can get alternative shipping in place.”

What should Keith Godeaux do in the short- and the long-term to resolve MSW’s supply challenges?

Figure CI - 1 Toyota’s supply chain connecting CCMaterials to MSWires



More information about ISO standards is available at <http://www.iso.org>

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FRANCHISING IN THE DAIRY SERVICE INDUSTRY

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In 2009, dairy farms could be found in all fifty states and dairy farming was the number one agricultural business in California, Idaho, Maine, Michigan, New Mexico, New York, Pennsylvania, Vermont and Wisconsin (*Dairy Farming Today*). However, faced with an overabundant supply of milk, milk processors cut the prices they were willing to pay dairy farmers for their milk, in many cases below what it cost the dairy farmers to produce the milk (Crumb, 2009). Dairy farmers soon discovered that the only way to raise prices was to reduce supply. The most expedient way to do that was to reduce the number of cows. Recognizing that, farmers began slaughtering their cows. It is estimated that as many as 55,000 cows were slaughtered each week (Crumb, 2009). Fewer cows meant less demand for dairy equipment. As a result, dairy equipment manufacturers, like SDF, suddenly found their ability to compete in the industry being tested as never before. SDF's president met with several of his advisors to discuss the situation. They identified several options, including switching their distribution method from independent dealers to franchises. After the meeting, SDF's president asked his legal counsel to identify franchising's potential advantages and disadvantages to SDF from a legal perspective. SDF's legal counsel knew the potential advantages and disadvantages that franchising offered, but wondered which ones would have the most impact on SDF. Furthermore, with the dairy industry in such a state of decline, and the fact that some financial experts predicted that 2009 would see as much as a forty percent reduction in available financing for franchisees (Wilson, 2009), was now the right time for SDF to switch?

SDF

SDF offered a full line of milking equipment as well as feed, hygiene and cleaning solutions. Although it had operations around the world, SDF was a privately held company whose owners valued their privacy. By 2009, they were used to doing business in the United States, but fully aware of the frequency with which lawsuits were filed in the United States they carefully considered the legal implications of every decision they made. They also carefully considered the legal implications of each claim they included in their marketing and advertising literature.

SDF marketed and sold its products through independent dealers who specialized in the sale, installation and maintenance of dairy equipment. The relationship between SDF and its dealers was governed by state dealer protection laws and dealer contracts which set out certain rights and obligations of both parties. The contracts gave the dealers the right to buy SDF products and resell them in a given territory in exchange for which the dealers agreed to meet minimum annual purchase requirements and to provide warranty and maintenance service for SDF products. Although the dealer contracts set forth the terms under which the parties could terminate the contract, state dealer protection laws restricted SDF's right to do so. The dealer contracts also spelled out the terms under which SDF would repurchase a dealer's inventory of SDF products when the contract was terminated. SDF had a good relationship with most of its dealers, but as independently owned and operated companies, SDF could not control them and the dealers managed their businesses as they saw fit. Although sometimes SDF wished it had more control over some of its dealers, SDF knew that the less control it had over its dealers, the less likely SDF would be held liable for the dealer's actions.

Franchising Advantages and Disadvantages

SDF's counsel knew that franchising offered several potential advantages to a party considering franchising, including:

1. Franchisee fees, paid at the creation of the franchise, provided income to the franchisor. The amount of the franchise fee varied depending on the industry and could range from as little as \$10,000 to over \$100,000 (AllBusiness). Franchise royalties also provided income to the franchisor. Franchise royalties, paid through the life of the franchise, were generally based on a percentage of the franchisee's revenue (Roberts, 2007).
2. Franchising allowed for marketing support funded by the franchisees (Holmes, 2003).
3. Franchisees hired their own employees, thus reducing the number of employees a franchisor might otherwise need if they employed their own sales force. Fewer employees would mean less overhead for the potential franchisor (Rookes, 2010).
4. Because franchisees were owners, they had a vested interest in the success of the business and they tended to be willing to devote their time and money to growing the business (Holmes, 2003).
5. With a franchise, the franchisor established procedures and standards that the franchisee had to follow. This gave the franchisor a measure of quality control over franchisees (16 CFR pt. 436 (1979)).

SDF's counsel also knew that franchising presented several potential disadvantages to a party considering franchising, including:

1. Franchises were subject to the FTC Rule on Franchising and state franchise laws. Complying with these laws could be time-consuming and expensive. In addition to the disclosures required under the FTC Rule, several states required disclosure documents that had to be reviewed and approved by a state agency annually before a franchise could be offered in that state (Bordman, 2008).
2. The FTC Rule on Franchising required disclosure of audited financial statements (16 CFR 436.1(a) (20) (1979)).
3. Franchise laws were designed to correct a perceived inequality in bargaining power between the franchisor and the franchisee (Pitegoff, 1989). To protect the franchisee from abuse by the franchisor, some of these laws limited the ability of a franchisor to terminate a franchise relationship, withhold consent to a transfer of a franchise or change the competitive circumstances of a franchisee (Mohajerian, 2010).
4. Some state franchise laws required the franchisor to repurchase the franchisee's inventory upon termination of the franchise relationship. (Wiley Rein, 2010).
5. The more control the franchisor exercised over the franchisee, the greater the risk that the franchisor will be liable for the franchisee's actions, both to the franchisee and to third parties (Sikora, 2010).

SDF's counsel wondered which of these advantages and disadvantages would matter most to SDF and given the current market conditions, was now the right time for SDF to switch?

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SINK OR SWIM

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Karen Greene had always wanted to own her own business and when Denver Aquatics, an established swim instruction facility, became available she decided to take a huge financial risk and buy it. With the debt she took on to buy the business as well as existing operating costs she knew she would have to grow margin by at least \$4000 in her first year of ownership to make the business viable. Her biggest problem was that with a 25x50 foot shallow teaching pool, there were a limited number of lessons that could be given at one time. Greene knew that the clock was ticking and that if she was to make a go of her investment she had to do something soon.

Background

Denver Aquatics opened in Denver, North Carolina (a suburb of a rapidly growing city) in 1996 under the ownership of Ken Smith. Dissatisfied with the quality of swim instruction his kids received at area pools, Smith built a 25 ft. x 50 ft. pool designed specifically for swim instruction. On December 29, 2008 Karen Greene bought the business, seeing it as an established enterprise with quality systems and a good staff in place. Greene and Smith were also neighbors, and Smith assured Greene that he would remain available for consultations. Greene continued operations in the same manner as Smith had for the first few months to analyze business operations. Smith had built the facility specifically for swim instruction, with a relatively small parking lot and locker rooms. For these reasons, Smith only ran two thirty-minute classes in the pool at a time with five students to each class.

Smith had established a consistent customer base over the years, and Greene found that, even with the new ownership, the customer base remained consistent. She attributed this to the excellent quality of instruction and the fact that the Red Cross swim program is based on six consecutive levels and encourages completion of all levels. Lauren Brighton, one of Greene's teaching assistants at the pool, actually completed all six swim levels when she was in middle

school and was now an instructor. Because of the high customer satisfaction, families tended to send all of their kids to swim lessons at Denver Aquatics, which meant that there were many recurring customers.

Greene's target market was primarily elementary and middle school age students with classes running predominantly between 3:30 and 6:30 on weekdays. Greene started a new advertising campaign, and soon those classes were oversubscribed and she had to turn business away. Greene's expertise led her to the conclusion that the best way to increase margin was to increase pool utilization during the peak periods when there were more customers than she could enroll. Since the Red Cross swim program did not allow more than six students to a class, she would not be able to add more than one student to a class. Greene worried that increasing class size from five to six students might make it difficult for the instructors to provide sufficient instruction per child, and potentially affect quality. She had also considered putting a third class in the pool during the busiest times but was concerned that the crowding caused by three classes might reduce customer satisfaction.

Greene recognized that as the owner of a pool offering swim lessons, she was competing against other activities like gymnastics, ballet and soccer. Greene was also directly competing against the Denver Swim Academy, which offered private and semi-private lessons, as well as Little Fish, which focused on beginning swimmers. Both of these instruction facilities had comparable pricing, but did not offer the levels of instruction or the quality that Denver Aquatics offered. Other swim instruction competitors included the Jewish Community Center, the city's Aquatic Center, and the YMCA. Christine Nelson worked at both the YMCA and Denver Aquatics, and she felt the key to Denver's advantage over the YMCA was the Red Cross swim program. For example, Nelson said that the YMCA required instructors to use flotation devices for beginning swimmers. The levels of the Red Cross swim program, the small class sizes, the teaching staff, and the shallow area of the pool at Denver Aquatics allowed for beginning students to learn without the flotation device and still be safe. Nelson added that probably 80% of students at Denver Aquatics were members at the YMCA. In addition to the program, Greene knew that her competitive advantage lay in her excellent instructors, all of whom were part-time hourly employees and the pool's mission statement, "to provide swim instruction and other activities that build confidence, increase water safety, encourage fitness, promote health, and encourage the pursuit of long term goals and a love of learning."

Problem

Greene charged \$64.00 per student per month which entitled the student to two lessons per week; the variable payroll expense per child in a five student per class setup was \$11.84 per child with one class in the pool; \$8.57 per child with two classes in the pool; and \$10.51 per child if she went to three classes in the pool. The variable cost per child would go up with the third class because it would be necessary to hire extra staff including another instructor, another teaching assistant, and a deck hand to help students into the pool and keep the bathrooms clean. Fixed costs, including the mortgage but before Greene's salary, were \$43,760 per month. Operating with two classes of five students, Denver averaged 832 students per month, and Greene estimated that the addition of a third class brought in 81 new students per month. If Greene added a 6th student in each class, the variable cost per student would be \$8.23, but she realized that if she did that she would be unable to add the extra class since the pool could not accommodate eighteen students at one time.

From a customer service perspective, Greene was concerned that increases in student enrollment during the busy periods “increased demand on management staff and a taxed facility-locker room and parking lot capacity.” The parking lot had 33 parking spaces, and three classes in the pool would mean three teachers, two teaching assistants, one deck hand, one office staff, and 15 students every 30 minutes (which meant 30 students during the times when one class came and one class left). Greene was also worried that parents might have difficulty parking with the increased number of vehicles, and the locker rooms would be crowded with moms, strollers, and students, which could make parents feel crowded and inconvenienced. The pool would also be more crowded and noisy, making it more difficult for students to hear the instructors and giving them less space to practice.

Greene realized that any change would need to be accepted by both instructors and parents. Nancy MacDonald had been teaching at Denver Aquatics since it opened in 1996 and taught swim lessons and coached swim teams for years prior. MacDonald said she had enjoyed, “the warm temperature of the water, the kid friendly environment, and the small class size.” If a third class or 6 students per class was added, she was concerned that quality of instruction could be compromised because there would be less room for students to practice, and it could be harder to keep track of them. MacDonald said that she had worked in pools with several classes going at a time, but classes were separated by lane lines, and the pools were larger. However, MacDonald knew that as a former business owner, she could see the incentive to add more students and was prepared to make adjustments in her teaching patterns.

Brooke Thompson, a water safety instructor for five years, said that she appreciated Denver Aquatics because “the pool is just a swim lesson facility so you don’t have the other distractions, they have good management staff, and the compensation is excellent.” When asked about adding more students, Thompson was concerned about the noise level in the pool. However, Thompson was confident that the instructors would have support from the management and the owner: “Karen has open communication. If there’s a problem or concern she’s more than willing to discuss it with you. She has done every job at the pool: deckhand, teaching assistant and instructor when they’re short staffed. One of the kids asked her if she was the janitor at Denver Aquatics because she was mopping the floor in between classes.”

Interviews with parents showed that their reactions varied. Becky Dawson said, “I would probably postpone until another time when the pool was less crowded. With only a limited 30 minutes for lessons, time is very valuable. If instructors have to fight for space this would not be a good use of their time or ours. It would also limit places for parents to wait during the lessons.” Dawson also complimented the patient and encouraging instructors at Denver Aquatics who call the students by name, which she pointed out “makes them feel special.” Sarah Marvin, whose daughter Ellie had been swimming at Denver Aquatics for three years said that she had once had trouble getting Ellie into swim lessons at a convenient time. Marvin felt that she would sign Ellie even with more students in the water “in order to get the right instructor.” Marvin complimented the small class sizes and individual attention her daughter received at Denver Aquatics.

Summary

Greene needed to decide whether the economic benefit associated with more students in the water was a good decision. Greene had to question whether or not she would lose customers in the long run by increasing the number of swimmers in the water at one time. She knew her staff would do everything possible to keep the excellent quality, but she was worried about the potential decrease in customer service that would result from increased numbers. As she was trying to take the business to a new level, Greene had to face important questions of margin, facility capacity, customer service, and swim instruction quality. What should she do?

TROPICANA: SOCIAL MEDIA TEACH MARKETERS A BRANDING LESSON

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Neil Campbell, president at Tropicana North America in Chicago, part of PepsiCo Americas Beverages, sat with his head in his hands. He had been reviewing a barrage of emails from his key marketing staff indicating significant consumer displeasure with the newly-launched packaging for the division's flagship product, Tropicana Pure Premium orange juice. The new product design packaging had been on store shelves less than six weeks, and the Internet had already been flooded with articles, postings, and comments regarding the new product packaging. The company had invested \$35 million in the new package design and associated advertising campaign, yet sales had dropped precipitously since the new packaging was launched. What went wrong? What should Tropicana do now?

Tropicana Brand History

Tropicana was the largest orange juice brand on the market when PepsiCo purchased the product line from Seagram Co. Ltd. in 1998. PepsiCo felt Tropicana was a superb addition to its beverage portfolio, competing with and surpassing Coke's Minute Maid orange juice brands. Further, while orange juice margins were thinner than those of soft drinks, sales of orange juice products were expanding at a much faster 8% rate than the soft drink beverage business, due in part to a growing awareness among adults of the health benefits of orange juice (Light, 1998).

At the time of the acquisition, Tropicana's 42% orange juice market share dwarfed the 24% share owned by Coke's Minute Maid orange juice brand. However in 2001, Coca-Cola responded by launching a new premium orange juice line called "Simply Orange." By 2006, Tropicana found its market share dropping steadily from 42% in 2006 to 33.6% in 2009, while that of Simply Orange grew from 8.1% to 14.8% during the same time period. It was clear that

Coca-Cola's focus on the fresh-squeezed orange juice experience of Simply Orange (Anonymous, 2001) was resonating with consumers, and Tropicana needed to react.

Tropicana's Packaging

The iconic orange and straw graphic pre-dated PepsiCo's purchase of the Tropicana brand, and was originally conceptualized as part of Pixar's first animated television commercial, produced for Tropicana in 1989 (Pixar, 2010). When the Coleman Group incorporated the "straw in an orange" graphic into the Tropicana juice carton in 1997, EVP Jonathan Asher noted "We recognized we could strengthen the brand franchise by building on existing design equities, and create a more distinctive and ownable brand identity" (Anonymous, 1997).

On January 8, 2009, PepsiCo announced a package re-design and accompanying new marketing campaign for the Tropicana product line (Zmuda, 2009). Research showed Tropicana that about half of consumers thought orange juice contained added sugar, and brand managers felt that the fact that Tropicana was pure, natural, and 100% squeezed from fresh oranges needed to be highlighted. Noted Tropicana president Neil Campbell, "We wanted to create an emotional attachment by 'heroing' the juice and trumpeting the natural fruit goodness" (Hein, 2009).

The redesign was spearheaded by the Arnell Group (Arnell.com, 2010), and in a press conference launching the new packaging, Peter Arnell noted the agency wanted to leverage the biggest single billboard available – the product's package (Levins, 2009). Tropicana packaging had never shown the inside of the orange, and designers felt that they could better emphasize the purity of the juice by displaying the juice itself. Arnell also explained "We no longer wanted to work with assets or parts that were not clear to the consumer. They might have identified with the orange and the straw on the old packaging but no one knew why it was there" (Hein, 2009:1).

According to Arnell, the design team was instructed to use "design language that was clear, simple and profound" (Hein, 2009 1). Thus, the words "100% orange pure and natural" were positioned front and center on the carton (Hein, 2009). Additionally, the carton's new cap was designed to mimic the outside of an orange, both in appearance and texture, and designers felt opening it implied the squeezing of an orange ergonomically. Arnell explained that, in keeping with the theme of Tropicana's new \$35 million advertising campaign, the new package design drew on the power of love through a squeeze or hug (Levins, 2009). (Note: images of the old and new Tropicana package designs can be found online (e.g., Edwards, 2009)).

The Blogosphere Reacts

The new package design hit the shelves in early January, and consumer response was immediate, calling the new design "ugly," "stupid," and "resembling a generic bargain brand" (Elliott, 2009). Internet bloggers were particularly vociferous in their online postings about the new packaging, noting that "...a large, juicy, fresh orange with a straw stuck right into it... screamed freshness, while the new box looked like "a no-name brand orange juice made out of concentrate" (Meydad, 2009). Criticisms leveled by Matt Everson, founder of Astuteo, a design firm in Madison, Wisconsin, included the difficulty in distinguishing product variations (such as pulp, calcium, etc.), the "cold and corporate" logotype, and the scrapping of the "practically famous," "straw in the orange" (Everson, 2009).

Online readers of blogs and articles joined the fray, providing fuel for a blogosphere fire. Some of the more gentle reader postings included: “Even store clerks talk about how hard it is to see what’s on the shelf”; “Do any of these people actually shop for orange juice? Because I do and these new cartons stink”; “This generic redesign doesn’t have half the appeal of the ‘straw in the orange’ [Peter Arnell] so casually dismisses... Simply Orange will have the last laugh...” (Brandweek, 2009).

Not everyone agreed that Tropicana’s new package design was a disaster. Brandweek’s Todd Wasserman felt that Tropicana’s redesign was “terrific” and that making the carton look like a private-label brand was a “brilliant strategy” to reinforce the idea of value in a tough economy (Wasserman, 2009).

The Decision

Neil Campbell was lost in thought. Had Tropicana made a major mistake in changing its package design? In an interview just a few weeks earlier to discuss the new packaging, he had commented that “The straw and the orange have been there for a long time, but people have not necessarily had a huge connection to them” (Elliott, 2009). However, it appeared Tropicana had underestimated the emotional response to the disappearance of the old design. He noted that “what we didn’t get was the passion this very loyal small group of consumers have. That wasn’t something that came out in the research” (Elliott, 2009).

Campbell realized that with the Internet and social media, consumers can communicate with marketers more easily and quickly than ever before. In the six weeks the new packaging had been on store shelves, consumers had been able to declare their opposition in a manner impossible before the Internet. However, he wondered, was this simply a case of a small but vocal minority of consumers expressing their negative attitudes towards the new packaging through the easy availability of social media, or was there really something more fundamentally wrong with the new packaging?

He wondered what to do next. The company had invested \$35 million in the new package design and new advertising campaign, which featured shots of the new packaging (Young & Ciummo, 2009). However, initial sales figures appeared to be declining, not rising. Should Tropicana move forward with their existing advertising plans and press on with the new packaging, assuming consumers would grow to like it? Should they try to tweak the new redesign in some fashion? Or should they scrap the new package redesign completely, returning to the old “straw in the orange” theme?

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IS UNILEVER HYPOCRITICAL?

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Dove launched its Campaign for Real Beauty and found that the Girl Scouts provided an effective partner. Dove's foundation contributed funds to uniquely ME! that in turn worked on building self esteem among girls. The relationship was a mutually beneficial one in that uniquely ME! offered Dove a channel to carry out its Campaign for Real Beauty without having to develop its own infrastructure to implement a self-esteem campaign. The Girl Scouts benefited through financial support. This example of strategic philanthropy involved more than providing money in that Dove and the Girl Scouts worked together to meet the needs of both entities.

Nicole Hayes served as Mindshare's Group Planning Director that provided advertising for Unilever brands Axe, Degree and Dove. She stated, "Sometimes it's difficult with Axe, because we often find ourselves in controversial or uncharted water. In those cases the approach we use with Unilever has been very helpful because we're able to have an open dialogue across disciplines to figure out what will work and what won't. That way we don't have public relations or creative or media working in silos. We all know what the end goal is" (Brunelli, 2007).

Those listening to Nicole wondered if Unilever, Axe's and Dove's parent company, appeared to behave inconsistently in that its advertising for the Axe product line seemed to project a sexist image. Did it make Unilever appear hypocritical or opportunistic as opposed to committed to the Dove Campaign for Real Beauty? Was it really all about making money at the end of the day?

Strategic Philanthropy

Porter and Kramer (2002, 2006) explained that strategic philanthropy links the company's charitable contribution and its business (e.g., Dove's Campaign for Real Beauty and the Girl Scouts). Porter and Kramer argued that a successful strategic philanthropy approach demands analysis of the competitive context. A company must assess its products, services, and goals, and

analyze where and in what geographical locations or social dimensions it might exert the greatest influence to increase marketshare and social improvements. Porter and Kramer (2002) asserted, “The acid test of good corporate philanthropy is whether the desired social change is so beneficial to the company that the organization would pursue the change even if no one ever knew about it” (p. 15).

Dove’s Campaign for Real Beauty

Ogilvy & Mather (O&M) London was a leading advertiser for the large corporations such as Unilever (Dove’s parent). O&M referred to itself as the “home of the big ideal.” Ogilvy asserted that its clients didn’t work with Ogilvy to solve the world’s problems but brand owners, such as Dove, thrived on big ideals and consequently became more successful commercially (Ogilvy UK, 2010). The Campaign for Real Beauty was part of Dove’s brand communication, giving Dove “an overarching aspirational thought.”

In 2002, Dove decided to change its integrated marketing communications strategy and launched the “Campaign for Real Beauty.” Patrick Cescau, who became CEO of Unilever in 2005, and other Unilever directors watched a 2003 Dove presentation that included their own daughters discussing the pressure to look perfect and their disappointment with how they looked. He reacted (Taking a Hard Line, 2008): “It suddenly becomes personal. You realize your own children are impacted by the beauty industry, how stressed they are by this image of unattainable beauty which is imposed on them every day – and the loss of self-esteem and other trouble going with it, anorexia and all of that.”

The goal of the campaign was to “challenge the stereotypes set by the beauty industry over the years” (Purkayastha, Fernando, & Meenakshisundaram, 2006, p. 16). In 2005, the company launched another campaign in a similar context, but going a step further touching the emotional side of women, naming it the Self-Esteem Campaign. The three-year-old campaign caught fire and was one of the most downloaded videos on YouTube.

Dove routed funds generated from sales to its Dove Self Esteem Foundation, which funded three groups in the US: Girl Scouts, Boys and Girls Clubs of America and Girls Inc. The Girl Scouts’ program was called uniquely ME!. The target population was girls ages 8 to 17. Between 2002 and 2009 uniquely ME! had touched over 500,000 girls. Four activity booklets, available in English and bilingual English/Spanish, comprised the core of the program.

The idea of real beauty, supported by Unilever, challenged the notion of identifying beauty with physical appearance. The significance of self-esteem arising from discovering one’s gifts along with contributions one can make to others, mattered to the Girl Scouts and presumably to Unilever as well. Beauty thus was perceived as enriching human life. Resources and resourcefulness of women were deemed essential to a healthy world, even a sustainable world.

Unilever

Unilever had over 400 brands, including personal care, home and food products. Some of these brands included *Dove*, *AXE*, *LUX*, *Suave*, *Comfort*, *Lipton*, and *Ben and Jerry’s*. The company holds itself out as the “global market leader in Mass Skin Care and Deodorants, and [we] have very strong positions in other Home and Personal Care categories” (Unilever at a glance: Key

facts). Unilever did not spend money promoting its corporate brand; instead, the brands under the Unilever umbrella created their own marketing tactics appropriate to their market segment.

Unilever adopted a stereotypical framework in catering to men under its Axe brand. The Axe advertisements presented male images suited to machismo club-hopping, which the Campaign for a Commercial-Free Childhood (CCFC, 2007) alleged objectified and degraded young women. Unilever claimed the Axe ads were funny and the Dove campaign was not an attack on the beauty industry but an effort to address low self-esteem in girls (Barrett, 2007).

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COMMUNITY CHAPEL

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Introduction

Harold Rush, associate pastor with Community Chapel, sat down with Mike Rigell, architect with Rigell Construction Group, who presented Harold with the preliminary pricing proposal for the proposed church building expansion plan. The final proposed costs were \$2,400,000 plus furniture, fixtures and equipment (FF&E) which added another \$250,000. The expansion had grown from the initial plans of around \$1,200,000 to the current proposal. Now the question remained, could Harold sell this proposal to the senior pastor, David Palmer, and subsequently to the congregation? Was this building expansion something the church should even consider at this time?

The History of the Community Chapel

Community Chapel was founded 30 years ago and was housed its first five years in rented facilities. After five years, the church purchased a prime piece of real estate on a busy intersection in the middle of Chesterfield, Virginia. A “butler type metal building” was constructed on the site and church membership immediately began to expand. A more attractive brick addition was added to the building which provided classrooms and kitchen facilities to support the various ministries. As church needs grew, the congregation was able to secure used trailers for virtually no cost. The trailers were renovated and incorporated into the existing complex of buildings.

While the original building, which included the main sanctuary plus offices and a few classrooms remained virtually unchanged over the years, the church facilities now included ten other trailer-like buildings, most single wide, but one doublewide and one a combination of five trailers. All the trailers were modernized to the best extent possible and painted a common beige color.

After 25 years, the original metal building was facing some considerable upgrade and improvement costs. The metal walls were rusting, paint was fading, and the entire complex was very energy inefficient. Also, the metal building warehouse look plus the collection of trailers had a less than attractive curb appeal. The pastoral staff felt that the ministry that went on in the inside of the buildings was much more relevant, but first impressions and exterior appearance was important as well.

Community Chapel Financial Situation

The overall philosophy of the church leadership was to avoid debt whenever possible. All the buildings on the property had been funded almost entirely with cash and through membership fundraising. Currently, the church had no long-term debt and that had been the situation for at least the last 15 years. The only current liabilities were for credit card purchases which were always paid on time. The general fund cash balance was at \$250,000 plus there was an emergency fund of \$50,000 and a building fund of \$65,000. There were no other current assets and church building and supporting trailers had a net asset value of \$1,500,000.

The pastoral staff also believed the church needed to operate on a balanced budget and that expenses should not exceed the tithes and offerings. At this time, the church was bringing in and spending about \$100,000 per month with 60% of the expenses related to salaries. More than half of the remaining monthly costs were fixed in nature or nondiscretionary such as lease agreements for copy and duplicating machines, trash pickup, cleaning, lawn maintenance, cell phones, insurance and utilities.

Expenses considered to be more discretionary in nature included travel, supplies, ministry, gifts, hospitality, repairs and maintenance, and resources. Every effort was made to keep costs low and economize when possible including e-mail contact versus using postage, on-line banking, black ink versus color copying, and reusing supplies and materials where possible.

The recent depressed economy impacted giving of tithes and offerings. Many members had lost jobs or had pay cuts or had to take jobs at lower pay all of which reduced their level of giving. With the uncertainty of government spending and the mounting deficit, individuals were cutting back and being more frugal with their contributions. The church budget had declined about five percent over a four-year time period. All things considered, the decline was relatively modest, but to keep a balanced budget few, if any, pay raises had been given over the last three years and even some cut backs in staff had been made. Many of the staff were hired part time so the church was not obligated to pay benefits, such as health insurance for those employees.

Church Membership

The church membership had remained relatively flat and even decreased slightly over the last five years. The greater Chesterfield area had many churches of all sizes and denominations and competition for membership was pretty intense. Several of the churches were in rapid expansion mode and had new and modern facilities to attract new members. It was not uncommon for people to be actively involved in more than one church, maybe attending one church for Sunday morning services, another for Sunday evening and a third church for midweek services or other support ministries.

Community Chapel offered three Sunday morning services, 8:30 a.m., 10:00 a.m. and noon and one Sunday evening service at 6:00 p.m. The noon and Sunday evening services were led by associate pastors and each appealed to an entirely different clientele. It was almost as if there were three different churches in the same building. The church also offered children's programs on Wednesday evening and had special ministries and classes periodically throughout the other nights of the week.

The church seemed to have an appeal to all age groups and was multi-ethnic. Most attendees were "blue-collar," but there was a mixture of low-level professional people as well and some entrepreneurs. Attendance at the 8:30 a.m. service averaged around 185, the 10:00 a.m. service had about 220, the noon service involved around 125, the 6:00 a.m. service included 80 plus over 100 children attending services at 8:30 and 10:00 and Wednesday evening activities. Community Chapel wanted to be a family church and meet the needs of the entire family with a variety of ministries.

Building Expansion

Community Chapel was not considering a typical expansion program. It had not outgrown its sanctuary. In fact, church attendance could double before there was any danger of capacity limitations. There was sufficient space in classrooms for Sunday school and other ministries in the trailers and within the main building. So, space due to growth was not the primary reason for the expansion, but rather the other inefficiencies related to construction and materials and the desire for a more attractive edifice to enhance curb appeal that prompted the expansion considerations.

On a typical Sunday there would be a mass exodus through crowded halls at the end of one service so others could enter and start the next service. The people at the first service hardly knew the people at the second service who hardly knew the people at the third or fourth service. Often people who sat on one side of the sanctuary did not know the people on the other side at the same service. The ministry did not believe the current situation made for a family environment and wanted to create opportunities for the membership to feel the Sunday morning experience was more than a few songs, prayers, preaching and an offering. Harold believed if people were given more opportunities to relax and share with others, the family focus of a community would increase membership.

The focus of the expansion program was divided into three phases. The largest component was to construct a brick and glass exterior to enlarge and enhance the appearance of the facility. Once the exterior was completed the interior would be renovated. This remodeling would create open space which would be used for fellowship for such initiatives as a coffee shop or informal meeting areas so the membership could be together and there would be more interaction. Finally there would be the construction of an auditorium for a growing children's ministry.

Church Leadership

David Palmer, the senior pastor, had led the church for 12 years. He was conservative and frugal in nature. To him the idea of expansion and the related significant debt was disconcerting, but he was willing to consider the option for the greater good of the church. David was not a fund

raiser and was very uncomfortable asking people for money. In a recent fund raising venture the membership raised only 35% of their \$100,000 goal.

There were three other associate pastors in addition to Harold, one for children, one for youth and one for adults/family. These pastors were focused on a specific ministry in the church and were associated with a specific church service. They all agreed that changes were needed to promote and encourage growth in membership.

Harold was the champion behind the building expansion and had pretty much carried the initiative from start up to this point but he could not do this alone. It was time to “fish or cut bait.” He would need total buy in from the church leadership and congregation. They would have to raise at least 20 percent and the debt service on the borrowed funds would add over \$15,000 to the monthly budget. He needed prayer and God’s guidance. Was the time right for a building expansion program?