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# Journal of Critical Incidents

Timothy Brotherton, Editor  
Timothy Redmer, Associate Editor

Fall 2014  
Volume # 7



The Society For Case Research  
**SCR**

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# Journal of Critical Incidents

Fall 2014  
Volume #7

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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](http://www.sfcr.org). To purchase copies of the Critical Incidents or Teaching Notes contact Roy Cook at [cook\\_r@fortlewis.edu](mailto:cook_r@fortlewis.edu)

**2014 Journal of Critical Incidents Editorial Review Board**

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WELCOME to Volume 7 of the *Journal of Critical Incidents*! We have made it to our fourth year as editor. With 40 critical incidents this year, Volume 7 is the largest *JCI* ever. How long can we continue this growth trajectory? Who knows? We want to grow bigger AND better every year. We hope that you find that we have continued to maintain the high standards that you have come to expect from every *Society of Case Research* publications.

I would like to personally thank the authors for their contribution of many high quality critical incidents. The success or failure of any journal is ultimately due to the efforts of its authors and we had some good ones again this year. There was a mix of new and experienced authors in this volume and we hope that each of the authors found value in the critical incident creation process. In addition, I can't thank the reviewers enough for their willingness to volunteer their valuable time during their busy summers in order to give constructive feedback to the authors at every stage of the process.

I especially want to thank our Associate Editor, Tim Redmer. He worked very hard again this year assisting authors and reviewers all summer. He excels at writing, reviewing, AND editing case studies. I continue to enjoy working with him and he is an important asset to *JCI*.

I wish to thank my intern, Brady Stockwell. An English student minoring Integrated Marketing Communications 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. He has worked very hard to make this volume as perfect as humanly possible.

We hope that you will continue to support our ongoing efforts at continuous improvement. Several of the SCR Editors and Board members are re-evaluating the current SCR publication guidelines. You can expect that a number of changes will be proposed and implemented for volume 8 of *JCI* (e.g. the use of Learning Outcomes rather than Learning Objectives). If you have any suggestions for improvements to the guidelines, please let me know.

Finally, please read the critical incidents and consider adopting them for use in your courses. Members of the Society of Case Research should be our own best customers.

Thank you again for everyone's time and efforts this year. We look forward to working with each of you in the years ahead. I hope to see you in Chicago next March.

Sincerely,

A handwritten signature in black ink that reads 'Tim Brotherton'. The signature is written in a cursive, flowing style.

Tim Brotherton  
2014 *JCI* Editor



### **Publication Information:**

The goals of the Society of Case Research ([www.sfcr.org](http://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:**

<b>11/07/14</b>	<b>Submit draft of Critical Incident to the Case Research Track at the Annual MBAA International meeting in Chicago (March 25-37, 2015).</b>
<b>3/(25-27) 2015</b>	<b>Present Critical Incident. Receive constructive feedback from Critical Incident session discussants.</b>
<b>4/24/15</b>	<b>Submit Critical Incident &amp; Teaching Note to the <i>JCI</i> editor (<a href="mailto:jci@ferris.edu">jci@ferris.edu</a>). Include a memo indicating how the author(s) addressed recommendations from the SCR Winter Conference</b>
<b>5/11/15</b>	<b>Critical Incidents sent to reviewers (Round 1)</b>
<b>6/05/15</b>	<b>Reviewers return with comments</b>
<b>6/15/15</b>	<b>Reviewer comments sent to authors.</b>
<b>7/03/15</b>	<b>Revised Critical Incidents due</b>
<b>7/20/15</b>	<b>Critical Incidents returned to reviewers (Round 2)</b>
<b>8/07/15</b>	<b>Reviewers return with comments</b>
<b>8/24/15</b>	<b>Notify Authors whether Accepted, Conditionally Accepted, or Rejected</b>
<b>9/25/15</b>	<b>Final submissions due (CI, Teaching Note, Cover, Release, and Summary).</b>
<b>10/31/15</b>	<b>Publication of <i>JCI</i>, Volume 8.</b>

Authors of Critical Incidents are expected to review other submissions (failure to do so might mean deferral of your Critical Incident to a later volume). Additionally, *JCI* will gladly accept volunteers from all disciplines to serve as reviewers. To volunteer, e-mail the editor at [jci@ferris.edu](mailto:jci@ferris.edu).

## **HEALTHCARE.GOV WEBSITE FAILURE**

**Andrew S. Borchers, Lipscomb University**  
**Kevin Huggins, US Military Academy**  
**Jeff Crawford, Lipscomb University**

### **ABSTRACT**

Many considered the October 2013 healthcare.gov launch a failure. Designed as an online market place, healthcare.gov allowed users to shop for and compare healthcare policies. Initialed in December 2011, the 55 contractors tasked with building the system had only 22 months until the October 1, 2013 launch date. There are several factors that contributed to the failed launch. A contributing factor to its failure was the sheer complexity of the project. In addition to being technically complex with multiple disparate data sources, the project suffered from a large stakeholder population as well as late and ever-changing project specifications. The political environment and ineffective project management also significantly impacted the initial launch.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Analyze the factors that lead to complexity and likelihood of failed implementation in large scale Government to Constituent (G2C) system development and acquisition.
2. Synthesize approaches to overcome these factors and increase the likelihood of success.
3. Evaluate system testing approaches for a large scale web-based system.
4. Evaluate project managers' response to testing results and the lessons leaders can learn about system implementation from this incident.

### **APPLICATION**

Instructors can use this incident primarily in information system related courses, especially those in information systems management, project management and systems development. Public Administration students may also examine this incident to see the impact of technology implementations on public policy. Students in undergraduate and graduate programs can benefit from this critical incident.

### **KEY WORDS**

Project Management, Health Care, eCommerce

### **CONTACT**

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telephone = 615.966.5779, andy.borchers@lipscomb.edu

## **BUTTERCUP FARM: IS SHE CRAFTING A HOBBY OR A BUSINESS?**

**Timothy Brotherton, Ferris State University**

**Donna Smith, Ferris State University**

### **ABSTRACT**

This critical incident concerns a middle aged woman in a small community who is considering how to grow her soap-making hobby into a business capable of supplementing her future retirement income. She has experience making and selling all natural bar soaps through two retail outlets, but she is considering developing the expertise needed to make and sell soap in liquid form (hand soap, shampoo, bath gels, and lotions). This is based upon an actual situation and interviews with the decision-maker.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Analyze the trade-offs required for the production of bar soaps versus liquids.
2. Evaluate the decision-making process of an entrepreneur faced with less than adequate information.
3. Assess whether a hobby could be converted into a suitable business model.

### **APPLICATION**

This decision critical incident could be used in any Introduction to Business, Entrepreneurship, Communication, or Marketing Principles class.

### **KEY WORDS**

New Product Development, Hobby Business, Home-Based Business

### **CONTACT**

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## **DATSUN RETURNS: REVIVING A BRAND**

**Nakato Hirakubo, Brooklyn College**  
**Craig Davis, Ohio University**

### **ABSTRACT**

Nissan is a Japanese multinational automobile manufacturer headquartered in Yokohama, Japan, and the sixth largest automotive maker in the world. In 2013, Nissan announced that they would be re-launching a former brand name in emerging markets. Instead of developing a new name or using the existing Nissan corporate brand architecture and strategy, executives chose to resurrect the brand name that was previously used in the United States – “Datsun.” A brief history of the creation of the Datsun name is discussed. This critical incident provides students with the decision factors considered with corporate, brand and product naming decisions within a global context in the automotive category.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Understand the two most widely used brand architecture models
2. Analyze the concept of brand equity
3. Apply the concept of equity as it applies to brand architecture and naming decisions

### **APPLICATION**

This critical incident could be used in Marketing, Marketing Management, International Marketing, Advertising, and Public Relations courses either at the undergraduate or graduate level.

### **KEY WORDS**

Brands, Branding, Brand Strategy, Brand Architecture, Product Strategy, Emerging Markets

### **CONTACT**

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## **THE CONTROVERSIAL LAUNCH OF KIVA IN THE UNITED STATES: MISSION DRIFT OR MARKET EXTENSION?**

**Robert Mittelman, MBA (Oxon.), Royal Roads University**  
**Asbjorn Osland, Ph. D., San Jose State University**

### **ABSTRACT**

This descriptive critical incident examines the developments after a non-profit launched a new program and the intense negative backlash it received from some of their supporters including accusations of mission drift. The incident centers on the microfinance organization Kiva and their decision to begin offering loans supporting American entrepreneurs. The decision to post loans for American businesses was not met with unanimously positive feelings and unhappy lenders felt that Kiva had changed their beloved organization's mission as well as diverted funds away from the working poor in developing countries. This critical incident investigates the concept of organizational mission drift in non-profit organizations, but it also raises issues of stakeholder analysis and engagement as well as a look at poverty in America.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Identify causes and possible consequences of organizational change.
2. Explain mission drift and its foreseeable consequences as well as infer the unforeseen consequences.
3. Develop stakeholder analysis.
4. Propose and defend an alternative strategy for launching loans in the US as well as an appropriate strategy for dealing with any potentially dissatisfied stakeholders.
5. Discuss how poverty in the developed world compares with poverty in the developing world as well as the role that entrepreneurship, financial services, and non-profit organizations can play in breaking the cycle of poverty.

### **APPLICATION**

It is suitable for undergraduate courses in organizational change, strategy, and social entrepreneurship as well as graduate courses in non-profit management.

### **KEY WORDS**

Organizational Change, Social Entrepreneurship, Stakeholders, Microfinance, Non-profit

### **CONTACT**

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## **EASTMAN KODAK: FACING DISRUPTIVE TECHNOLOGICAL CHANGE**

**John J. Vitton, University of North Dakota**  
**Patrick L. Schultz, University of North Dakota**  
**Nikolaus T. Butz, University of North Dakota**

### **ABSTRACT**

On August 25, 1981, a shock wave hit the Eastman Kodak Company in Rochester, NY. On the other side of the world in Tokyo, Sony Corporation demonstrated its new Mavica camera at a press conference filled with interested onlookers. The Mavica was a camera that operated electronically, did not use any film to record images, and saved pictures on disks and displayed them on televisions. Within Eastman Kodak, the announcement of the Sony Mavica provoked a range of reactions. Eastman Kodak's president, Colby Chandler, largely dismissed Sony's announcement. However, other members of Eastman Kodak's management felt much less comfortable with this new challenge, fearing that this signaled the end of the film-based photographic technology that provided the foundation of Eastman Kodak's corporate success. This critical incident focuses on the following general question: given the development of filmless digital cameras, how should managers at Eastman Kodak respond?

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. To identify the type of strategy that a firm employs to respond to a changing situation.
2. To examine the features and impact of a potentially disruptive technology.
3. To assess the current characteristics of a firm's strategy and situation and recommend a future course of action.

### **APPLICATION**

This critical incident could be introduced in graduate and undergraduate courses where innovation and technological change plays a role, such as strategic management, entrepreneurship, and strategic market planning courses.

### **KEY WORDS**

Strategy, Innovation, Disruptive Technologies, Innovator's Dilemma, Competitive Advantage

### **CONTACT**

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E-mail: john.vitton@business.und.edu

## WHAT SHALL WE DO ABOUT THE COOKS?

**Elizabeth H. Jones, Ph.D., Notre Dame of Maryland University**

**Anthony J. Mento, Ph.D., Loyola University Maryland**

**Elida M. Lynch, MBA, Loyola University Maryland**

### ABSTRACT

Mary White had to solve food logistics problems for the second annual Girls' Empowerment Camp in central Senegal, which was sponsored by the Peace Corps, an American international service organization. Although Mary had been part of the planning for both the first and second camps, she had never been a project leader until just now. Mary inherited a messy situation. Mary's predecessor had signed the food preparation agreement with the same establishment used for the first camp. This left the second camp vulnerable to the same women who persistently served meals late, refused to follow directions, and willfully misinterpreted expectations. Mary had to find a way to motivate the cooks and avoid the problems encountered in the prior year. This is a descriptive critical incident.

### LEARNING OBJECTIVES

The learning objectives of this critical incident are:

1. Create a concept map to identify the key issues involved in Mary's dilemma.
2. Analyze the situation with the cooks using Hofstede's (Hofstede, 2001; Hofstede, Hofstede, & Minkov, 2010) Dimensions of National Culture.
3. Contrast Bolman's and Deals' (2013) perspectives on frames to determine a feasible solution to the problem with the cooks.
4. Propose a motivational approach to enhance the performance of the Senegalese workers that accounts for cultural differences.

### APPLICATION

This descriptive critical incident could be used in upper-level undergraduate, MBA, and Master's in Public Policy or Nonprofit Management courses in Organizational Behavior, Intercultural Communications, Cultural Diversity, Nonprofit Management, or Human Resources Management.

### KEY WORDS

Cross-Cultural Communication, Managing Across Cultures, Motivation, Gender

### CONTACT

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## **PEELING THE CULTURAL ONION: NAVIGATING AN INTERNATIONAL ASSIGNMENT**

**Fredricka F. Joyner, Ph.D., Indiana University East**  
**Eric Nelson, Ph.D., University of Central Missouri**

### **ABSTRACT**

This decision-based critical incident examines how a U.S. based employee can effectively manage across cultures. A few days before she was scheduled to make her first trip to Neumann Technologie, Natalie was sent a PowerPoint slide deck by the German site leader, Hans-Juergen. Hitech Diesel Solutions (HDS). Natalie's employer, had recently acquired Neumann Technologie, a German company located in rural Bavaria. Natalie reviewed the slides with mixed reactions. The slides provided some important cultural clues about what she might encounter at the newly-acquired facility; but she felt the information was prescriptive, structured and rules-bound. Natalie had never heard of a brief like this being sent to anyone at HDS. As the assigned Cultural Integrator for this site she needed to quickly develop a deep understanding of the likely sources of cultural misunderstandings.

### **LEARNING OBJECTIVES**

The learning objectives of this critical incident are:

1. Evaluate the cultural elements likely to impact an employee taking an international assignment.
2. Determine the cultural lens an employee could use when working with a parent-company.
3. Give recommendations for a leader to create cross-cultural synergy.

### **APPLICATION**

This critical incident is useful in undergraduate and graduate courses focused on international management, cross-cultural management, global leadership, and to a lesser extent, international human resources management.

### **KEY WORDS**

Cross-Cultural Management, International Business, Strength Finder®, Organization Culture

### **CONTACT**

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## **TATTOOS IN THE WORKPLACE**

**Asbjorn Osland, San José State University**

**Nanette Clinch, San José State University**

### **ABSTRACT**

Carmen Taylor, a sophomore at Cal State University, was a server considering getting a tattoo on her back. Her employer, the Old Italian Kitchen, reportedly insisted servers cover tattoos and remove facial piercings, other than earrings. The tattoo would only be visible when her back was exposed. Still she wondered if the restrictive policy was really designed to appeal to customers, which her employer claimed (i.e., a family environment), or did it reflect executive attitudes removed from evolving social trends? Employees didn't have a Title VII (which barred discrimination by employers based on race, color, religion, sex, and national origin) statutory right to displaying piercings and tattoos in the workplace. What should Carmen do? Employers might not hire the best people owing to the restrictive policy and many people now accept tattoos. The critical incident is both decision-oriented and descriptive. The descriptive portion covers the controversy faced by employers.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Decide when to adjust to a social change rather than criticize it
2. Decide on an HR dress code policy regarding tattoos and piercings consistent with strategic goals
3. Evaluate how much is too much in terms of piercings and tattoos

### **APPLICATION**

The critical incident could be used in beginning management, organizational behavior, and HRM classes.

### **KEY WORDS**

Tattoos, Piercings, Social Change, HR Dress Policy

### **CONTACT**

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## **TAKING THE IRE OUT OF AN IRATE CUSTOMER**

**Marianne K. Collins, Winona State University**

### **ABSTRACT**

This critical incident is a decision case in which a newly hired sales manager is faced with an angry buyer, anxious to vent his frustration at her company, and in particular her new boss. Potentially exacerbating the angry confrontation, the sales manager is unaware of any incident or action taken by her boss that predicated the buyer's outburst. She encounters two buyers in the first meeting with her distributor, each with distinct attitudes and personalities. She must decide how to approach this volatile situation, in fact, she needs to salvage the long-term relationship in order to assure future sales or face the consequences of losing her best customer. Evaluating each buyer through the social style matrix and determining how to incorporate that knowledge into an adaptive selling scenario is explored in this conflict.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Evaluate buyer style utilizing the social style matrix.
2. Apply adaptive selling skills to an emotionally charged conflict.
3. Discuss the role of gender in sales interactions and conflict resolution.
4. Explore options to resolve this conflict, understand the steps needed to mitigate the conflict and use the opportunity to strengthen the business relationship.
5. Analyze potential issues and conflicts in the salesperson's role as boundary spanner between the firm and the customer.

### **APPLICATION**

This critical incident has been designed for use in undergraduate Professional Selling, Advanced Professional Selling, Organization Buyer Behavior or Sales Management classes. The critical incident is brief enough to be read and discussed in class. The instructor should act as a facilitator in this discussion in order to clarify the issues and conflicts and the ambiguity of the roles of the key characters.

### **KEY WORDS**

Professional Selling, Adaptive Selling Behavior, Social Style Matrix

### **CONTACT**

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## **RETURN FRAUD**

**Roy Cook, Fort Lewis College  
Reed McKnight, University of New Mexico**

### **ABSTRACT**

Russ had heard of other stores being victimized by fraudulent returns. Now an innocent customer question had just described an example of how it was happening in his store. Fraudulent returns and other types of shrinkage, such as shoplifting, employee theft, and damaged merchandise, were always a concern. There had to be more that he and everyone else in his store could do to thwart what seemed like a “perfect theft”. The time to act was now before this small-but-seemingly-fast growing problem got out of hand. But, what would be a cost effective solution to constraining this type of theft that would not offend innocent shoppers with legitimate returns to the point where the store would lose their shopping loyalty?

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Explain how merchandise returns can create a theft problem for retailers.
2. Investigate the financial impact of merchandise return fraud on retailers.
3. Develop ideas for controlling merchandise return fraud in a low-margin retail environment.

### **APPLICATION**

This decision oriented critical incident is appropriate for use in introduction to business, retailing, and courses that cover topics in internal control.

### **KEY WORDS**

Return Fraud, Internal Control, Inventory Control, Theft, Loss Prevention

### **CONTACT**

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## **THE CUSTOMER LIST**

**David Green, Middle Tennessee State University**

**Joe Thomas, Middle Tennessee State University**

### **ABSTRACT**

James Bean began as a part time sales associate at Tax Solutions Software Center (TSSC). After roughly a year, James was offered his current position as Head of Sales and Marketing. In his current role, Bean supervised an onsite sales staff of 4-6 people and two remote sales teams of 10 sales representatives. James was surprised, but not alarmed when Rand Smith, his top salesperson, did not report for work. However, he was surprised when he checked the company's Facebook page. He found a post from Smith to his former and next employer containing a list of TSSC's major customers with proprietary account information. Bean was furious and asked himself what he should do next, and what he should have done differently to avoid this situation?

### **LEARNING OBJECTIVES**

The objectives of this critical incident are to:

1. Identify potential conflicts between workplace privacy and proprietary information.
2. Evaluate ethical and unethical uses of company information and technology.
3. Recommend steps firms can use to protect company information and technology.
4. Discuss the concept of workplace privacy.

### **APPLICATION**

This critical incident allows for a discussion of proprietary information and its confidentiality. It is most appropriate for classes in sales management, ethics, and communications.

### **KEY WORDS**

Workplace privacy, proprietary information, social media

### **CONTACT**

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**SECRETS, SECRETS ARE NO FUN UNLESS YOU SHARE WITH EVERYONE**

**Mallori Kleeman, Elmhurst College**  
**Sondra Simpson, Elmhurst College**  
**Mohsin Haque, Elmhurst College**

**ABSTRACT**

Two managers were involved in an ethical dilemma. Bob and Joe are close friends and co-workers. Joe admitted to Bob that he had forged a signature on a very important contract that would allow this company to meet their quarterly numbers for the end of the month and would also demonstrate to the CEO, Bob's superior performance under pressure and ability to get things done. This is a decision oriented critical incident case.

**LEARNING OBJECTIVES**

The objectives for this critical incident are:

1. Comprehend the implications of the decisions that could be made that would affect stakeholders.
2. Describe a justice vs. mercy dilemma and a truth vs. loyalty dilemma and examine how the three dimensions of ethics play a role in this case.
3. Analyze a situation in which emotional ties may play a major role in the decision making process.
4. Determine what guidelines constitute a responsible whistleblower and decide on whether or not Bob should be a responsible whistleblower in this case.
5. Support how managing justice perceptions play a role in the boss' decision of how to handle this incident and discuss how it would affect company culture.

**APPLICATION**

This critical incident case is appropriate for organizational behavior, business ethics, management theory, and sales management courses.

**KEY WORDS**

Decision-Making, Truth vs Loyalty, Forgery, Whistleblowing, High Stakes Sales, Ethical Dilemma.

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## **WHISTLEBLOWING – TO TELL OR NOT TO TELL: THAT IS THE QUESTION**

**Denise Oas, University of Central Missouri**

### **ABSTRACT**

Patrick Drummond was appointed president of Land Learning Foundation in 2007. While working there, he came to believe that the owners of the Foundation were using it to engage in an illegal tax fraud. He suspected that they intended to use public monies that the Foundation received for their personal use. This made him very uncomfortable. He wanted to do the right thing, but he wasn't sure what that was. He couldn't just ignore what he suspected was an illegal activity. However, if he confronted his employers, he was afraid they would terminate him. If he reported his suspicions to the I.R.S. and his employers found out, he was sure they would terminate him. Mr. Drummond didn't want to lose his job. He knew that he was an employee-at-will but he hoped that there was some exception to cover situations like this. What should he do?

### **LEARNING OBJECTIVES**

The learning objectives of this critical incident are:

1. Demonstrate an understanding of how the employment-at-will doctrine works;
2. Explain the justification for the employment-at-will doctrine;
3. Analyze the exceptions to the employment-at-will doctrine;
4. Explain the justifications for the public policy exception to the employment-at-will doctrine
5. Evaluate Mr. Drummond's behavior under the employment-at-will doctrine.

### **APPLICATION**

This descriptive critical incident is intended for classes in business law and employment law, but may also be used in classes on human resources and management. It is designed to encourage discussion concerning the employment-at-will doctrine, why we follow it and when and why we allow exceptions to it.

### **KEY WORDS**

Employment-At-Will, Wrongful Termination, and Whistleblowing

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## **COCA-COLA COMPANY'S PUBLIC RELATIONS NIGHTMARE**

**Janet L. Rovenpor, Manhattan College**  
**Rose Klimovich, Manhattan College**

### **ABSTRACT**

It was October 24, 2013. Rumors had been circulating amongst the business press and online advocacy groups that several high-ranking executives from the Coca-Cola Company were about to convene for an important meeting. The topic for discussion centered on the company's sponsorship of the 2014 Winter Olympic Games in Sochi, Russia. Activists, civil rights lawyers, athletes, and politicians had been pressuring Coca-Cola, along with other sponsors of the Winter games, including General Electric and Procter and Gamble, to withdraw its support of the Sochi games and issue a strong statement condemning Russia for its long-standing policies that discriminated against members of the lesbian, gay, bisexual, and transgender (LGBT) community. What, if anything, should Coca-Cola do? What options are available to top management when faced with such social issues?

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. To determine how to recognize and handle difficult social issues. This includes learning how to put together a list of pros and cons and then to evaluate different alternatives.
2. To apply marketing tools like public relations to fully address a social issue similar to the one described in the critical incident.
3. To analyze a company facing a crisis in the media and construct an appropriate response.

### **APPLICATION**

The critical incident could be used in the following courses: Principles of Management, Principles of Marketing, Public Relations, Sports Marketing, and Human Resources.

### **KEY WORDS**

Social Issues, Public Relations, Crisis Management

### **CONTACT**

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## **I'VE LEFT, DO I STILL COME FORWARD?**

**Jennifer Cordon Thor, Oakland University**  
**Lizabeth A. Barclay, Oakland University**

### **ABSTRACT**

This decision-based critical incident is based on the experience of Jen, a student-athlete. Jen, a Muslim, was recruited by Public University. Her coach was a conservative Christian who engaged in proselytizing. The situation, which was stressful, led Jen to transfer schools and leave this university. The following year the coach was fired; however, no information concerning the reason was given to the public at that point-in-time. Jen must decide whether to contact the media and share the harassment she experienced.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Analyze the situation in order to identify aspects of an ethical dilemma.
2. Apply a decision making model (COVER) to help evaluate Jen's dilemma. .
3. Understand the legal definition of whistleblower and know about the various protections that do/do not exist.
4. Evaluate aspects of hostile work environments and generate possible remedies available to someone in that environment.
5. Analyze diversity issues within an organization.

### **APPLICATION**

The incident is appropriate for use in either the undergraduate or graduate courses in the legal environment of business, or business ethics when discussing whistleblowing and religious harassment. In addition, this critical incident could be used in organizational behavior, human resource management or diversity courses to explore power differentials (coach, player) as well as diversity in general.

### **KEY WORDS**

Religious Discrimination, Harassment, Whistleblowing, Ethics, Power

### **CONTACT**

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## **STRATEGIC CONSUMER CHOICE: A COLLEGE STUDENT'S DILEMMA**

**Parag Dhumal, University of Wisconsin-Parkside**

**Michele Gee, University of Wisconsin-Parkside**

**Qi Zou, University of Wisconsin-Parkside**

### **ABSTRACT**

This critical incident is a decision case which describes a perplexing dilemma challenging Peter, a newly arrived international student from China with financial problems. Since his educational expenses were unavoidable, the best way for him to save money was to reduce money spent on groceries. Peter decided to solve his budget and time challenges by using the knowledge he acquired in a statistics class. He collected price data for 55 grocery items at four grocery stores—Woodman's, Walmart, Target, and Piggly Wiggly—as a first step to perform price analysis. Although price comparison is an important criterion given his limited budget, he realized that his shopping behavior is shaped by many factors besides merely price comparison.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Identify alternative methods a consumer can use to make purchasing decisions.
2. Conduct and interpret data analysis and statistical techniques used to compare prices for a consumer decision.
3. Demonstrate understanding of consumer behavior and strategic choices
4. Develop holistic approach for buying decision making

### **KEY WORDS**

ANOVA, Consumer Behavior, Retail Price Comparison, and Grocery Shopping

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## **WINNEBAGO'S USE OF LIFO**

**Karen M. Foust, Tulane University**  
**Michael H. Hogg, Tulane University**  
**Christine P. Smith, Tulane University**

### **ABSTRACT**

As an avid Winnebago RV enthusiast, David Frost and his wife, Anna, considered investing in Winnebago Industries. He discovered that Winnebago uses LIFO to value its inventories. Initially, David was not convinced that the use of LIFO had any consequence when evaluating a company, however, he came to understand its significance. Consequently, he realized that he must undertake a LIFO to FIFO conversion of the financial statements in order to more accurately analyze the company and, ultimately, make an investment decision. This is a descriptive critical incident.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Determine which information is needed to perform the required financial statement analysis and how to retrieve it.
2. Describe the reasons companies use LIFO and the limitations on its use.
3. Employ the LIFO reserve information as reported in the notes to the financial statements to convert reported financial statement information for analysis purposes.
4. Describe a LIFO liquidation. Discuss the possible reason(s) for a decrease in the LIFO reserve.
5. Revise financial information after conversion of LIFO to FIFO.
6. Evaluate the importance of financial statement adjustments before analysis/comparison.

### **APPLICATION**

This CI is appropriate for use in undergraduate or graduate courses in Intermediate Financial Accounting, Financial Statement Analysis, International Accounting, Alternative Financial Accounting Frameworks.

### **KEY WORDS**

Inventory Cost Flow Assumptions, LIFO, FIFO, Financial Statement Analysis

### **CONTACT**

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## **AGRANA'S JOINT VENTURES**

**Karen M. Foust, Tulane University**  
**Michael H. Hogg, Tulane University**  
**Christine P. Smith, Tulane University**  
**Mengqi Yu, Tulane University**

### **ABSTRACT**

Claire McNutt is considering investing in AGRANA Group in an effort to diversify her stock portfolio. In the process of reviewing AGRANA's latest annual report, she discovers an accounting method, "proportionate consolidation," about which she knows nothing. She consults with a friend of hers who works in the international division of a consulting firm to find out what effect this method has on the financial statements, and why AGRANA Group is allowed to use this method. With a better understanding of proportionate consolidation, she determines that she must adjust the financial statements as if the company had used the equity method of accounting for joint ventures in order to make an investment decision. This is a descriptive critical incident.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Access financial statement information electronically.
2. Define joint ventures.
3. Discuss the accounting for joint ventures under International Financial Reporting Standards (IFRS) effective during 2012 and also under United States Generally Accepted Accounting Standards (U.S. GAAP).
4. Demonstrate the accounting for joint ventures using the equity method
5. Illustrate the financial reporting differences between the two methods.
6. Evaluate which method is most useful for financial analysis.

### **APPLICATION**

This incident is appropriate for use in advanced financial accounting, financial statement analysis, or international accounting courses.

### **KEY WORDS**

Joint ventures, equity method, International Financial Reporting Standards (IFRS), United States Generally Accepted Accounting Principles (U.S. GAAP), Financial Analysis

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## **BREADMAKING 101: PRICING FOR PROFITS**

**Ann M. Hackert, Idaho State University**

**Jeff Brookman, Idaho State University**

### **ABSTRACT**

Karen Faulkner recently purchased a bakery business that specialized in premium breads. She faced a problem common to many businesses both large and small. She needed to figure out what price to charge for her products. The first step in the pricing decision was determining cost of goods sold and profit margins. Pricing the product was the next step. She wanted to benchmark the competition, figure out the kind of customer she wanted to target, and the pros and cons of different methods she used to calculate a price. If she needed to increase the price then she faced another set of decisions. One alternative is to raise the price incrementally and the other is to raise it all at once. The interrelationship between the quantitative aspects of the decision, costs, and the qualitative issues, customers, and their response, illustrates important concepts for small businesses.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Differentiate between the quantitative and qualitative aspects of a product pricing decision.
2. Quantify the pricing decision. Use a basic model to calculate the total contribution margin and incorporate other pricing scenarios and consider demand elasticity.
3. Analyze the price change decision and discuss how to judge the effectiveness of this decision.

### **APPLICATION**

This incident can be used in a basic marketing, finance, operations management, small business or entrepreneurial class to provide a foundation for class projects or extend chapter concepts from theory to practice. Pricing is a concept with cross-disciplinary implications because it involves both qualitative and quantitative issues and data.

### **KEY WORDS**

Finance, Small Business, Entrepreneurship

### **CONTACT**

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## **CASH FLOW CLASSIFICATION – AS LONG AS IT’S ON THE STATEMENT, DOES IT MATTER WHERE?**

**Jeffrey R. Miller, Sam Houston State University**  
**Joseph Kavanaugh, Sam Houston State University**

### **ABSTRACT**

A young (approximately 29 years old), successful accountant finds herself in a difficult situation after agreeing to go along with a questionable accounting scheme. The accounting project was designed by an international CPA firm and was already being used by one of the largest and fastest growing companies in the United States, which lent credibility to the arrangement. While net income, earnings per share, and total assets, liabilities, owners’ equity, and cash flows were correctly stated, this critical incident demonstrates the possible ramifications of an item that was improperly classified.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Illustrate with an example the importance of proper classification in accounting even though net income, total cash flows, and other totals are correctly stated.
2. Analyze and explain how “mark-to-market” accounting affects financial statements.
3. Explain the implications of trade agreements masquerading as revenues.
4. Recognize the seriousness of a misclassified amount in financial reporting.
5. Know, understand, and be able to apply the appropriate professional standards to guide professional conduct when confronted with a workplace conflict involving an accounting issue.

### **APPLICATION**

This critical incident is appropriate for use in an upper level or graduate financial accounting class (e.g., Intermediate or Advanced Accounting or Accounting Theory) and in an auditing class. This case also may be suitable for an upper level or graduate finance class where financial statement analysis is discussed.

### **KEY WORDS**

Statement of Cash Flows, Mark-to-Market, Certified Public Accountant, Wash Trades

### **CONTACT**

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## **MORTGAGE CONCENTRATION RISK IN A SMALL DEPOSITORY INSTITUTION**

**Robert Tokle, Ph.D., Idaho State University**

**Joanne Tokle, Ph.D., Idaho State University**

### **ABSTRACT**

This critical incident involves a small depository institution, Northeastern State College Credit Union (NSC CU), and interest rate risk. The incident is told from the point of view of John Tallon, a member of both the Board of Directors and the Asset-Liability Management Committee (ALMC). Because the duration of liabilities and assets in depository institutions differ, with assets having longer duration than liabilities, profitability is squeezed when interest rates rise. A number of factors come into play, some of which are beyond the depository institution's control. The Board of Directors must make a decision, based on the recommendation of the ALMC, as to whether more long-term mortgages, of longer duration, should be made to maintain its profitability and net-worth ratio. While these mortgages are better for profitability in the current environment, an increase in interest rates, a likely scenario given current economic conditions, would affect the institution's financial position.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Explain how and when interest rate risk affects depository institutions
2. Estimate the impact of policies that may put an institution at risk during periods of fluctuating interest rates
3. Evaluate the advantages and disadvantages of changing the financial institution's policy regarding limits on real estate loans.

### **APPLICATION**

This critical incident is appropriate for courses in macroeconomics, finance, depository institution management, or money and banking, particularly for discussions of duration analysis and/or interest rate risk.

### **KEY WORDS**

Economics, Finance, Banking, Depository Institutions

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## **SMILE TRAIN DONORS *NOT* SMILING**

**Cheryl B. Ward, Middle Tennessee State University**  
**Diane R. Edmondson, Middle Tennessee State University**

### **ABSTRACT**

“Big fat liars!” Sean thought angrily as he checked his mail. He was disgusted to find yet another solicitation from Smile Train. Ten months ago Sean donated \$50 to Smile Train, intrigued when the charity promised, “Make one gift now and we’ll never ask for another donation again.” Smile Train focused on treating children with cleft palates around the world. Sean realized that children with this disfiguring condition could have greatly improved lives by receiving corrective surgery and believed his donation would have value. Sean’s donation had been made almost a year ago and he had received over a dozen mailings since then. He felt that the charity had betrayed his trust and not kept their word. It also made Sean wonder whether his donation had actually benefitted the children. Sean was no expert, but he believed that Smile Train needed to change their promotional appeal.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Identify reasons people and/or corporations become involved with charitable organizations.
2. Analyze whether the Smile Train promotional campaign was ethical.
3. Calculate the average cost per surgery based on the financials given in the critical incident.
4. Discuss whether Smile Train’s actions are conducive to developing relationships with its donors.
5. Determine what changes, if any, Smile Train should make in its appeal(s) to donors.

### **APPLICATION**

Marketing, Ethics, Promotion, Non-Profit, Management, Organizational Behavior, Social Responsibility

### **KEY WORDS**

Marketing, Ethics, Non-Profit, Social Responsibility

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## **GRIDLOCK AT BAY GRAY, INC.**

**George L. Whaley, Ph.D., San Jose State University**

### **ABSTRACT**

This incident focused on a July 6, 2012 board of directors (BOD) meeting designed to break the gridlock over a 2011 buyout decision. After eighteen years of leading the conflicted family firm, Bay Gray, Inc. (BGI), CEO Rebecca Gray wanted to leave. She hired a consultant to find a buyer for BGI and all owners verbally agreed to the deal in 2011. However, her younger sister “backed out” which led to gridlock. The BOD developed six alternatives without the help of consultants to break the gridlock. These alternatives allowed Rebecca and her older sister to leave and compensated all owners for their past efforts while providing continued employment for employees that wanted to stay. A few minutes prior to start of the July 6 BOD meeting, an emotionally distraught Rebecca wrote down what she thought was the best of the six alternatives to maintain the BGI legacy and escape gridlock.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Analyze and recommend alternatives available to stakeholders when a small family business is sold.
2. Evaluate the role family-work conflict plays in decision making at small family firms.

### **APPLICATION**

This decision critical incident was designed for upper division undergraduate and MBA level courses in Family Business, Entrepreneurship, and Small Business.

### **KEY WORDS**

Family Business, Small Business, Entrepreneurship, Conflict Management, and Decision-Making.

### **CONTACT**

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## FACEBOOK IPO

**Joseph Younkin, Christopher Newport University**  
**Gabriele Lingenfelter, Christopher Newport University**

### ABSTRACT

The critical incident provides information on Mark Zuckerberg and briefly describes the history of Facebook. The critical incident also provides basic information on Initial Public Offerings and trading on the NASDAQ and NYSE. The main reasons for Zuckerberg's decision to take the company public are discussed. The critical incident alludes to the fact that corporate culture had an impact on Facebook's decision to choose a stock exchange and mentions the steps in setting the IPO price.

This descriptive critical incident asks students in a basic finance course and/or principles of accounting to evaluate how Facebook determined the initial offering price for its stock and how it chose on which stock exchange to list.

### LEARNING OBJECTIVES

The objectives of this critical incident are:

- 1) To analyze the importance of setting an appropriate price for an IPO.
- 2) To defend Facebook's decision to list on NASDAQ instead of NYSE.

### APPLICATION

This critical incident can be used as an in-class assignment or a homework assignment in an introductory finance or accounting course when discussing IPOs and stock exchanges in finance or the stockholders' equity chapter in accounting.

### KEY WORDS

Finance/Investment, Accounting

### CONTACT

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## **THE HUMAN SIDE OF LOGISTICS**

**Poonam Arora, Manhattan College**  
**Peter Hanges, Manhattan College**  
**Anthony Bruzzone, Manhattan College**

### **ABSTRACT**

This critical incident requires Robert Stevens, a fresh college graduate, to make a decision. Robert was recently hired to an entry-level position at an aircraft manufacturer, and found himself embroiled in a conflict involving three offices. Given Robert's junior position in the logistics group, he is worried that he will become the scapegoat. He has repeatedly expressed his concerns about the packaging procedures used to secure the shipments that are mandated by headquarters in Omaha. However, he now faces a teleconference with senior management from Tampa Bay and Omaha, and needs to decide how to handle the call. If he fails to resolve this conflict, he may find himself without a job. This critical incident is focused on the topic of conflict resolution in an organization where one has little power. Students are asked to place themselves in Robert's position and make a decision on how to handle the conflict.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Analyze and apply the Dual Concern Model for conflict resolution in an organizational setting.
2. Explain how approaching the conflict as a zero-sum versus non-zero-sum could produce different results.
3. Develop possible solutions using non-zero-sum conflict resolution strategies.
4. Apply the theoretical framework of moving from positions to interests in order to resolve the intra-organizational conflict.
5. Identify how a lower-level employee can manage a conflict with higher-level employees and create a win-win situation for all.

### **APPLICATION**

This incident is appropriate for use in Negotiations and Conflict Resolution courses as well as in a General Management or Principles of Management course

### **KEY WORDS**

Conflict Resolution, Negotiation, Zero-Sum and Non-Zero Sum, Win-Win, Managing Upwards, Managing Across Geographical Barriers

### **CONTACT**

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## **SOUTH EAST EXHIBITIONS: FILLING BIG SHOES**

**Timothy E. Burson, Queens University of Charlotte**

**Zachary M. White, Queens University of Charlotte**

**Bradley W. Brooks, Queens University of Charlotte**

**Steven M. Cox, Queens University of Charlotte**

### **ABSTRACT**

Jason Kirkpatrick, president of South East Exhibitions, was confronted with the impending loss of a critical member of his company's managerial team. This incident highlights Jason's dilemma not only of replacing a particularly valuable and popular member of the management team, but also his effectiveness in communicating this decision to those who will be affected by it. This decision-based critical incident illustrates the challenges of choosing to replace a highly effective manager and/or to restructure the managerial framework of a multidivisional organization. Students are asked to evaluate options for replacing a very effective division manager whose role requires organizational, managerial, and social skills. This task also required effective internal communication skills to maintain the company's harmony among affected parties who held varying opinions as to how the decision should have been made.

### **LEARNING OBJECTIVES**

The learning objectives of this critical incident are:

1. Identify potential advantages and disadvantages of various strategies for communicating about uncertainty to employees.
2. Be able to categorize and evaluate varied organizational approaches to change and leadership processes.
3. Articulate factors that may empower and/or constrain leaders when contemplating and communicating organizational change such as personnel decisions.
4. Be able to identify and recognize the relevant organizational approaches that determine how change and leadership processes are perceived.

### **APPLICATION**

With the integration of management strategies for communicating about uncertainty and theoretical approaches to change and leadership processes, this incident is well suited for undergraduate and graduate courses in Organizational Behavior, Organizational Communication, and Leadership.

### **KEY WORDS**

Management, Organizational Change, Internal Communication, Leadership

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## **WHO IS TRAINING WHOM?**

**Donald A. Carpenter, Colorado Mesa University**

**Kay A. Hodge, University of Nebraska-Kearney**

**Fredricka F. Joyner, Indiana University East**

### **ABSTRACT**

In this critical incident, Todd had returned to his office from a human resources meeting on workplace safety. He recalled a time when he, a seasoned mainframe computer salesman, and Sam, a newly-hired salesperson whom Todd has been assigned to mentor, were on a sales trip. Todd was to mentor Sam in selling and even dressing appropriately for his new position with the company. They were starting a two-hour drive to Trinidad, Colorado. In an effort to be friendly and get to know Sam, Todd began by asking simple questions to which he received rather frightening responses. Todd was concerned about his safety. This relates to today's workplace because numerous men and women who have served our country overseas are returning to the jobs they held prior to deployment, and many of them are suffering from post-traumatic stress disorder.

### **LEARNING OBJECTIVES**

The learning objectives of this critical incident are:

1. Outline factors associated with Post-Traumatic Stress Disorder (PTSD) in the workplace and relate those to Sam's activities.
2. Explain the relevance of the Americans with Disabilities Act to people like Sam in today's work environment.
3. Identify and describe the appropriateness of the actions that Todd took to defuse a potentially violent situation.
4. Explain the complexity of workplace violence and identify the impact variables at all levels of system aggression.
5. (Optional) Design strategies to prevent workplace violence.

### **APPLICATION**

The critical incident is best used in a human resources management class when discussing potential workplace violence and the Americans with Disabilities Act. Using this case will require that the instructor discuss post-traumatic stress disorder in advance or have students research the topic.

### **KEY WORDS**

Human Resources, Workplace Violence, Post-Traumatic Stress Disorder, Americans with Disabilities Act

### **CONTACT**

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## **SHOULD I REPORT HIM?**

**Nanette Clinch, San José State University**  
**Asbjorn Osland, San José State University**  
**Natalie Carboni, San José State University**  
**Pamela Wells, San José State University**

### **ABSTRACT**

Carmen Nicolli was a college student serving as an intern at a high tech company in graphic design. She was pleased with her opportunity to learn on the job and get experience for her resume. Then her boss took her and another intern to dinner and he appeared to make unwelcome advances toward her. His suggestions that she consume more alcohol, that he give her a ride, and so forth appeared inappropriate in her eyes. She wondered if she should report him, confront him and ask him to stop, or simply quit.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Learn how to evaluate sexual harassment
2. Learn how to manage stressful situations
3. Develop self-awareness regarding one's responses to challenging situations
4. Assess a situation in order to determine whether or not sexual harassment has occurred
5. Apply guides and strategies to one's life in order to better handle stressful situations.

### **APPLICATION**

The critical incident is best suited for a beginning management, organizational behavior, human resources or ethics course.

### **KEY WORDS**

Sexual Harassment, Coping, Self-Awareness, Workplace Romance

### **CONTACT**

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**“HEY! WORM!”**

**Frank Dattilo, Elmhurst College**  
**Sondra Simpson, Elmhurst College**  
**Elyse Jacks, Elmhurst College**

**ABSTRACT**

A Chicago-based credit manager, Oliver, who faced disagreement from pertinent departmental managers in regards to a belittling nickname used in the company warehouse; their consensus was to discourage Oliver from further pursuit of the matter. Oliver's concern formed when an employee used the nickname “Worm” to address another employee, Pete. The firm's HR department was stationed in California. The company frequently hosts family-inclusive events for its employees, therefore Oliver recognized implications such a nickname might cause in addition to normal, daily implications. Oliver had to decide whether the nickname required immediate attention, and what to do in the face of stakeholder opposition to nickname revisal. This descriptive case has been classroom tested.

**LEARNING OBJECTIVES**

The objectives of the critical incident are:

1. Apply the conservation of resources model of stress, and indicate how managers use the Platinum Rule to reduce employee stress.
2. Demonstrate how the PADIL model incorporates emotional support, appraisal support, informational support, and instrumental support in a decision situation.

**APPLICATION**

This case relates to the topics of problem solving, motivating change, and stress management through empowerment, reinforcement, and the platinum rule. It is appropriate for the undergraduate level subject areas of Organizational Behavior, Principles of Management, and Human Resource Management.

**KEY WORDS**

Platinum Rule, Problem Solving, Motivating Change, Stress Management, Empowerment, Reinforcement, Bullying, Name Calling.

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## **THE FAMILY BUSINESS: OPPORTUNITY OR OBLIGATION TO JOIN**

**Jacinto C. Gavino, DPA, Asian Institute of Management**  
**Edwin J. Portugal, Ph.D., State University of New York at Potsdam**  
**Miguel Anton R. Suarez, Asian Institute of Management**

### **ABSTRACT**

Alvin's MBA graduation was a month away and he had to decide soon whether or not to join the family business, Velazco Construction, Inc (VCI). He knew that VCI planned to take advantage of the many business opportunities in the Philippines because of the high economic growth rate in the country. The family business needed to strengthen its managerial talent pool. His uncle, Victor, and some older cousins invited him to join management. Alvin thought hard about the decision he had to make, the complexity of issues in the family business, and his aspirations for his own career and personal life. But he felt that he could get trapped in the family business in light of interesting competing job offers from big corporations to MBA graduates of the prestigious business school from which he was about to graduate.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Formulate a succession plan for the VCI family business.
2. Develop a meeting agenda that can guide the VCI family business in discussing the succession plan and selection process.
3. Differentiate the goals of the VCI family business and Alvin's own career and personal goals.
4. Argue for support of Uncle Victor's desire to ask Alvin to join the family business.

### **APPLICATION**

The critical incident can primarily be used as a "succession in family business" incident. It is appropriate for use in an introductory "human resource management" course, an advanced "family business management" course, and an elective in "personal finance" course.

### **KEY WORDS**

Succession; Management; Family Corporations.

### **CONTACT**

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## **A HASTY FIRING – DISASTER OR OPPORTUNITY**

**Sambhavi Lakshminarayanan, City University of New York**

**Evelyn Maggio, City University of New York**

**Savita Hanspal, College of St. Rose**

### **ABSTRACT**

The hasty action of David, a manager at a consulting firm, in firing his employee Monica, resulted in a messy situation. Ken from ClientB was livid that she had been fired abruptly since that impacted his group's ability to deliver critical work-product. Ken tried to persuade Monica to ask for her job back so she could help his group finish that month's work-product. Monica was very reluctant to do so since she had felt extremely insulted and humiliated at the manner in which she was fired. At the same time, she felt a strong sense of duty to complete her work with Ken's group. Now, Monica had to choose between following a sense of professional obligation and completing important work versus honoring her professional self-esteem and pride. This is a decision case – Monica had to decide on a course of action that would have both immediate and long-term impact.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Distinguish the kinds of power held by major stakeholders in contract relationships.
2. Analyze an employee's position within an organization and develop strategies to manage the challenge of performing the current job while planning for professional growth.
3. Summarize and differentiate challenges that are faced by major stakeholders in contract relationships when key, client-facing employees are involved in study programs.
4. Formulate methods by which different stakeholders could effectively manage such situations.

### **APPLICATION**

This incident can be used in courses in Organizational Behavior, Human Resource Management, and Career Management. Given the specific context of the case as a small business in IT contracting it can also be discussed in courses in Small Business Management and Entrepreneurship, MIS, and Engineering Management.

### **KEY WORDS**

IT Contract, Stakeholder, Firing, Graduate Program, Study Program, Flexible Time

### **CONTACT**

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## **EVOLUTION OF A MANAGER: CAREER ON THE LINE**

**Anthony J. Mento, Ph.D., Loyola University Maryland**  
**Elizabeth H. Jones, Ph.D., Notre Dame of Maryland University**  
**Joseph Dilworth, Loyola University Maryland**

### **ABSTRACT**

Mike Gibson's second chance as a team manager seemed doomed. Reassigned to lead the bottling and packaging line in a food production facility, members of his team falsified quality reports and were reprimanded. After the disciplinary incident, the team retaliated and gave Gibson an extremely low rating on an upward feedback appraisal. Although a graduate of a corporate management program and currently an MBA student, he seemed unable to apply the lessons of the classroom to his own work. The handwriting was on the wall—Gibson's career was on the line. This is a descriptive critical incident.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Assess the implications of using metaphor in the workplace and apply the structured use of metaphor to a difficult managerial and team problem by deconstructing traditional sports analogies used in U.S. business in order to identify the existing team structure and its appropriateness to the situation.
2. Evaluate managerial dilemmas associated with doing the right thing when disciplinary action is needed.
3. Develop an action plan for improving team performance.
4. Analyze key components needed to effectively assess and mentor managerial performance when the mentee is not outgoing by nature.

### **APPLICATION**

The CI could be used in upper-level undergraduate and MBA courses in Organizational Behavior, Intercultural Communication, and Human Resources Management.

### **KEY WORDS**

Teams, Performance Management, Ethics, Diversity, Career Management

### **CONTACT**

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**AGE DISCRIMINATION AT TEXAS ROADHOUSE, INC.**

**Bonnie Leonhardt, Ph.D., S.P.H.R., University of Northwestern Ohio**

**ABSTRACT**

This critical incident is descriptive, and details the history and issues leading up to the lawsuit filed against the Texas Roadhouse restaurant chain by the U.S. Equal Employment Opportunity Commission (EEOC) in September, 2011 charging “a nationwide pattern or practice of age discrimination” in hiring practices for front of the house employees. According to the EEOC, many complaints of older applicants being rejected by Roadhouse restaurants had been made to the agency and conciliation attempts had failed. The company denied discriminating. Students must evaluate the evidence from both the EEOC and Roadhouse perspectives. An important part of the discussion is whether the chain’s unique and successful business model including servers who regularly line dance for patrons is a legitimate reason for turning away older applicants. It can be presented as a role play of the EEOC lawsuit, with class members as the legal teams and the jury.

**LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Evaluate the actions of Texas Roadhouse and the EEOC within the framework of the Age Discrimination in Employment Act (ADEA).
2. Analyze the possible defenses of Texas Roadhouse and the arguments of the EEOC in establishing whether age discrimination took place.
3. Evaluate the competing claims of groups having a stake in the outcome of this conflict.
4. Generate solutions that would allow Texas Roadhouse to maintain its business culture while abiding by U.S. employment laws and regulations in the future.

**APPLICATION**

It is suitable for courses in Organizational Behavior, Human Resource Management, Business and Society, and Legal Ethics. It may be used to demonstrate the process of establishing discrimination claims, as an illustration of the role of corporate policy and interviewing practices in creating discrimination charges, or as a way to discuss societal issues of fairness and government regulation.

**KEY WORDS**

Age Discrimination, Employment Law, ADEA, BFOQ, Business Ethics

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## ON THE EDGE

Neil Tocher, Idaho State University  
Alexander R. Bolinger, Idaho State University

### ABSTRACT

This critical incident describes a conflict between Lisa, a fourth-year doctoral student, and her highly published but somewhat overbearing major adviser, Dr. Littlewood. The decision point of the incident occurs when Lisa was called into Dr. Littlewood's office, reprimanded for what Dr. Littlewood perceived to be shoddy work on a research project, and told that Dr. Littlewood was contemplating letting her go and attempting to have her removed from the graduate program. With her career in serious jeopardy, Lisa had to decide how to respond on the spot.

### LEARNING OBJECTIVES

The objectives of this critical incident are:

1. To analyze and critique supportive methods of communication which could be used by Lisa to resolve the incident
2. To identify and contrast conflict resolution strategies which could be used by Lisa to attempt to resolve the situation.
3. To analyze how power affects the situation described within the incident.
4. To analyze and evaluate strategies which individuals in a low power situation can use to deal with entities that possess high levels of power.
5. To identify and apply emotional competencies that can facilitate effective management of difficult situations such as the one presented in the incident.

### APPLICATION

This incident is appropriate for use in both introductory and advanced courses in organization behavior, management, human resource management, negotiation, and in other courses that focus on interpersonal communication and conflict resolution. Major issues in the incident are conflict resolution and interpersonal communication. Additional issues include negotiation, power, social competence, and the notion of being proactive to avoid similar situations developing in the future. Student discussion should encourage creative thinking regarding approaches to resolving the situation as well as considering actions that may have prevented it from developing. An epilogue provided in the teaching note discusses Lisa's approach to resolving the situation.

### KEY WORDS

Interpersonal Communication, Conflict Resolution, Power, Negotiation, Emotional Intelligence

### CONTACT

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## **DIVERSITY CHALLENGES AT EASTERN UNIVERSITY**

**Shirley A. Wilson, Ph.D., Bryant University**

**Harsh K. Luthar, Ph.D., Bryant University**

### **ABSTRACT**

Ram Thackeray, an international student who was a graduating senior at Eastern University overheard the Vice President for Student Affairs make what he perceived to be an insensitive and offensive comment regarding minorities. The Vice President's comment regarding minorities caused the student to reexamine his own diversity efforts at Eastern University. As Ram got ready to graduate he developed a plan to make his feelings known to university officials in a very dramatic way and to make the culture at Eastern more welcoming to minority and international students. Ram shared his plan with his professor and asked for her help in his culture change efforts. Dr. Audrey Lewis, an African-American professor, must decide whether or not to become involved in his culture change efforts.

### **LEARNING OBJECTIVES**

The objectives for this critical incident are:

1. Compare and contrast Ram's individual and Eastern University's organizational perceptions, values, and attitudes about diversity.
2. Analyze and explain how an understanding of culture can enhance organizational diversity efforts at Eastern University.
3. Develop a strategy for Ram Thackary to initiate a diversity management process at Eastern University.

### **APPLICATION**

This descriptive critical incident may be applied to classes in Organizational Behavior, Diversity, Human Resource Management, Business Ethics, American Studies and Cultural Pluralism courses. It is also applicable to other courses which contain a module on diversity issues.

### **KEY WORDS**

Diversity, Culture Change, Organization Change, Organizational Culture

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**GOLD PEAK TEA:  
SOCIAL MEDIA PROMOTION GONE WRONG**

**Karen A. Berger, Pace University  
David Fleischmann, Pace University**

**ABSTRACT**

In spring 2012, Gold Peak Tea, a Coca-Cola brand, announced a promotion, Take the Year Off. The Grand Prize was \$100,000, a chance to stay home for a year, and a year's supply of Gold Peak Tea coupons. Theodore Scott, a lawyer, won the Grand Prize. In the verification process, Gold Peak Tea brand management discovered that Scott had solicited votes on an online forum. Scott was disqualified in favor of another contestant, Michael Simpson. Scott claimed the rules were unclear and that asking for votes on an About.com forum did not constitute inducement. Scott was supported by other online participants and observers as indicated by the several hundred angry comments that were posted on Gold Peak Tea's Facebook page. As a result, Gold Peak Tea management had to determine how to manage this situation while minimizing the loss of customers.

**LEARNING OBJECTIVES**

The objectives of the critical incident are:

1. Distinguish between a contest and a sweepstakes, and apply these terms to a specific program.
2. Define the concept of vote inducement or farming, and explain how vote inducement affects contests that use social media.
3. Identify the marketing objectives associated with a promotional contest for a brand or product, and evaluate whether these objectives were met with this promotion.
4. Evaluate the effect that social media has in a promotion context, and discuss whether a decision made was fair or unfair, using the concept of 'retail fairness'.
5. Develop a crisis management plan which addresses the consumer issues in a positive way and mitigates the potential backlash.

**APPLICATION**

Appropriate for undergraduate or graduate Principles of Marketing, Principles of Advertising, Principles of Promotion, Social Media, Public Relations and Crisis Management courses.

**KEY WORDS**

Promotion, Social Media, Vote Farming, Sweepstakes, and Contests

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## **IN YOUR FACE(BOOK): SOCIAL MEDIA AND UNFAIR LABOR PRACTICES**

**Janell M. Kurtz, St. Cloud State University**

**Elaine Davis, St. Cloud State University**

### **ABSTRACT**

Social media is an important and influencing part of our daily lives. During a contentious unionization effort at Jimmy John's Gourmet Sandwiches, the anti-union contingent turned to social networking and created an Anti-Union Facebook page. It was a public page allowing anyone with a Facebook account to access it and read the posts. With passions running high, a number of Jimmy John's managers posted vituperative comments about a union activist. The president and co-owner of the Jimmy John's, Mike Mulligan, needed to react to this use of social media, but what was the correct response? What freedom do employees have in expressing their opinions through social media? What are business' rights and obligations? Should the business consider a social media policy? This is a decision making critical incident.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Assess the rights and restrictions on management's speech when employees are engaged in concerted activity under labor law.
2. Appraise managerial and ethical considerations in reacting to managers' use of social media.
3. Formulate a social media policy for a business applying legal and business considerations.

### **APPLICATION**

This critical incident can be used in a variety of undergraduate courses dealing with business law and multiple management courses. In law courses, this critical incident would complement material on the employment environment, specifically labor management relationships. In management courses, the case can be made part of a discussion on employee policy development, retaliation, social media, and labor law.

### **KEY WORDS**

Labor Relations, Social Media

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**ROLLING STONE & THE BOSTON BOMBER: SAVVY MARKETING, SOCIAL  
IRRESPONSIBILITY, OR BOTH?**

**Barbara A. Schuldt, Southeastern Louisiana University**  
**Jeff W. Totten, McNeese State University**

**ABSTRACT**

The August 1, 2013 cover of *Rolling Stone*, released July 16<sup>th</sup> on its Facebook™ page, created a social media uprising because it featured alleged Boston Marathon bomber, Dzhokhar (Jahar) Tsarnaev. Examples of this uproar are provided in the incident. This social media uproar also made it into traditional media, and generated both critics and defenders of the magazine. Students are then asked to discuss whether the magazine's decision was savvy marketing or socially irresponsible. The focus of this incident is on the marketing practices of the magazine.

**LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Students should evaluate the decision made by the magazine editor in terms of suitable marketing practices.
2. Students should be able to defend their positions regarding the cover decision; i.e., would they have chosen Tsarnaev for the cover or not and why.

**APPLICATION**

This incident is appropriate for Principles of Marketing (social media or promotion chapters), Integrated Marketing Communications, Social Media Marketing, and Journalism classes. It could also be used in Business Ethics classes after ethical philosophies have been covered.

**KEY WORDS**

Marketing, Ethics, Magazine Cover, Journalism, Boston Bomber

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## **WE'RE TREKKERS, TOO: HOW CUSTOMER SERVICE FAILURE BECAME AN INTERNET MEME**

**Amanda J. Weed, Ohio University**

### **ABSTRACT**

In September of 2012, Sir Patrick Stewart, a television and film actor best known for his role as Capt. Jean-Luc Picard on the television series *Star Trek: The Next Generation*, wrote on his Twitter feed, "All I wanted to do was set up a new account with @TWCable\_NYC but 36hrs later I've lost the will to live." @TWCable\_NYC is the Twitter handle for Time Warner Cable, Inc's (TWC) New York City office. What ensued after the tweet was more than 1,800 retweets made by followers of @SirPatStew, including other *Star Trek* cast members William Shatner and LeVar Burton, telling of their similar bad experiences with TWC. Jeff Simmerson, director of digital communication for TWC, must decide how his company's social customer service must respond to a complaint from a celebrity about TWC customer service.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Identify benefits and challenges of using social media, as compared to phone or email contact, to address customer complaints.
2. Develop a proactive response strategy for customer communication on Twitter.

### **APPLICATION**

This critical incident may be used in an entry-level course in strategic communication, marketing, business administration or public relations at the undergraduate or graduate level. The critical incident may be presented in an open-ended discussion without any specific questions, or may be directed by the instructor with the recommended questions. If the professor chooses, this may also serve an exam case.

### **KEY WORDS**

Time Warner Cable, Social Media, Consumer Relations, Celebrity Customers

### **CONTACT**

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## **FREE SPEECH AND DISCIPLINE IN THE PUBLIC SECTOR**

**Lieutenant Charles P. Wilson, BA, Rhode Island College Campus Police**  
**Shirley A. Wilson, Ph.D., Bryant University**

### **ABSTRACT**

Lieutenant Robert Prince was proud of his research on campus law enforcement issues, having published numerous peer-reviewed articles. He was recognized by members of his profession and the media as being an expert in the field, and was consulted numerous times regarding the issue of arming campus police officers. But now it seemed that his comments on the subject had gotten him in serious trouble, and he was unsure what to do. Were his rights to free speech being violated, or had he actually disobeyed a direct order from the police chief? This is a descriptive critical incident.

### **LEARNING OBJECTIVES**

The objectives of this critical incident are:

1. Analyze the relevance of social media in the workplace.
2. Analyze the differences in employee free speech in the public and private sectors.
3. Apply organizational behavior and human resource management concepts and theories to the personal use of computers and the internet in the workplace
4. Discuss the process and need for establishing workplace social media policies and the proper implementation of organizational rules regarding the use of social media sites.

### **APPLICATION**

This descriptive critical incident may be applied to classes in Organizational Behavior and Human Resource Management, as well as classes dealing with ethics, procedures, and policy development, each of which may have a correlated use in OB/HR discussions.

### **KEY WORDS**

Social Media, Free Speech, Employee Discipline, Issuance of Directives

### **CONTACT**

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## HEALTHCARE.GOV WEBSITE FAILURE

**Andrew S. Borchers, Lipscomb University**

**Kevin Huggins, US Military Academy**

**Jeff Crawford, Lipscomb University**

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On Wednesday, October 30, 2013, US news networks focused their attention on a House Energy and Commerce Committee hearing to investigate the failure of HealthCare.gov. The website's failed implementation had become a lightning rod for opponents to the Affordable Care Act (ACA). Under pressure, including calls for her resignation, Secretary of Health and Human Services (HHS) Kathleen Sebelius testified (*PPACA Implementation Failures, 2013*).

“In these early weeks, access to HealthCare.gov has been a miserably frustrating experience for way too many Americans, including many who have waited years ... for the security of health insurance. I am as frustrated and angry as anyone with the flawed launch of HealthCare.gov, so let me say directly to these Americans: You deserve better. I apologize.”

In late October of 2013, Chief Information Officers (CIO) throughout the US Federal Government wondered what the causes of failure were and how these could have been avoided.

### **Building HealthCare.gov**

Designed as an online market place, HealthCare.gov allowed users to shop for and compare healthcare policies from private and public providers. Based on income, one may have qualified for premium subsidies. For a typical customer interaction, the website verified an individual's identity and confirmed their income to calculate a subsidy. The website then presented a list of healthcare options for customers to choose. The Obama administration forecasted that up to seven million individuals would apply for insurance in the first six months of operation, with 500,000 in October alone. However, by the end of October of 2013 there were few enrollments.

In December 2011, HHS initiated the development of Healthcare.gov by awarding several contracts. This development effort enabled implementation of President Obama's flagship legislative victory, the Affordable Care Act. Accordingly, the website development garnered much attention from both admirers and foes. With only 22 months to develop the system, all eyes were on the October 1, 2013 official rollout date (Lafraniere, 2013).

Advocates heralded the development of HealthCare.gov in the months leading to go live. “Open by design, open by default. That’s a huge win for the American people,” claimed Alex Howard (2013). The technical approach included iterative development in Github, an open source system that allowed anyone to view program code. However, HHS removed access to the program code in October after open source advocates offered to help fix the beleaguered system (Writer, 2013).

Part of the challenge was “HealthCare.gov is not so much a website as an interface for assessing a collection of databases and information systems” (Foster, 2013). The system had to pull information from disparate but critical data sources. The credit-reporting firm Experian, for example, authenticated users’ identity and verified income. The Internal Revenue Service (IRS) taxed non-enrollees. Medicaid and health plan carriers provided available healthcare choices. Each source was essential but simple inconsistencies in data such as with one’s address could undermine the process. Creating a real-time health plan selection process produced a high level of underlying complexity (Patient Protection and Affordable Care Act: Status, 2013). In the words of Gallaher (2013) this was “hyper complexity.”

The involvement of so many stakeholders accentuated overall project complexity. The entire HealthCare.gov project was under the purview of HHS. Its sub-agency, the Centers for Medicare and Medicaid Services (CMS), provided primary oversight and served as general contractor. Over 55 contractors developed the three major areas of HealthCare.gov. First, CGI Federal and Quality Software Solutions Inc. developed middleware and integrated backend services to connect to insurers. Second, Aquilent and Development Seed developed the front-end user website. Third, HHS contracted Verizon for data center and cloud storage services (Hu, 2013).

Another source of complexity was late arriving project specifications. The legislation authoring the ACA consisted of over 2,400 pages of text. Through regulatory processes these were transformed into over 13,000 pages of regulations. This lengthy process delayed developers in starting their work. Even after HHS provided specifications, they were not frozen. HHS called for changes up to a month prior to the October 1, 2013 release date. As these “rolling changes” occurred, the “go live” date for the system remained unchanged.

Late and changing requirements also had an impact on testing. It was not possible to perform full or even limited testing of the complete system with realistic user loads. Instead, the first real test of the system was on October 1, 2013. Memos leaked to the public from CGI Federal (email communications, September 6, 2013) indicated, “limited testing timeframe” as a major risk. The email stated, “The timeframes for testing ... are not adequate to complete full functional, system and integration testing activities.” CGI Federal did establish a mitigation strategy, namely “Work with CMS to establish a realistic schedule that will allow for the necessary testing”. Such mitigation however, was highly unlikely for political reasons.

Critics also singled out the need for stronger program management. For example, there was not a unified system for tracking errors. After hearing of 400 known software bugs, Richard Spires, a well-known government CIO, observed: Given the number of problems. If politics wasn't an issue, I would have immediately shut it down. (Kash, 2013).

Overall costs for HealthCare.gov were difficult to determine as many cost elements were intertwined with related costs such as the startup of call centers. Initial estimates were \$93.7 million dollars. Reported actual figures in late October varied from \$170 to \$600 million (Patient

Protection and Affordable Care Act: Status, 2013, Kessler, 2013, Hu 2013). By comparison the initial implementation of Facebook.com was a reported \$500 million.

### **Launching HealthCare.gov**

Unfortunately, users experienced extremely slow response time at launch and many could not sign-up for insurance. The website faced chronic crashes. An early two-day Verizon network outage exacerbated these problems. Throughout the early days of the launch, daily news reports reemphasized the problems users experienced in using the site. Even President Obama attempted to use the system and said on October 30, "There's no denying it. The website is too slow ... and I'm not happy about it." (Neuman, 2013). Beyond embarrassing website failures that all users experienced, HealthCare.gov cast a pall across the overall implementation of the ACA.

### **Challenge**

In late October 2013, government CIOs had to wonder what aspects of HealthCare.gov led to the troubled implementation and how these could have been avoided. Beyond technical issues, CMS had committed numerous "deadly sins" in project management (Gallaher, 2013). Going live on October 1 with a flawed website threatened user confidence and cast doubts on the Act. Failure to go live October 1, however, could also have had the same effect.

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## BUTTERCUP FARM: IS SHE CRAFTING A HOBBY OR A BUSINESS?

**Timothy Brotherton, Ferris State University**  
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Audrey Smith had a problem that was never far from her mind. She thought about the problem frequently but didn't know what to do. Audrey was middle aged and employed by the U.S. Postal Service. She had a husband, a house, and a full-time job, all of which kept her very busy. Thinking ahead a few years to retirement, Audrey was concerned she would not have enough income to live in the manner she chose. She estimated that her annual income after retirement would be significantly less than what she currently earned. She thought perhaps she should create a small business that would supplement her income in later years. Audrey faced a decision: should she convert her hobby into an actual business or not. Should she expand her product line to include liquid soap and lotions, or should she continue on as in the past producing a few batches of bar soap each month?

Two years ago, Audrey started a small soap making business which she named *Buttercup Farm*. At first she made the soaps to use herself and then began giving them as gifts to friends and family who raved about the soap and encouraged Audrey to commercialize and sell her products. Over the past two years, Audrey began to make the soap in batches of 20 bars, three or four times a month. She sold the bars to two outlets in the Northern Michigan area near her home, one being an Amish-operated grocery store, and the other an antique store that also sold home spun wool products. She sold each bar to the outlet for \$3.00 and realized a profit of about \$1.86 per bar. The retailers marked up the products by 100% for a retail price of \$6.00 for the average bar (see Table 1).

Audrey's workspace was approximately 200 square feet in her attic. There she made and stored her products. Some ingredients she ordered on-line and others she purchased locally. Her biggest problem was inventory storage as she would purchase 50 pound containers of various oils needed and would then have to store them somewhere. Another problem was time. Audrey worked full time, was on her feet all day, and ran a household. She estimated that in a month, her time spent on the business including making the soap, labeling and packaging it, and ordering ingredients was only ten hours. But these ten hours came from her dwindling leisure time.

### **The Downside to Expansion**

A downside of expansion into liquid soap/lotions was she did not know what types of liquid soaps and lotions would sell in her market area. Introduction of a new product required experimentation and testing of the new product, which meant lots of time and money that she feared risking. Audrey viewed the launching of a new product line as a difficult and complicated undertaking. For instance, by experimenting, she had learned to her surprise that bug repellent bar soap had gone over very well among her friends and family. Also, she would have to do a great deal of research to arrive at a selling price for the new products. She was not sure at what price she would have to sell the new products in order to realize a profit. This demanded a further investment in both time and money. See Table 1 for a breakdown of the different costs associated with production of both types of soap.

A major downside to expansion into liquid soap/lotions required an additional outlay of about \$300 including an electric heating element (estimated \$50), bottles, pumps, dispenser tops, exotic oils (hempseed or emu oil), colorants, and fragrances. Audrey realized that liquid soap and lotions, unlike the bar soaps she made, would have to be cooked. Using the gas stove in her kitchen was not permitted by local zoning laws due to the alcohol content of the liquid soap. She needed to purchase an electric heating element and do the cooking in her attic which was her regular workspace. This was a heavy demand on her space, time, and money. In addition, the expansion would probably mean she needed to establish a webpage or eBay site, which led to more complications and money outlays, but potentially better profit margins. Expansion also might mean hiring a lawyer and acquiring trademark protection.

### **The Upside to Expansion**

Audrey viewed the upside of expansion to be the lack of saturation of homemade soap products in the local area. Another advantage was that many of the same ingredients were used in making both the bar and liquid soap or lotions. She had about \$700 - \$800 tied up in inventory. Of course, the biggest lure of expansion was increased profits from the business. If she didn't expand, an increase in profit was not likely to occur. Retirement and her financial condition were always on her mind.

Another upside to expansion was the fact that Audrey liked helping people. Her products did not burn sensitive skin as did some commercial soap products. She also enjoyed the socialization and camaraderie she felt with her clients and customers. The type of customers who were buying her soap were middle aged women from small communities who wanted to treat themselves by using a high quality natural soap that did not have all of the dyes and chemicals that the "store bought" brands contained. In addition to the two stores, Audrey sold bar soap to associates at her workplace and even occasionally prepared special orders of her bars. Finally, Audrey's husband was supportive of her efforts as were her friends and family.

Audrey's first instinct was to try making liquid soap, and her friends and relatives encouraged her. Audrey believed that if the test product did not sell well she could give the remaining liquid soaps away as Christmas gifts. If the liquid soap failed, she could back out and return to her original plan of creating a few batches of bar soap monthly. This, however, would not provide her with the funds she felt were necessary to supplement her retirement.

### The Decision

If Audrey desired to embark on expansion of her product line, she would have to make a move soon. The idea was to have the business in place in a few years to provide supplemental income when she did retire. She could either focus on expanding her customer base in the bar market, or she could broaden her market by offering a broader product line. To make it a business and not just a hobby, Audrey would need the next few years to grow her sales to the next level. To Audrey this was a critical decision and she wanted to get it right. Her future depended upon it. The question was, what should Audrey do, expand into a business or maintain her hobby?

**Table 1: Bar vs liquid costs per unit**

	Bar	Liquid
Retail price	\$6.00	\$6.00 - \$12.00*
Wholesale price	\$3.00	\$3.00 - \$6.00*
Cost of materials	\$1.07	\$.62
Cost of packaging?	\$.07	\$.93
Profit per unit	\$1.86	\$1.45 - \$4.45
Time to process	2 hr/batch	4 hr/batch
Curing time	4 weeks	2 weeks
Shelf life	1 year	2 years
Trade-offs	20 bars (3.5 oz)	36 bottles (8 oz) (more storage space required)
	<u>\$22.80 cost per batch</u>	<u>\$55.80 Cost per batch</u>
	simple process	more complicated process (more ingredients, steps, equipment)
	bar form only	shampoos, bath gels, bubble bath, hand soaps/lotions
	variety of molded shapes, fragrances, & colors	variety of bottles, fragrances, & colors

Volume Estimates      10 batches per month = 200 bars      7 batches per month = 252 bottles

Many of the fragrances and other raw materials can be used in either product.

\*Best guess on possible range of prices she could charge.



## DATSUN RETURNS: REVIVING A BRAND

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### Introduction

Legacy branding had become common in marketing. In the automotive industry, Mini Cooper, the Beetle, Dodge Charger, and other nostalgic automobile brands returned to market. Datsun was next.

On July 15, 2013, Carlos Ghosn, president and CEO of Nissan introduced the company's very first product offering in India, a *Durable*, *Attractive*, and *Trustworthy* car. Ghosn was referring to the DAT acronym on the giant blue screen behind him (Nissan Newsroom, 2013a).

With the launch of the new Datsun Go in India, a new chapter in the Datsun story began. Nissan was counting on the Datsun brand reputation for small, sporty, inexpensive cars to attract consumers in emerging markets, using a brand that had been discontinued in the U.S. thirty years ago. Datsun was back, but would the brand strategy resonate with consumers in India today?

### History

The decision to reintroduce the Datsun brand in India was made in 2010. Perhaps this was a difficult branding decision considering the history of the brand. Over three decades had passed since the name disappeared from the market.

The predecessor of Datsun was Kaishinsha Motorcar Works that produced a car named DAT in 1914. DAT was named from the first initials of its three investors' last names (Den, Aoyama, and Takeuchi). DAT also meant lightning-fast in Japanese. The company was renamed to DAT Motor Co. in 1925. In addition to DAT passenger cars, it mostly manufactured trucks for the military until Nissan's founding father Yoshisuke Aikawa took over in 1933 (Kusakabe, 2012).

Aikawa envisioned "mobility for all" with a lightweight, economical yet durable car that fulfilled the needs and ambitions of up-and-coming Japanese people through local engineering and mass-production. He named the car "DAT-son" or "the son of DAT," which became "Datsun." During this time, DAT began representing the core values of *durability*, *attractiveness*, and

*trustworthiness*. Over 20 million Datsun vehicles were sold in 190 countries until the Datsun brand was phased out in 1981 (Kusakabe, 2012).

David Aaker, in the book *Managing Brand Equity* (1991), calculated the cost of the name change from Datsun to Nissan. Operational costs, like changing signs at the 1,100 dealerships amounted to approximately \$30 million in the U.S. alone. Furthermore, he estimated that \$200 million was spent on advertising to implement the new name between 1982 and 1984. Fifty million dollars were wasted because the successful “Datsun: We Are Driven” campaign was pulled from the market. He also pointed out that a 0.3% market share was lost over a three-year period because of buyer confusion. That loss alone represented many hundreds of millions of dollars in marginal profit. According to Aaker, the total cost to change the Datsun name to Nissan was to exceed half a billion dollars (Aaker, 1991).

With Nissan eliminating the Datsun product brand, Nissan became the global brand name. Executives at the time thought it was best to have one corporate brand name like Toyota, VW, and Honda. David Aaker and other marketing scholars considered this move as one of the worst branding strategies of the century.

### **The Product**

The new Datsun Go was a hatchback priced at 400,000 rupees (about \$6,500) in India (Maruyama, 2013). In order to cut costs, many functions and performances were sacrificed. For example, the engine was only 1.2 liters with three cylinders. A five-speed manual transmission was the only option available. Speakers were installed without a stereo system. The owner could connect the speakers to a smart phone or digital music player (Maruyama, 2013).

The cars were produced and the procurements of parts were managed in the local markets. Nissan and its parent company, Renault S.A., of France, worked together via a joint venture factory in Chennai, a southeast coastal city in India.

### **Branding**

Nissan had aggressive plans for the Datsun Go. Ghosn planned to increase the number of dealerships from 100 to 300 by 2016, and to expand the current 1.5% market share to 10% globally (Maruyama, 2013). While Nissan targeted middle-income buyers, and the Infiniti brand was aimed at upscale clients, the Datsun Go was positioned to lower-income buyers (Nissan Newsroom, 2013a).

Nissan’s brand strategy was to re-launch the Datsun brand along with other marquee Nissan brands, and at the same time, resurrect the positive heritage of the brand they had previously phased out.

In terms of branding, Nissan paid tribute to the Datsun brand heritage by offering a modern take on Datsun core values making the dream of first-car ownership a reality for consumers. Under the principles of DAT, (durability, attractiveness, and trustworthiness), the brand now took a more modern approach, redefining DAT as *Dream, Access, and Trust* (Nissan Newsroom, 2013b). The DAT principles represented a new modern take on three levels of the car ownership experience, according to Vincent Cobee, Global Head of Datsun, Corporate Vice President.

*Dream:* Customers in emerging markets dream to live in a new moment. Datsun wanted to make the dream of first car ownership a reality. *Access:* Customers wanted to access the type of products that fits their needs. Datsun wanted to provide customers with worry-free car ownership. *Trust:* Customers in emerging markets wanted to trust the automotive companies they deal with because a new car represented such a large portion of their disposable income. Datsun wanted to deliver trust by ensuring transparency, sincerity, and reliability with the Datsun brand (Nissan Newsroom, 2013b).

### **The Target Segment**

Datsun was targeting a group within emerging markets that had unique psychographic characteristics. This segment of consumers was described as “Risers,” and they represented middle-class individuals and families who were on the move (Nissan Newsroom, 2013c). Risers were described as ambitious, optimistic, and practical. They wanted high-quality products that made their lives easier without compromising design and performance.

### **Decision Point**

Was Carlos Ghosn making the right branding move by bringing back a brand that was phased out more than thirty years ago? Would the Datsun brand resonate with consumers in India?

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# THE CONTROVERSIAL LAUNCH OF KIVA IN THE UNITED STATES: MISSION DRIFT OR MARKET EXTENSION?

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After offering microfinance loans to entrepreneurs in the United States, Kiva's co-founder Matt Flannery and president Premal Shah did not expect the intense negative backlash they received from some of their non-profit's supporters and stakeholders. Kiva had been called "the hottest non-profit on the planet" and the "only non-profit that matters" by *Fortune Magazine* (O'Brien, 2008) and one of the 50 best websites of 2009 by *TIME* magazine (Fisher, 2009). The organization had been lauded by the social enterprise, non-profit, and information technology communities for its innovative approach to funding microfinance in developing countries. Kiva had been touted by celebrities such as Oprah Winfrey and Bill Clinton for its sustainable, empowering approach to poverty alleviation. However, the growth and success of Kiva had not come without its share of controversy. One of the biggest controversies came when Kiva decided to launch in the United States and help people at home. Did this move represent a change in the non-profit's core mission or the exploration of a market opportunity?

## Kiva Background

Founded in 2005 by Matt Flannery and Jessica Jackley, Kiva (<http://www.kiva.org>) was an American non-profit organization that allowed individuals, with as little as \$25 USD, to lend money via the internet to microfinance institutions around the world, which in turn lent the money to micro-entrepreneurs in their communities. Inspired by the Grameen Bank, this model aimed to provide small loans for entrepreneurial activities to people in developing countries who were unable to access credit and loans from mainstream financial institutions (Flannery, 2007). Kiva's stated mission was to "connect people through lending to alleviating poverty" ("About Us", 2013). Through its crowdfunding for social good model, Kiva connected more than 1,780,000 lenders from around the world who had lent more than \$580,000,000 USD to approximately 1,354,000 borrowers in 77 countries ("Statistics", 2014). Kiva.org was headquartered in San Francisco, California.

Much of Kiva's success came from its ability to create community and its commitment to transparency. When an organization, such as Kiva, emphasized sense of community it became

incumbent on leadership to listen to and engage its various stakeholders (i.e., lenders) in the organization's development. Flannery and Shah had both hosted numerous community conference calls as well as written directly to the community about the decisions made in the organization's past (i.e. Flannery, 2013). These initiatives were all a part of Kiva's commitment to transparency. Transparency and trust had been critical in Kiva's past success; when it encountered fraud in collaborating organizations abroad, it divulged the problem immediately and the confidence people held in Kiva seemed not to be shaken.

### **Challenges for Charities and Non-profits**

In recent years, charities and non-profits had faced a near-perfect storm of compounding pressures. There were an increasing number of organizations, all competing for fewer dollars from government, foundations, and individual donors, while trying to meet a growing demand for their services. As such, organizations faced challenges of financial self-sufficiency, donor attraction, and donor retention.

Pressure to survive or expand posed a dilemma to charities. The concern was that efforts to reach sustainability or scale may have resulted in a drift from an organization's stated mission. The term mission drift suggested an unplanned or hidden change in preferences by an organization (Copestake, 2007). This drift risked alienating supporters and donors upon which the organization relied for its existence.

### **Kiva Loans in the United States**

After years of fundraising for entrepreneurial loans in developing countries around the world and in response to the financial crisis in America, Kiva.org began posting loans to support borrowers in the United States. The development of the US loan program was kept a secret until a large press conference and launch in June, 2009. Kiva President Premal Shah appeared on numerous television programs and conducted countless interviews promoting the opportunity for supporters to lend more to entrepreneurs at home.

As with all Kiva transactions, American loans were facilitated by local microfinance institutions. According to Shah, the change to include American businesses made sense as the financial markets deteriorated and traditional lending began to dry up even in the U.S. (Rao, 2009). Kiva supporters could initially fund loans in New York, Boston, Atlanta, and Miami and had since expanded to include California, Texas, Louisiana, Virginia, and Michigan ("Where Kiva Works", 2013). From the time the idea to support low-income entrepreneurs in United States was proposed by then California first lady, Maria Shriver, Shah was unsure if lending within the United States fit into Kiva's model of international development (Rao, 2009).

### **Reaction**

The decision to post loans for American businesses was not met with unanimously positive feelings. Shah's initial concern that U.S. loans did not fit with Kiva's original mission of poverty alleviation and international development was warranted as a vocal group of supporters were very upset. Unhappy lenders felt that Kiva had changed their mission.

A group of over 400 Kiva supporters protested the organization's "shift from making loans exclusively where the needs are greatest to where they are the least," calling it a "shameful, shameful deviation from Kiva's core mission" (Watson, 2009). In a cutting commentary on a Kiva message board, lender Tom Behan of Seattle wrote: "The U.S. is the wealthiest and most resource-full nation in world history... To think that we are asking lenders from around the world to even consider lending in the U.S. is a shameful, disgraceful decision by Kiva management, CEO Matt Flannery in particular" (Cassidy, 2009). The major concern was that supporting U.S. borrowers would harm those in developing countries by diverting funds away from those who needed it most, the working poor in developing countries. Additionally, some lenders wondered why Kiva would bother lending in the United States when there were already established banks, credit unions, governmental entities such as the Small Business Administration, payday lenders (albeit with high interest), as well as peer-to-peer lenders Prosper and Progreso Financiero.

The story of the angry supporters was quickly picked up by the news media and plastered around the non-profit and international development blogosphere. According to Flannery, while they expected some to be opposed to the decision, the negative reaction was "stronger than we thought... a little more visceral and angry" (Cassidy, 2009). Flannery also said that he lost sleep over the negative reactions and that he received "quasi-hate" mail (Cassidy, 2009). Though to some Kiva experienced mission drift with the inclusion of loans in the USA, the program was well received by both prospective borrowers and lenders. By July 4<sup>th</sup>, 2014 approximately 1,300 entrepreneurs in the USA had benefited from the new program and received start-up business loans (Our Field Partners, 2014).

Did Kiva experience mission drift? Should Kiva have continued with the U.S. loans? How should Kiva have responded to the angry lenders?

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# EASTMAN KODAK: FACING DISRUPTIVE TECHNOLOGICAL CHANGE

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On August 25, 1981, a shock wave hit the Eastman Kodak Company in Rochester, NY. On the other side of the world in Tokyo, Sony Corporation demonstrated its new Mavica camera at a press conference filled with interested onlookers. Mavica stood for MAgnetic VIdeo CAmera, and while the device appeared much like 35mm single lens reflex cameras from many other companies, this camera used no film and was fully electronic in operation. The camera required only three AA batteries to operate. The Mavica captured images in a similar fashion to video recorders; the unit used a microchip to record still video images. The output quality matched the maximum level available in televisions and video monitors (Carter, n.d.). Besides the camera itself, Sony introduced a larger system to support the device that included lenses, floppy disks called Mavipaks, and a playback device called the Mavipak Viewer.

The Mavica announcement provoked a wide range of reactions at Eastman Kodak. The company's president, Colby Chandler, dismissed the new camera claiming that the company had already developed a digital image capture device and could design and build its own competitor to Sony's electronic camera. He also cited the company's long-standing strength in film and the market demand for quality color prints. However, Sony's announcement caused panic among some members of Eastman Kodak's senior management team who felt that this signaled the end of chemical-based film technology and photography (Swasy, 1997). Given the rise of this new development, how should managers at Eastman Kodak respond?

## **Eastman Kodak Invents the First Digital Camera**

Engineers and managers within Eastman Kodak had been familiar with developments in filmless cameras for years. It was within its own research labs in December, 1975, that the first digital camera was developed (Lloyd & Sasson, 1978). With meager resources, a small team led by Steve Sasson created a system for storing images, and used newly developed microprocessors to record and transmit the images. When completed, the camera weighed eight pounds and recorded 10,000 pixel (or 0.01 megapixel) images on a cassette tape that could hold thirty pictures (Gennuth, 2012; "History of the camera," 2013).



Demonstrations of the camera's ability to take pictures and display them on a video screen generally received encouraging reactions from engineers and managers within Eastman Kodak. The digital camera that Sasson's team developed clearly demonstrated a completely digital imaging system that dispensed with film and chemical processing. However, some people within Eastman Kodak expressed concern with the new device as the image quality produced by the camera paled in comparison to film-based photos. The camera was limited to black-and-white and took 23 seconds to display each image (Gennuth, 2012; "History of the camera," 2013).

Sasson's work on the first digital camera was more of an experiment than a product development effort and many technical hurdles remained before it could be marketed. Sasson believed that it would be another 15 to 20 years before the technology could reach an acceptable level of refinement and quality (Gennuth, 2012). This estimate was based on his assessment of the trajectory of performance and cost of the necessary electronic components and the minimum acceptable level of image quality demanded by consumers, believed to be the equivalent of two megapixels (two hundred times the resolution of his camera). Eastman Kodak continued to actively work on developing the technology and solving the problems required to bring filmless, electronic photography to consumers, including refinements in the image sensors that would be the new "film" in any future digital camera. The goal was to enter the market when the technology was ready.

### **Eastman Kodak in 1981**

In 1981, Eastman Kodak held a commanding position in both domestic and international markets, with a dominant market share of 77.95% in film (Kadiyali, 1996). The film giant had \$1.585 billion in cash and reported net income of over \$1.1 billion in 1981, with an annual growth rate of over 13% from 1975 to 1980. Over this period, Eastman Kodak's current ratio averaged 2.43 and revenues had a compound annual growth rate of over 14%. In 1980, Eastman Kodak posted sales of \$9.7 billion. In the same year, sales totaled \$4.2 billion for Sony Corporation (Sony Corporation, 1980), \$2.0 billion for Fuji Photo Film Company (Feder, 1981), and \$1.5 billion for Polaroid Corporation (Gordon, 2009).

Eastman Kodak's marquee photographic business confronted a number of challenges. Since the early 1970s, the company faced multiple lawsuits for allegedly unfair competitive practices (Schusteff, Dubovoj, & Salamie, 2008). The biggest of these was the patent infringement suit by Polaroid over Eastman Kodak's instant camera business. Eastman Kodak launched its instant camera in 1976, and its development demanded much managerial attention at the company, required a large investment, and alienated photofinishing customers who traditionally purchased photographic supplies from the company (Swasy, 1997). Furthermore, much of the company's attention in 1981 was focused on the upcoming launch of a long-awaited new film format camera that operated with film disks instead of rolls and used advanced electronics to control the exposure and flash (Cook, 1982). Fuji Photo Film Company also increasingly challenged the company in photographic film and paper, offering competing products at lower prices but with similar quality (Schusteff et al., 2008).

Eastman Kodak also continued to diversify beyond its traditional photographic market. The company had a long history in operating microfilm and facsimile machine businesses. It actively promoted a document copier business to rival Xerox (Schusteff et al., 2008). The company

fortified its commitment to the copier and duplicator market in 1981 by building a \$50 million photocopying equipment plant in Rochester, NY (“Kodak plans \$50mil Ektaprint plant,” 1981).

As evident from Eastman Kodak’s innovation in digital imaging and its energetic pursuit of the instant photography market, the company maintained an aggressive research effort in many of its areas of operation. Eastman Kodak spent \$459 million on research and development in 1979, and increased that expenditure to \$521 million in 1980 (Esposito, 1981). The company was on track to increase that investment to \$615 million in 1981, continuing its commitment to innovation and product development (“Kodak raises R&D spending 18%,” 1982).

Although a steadfast commitment to R&D led Eastman Kodak to develop the first digital camera in 1975, several factors shrouded the company’s future. Eastman Kodak faced increasing competition and ongoing litigation. Management was also preparing to launch a disk film system and further diversify into the office machine industry. Sony’s Mavica only exacerbated the challenge that Eastman Kodak managers faced in creating a sustainable competitive advantage. In the wake of Sony’s announcement, assess the impact of digital photography and how should Eastman Kodak position itself as leader in the photography market, whether film or digital?

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## WHAT SHALL WE DO ABOUT THE COOKS?

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This year, meals needed to be served on time—a repeat of last year’s situation was *not* an option. Mary needed to fix logistics for the second annual Girls’ Empowerment Camp in central Senegal. Although Mary had been part of the planning for both camps, she had never been a project leader until Lindsay, last year’s project leader, left the Peace Corps (PC), an American international service organization. Mary inherited a messy situation. Lindsay had signed the food preparation agreement with the same establishment used for the first camp. This left the second camp vulnerable to the same women who persistently served meals late, refused to follow directions, and willfully misinterpreted expectations. Sleep eluded Mary. Her thoughts returned time and again to the questions: Could she work with the same, difficult women? What shall we do about the cooks?

### Peace Corps in Senegal

Central Senegal, home of the PC Girls’ Empowerment Camp, was located in Africa’s arid Sahel ecosystem. Here, PC served Serers, a proud people with their own language and distinct culture. Serers comprised the third largest ethnic group (15%) in this predominantly Muslim nation (Central Intelligence Agency [CIA], 2013). Like most Senegalese, Serers were friendly and hospitable. Visitors to Senegal were advised to create social relationships before trying to do business (World Trade Press, 2010). There was a strong sense of proportionate sharing, especially at meals, which arose in turn from a deep-seated, in-group inclusiveness that created a powerful social safety net. This collectivist tendency, along with pronounced traditional and fatalistic attitudes, often resulted in a lackadaisical approach to work that was troubling to Westerners (Noorderhaven & Tidjani, 2001). PC workers noted that a common response to questions of intent or requests to do something was *Insha’Allah* or “God willing.” Senegalese tended to simply accept what happens, and usually would not take pains to exert effort in order to get tasks done. Life in Senegal flowed at a very leisurely pace.

PC had worked in Senegal for more than 50 years, and had overseen wide-ranging development projects related to business, agriculture, health, and education. PC garnered goodwill from the Senegalese because of the PC commitment to integrate its workforce into communities and honor

local culture to better infuse PC projects with the real and perceived needs of the people it served. PC prepared its employees for cross-cultural experiences before leaving the U.S., and provided intensive language training once its employees reached Senegal.

Mary learned a great deal about Senegal before leaving for the small West African country that lied along the Atlantic Ocean north of the equator. She discovered in *The World Factbook* (CIA, 2013) that Senegal was home to 13 million people and was geographically the size of South Dakota. Most Senegalese lived in poverty and relied on subsistence farming. Access to electricity and clean water was unreliable for the urban population and nonexistent for much of the rural population. Senegal relied heavily on foreign aid and foreign investment (World Trade Press, 2010). Many children, especially girls, did not attend school beyond middle school (UNESCO, 2012).

Fluency in French, Senegal's official language, was one reason Mary had been chosen for her assignment. A French colony until 1960, vestiges of the colonial period remained in Senegal's government institutions. Upon arrival, Mary studied Wolof, the language of the largest ethnic group. Unfortunately, she was sent to central Senegal where Serer was the predominant language.

PC workers enjoyed wide latitude in defining and executing their projects because of PC's strong record of creativity, integration, and cultural sensitivity. The PC Girls' Empowerment Camp was one such project. PC had run successful youth camps in southeastern Senegal for several years. The popularity of these initiatives led PC to establish camps in other regions. PC workers in central Senegal organized a camp to empower teenage girls by teaching life skills that would help them reach full potential in adulthood.

### **Preparations for the First Girls' Empowerment Camp**

PC selected a *campement* (a hotel-like establishment with free-standing rooms and facilities) in Badoudou, 30 miles (a day's travel) from the large regional capital and six miles (one hour by horse cart) from the nearest town. Located on a river, the campement's layout was conducive to running summer camp activities and was a low-cost venue. Two months prior to the camp, Lindsay Marks, the PC project lead, and Mary, a member of Lindsay's team, met with the campement manager, Robert Bassiné, to finalize the details of the facilities and services he would provide for the camp. The establishment typically served wealthy European tourists, so its normal price for three meals per day was far beyond that which PC could afford. Lindsay and Mary negotiated a deal that allowed PC to rent the kitchen, provide all the food, and hire cooks. This cheaper option also gave PC more control over the menu for campers and counselors. Based on Robert's advice, Mary was to purchase the food and store it at PC. Robert cautioned Mary to provide only the food supplies needed for each meal, lest the cooks prepare significantly more food than needed in order to take leftovers home to their families.

PC agreed to hire five, middle-aged, Serer women who worked as cooks for the campement on an as-needed basis based on Robert's recommendation and his willingness to make the arrangements. The women lived in a nearby Serer village three-quarters of a mile from the campement, so they were able to walk to work during the day and return home at night to care for their families. Typical for the region, these women had married at a young age, had large families, and actively resisted changes to traditional roles. For these wives of subsistence farmers, cooking wages provided much-needed extra income of 2000 CFA (\$4) per day.

### **Problems During the First Girls' Empowerment Camp**

Mary oversaw food preparation for the camp. Mary, who spoke French and limited Wolof, met the cooks when they arrived on the first afternoon of camp. Khady, the head cook, who spoke fluent French as well as Serer and Wolof, had attended elementary school, trained as a mid-wife, and worked as a nurse in her village. Rose, Fatou, Diarra, and Mame spoke fluent Serer and Wolof, but had limited facility in French because each had attended school for fewer than three years. As a consequence of the language barrier, Mary gave her instructions to Khady, who relayed them to the other cooks.

Problems began after dinner the first evening. Meals in Senegal are eaten from communal bowls. Mary had instructed the cooks to prepare eight bowls for five people each, enough to serve the campers and counselors. After setting out the meal, Rose asked Mary and Lindsay, "Where is *our* dinner?" Robert intervened, and after a heated discussion, Lindsay and Mary realized that they would have to provide food for the cooks in addition to pay. But for that night, they told the cooks they would have to wait until after the girls had eaten, knowing there would be leftovers.

Tension grew. After breakfast the next morning, Mary took the lunch ingredients to the kitchen and told the cooks that lunch should be served at 1:30. They agreed and said they had everything they needed. Mary returned at 1:00 to find Khady and Mame stirring the rice and the other three outside talking with Robert's assistant. Mame announced without explanation that lunch would not be ready until 2:00. The entire camp schedule was disrupted. Although Mary spent increasing amounts of time in the kitchen, all subsequent meals were an hour or two late.

Mary's relationship with the cooks worsened. The cooks continued to work at a leisurely pace. In fact, there was never an instance where all five women were working at the same time. Once, Khady refused to prepare a typical regional meal on the pretense that it was difficult. Another time, Mary found the cooks leaving large amounts of mango on the pits as they sliced them for a snack. It was clear to Mary that the cooks wanted to keep more of the mangos for themselves.

At the end of camp, the cooks demanded they be given unused food left in the kitchen. Not wanting the bother of packing up everything, Lindsay and Mary allowed the cooks to take some of it. However, out of sheer exasperation, the PC leaders withheld some of the remaining supplies, knowing full well they were depriving the cooks' families of much needed food.

### **Preparing for the Second Girls' Empowerment Camp**

The first Girls' Empowerment Camp was well-received, so PC wanted to double the number of girls served in the second year. By this time, Mary had taken over as project leader. While the Badoudou setting was well situated, the food service had been highly problematic. Mary knew she would have to work with the same cooks. The idea of getting new cooks from a different town proved impractical, since lodging would then have to be provided as well. Besides, there was no guarantee of better service because most of the issues were cultural. Mary and her new team needed to avoid the prior year's problems. Filled with dread, Mary needed a plan—now.

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## PEELING THE CULTURAL ONION: NAVIGATING AN INTERNATIONAL ASSIGNMENT

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Upon receiving an undergraduate degree in organizational management, Natalie landed a position in the global human resources group of Hitech Diesel Solutions (HDS). After her first five years with HDS working on a variety of HR projects, Natalie was excited to receive her first international project. HDS had recently acquired Neumann Technologie, a German company located in rural Bavaria and Natalie was assigned to a Cultural Integrator role. In this role, Natalie would be responsible for overseeing the implementation of all of the core human resource systems at HDS. This implementation included both the technology-based systems, such as payroll, and the social systems, such as the well-defined HDS corporate approaches to leadership, diversity, and talent acquisition. Natalie expected to spend about one week per month for the next 18 months on-site in Germany.

Natalie knew that most top managers at Fortune 500 companies had at least one expatriate experience during their careers and she had been anxiously anticipating her first international assignment. The Neumann project was a clear indicator HDS was getting her ready for more senior positions. While she was excited, she was also somewhat apprehensive because she knew that working cross-culturally came with a unique set of challenges. Natalie's apprehension grew when shortly before she was scheduled to make her first trip to Neumann, she received a PowerPoint slide deck entitled "Do's and Don'ts for Neumann Visitors" from the German site leader, Hans-Juergen (Exhibit 1). She reviewed the slides with mixed reactions. On the one hand, the slides provided some important cultural clues about what she might encounter. On the other hand, she felt the information was prescriptive, structured, and rules-bound. Natalie had never heard of a brief like this being sent to anyone at HDS. In fact, when she asked around she found that experienced international professionals outside HDS had never seen such an artifact either.

Based on her personal reaction to the slide deck, Natalie could see that her assignment might result in any number of cultural misunderstandings. She needed to sort out the more moldable differences attributed to the organizational cultures at HDS and Neumann, and the inflexible differences due to German national cultural determinants which she could not influence in her role as Cultural Integrator.



## Natalie's Preparation Process

### Organizational Leadership Style

Natalie knew that leadership style was a key element in shaping corporate culture, and that her role as Cultural Integrator clearly included re-crafting the corporate culture at Neumann. Natalie reread a recently commissioned study exploring the prevailing leadership styles at HDS and wondered how HDS leadership attributes would align with the approaches to leadership at the German site. According to the report (Joyner, Mann & Harris, 2012):

“There is a strong analytical and technical focus to the leadership group. Many of these individuals will be action-oriented, and will often be assertive, independent, self-confident and competitive. They will want to control their own activities, and will be reluctant to delegate any meaningful authority. Because of their focus on tasks and things, these leaders do not have a strong need to engage in the social and interpersonal elements of work. The majority will work at a faster-than-average pace, will be impatient with routines, will embrace variety and change as opposed to consistency, and will work with a sense of urgency. They appreciate freedom – freedom from repetition, freedom of movement and mobility, and freedom to change priorities as the situation dictates. They are often impatient for results, and are intolerant of delays – they are driven to “cut through the red tape” and get on with things. They may not naturally value being part of a team or a group. When communicating and working with others, these leaders tend to be reserved, formal, and quiet, with a serious and disciplined approach. When making decisions, the majority of the leaders will strongly emphasize objective thinking, and tend to be logical, practical, and realistic when deciding upon a course of action. There can be a tendency to overlook or discount the “emotional” or “human” components of decisions, and the consequences of those decisions on others, including co-workers.”

### A Look Inward

Natalie decided that she should begin with a look inward. She knew that her effectiveness as Cultural Integrator rested on her ability to make positive personal connections with her new co-workers. HDS strongly believed that self-awareness supported effective self-management. Thus, Natalie was trained to leverage her personal strengths and minimize the traits which could be liabilities. HDS provided training on the use of the StrengthsFinder® Profile (Buckingham & Clifton, 2001) to help employees better understand their five most powerful “signature themes” and how to leverage these themes for personal development, the development of others, and the overall success of the organization.

She revisited her top five themes and tried to determine the practical implications of her entry into Neumann's organizational culture: 1) **Competition** – competition is rooted in comparison and the drive to outperform peers and in competing to win; 2) **Restorative** – energized by problem solving, enjoys the challenge of analyzing symptoms and finding solutions; 3) **Strategic** – able to sort through the details and identify patterns, evaluate obstacles and identify a clear path forward; 4) **Ideation** – fascinated by ideas and why things are the way they are; and 5) **Command** – takes charge with no discomfort with imposing his/her view on others.

### Cultural Differences

Natalie started thinking ahead about actions and strategies that she could use to begin shifting the Neumann culture toward greater alignment with the prevailing HDS culture. Her own working style and the cultural differences between Germany and the USA would play an important role in

this change process. Natalie decided to apply some of the ideas she learned through her organizational management degree. She recalled that Hofstede's cultural dimensions (Power Distance, Individualism, Masculinity, and Uncertainty Avoidance, and Long-Term Orientation) provided a useful framework to compare her home culture and the German culture. In addition, she could look at Trompenaars' seven dimension framework of national culture (universalism vs. particularism; individualism vs. collectivism; neutral vs. emotional; specific vs. diffuse; achievement vs. ascription; sequential vs. synchronic; and internal vs. external) to help her more deeply understand issues related to cross-cultural communication. Perhaps in comparing the results from the two models she could begin to unravel the mystery of this slide deck.

### **Preparing to Peel the Onion**

Natalie knew that the next 18 months were going to be very challenging if she didn't quickly get a handle on the potential sources of cross-cultural misunderstanding in her new job. On the plane to Germany, she wondered about her own "fit" with the site culture and about the potential differences in approaches to leadership between the German site and HDS. Clearly, the HDS management style and organizational culture was much less formalized than what seemed to be the norm at Neumann. She also pondered how the information on the slides reflected the key determinants of national culture. Natalie spent the flight working on a plan for how she could use this knowledge to effectively begin the process of developing cultural synergy.

#### Exhibit 1: Do's and Don'ts for Neumann Visitors

##### **DO**

- Use basic German greetings while on site
  - Hello/Hallo
  - Good Morning/Guten Morgen
  - Good Day/Guten Tag
  - Good Evening/Guten Abend
  - Thank You/Danke
  - Please or You're Welcome/Bitte
  - Good Bye/Auf Wiedersehen/Tschuess
- Give constructive feedback with empathy and respect
- Respect people's breakfast break
  - 15 minutes sometime between 8:20 and 9:30
- Respect people's lunch break
  - Many employees go for walks
  - 45 minutes sometime between 11:45 and 13:00

##### **DO**

- Wear your company badge at all times
- Use the four desks available for visitors in the Product Development area
- Reserve meeting rooms via Lotus Notes
- Provide feedback to site leaders on how to improve the visit guide after your trip
- Summarize visit highlights and action items (either via standard weekly reports or stand-alone email recap)
- Smile and assume positive intent
- Find opportunities to thank the team at this site for all their hard work

##### **DO**

- Respect normal working hours (08:00 to 17:00)
- Focus on interacting with people on-site
- Keep office doors open (unless you are in a private or 1:1 team meeting)
- Live the principle of Everything Speaks and clean up after yourself (coffee cups, loose paper, wrappers, etc.)
- Eat with employees in the canteen
  - Canteen is located across from the main entrance
  - Most meals cost approximately five EUR
  - Hours: 11:45 to 12:30
- Conduct business only on our floor in the office building or in our area on the factory floor
- Wear business casual attire while on-site

##### **DON'T**

- Camp out all day in a conference room (visit the factory floor, do informal walk-arounds, engage)
- Spend a lot of time working on a laptop between 09:00 and 17:00 CET (catch up on email at night)
- Park in visitor parking or any reserved spots
- Place a heavy administrative burden on the site team (try to become self-sufficient)
- Talk too fast in English (consciously slow your cadence down)
- Make any promises to employees that we can not keep

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## TATTOOS IN THE WORKPLACE

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Carmen Taylor, a senior at Cal State University, was a server. Her employer, the Old Italian Kitchen, had a written personnel policy that required its servers to cover tattoos and remove facial piercings, other than earrings. Though she thought the policy restrictive, it didn't apply to her since the tattoo she had envisioned could have been covered at work and would have only been visible when her side was exposed. She described (email, 24 June 2014) the prospective tattoo as follows: "It was a very complex tattoo, but basically it was ... scenery with mountains, a cactus, flowers, and it would have been very colorful. I was planning on it taking up my entire right side from the right side of my rib cage to the right side of my waist."

Her mother had cautioned her against it when she turned 18 but now that she was 21 she renewed her questioning. She also wondered if her employer was out of touch with the young people that worked for the restaurant. Was the ban on exposed tattoos a reasonable policy to appeal to family values or did it reflect out of sync traditional attitudes held by older executives?

### **Consequences of Restrictive Policy Poorly Implemented**

An example of the consequences of a restrictive policy follows: Edward Rangel sued Red Robin Gourmet Burgers, Inc., (Red Robin) alleging religious discrimination because the company fired him due to his tattoos. The company claimed exposed tattoos violated its dress code policy. Rangel practiced Kemetecism, a religion with roots in ancient Egypt. To join the religion's priesthood, he had two tattoos placed on his wrists (quarter-inch wide and encircled the wrists). Written in Coptic, the tattoos stated, "My Father Ra is Lord. I am the son who exists of his Father; I am the Father who exists of his son." He was tattooed following a religious ceremony after a session involving communal prayer, meditation, and ritual. He believed that intentionally covering the tattoos would have been sinful whereas inadvertently doing so when wearing a long-sleeved shirt was fine. He also covered the tattoos during the month of Mesura, the time Ra was to have died and been reborn. His church group numbered fewer than 10 members.

In December 2001, Rangel began as a server with Red Robin in Bellevue, Washington. He signed the "Uniform/Appearance" policy that specified that piercings and tattoos could not be seen. His supervisor ignored the policy for a time; then in May 2002, he reminded Rangel of the policy. After hearing his religious justification, the supervisor let it go. However, a month later, more

senior managers noted the tattoos when Rangel attended an orientation. They insisted he cover the tattoos, he refused, and Rangel was fired on June 17, 2002. The CFO publicly stated that the company had Christian values and sought out “that all-American kid” from the suburbs instead of those with “that urban kind of experience” (government press release – disguised - September 16, 2005). Rangel’s religious claim may have seemed unorthodox, but the company thought it better to settle than fight it in court (EEOC, 9-16-05).

### **Did Employees Have a Right to Display Their Tattoos?**

Employees didn’t have a Title VII (which barred discrimination by employers based on race, color, religion, sex, and national origin) statutory right to showing body piercings and tattoos in the workplace. Employers could have insisted that they cover them up. Employees’ claims could have been coupled with religion (as in Reed’s case); national origin (e.g., tattoos common to Polynesian cultures); sex, if policies were applied differently to men than women (e.g., women can wear earrings, but can men wear “gauges” that gradually elongate the ear lobe?); and even free speech in the case of a hospital nursing assistant who had a tattoo that stated “HIV Positive” (Modern Healthcare, 1993, Bartley, 1999) that he claimed allowed him to talk about safe sex. However, employers could adopt dress codes and appearance standards that didn’t violate Title VII rights. Michelsen (2007) of the law firm Ogletree Deakins discussed a variety of issues in his presentation entitled “When Work and Lifestyles Collide.” With reference to body piercings and tattoos, she reported a number of legal cases supporting employers’ rights to limit body art. Employers of course needed to be aware of local and state laws that might apply. Perhaps most importantly, employers should have a sound business reason for their dress code and they should be sensitive to their customer base (Elsweig & Peeples, 2011).

### **Changing Attitudes**

A very large retail company that employs many students and other young people reported the changing policy (Executive, email, October 11, 2013):

In response to your questions on Tattoos and piercings, the acceptance of these formats of freedom of expression has evolved in recent years. Our policy is to allow tattoos and piercings in most work centers of the stores as long as they are not expressing racial discrimination. However, in work centers that deal with food preparation ..., tattoos need to be covered and other than ear piercing, piercings are not allowed due to health department reasons. This is a more liberal stand than a few years ago ....

The incidence of piercings and tattoos varied generationally (Green, February 28, 2013). Harris Interactive (February 23, 2102), a poll, reported that 21% of US adults surveyed had tattoos. The incidence varied between generations with adults aged 30-39 most likely to have a tattoo (38%). The breakdown for other age groups follows: 30% of those 25-29, 22% of those 18-24, 27% of those 40-49, 11% of those 50-64, and 5% of those 65 and older. The pollsters concluded by asking: “... if more people continue to get tattoos will the negative connotations decline, or will the percentage of Americans with tattoos begin to stagnate or wane and the stigmas hold?” The answers to questions such as these were vital to employers since companies had to appear responsive to the customer base and not the opinions or tastes of older executives. There were

also a number of body-art-friendly companies. Retailers and high tech companies appeared accepting whereas there were fewer restaurants that tolerated tattoos and piercings.

Branches of the United States military had developed policies for new recruits (Kesling, 2013). For example, the Army already banned tattoos on the head and face, but new recruits won't be allowed to have neck tattoos either. In 2011, the Air Force stipulated that tattoos could not exceed 25% of an exposed body part. In 2006, the Navy announced that forearm tattoos could be no wider than a hand's breadth. In 2007, the Marine Corps outlawed sleeve tattoos and ones that covered the leg below the knee. Furthermore, it announced that heavily tattooed personnel would not be asked to serve in embassy security or recruiting positions because the Marine Corps didn't see tattoos as consistent with the public's perception of a well-disciplined soldier.

### **Questions for Employers of Millennials**

Should employers simply accept that American young people see tattoos as aesthetically pleasing? How freaky could the applicant be – head, facial and neck tattoos, or grossly enlarged ear lobes? Should standards vary between those that serve the public versus employees working behind the scenes?

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# TAKING THE IRE OUT OF AN IRATE CUSTOMER

**Marianne K. Collins, Winona State University**

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## **Introduction**

Only a few weeks into her new position as National Sales Manager for the Greenhouse division of a heating company, Kate Stone was excited to meet the company's largest distributor in the Northwest region of the US, YewGrow, Inc. As a new manager, she felt it important to reach out to her existing customers, so her first trip was to meet with YewGrow to review their success to date and to firmly establish a working relationship. As she entered the conference room, she encountered two representatives of the dealership, Phil, who was the greenhouse sales rep and Tom, one of the co-owners of the dealership. She had spoken to Phil several times when she arranged this visit, so she felt a certain familiarity with him, even though this was their first face-to-face meeting.

Expecting a warm welcome, she introduced herself and put out her hand to shake Tom's. Tom immediately shouted, "Where is your boss?" Unprepared for his outburst, she responded that he was not attending this meeting, that she would be handling the relationship going forward. Tom then said, "Well, just as well, because if he walked in that door, I planned to punch him in the nose!" Kate was stunned by this aggressive tone, since to her knowledge there was a good relationship with this dealer, and they were in fact the largest customer for her product line. As she looked towards Phil uncomfortably, she wondered what had gone wrong and how she could salvage this relationship.

## **Background**

YewGrow was one of the first distributors to sell the newest generation of greenhouse heaters, a technological breakthrough in heating that promised less energy usage. Energy costs are the second largest worry among growers, ranked only slightly below the state of the economy as their single biggest concern (Greenhouse Grower, 2013). The new product ensured almost all the heat generated went directly into the greenhouse, unlike indirect-fired heaters that lost 20% of the heat out of the chimney. The reduction in fuel consumption caused by an innovative heat combustion design converted almost all fuel energy into useable heated air, allowing for an increase in thermal efficiency.

The greenhouse market was located throughout the US, with the largest concentration found in the West Coast, Southeast, and the Midwest, with California representing the single largest market. Greenhouse growers produced nursery stock, horticultural and vegetable products, with the US market for greenhouse-grown produce alone valued at \$3 billion annually. The next generation product launch had been rolled out slowly in the 18 months prior to her coming on board, with an emphasis placed on the Northwest. Kate's firm felt they were ready for full market exposure and as part of this strategy brought her in and charged her with doubling the sales volume in her first year. Her immediate supervisor and current president of her company had spearheaded the sales effort initially and had been successful in closing a deal with YewGrow for the single largest sale to date. YewGrow serviced western Oregon, with most of its customers growing nursery stock. Kate felt that bringing on additional distributors and opening new territories for this innovative product, particularly in California, would be an easy route to increased sales.

### **Dealing with the Outburst**

Kate prided herself on her professionalism and ability to establish personal relationships with her customers. Her easygoing personality and attention to detail had propelled her career, and she felt up to the challenge of a successful product launch. She therefore was completely taken aback at Tom's outburst, she had not expected to be confronted by a visibly irate customer, and she had no idea of what had precipitated this buyer behavior. As she glanced around the room, she saw Tom, seated at the far end of the conference table, frenetically tapping his pen, and Phil seated next to her avoiding direct eye contact. After Kate recovered some composure, she asked Tom to brief her on the issue, who then answered churlishly, "Go ask your boss."

Since Tom was being both aggressive and non-responsive, she looked to Phil to diffuse the situation. Phil had been friendly and warm on the phone, and had given no indication of any potential roadblocks in furthering their relationship. Phil provided a brief snapshot of the source of the disconnect. Her boss had dealt with Tom in the first interaction between the firms and had promised exclusive distribution in the Northwest. Based on the verbal commitment, YewGrow had placed a substantial order and enjoyed good sales success in its first season. Just as they were planning to reorder this season, it came to Tom's attention earlier in the week that another dealer in the same geographic area, CalWest was now also selling Kate's heaters, thereby negating the exclusivity. CalWest was a significantly larger distributorship, not only handling the Northwest, but also the coveted market in California.

Kate knew about the recent relationship established with CalWest just prior to her coming on board and had been pleased that she had CalWest as a partner to work with when taking on the California territory. What she had not known about was the previous interaction granting YewGrow exclusivity. Prior to this visit, she had exhaustively combed through the files, reviewing all previous communications, including customer service calls, purchase orders and shipments, and had not found an indication of either a legally binding exclusivity contract nor any informal reference to such an arrangement. She looked at Tom, and saw anger and frustration, and then at Phil, who seemed embarrassed, and thought "How do I handle this? Can I avoid escalating the situation and salvage the relationship? Have I just lost my best customer?"



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## RETURN FRAUD

**Roy Cook, Fort Lewis College**  
**Reed McKnight, University of New Mexico**

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Of all the thefts that he had to combat, this was one of the most challenging. Russ, assistant store manager of a major national chain, listened carefully as one of his regular customers described a scene he had just witnessed and innocently asked, “Why would anyone be excited about finding a discarded cash register receipt in the trash?” Russ thanked the customer for his concern, but with the afternoon rush in full force, he only gave a cursory response. What he had passed off as just another customer encounter, on yet another busy day, haunted him when the afternoon rush finally died down and he had time to think about the theft problem that had been brought to his attention.

According to the customer, what had been witnessed happened in a matter of seconds, but it seemed odd. Odd enough that he wanted to bring the sequence of events to a store manager’s attention. Two women were standing in front of the store visiting when a customer exited the store, removed her purchase from the store’s plastic bag and tossed the bag into the trash. Almost immediately one of the women who had been visiting grabbed the bag.

The customer asked Russ, “Why would a well-dressed woman so eagerly retrieve a discarded plastic bag from the store’s trash?” Surprised by the scene, the customer described how he had watched the woman pull the receipt from the bag and then “high-five” her companion after tucking the receipt into her purse. Then the women quickly walked into the store and headed toward beauty aids.

When the customer had finished describing the sequence of events he had witnessed to Russ, he asked with curiosity, what was going on? Russ now suspected return fraud; a problem that had been discussed in the chain’s training updates with their employees, alerting them to be on the look-out for “serial returners” who wanted cash back on purchases. Although this had been a training topic, it hadn’t seemed to be a big problem in his local store. This seemingly innocent customer question brought the reality of the problem home.

When the customer asked what this little 60 second mini-drama was all about, Russ gave a noncommittal response. Although Russ strongly suspected that they were going to use the receipt to ask for a cash “refund” even though they had not bought anything, he was hesitant to provide the curious customer with that much information. Russ knew that if the actual real customer’s

receipt had been for a cash transaction, then all the bogus customers had to do was find the same item and take it and the receipt to the customer service counter for a full “refund”. If the store was busy, to avoid confrontation and to keep the line moving, the customer service cashier probably wouldn’t ask any questions. As a result, the purported customer, pretending to return the merchandise, would indeed get money back.

The National Retail Federation, trade magazines, and the corporate office had reported that between 5.2% on the low end and 8% on the high end could be fraudulent returns (Customer Returns in the Retail Industry 2009). In an industry that operated with single digit profit margins, preventing any type of loss was important.

Preventing the growing problem of return fraud was proving to be especially difficult in an environment where each individual's cash register receipt did not contain a unique bar code containing transaction details identifying each stock keeping unit (SKU). Hence, it was easy for a return fraudster to find an identical item. Still, there must be a way to prevent this type of theft, but what was it? With the store’s policy of guaranteed customer satisfaction customers who returned unopened items and asked for refunds were cheerfully accommodated, “with no questions asked.” If the legitimate customer had made a cash purchase, then the return fraudster really did get cash in their pocket!

Shrinkage due to shoplifting, employee theft, and damaged merchandise was a constant concern, and Russ was always seeking ways to bring it down. Now, he had the apparently increasing problem of return fraud to add to his list of inventory control and theft concerns. Other than following regular loss prevention measures and establishing a routine of frequently emptying the trash cans in front of the store, he was wondering what else could be done to prevent this type of fraud.

There had to be more that he and everyone else in his store could do to thwart what seemed like a “perfect theft.” The time to act was now, before this small, but seemingly fast growing, problem got out of hand. Retailers selling higher-end merchandise had upgraded their checkout software so that barcodes could identify each specific item sold, providing another barrier to possible return fraud. But, this level of level of sophistication and additional costs seemed impractical for the lower-margin items sold in his store. A change like this could be expensive and would need to be initiated at the corporate level, and he didn’t want to wait. Russ wanted to act now to combat this problem. What could he do that would provide a cost effective solution to constraining this type of theft without offending innocent shoppers seeking to make legitimate returns?

## THE CUSTOMER LIST

**David Green, Middle Tennessee State University**

**Joe Thomas, Middle Tennessee State University**

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James Bean began as a part time sales associate at Tax Solutions Software Center (TSSC). After roughly a year, James was offered his current position as Head of Sales and Marketing. He reported to the two partners who owned the business, neither of which were part of the daily operations, but oversaw the larger picture. In his current role, Bean supervised an onsite sales staff of 4-6 people and two remote sales teams of 10 sales representatives. Bean also was in charge of payroll, daily supervision, marketing, client retention, and general sales. James was surprised, but not alarmed when Rand Smith, his top salesperson, did not report for work. However, James was surprised when he checked the company's Facebook page. He found a post from Smith to his former and next employer containing a list of TSSC's major customers with proprietary account information. Bean was furious and asked himself what he should do next, and what he should have done differently to avoid this situation?

Tax Solutions Software Center was a medium sized company that provided tax preparation software to business professionals and individual preparation experts. The business thrived on trade secrets, a family oriented customer service team, and a friendly sales staff. This business was considered a service bureau and product reseller, meaning that it bought software from a corporate provider and resold the software under the company's redesigned logo. It was essential that tax software service bureaus maintain the highest security and confidentiality in their sales techniques, customer service protocol, lead generation tactics, and profit margins. This was how they differentiated themselves from the businesses that developed the software.

Bean believed employee retention and morale were two of the hardest jobs of a sales supervisor. He had improvised many techniques to improve employee morale, which included having commission contests, longer breaks after clients yelled at sales staff, placing daily jokes on the whiteboard, and other motivational techniques. Bean had a motivated staff and had attained a 70% retention of staff over the past two years. Bean recently hired Rand Smith, a two-year veteran of the tax software sales business. Smith walked through the door with a professional resume, demeanor, and knowledge of the industry. Bean thoroughly evaluated Smith's professional credentials, employment, and references. One reference and previous employer included a local competitor, Perfect Tax Company. The owner of the business gave Smith high marks on his professional work ethic.

Smith consistently exceeded his sales quotas for the first six months of his employment at TSSC. His daily appearance and general charisma kept the office motivated during slow days. Furthermore, Smith created quality leads and sales from cold calls where others had failed. As Smith's daily performance surpassed any of the sales staff Bean had in the last two years, Bean increased Smith's daily job responsibilities and began giving Smith access to larger accounts. Without these accounts, TSSC would inevitably not create enough profit every tax season to continue to exist. Access to these "bread and butter" accounts also provided specific knowledge of the inner workings of the company. Smith also began monitoring the sales staff when Bean had to be out of the office or was on client meeting trips.

Bean, with the opportunity to create new marketing sectors, created Facebook and LinkedIn pages for the company. Postings went to all of the employees on staff, as well as clients who wanted daily updates on the business, new product implementation details, or IRS feeds about preparation techniques. Smith endorsed the idea of having both pages and consistently posted on Facebook to clients. He also posted messages to Perfect Tax Company's Owner's personal page about TSSC's high sales and progress from his personal computer and Facebook profile. When questioned about the communications, Smith replied that he wanted to keep a friendly relationship with the local competition.

Bean and the owners of TSSC reviewed the posts. They found that no confidential information had been leaked. The owners also agreed maintaining a professional or personal relationship with neighboring competitors might be a beneficial strategy. The owners went as far as pointing out to Bean a section of the employee handbook stating that employees had a right to workplace privacy. This meant that employees could have friends who were competitors and that employees could maintain contact with those persons in their spare time. Even though the owners of TSSC still trusted Smith, Bean kept a closer eye on him but was unable to convince the owners that Smith should have less responsibility until they knew for sure that no inside information was being transmitted to the owner of Perfect Tax. Bean was especially concerned about the relationship since Smith had previously been employed by Perfect Tax. The owners also pointed out that the employee handbook had a non-compete clause, which prohibited company employees from going to work for a competitor.

Smith continued exceeding the monthly sales quota for the next two months, completing nearly a year on staff at TSSC with no further public Facebook posts causing workplace troubles. Bean came to work on a Friday morning, right before the October rush that started tax season. He noticed that Smith was not in his office. After finding that none of the staff had heard from Smith, Bean assumed that there must be an emergency and made plans to call Smith soon. Bean then logged onto the company Facebook page. The newest feed on the company page was one that tagged the company and featured a comment from Rand Smith. It stated the following: "I'm sendin all the big lead and account info to you now, I will see you on Monday. Lemme know what your plannin on payin me because I make more at TSSC than I did when I was with you b4." The quote was even stamped 'sent from Rand Smith's iPhone.'

Needless to say, Bean's mouth dropped. It was obvious that the post was supposed to be some type of private message from Smith to the owner of Perfect Tax, but he accidentally posted it to his public wall and it went over the live feed. Bean quickly assessed the damage and contacted the owners. Since Bean was the immediate supervisor, it was his decision as to what to do next and how to avoid this happening again.

# SECRETS, SECRETS ARE NO FUN UNLESS YOU SHARE WITH EVERYONE

**Mallori Kleeman, Elmhurst College**  
**Sondra Simpson, Elmhurst College**  
**Mohsin Haque, Elmhurst College**

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## Introduction

Bob worked at a publicly traded company in the computer software industry, Computer Inc. He was the Vice President of Sales where he reported directly to the CEO. Joe Smith is one of Bob's very close friends and co-worker. He was a sales executive and also directly reported to the CEO. Both Bob and Joe had worked at the company for over ten years and had formed a very close relationship not only with each other, but also with the CEO of the company.

Joe forged the signature of a customer on a sales contract. Bob knew of the forgery. What should he do?

## Background

It was nearing the end of the quarter and it was very important that Computer Inc. met its goals for revenue and profit and, so far, this quarter was not looking good. It was going to be a stretch to make the numbers for the end of June, which would directly reflect Bob's performance as Vice President of Sales. There was a particular focus on a specific customer contract whose outcome would determine whether or not Computer Inc. would successfully meet their quarterly goals. It was the last year of a three-year contract with this specific customer and the terms were that the contract was to expire on June 30<sup>th</sup>, but would then automatically renew for another three years on July 1<sup>st</sup>, the first day of the next quarter.

One of Bob's very close and personal friends and co-worker, Joe Smith, was given an assignment by the CEO to travel to the customer and request that they formally accept the new three-year contract renewal on June 30, so as to allow Computer Inc. to collect that revenue for their end of June quarter, benefitting their company by making their numbers for the month. The customer was going to receive a bill automatically on July 1<sup>st</sup> for the renewal of the three-year contract regardless of whether or not they agreed to accept the contract a day early.

### **The Challenge**

Bob received a phone call from Joe on the last day of the quarter on June 30 saying that the customer agreed to the contract a day early and it was already signed and submitted to corporate. Bob could not believe it; this meant that they had made their June numbers. Joe and Bob continued their phone conversation for a few more minutes planning how they were going to celebrate once Joe had returned from his trip. Then, just before Bob went to hang up the phone, Joe whispered to him through the phone, "It's a fake." Joe confided to Bob that he forged the signature on the customer contract so that they could recognize the revenue for the month of June allowing the company to earn more profit. Making these numbers would also demonstrate Bob's superior performance to the CEO showing him how well he worked under pressure and was able to get things done as the Vice President of Sales.

Joe was one of Bob's very close friends and had been for a very long time. Joe told Bob this in confidence and was the only person he had told. Bob knew that the customer was never going to know the difference because they were automatically going to be billed for the renewal of the contract the next day.

# WHISTLEBLOWING – TO TELL OR NOT TO TELL: THAT IS THE QUESTION

**Denise Oas, University of Central Missouri**

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Patrick Drummond was appointed president of the Land Learning Foundation (the “Foundation”) in 2007. While working for the Foundation, Mr. Drummond came to believe that the owners of the Foundation were using it to engage in an illegal tax fraud. He suspected that they intended to use public monies that the Foundation received for an easement for personal use instead. This made him very uncomfortable. He wanted to do the right thing, but he wasn’t sure what that was. He couldn’t just ignore what he suspected was an illegal activity. However, if he confronted his employers, he was afraid they would terminate him. If he reported his suspicions to the Internal Revenue Service (“I.R.S.”) and his employers found out, he was sure they would terminate him. Mr. Drummond liked working at the Foundation and didn’t want to lose his job. He knew that he was an employee-at-will, but he hoped that there was some exception to the employment-at-will doctrine to cover situations like this. What should he do?

## **Land Learning Foundation**

Two brothers, Brad and Bryce Evans, owned Evans & Evans Outdoor, LLC; Evans & Evans Farms, LLC and Evans Equipment Company, Inc. In 2007, the Evans brothers formed Land Learning Foundation, a Missouri non-profit corporation with a principal place of business located in Keytesville, Missouri. The Foundation was committed to 1) restoring and preserving wildlife habitat 2) preserving traditional sporting activities, 3) ensuring the co-existence and compatibility between humans and wildlife, and 4) increasing educational opportunities related to agriculture (Land Learning Foundation, 2014). The Foundation had three initiatives: 1) educational initiatives that focus on young, underprivileged, and physically challenged sportsmen with the goal of making it possible for them to realize their dreams, 2) science and learning initiatives that provide for educational development and 3) co-existence and compatibility initiatives that guarantee preservation for posterity (Land Learning Foundation, 2014).

## **Mr. Drummond**

The Evans brothers hired Patrick Drummond to work for them, their three companies, and the Foundation in 2005. They later appointed Mr. Drummond the president of the Foundation. The



Evans brothers directed and managed Mr. Drummond in the performance of his duties and he reported directly to them. During the course of his employment by the Foundation, Mr. Drummond began to suspect that the Evans brothers were using the Foundation to engage in an illegal tax fraud scheme. In particular, Mr. Drummond was concerned that the receipt of \$175,000 in public funds for a conservation easement was either illegal or fraudulent. He believed that the Evans brothers' receipt of the grant for a conservation easement was inconsistent with what the brothers really intended to do with the property.

### **The Employment-at-Will Doctrine**

Since the last half of the 19<sup>th</sup> century, absent an employment contract to the contrary, most employees in the United States had been employees-at-will (Muhl, 2001). The employment-at-will doctrine provided that, unless an employment contract specifically said otherwise, either the employer or the employee may terminate an employment relationship at any time, with or without cause (National Conference of State Legislatures<sup>2</sup>, 2013). Today, while every state except Montana recognized the employment-at-will doctrine, most states had created exceptions to protect employees from being arbitrarily dismissed by their employers (National Conference of State Legislatures<sup>1</sup>, 2013). Those exceptions generally fell under one of three theories: contract theory, tort theory or public policy theory (National Conference of State Legislatures<sup>2</sup>, 2013). If an employee was terminated under circumstances that fall under any of these exceptions, the employee may have had a claim for wrongful termination. In addition, there were laws that prohibited termination on the basis of membership in a protected class (race, color, religion, sex, and national origin) and on the basis of an employee's age or an employee's disability (EEOC 2009).

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# COCA-COLA COMPANY'S PUBLIC RELATIONS NIGHTMARE

**Janet L. Rovenpor, Manhattan College**  
**Rose Klimovich, Manhattan College**

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## Introduction

It was October 24, 2013. Rumors had been circulating amongst the business press and online advocacy groups that several high-ranking executives from the Coca-Cola Company were about to convene for an important meeting. The topic for discussion centered on the company's sponsorship of the 2014 Winter Olympic Games in Sochi, Russia. The Russian government had been criticized for its long-standing policies that discriminated against members of the lesbian, gay, bisexual, and transgender (LGBT) community. The timing of the meeting at Coca-Cola's headquarters in Atlanta, GA was critical. The symbolic 100-day countdown to the winter games was about to begin.

Activists, civil rights lawyers, athletes, and politicians had been pressuring Coca-Cola, along with other sponsors of the Winter games, including General Electric and Procter and Gamble, to issue a strong statement condemning Russia's anti-gay stance. Stephen Fry, a British actor, author, and journalist, insisted that there be an "absolute ban on the Russian Winter Olympics" because "Putin is making scapegoats of gay people, just as Hitler did Jews" (Hern, 2013). Even President Barack Obama weighed in on the issue. In August 2013, he said that while he was personally offended by the anti-gay policies of the Russian government, he did not feel that a boycott of the Olympics was necessary because, "We've got a bunch of Americans out there who are training hard, who are doing everything they can to succeed" (Socarides, 2013). Senator Charles Schumer suggested that participants wave rainbow flags during the opening ceremonies of the games to show support for gay rights (Chasmar, 2013).

What, if anything, should Coca-Cola do?

## Background

The Coca-Cola Company was well known for its diversity programs. Its Global Mutual Respect Policy, introduced in 2012, identified respect for human and workplace rights as "an essential ingredient" in every product and service. The company even received a top rating of 100% from

the Human Rights Campaign for its performance on workplace policies for lesbian, gay, bisexual, and transgender employees for eight consecutive years up to December 2013.

Coca-Cola also had a long running partnership with the International Olympic Committee (IOC) dating back to 1928. It had an entire strategy to promote its products. Coca-Cola signed multi-million dollar contracts with NBC, the TV host for the games. It sponsored world-class athletes -- Alpine world champion Ted Ligety, reigning Olympic men's figure skating champion Evan Lysacek, Paralympic snowboarder Amy Purdy, and retired Olympic star Michelle Kwan -- to represent its brand during the 2014 games. A top-level international sponsorship of an Olympic game cost around \$100 million.

Russia was selected to host the 2014 Winter Olympic Games in its southern resort city of Sochi, on the Black Sea. It had lots of other worries besides the questioning in the media of its anti-gay policies. Contractors had embarked on a Herculean effort to build an infrastructure to support the games from scratch. It was estimated that Russia spent over \$50 billion, or five times more than original expectations ("Most expensive Olympics," 2013). Progress was temporarily halted in September 2013 when heavy rains caused landslides and required workers to pump out water and remove debris from the streets. Observers noted that Russia's President, Vladimir Putin, made Sochi his own personal project. It was a way for him to highlight the growing power and prosperity of Russia ("The Sochi Olympics," 2013).

Although being gay in Russia was legalized in 1993, being openly gay was risky. In 2013, a gay 23-year-old man was brutally murdered in the city of Volgograd. When gay protestors kissed in front of the Russian lower house of Parliament, they were doused with water and beaten, while police officers stood by and just watched. A television anchor working for the government-controlled KontrTV network was fired when he announced during a live broadcast that he was gay.

In the summer of 2013, ahead of the games, Putin signed several anti-gay laws. One law enabled police officers to arrest tourists and foreign nationals suspected of being gay or pro-gay, detaining them for up to 14 days. Four Dutch filmmakers were arrested and deported for trying to make a documentary about gay rights in Russia. Another law imposed heavy fines on citizens who held gay pride parades or provided information to minors about "nontraditional sexual relations." Yet another law prohibited same-sex couples, as well as singles and unmarried couples living in a country that recognized gay marriages, from adopting Russian-born children.

In August 2013, the IOC announced that it had received written promises from the Russian government that there would be no discrimination at the Sochi games. In October 2013, Putin told Thomas Bach, head of the IOC, that "We will do everything to make sure that athletes, fans, and guests feel comfortable at the Olympic Games regardless of their ethnicity, race, or sexual orientation" ("Sochi 2014," 2013).

### **The Challenge**

Coca-Cola was in a difficult position. Its social goals had come into conflict with its financial goals. As a global leader in tolerance, respect for cultural differences, and commitment to diversity, it was sponsoring a major worldwide athletic event and operating businesses in a

country, Russia, which allowed harassment and discrimination against a subset of its population. Coca-Cola executives generally chose to keep silent over the issue, but the company did issue a press release on August 28, stating that it was “one of the world’s most inclusive brands” and that it valued and celebrated diversity (see <http://www.coca-colacompany.com/press-center/company-statements/sochi-olympics-sponsorship>).

Many people felt that Coca-Cola’s response was inadequate. Joe Mirabella, director of communications for All Out, an equality campaign platform, commented: “Coca-Cola is in an incredibly important position of power and has the ability to influence both the International Olympic Committee and Russian leaders. The safety and dignity of Russians, athletes, and fans is in doubt as long as Russia’s anti-gay laws are intact. Olympic sponsors have a moral obligation to speak out now and demand an end to Putin’s human rights crackdown” (Miller, 2013).

In light of the public uproar, what should the executives at Coca-Cola do? Will this controversy have a negative impact on consumer opinion of the Coca-Cola brand? If you were a senior executive which, if any, alternative courses of action would you suggest?

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## I'VE LEFT, DO I STILL COME FORWARD?

**Jennifer Cordon Thor, Oakland University**

**Lizabeth A. Barclay, Oakland University**

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### **Introduction**

Jen was heavily recruited by Coach Fran of Public University (PU) for the 2010-2011 season. She was looking forward to playing in college with a successful coach who had been to two NCAA tournaments and had a record over .500. However, after several years, Jen left PU to play for another school. Even though she was no longer at Public University, she was stunned when she heard that the coach had been terminated. The university was being silent about the reason for the termination. She needed to decide if she should contact the media and tell them about the harassment she had gone through as one of Coach Fran's players.

### **Jen's Experience**

Jen had grown up in a mixed-faith home. Her mother was a Christian, and her father was a Muslim. Jen practiced Islam. Jen didn't think her religion would be a problem, as initially Coach Fran seemed welcoming and the university was a public institution which was not affiliated with any church or religion. However, once Jen arrived, things changed. There were comments she heard from other players about the Coach and how she managed the team. She told players not to fraternize with male students, and to sit in their rooms and study. The coach was also known to have strong opinions about religious practice, virginity, and weight.

Jen sat out most of her freshman year because of an injury. She became a medical redshirt the rest of the year to extend her eligibility. When she returned the following season, the coach made comments to her relating to Christian religious beliefs. Earlier, Jen had been told by one of her teammates that you had to "pray to play." Coach Fran was very active in a local Christian church and religion was a big part of her life. Her twitter feeds also mentioned Biblical verses on a regular basis. Even though Jen had the impression that practicing Islam was not a problem when she committed to PU, she began to believe that Coach Fran was trying to convert her. Coach Fran was the advisor to the student organization, Fellowship of Christian Athletes. She urged her players to join. She wanted the team to attend church services at Christian churches when they traveled, and she showed Christian videos on bus trips. If Jen declined to attend Christian church

services, Coach Fran would not speak to her for a period of time even though the Coach had said attendance was optional. Pastors from Christian churches were often brought in as “coaches of honor.”

During the Fall of her second year, Coach Fran took Jen aside and told her that the team was going to watch a video of the coach’s church testimony. The coach indicated that it would be “really, really, really good” for Jen to watch it. The pressure was intense and Jen agreed to attend in order to be with her team. However, she felt very uncomfortable. If that weren’t bad enough, Jen heard the coach say to a restaurant manager while on a road trip, “...We’re a Christian basketball team.”

If the religious intimidation wasn’t enough, Coach Fran then became obsessed with Jen’s weight. The obsession started during the medical leave, but didn’t stop the following year when Jen was very physically active. The coach challenged her to a weight-losing contest prior to the season. Coach Fran had teammates talk to Jen about her eating habits. The coach would have the team captains tell Jen she was eating too much at meals or drinking too much 2% milk. Some concerned teammates secretly got Jen snacks on road trips and didn’t think Jen was overweight. The focus on weight added more stress to Jen’s situation. She started weighing herself four or five times a day and started exercising in the middle of the night. This pressure from the coach was at odds with basketball programs where trainers rather than the coach dealt with weight issues.

As the religious and weight comments continued, Jen became more and more insecure. She wanted the situation to change, but she was worried about complaining. Coach Fran was married to the University President. Public institutions weren’t supposed to push a particular religious view, but how could the President not know what the coach was doing? Jen remembered that the President was at a mandatory team party where Bible verses were read.

Jen discussed the coach’s behavior with other players, her family, and assistant coaches. Nothing changed. Finally she contacted the Athletic Director. He just apologized to her and said he would help her transfer to another state institution. She had to sit out a season because of the transfer, but found the new school “like heaven.” She was one of three women who left the Public University team that season.

### **The Coach is Terminated**

The following year, after Jen’s departure, things seemed as usual with Women’s Basketball at PU. Coach Fran had a team that ranked high on Academic Progress, the school was moving to a new league, and she had been recognized with a prestigious national award given for her advocacy work for children suffering sexual abuse.

Then, suddenly, on June 12, Coach Fran was fired. Although the termination had occurred in the morning, there was no formal announcement to the university community until hours later. Even before the announcement about the coach, the school was stunned to hear that the president was retiring within months. Because the firing was a “personnel matter” no explanation was given for the termination. Rumors spread on campus, and local media started filing Freedom of Information Act (FOIA) requests to find out more about the situation.

### **Jen's Dilemma**

Meanwhile, Jen was still trying to work through psychological issues related to her experiences at PU. She wondered if she should come forward and explain what her experience had been. With the lack of information, it was possible that Coach Fran could be hired someplace else. As a former player, did she have an ethical obligation to come forward and explain how players were treated? If she did come forward, would it put stress on her and adversely impact her future and her family? She needed to decide.

# STRATEGIC CONSUMER CHOICE: A COLLEGE STUDENT'S DILEMMA

**Parag Dhumal, University of Wisconsin-Parkside**

**Michele Gee, University of Wisconsin-Parkside**

**Qi Zou, University of Wisconsin-Parkside**

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## Introduction

“Oh my God, I am running out of money!” said Peter, shortly after receiving a phone call from the bank. Peter, an international student recently came to the United States to pursue a Masters of Business Administration (MBA) degree at a midwestern university. He paid his tuition and rent, bought textbooks, and purchased a car to get well-prepared for his new life in the United States. And that’s when he realized he had hardly any money left for other living expenses. As a recent graduate student from another country, Peter had to adapt to many things such as a different educational system, a new lifestyle, but managing his existence on a very limited budget was a difficult challenge to fix.

Peter thought long and hard about his dilemma and came up with a way to reduce his living expenses. He believed he could cut costs by primarily saving money spent on groceries and gas for transportation. Nevertheless, having a busy class schedule required spending 12 to 14 hours on campus. Ultimately, effective management of his time and budget became an “extra homework” question for the statistics class he was taking that semester.

## Background

Peter’s university was located in a medium size city of approximately 100,000 residents. There were many different options for grocery shopping, but only four of these stores had a prominent presence: Woodman’s, Walmart, Target, and Piggly Wiggly. Peter had visited all four stores, but with thousands of products and prices to choose from, it was difficult for him to make a choice. He learned through informal discussions that people in the United States typically had a preference for grocery shopping at one store over others. Their preferences seemed to stem from perceptions of various advertisements, deals and discounts, and word of mouth. However, after doing online research, he did not find any study or scientific data to support these preferences.



The question of where to shop for groceries given his limited budget, busy schedule, and shopping preferences was quite challenging. Peter wanted to complete all of his grocery shopping in one trip each week, but sometimes he ran out of something important and had to go to a grocery store more often. Fortunately, the major grocery stores had expansive hours that were convenient for Peter's busy college schedule. Woodman's was open 24 hours and had the largest ethnic and healthy food options. Cash, check, or debit cards were accepted, but no credit cards. It was farthest from his residence; it was almost 10.5 miles away and 20 minutes driving time each way. Wal-Mart was also open 24 hours and had a large variety of products. In addition, Walmart advertised everyday low pricing on their products. One way distance to Walmart was 4.5 miles with approximately 10 minutes of driving time each way. Target was another option for grocery shopping with many weekly discounts. It was almost 9.5 miles from Peter's home, 18 minutes driving each way and was open from 8 am to 10 pm Monday through Saturday with reduced hours on Sunday. The last option for Peter was Piggly Wiggly. It was located 1.3 miles and was only 5 minutes away. It was open from 6 am to 10 pm every day.

Peter wanted to resolve his dilemma regarding where to shop for groceries as rationally as possible. He learned in his statistics class that the next step in grocery price analysis was to collect data. Peter went to grocery stores and collected data on the randomly selected 55 grocery products from various broad categories for comparison. These categories were Bulk Items, Poultry, Meat/Deli, Dairy, Cleaning Supplies, Frozen Goods, and Other. Bulk items consisted of produce obtained from various suppliers that were non-brand specific. Examples included white onions, broccoli, and peaches that could be purchased per pound in the desired quantity. Special care was taken to compare products of the same brand, quantity, and flavor from all categories at the different stores. For example, price data for Silk Soy Milk Very Vanilla, 64 ounce size was collected from all the stores. The price data collected by Peter is provided in Table 1 below.

### The Challenge

As the semester progressed, Peter learned quantitative methods that he thought could be useful to reduce his living expenses. Peter was looking forward to deciding where he should purchase his groceries to minimize raw material cost of the meals. He was not looking forward to changing his meals or ingredients that went into his meals. Peter's course load of five classes per semester limited his time to shop. He was confronted with many constraints including money, time, and personal shopping preferences. What would you recommend Peter? Where should he shop for weekly groceries? What should he do in case he ran out of an important item? How should he balance his personal preferences and limited budget?

**Table 1. Grocery Price Data for Selected Items from Woodman's, Wal-Mart, Target, and Piggly Wiggly**

	Item Description	Unit	Woodman's	Walmart	Target	Piggly Wiggly
<b>Bulk Produce</b>	Limes	ea.	\$0.10	\$0.18	\$0.49	\$0.39
	Lemons	ea.	\$0.50	\$0.48	\$0.59	\$0.59
	Small oranges	ea.	\$0.50	\$0.48	\$0.89	\$0.50
	Plums	lb.	\$1.49	\$1.48	\$2.07	\$1.69
	Peaches	lb.	\$1.49	\$1.48	\$1.77	\$2.29
	Driscoll's Strawberries 16 oz pkg	pkg.	\$2.99	\$1.98	\$2.39	\$3.49
	Driscoll's Raspberries 6 oz pkg	pkg.	\$2.00	\$2.48	\$2.49	\$3.99
	Driscoll's Blueberries 6 oz pkg	pkg.	\$2.99	\$3.48	\$3.49	\$3.99
	Driscoll's Blackberries 6 oz pkg	pkg.	\$2.99	\$3.98	\$4.79	\$3.49

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	Roma Tomatoes	lb.	\$0.99	\$0.98	\$0.99	\$1.59
	Cucumbers	ea.	\$0.50	\$0.46	\$0.79	\$0.79
	Broccoli	lb.	\$1.29	\$0.98	\$2.49	\$1.69
	Bananas	lb.	\$0.45	\$0.47	\$0.60	\$0.45
	Red Peppers	ea.	\$1.29	\$1.50	\$1.59	\$0.99
	Sweet Potatoes	lb.	\$0.79	\$0.78	\$1.29	\$0.99
	"Bulk Baking" Potatoes	lb.	\$0.59	\$0.58	\$0.99	\$0.59
	Bulk Red Potatoes	lb.	\$0.79	\$0.68	\$0.99	\$0.59
	Red Onions	lb.	\$0.99	\$1.34	\$0.89	\$1.29
	Sweet Onions	lb.	\$0.99	\$0.88	\$0.89	\$1.29
	White Onions	lb.	\$0.99	\$0.88	\$0.99	\$1.19
	Small Yellow Onions	lb.	\$0.49	\$0.56	\$0.76	\$0.59
	Eggplant	lb.	\$1.29	\$1.78	\$1.29	\$1.19
	Golden Delicious Apples	lb.	\$1.49	\$1.47	\$1.60	\$1.89
	Granny Smith Apples	lb.	\$1.49	\$1.47	\$1.60	\$2.29
	Red Delicious Apples	lb.	\$1.29	\$1.39	\$1.60	\$1.79
	Gala Apples	lb.	\$1.49	\$1.47	\$1.60	\$2.69
	Asparagus	lb.	\$3.99	\$2.78	\$3.49	\$5.99
Poultry	Jennie-O Ground Turkey Breast 20 oz	pkg.	\$5.99	\$5.96	\$3.50	\$6.49
	Jennie-O Sweet Italian Turkey Sausage 19.5 oz	pkg.	\$3.99	\$4.38	\$2.79	\$4.69
	Jennie-O Turkey Burger Patties (lean) 16 oz	pkg.	\$3.99	\$3.68	\$3.99	\$3.99
Meat/Deli	Johnsonville Brats Original Bratwurst 19 oz	pkg.	\$3.49	\$3.78	\$2.89	\$3.89
	Ball Park Bun Size Franks 16 oz	pkg.	\$1.59	\$2.78	\$2.65	\$3.69
	Oscar Mayer Bologna 16 oz	pkg.	\$1.99	\$1.88	\$1.93	\$1.69
	Hormel Black Label Center Cut Bacon 12 oz	pkg.	\$4.69	\$4.48	\$4.64	\$4.69
	Hillshire Farm Deli Select Smoked Ham 9 oz	pkg.	\$2.99	\$2.98	\$2.99	\$3.99
Dairy	Yoplait Original Yogurt 6 oz	pkg.	\$0.55	\$0.58	\$0.59	\$0.75
	Chobani Greek Yogurt 6 oz	pkg.	\$1.15	\$1.22	\$1.22	\$1.39
	Daisy Brand Light Sour Cream 24 oz	pkg.	\$2.79	\$2.68	\$2.49	\$3.49
	Eggland's Best Large Eggs 12 ct	pkg.	\$2.19	\$2.78	\$2.89	\$2.55
	Silk Soy Milk Very Vanilla 64 oz	pkg.	\$2.89	\$2.98	\$2.99	\$3.59
Cleaning Supplies	Tide Laundry Detergent 50 oz	pkg.	\$7.99	\$7.54	\$7.54	\$8.69
	Dawn Antibacterial Dish Soap 24 oz	pkg.	\$2.49	\$2.83	\$2.84	\$3.39
	Cascade Dishwasher Gel 120 oz	pkg.	\$6.49	\$5.97	\$7.69	\$5.19
	Scotch Brite Heavy Duty Scrub Sponges 6 pk	pkg.	\$4.29	\$5.48	\$4.99	\$5.69
	Shout Trigger Bonus 30 oz	pkg.	\$2.29	\$2.48	\$2.49	\$2.95
Frozen Goods	Tombstone Original Extra Cheese Pizza 20.5 oz	pkg.	\$3.89	\$3.33	\$3.69	5.5
	Marie Callendars Roasted Turkey Breast 13 oz	pkg.	\$2.99	\$2.50	\$2.54	2.69
	Bertolli Shrimp Scampi and Linguine	pkg.	\$6.99	\$6.48	\$5.49	6.69
	Green Giant Sweet Peas 9 oz	pkg.	\$1.39	\$1.48	\$1.29	1.79
	Totino's Pizza Rolls Triple Cheese 19.9 oz	pkg.	\$3.39	\$2.72	\$2.99	3.69
Other	Cholula Hot Sauce	pkg.	\$3.09	\$2.64	\$2.37	\$2.85
	Progressive Italian Style Wedding Soup 18.5 oz	pkg.	\$1.89	\$1.48	\$1.49	\$2.15
	Ragu Meat Pasta Sauce 45 oz	pkg.	\$2.69	\$2.88	\$2.99	\$3.39
	A1 Steak Sauce 10 oz	pkg.	\$3.39	\$2.98	\$2.99	\$4.09
	Hidden Valley Ranch Original 16 oz	pkg.	\$2.89	\$2.98	\$2.99	\$3.25

## WINNEBAGO'S USE OF LIFO

**Karen M. Foust, Tulane University**

**Michael H. Hogg, Tulane University**

**Christine P. Smith, Tulane University**

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David Frost sat at his desk, staring off into the distance at the Rocky Mountains framed by his office window. He began to imagine taking some time off from his hectic work schedule and driving to Mount Elbert in his recreational vehicle (RV) with his six-year-old son, Wyatt, to enjoy the great outdoors. As a child, David made the trip with his father on numerous occasions and David had fond memories of those adventures. As David pondered the notion of a vacation, he glanced down at the investment file on his desk and was immediately reminded of the task at hand. He opened up the file of information on potential companies in which to invest and the first article was on Winnebago Industries.

He was interrupted by a phone call from his friend, Ira, who was an analyst for a large investment bank. David stated that he was beginning the task of looking for companies in which to invest and decided to ask his friend if he had any thoughts regarding Winnebago. Ira cautioned David that the company used the Last-In, First-Out (LIFO) accounting method to value its inventory. He added, "To properly analyze the company's performance, you must adjust the financial statements to reflect the use of the First-In, First-Out (FIFO) inventory accounting method." David vaguely remembered the two inventory valuation techniques, however, did not immediately comprehend any real significance. Quite frankly, Ira's comments annoyed him. Didn't Ira understand? David didn't care what the company's management did internally, he only wanted to know if the company was a good investment decision. Certainly, the choice of LIFO vs. FIFO couldn't matter that much, could it?

### **Background**

David and his wife, Anna, both had MBAs and worked for different employers. Although the recession was tough on their neighbors and friends, David and Anna were fortunate and had managed to accumulate a substantial amount of extra money in their joint bank savings account. Anna had been asking David for his ideas on how to invest the money to grow the Frost family portfolio.

David stared at the article on Winnebago Industries and thought to himself, “This might be fate.” In fact, David owned a Winnebago RV and the company had always fascinated him. As a child, David toured the Winnebago factory and was captivated by the manufacturing process.

Several weeks ago, David’s curiosity got the best of him and he decided to access the company’s 2012 annual report. He entered the web address [www.winnebagoind.com](http://www.winnebagoind.com) which took him to the company website’s homepage. David perused the horizontal menu options at the top of the site and was drawn intuitively to the “Company” link. From there, he clicked on “Investor Relations,” then “Financial/SEC Information,” and finally “Annual Reports.” As he assessed the company’s 2012 financial performance, he muttered to himself, “Wow!” The root of David’s excitement was that his analysis revealed net income and earnings per share had more than quadrupled since 2010. As he delved further into the financial statements, David compared gross income over the past three years and noticed it had increased each year. He also concluded that the phenomenal growth in net income was the result of an income tax benefit. David deduced that Winnebago recorded a significant income tax benefit in 2012 because the company reduced its deferred tax asset valuation allowance. He recalled from the days of being an MBA student that the income tax benefit was unlikely to persist in future years.

For this reason, David chose to focus his investment evaluation of Winnebago on income before income taxes and he assumed an overall income tax rate of 30%. David quickly put his business education to good use, remembering that to properly analyze any company’s financial performance one must calculate several ratios. David calculated the current ratio, return on assets, profit margin, asset turnover, gross profit ratio, and inventory turnover for 2011, 2012 and 2013 to determine whether Winnebago would ultimately be a good investment. As David was preparing to undertake comparisons of the ratios, he realized that he was late to a business meeting.

Back at his desk, with the thought of a vacation with his son starting to fade, David realized several weeks had passed since his initial analysis of Winnebago. David was curious to see if Winnebago’s performance had changed because he had heard that the 2013 financial results were about to be released. He accessed the Winnebago website again ([www.winnebagoind.com](http://www.winnebagoind.com)) and learned that the company had posted its 2013 annual report. As he reviewed the financial statements, Ira’s comments kept bugging him. David got up from his desk and pulled his old accounting text off the bookshelf.

### **Challenges**

As David began to review the text, the authors listed several reasons why companies use LIFO and discussed several limitations on its use. David recalled from his accounting class that many companies that employ LIFO report a LIFO reserve account in their financial statement notes. Sure enough, after reviewing the financial statements, David noted that Winnebago had a LIFO reserve. However, as David began to compare and digest the financial statements, he noticed that Winnebago’s LIFO reserve had decreased. He also recalled that, at times, companies undergo LIFO liquidations. He was uncertain as to whether Winnebago had undergone such a liquidation. For investment purposes, the text also indicated that to properly analyze a company’s performance the FIFO inventory technique is preferred because it allows the investor to make “apple-to-apple” comparisons to other companies, especially international companies. It went on to explain that more international companies use FIFO as International Financial Reporting

Standards (IFRS) to prohibit the use of LIFO. The text implied that one could easily convert the pertinent financial statements, including cash flows, from LIFO to FIFO.

### **Next Step**

David concluded he had no other choice but to do more work: the LIFO to FIFO adjustment had to be done in order to properly analyze the company's performance. As David contemplated making these comparisons, he knew it was important to "get it right" because their investments would help fund Wyatt's college education, as well as their own retirement. This was not the time for sentimentality, but rather objective, rational analysis. In the words of the immortal Bard, "to invest, or not to invest in Winnebago Industries, that is the question." But before he could answer that question, it was time to perform some substantive financial statement analysis!

## AGRANA'S JOINT VENTURES

**Karen M. Foust, Tulane University**

**Michael H. Hogg, Tulane University**

**Christine P. Smith, Tulane University**

**Mengqi Yu, Tulane University**

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Claire McNutt was a hard-working, young professional who grew up in the heartland of Minnesota. Her father, who came from a long line of sugar beet farmers, couldn't be more proud as she was the first college graduate in the family. She was steeped in all things American, including baseball, hot dogs, and apple pie, and was concerned about the economic woes of the country after this last recession. Her parents had instilled in her the value of "paying herself first" and investing in her future through the creation of savings. To that end, she had accumulated a nice portfolio by focusing those efforts on investments in U.S. based companies. She felt, however, it was time to branch out internationally and look for some companies in "recession proof" industries that might help mitigate her risk through diversification. She sat back in her office chair, stared at her computer and asked, "but what are those industries?"

She was interrupted by a phone call from her mother. She couldn't wait to call Claire and convey the good news: "Dad just got off the tractor and reported a bumper crop!" As Claire congratulated her mom, she immediately thought, "That's it! **Agriculture!**" She couldn't get back to her computer fast enough and typed the following three words in the search engine: international company sugar. The search results yielded several companies, but being a sucker for alliteration, one jumped out at her: **AGRANA**. From some preliminary investigation, Claire discovered that AGRANA was an international corporation based in Austria. The Company operated 56 global production facilities and employed 8,500 people in three business segments: sugar, starch, and fruit. The company had revenues of €3.1 billion. Claire was intrigued enough to take the next step and review the 2012-2013 AGRANA Group's consolidated financial statements to determine if this was the international company for her investment dollars.

Claire recalled from one of her business courses in college that large corporations maintained financial statements on their company websites, however, she had never attempted to access this information before. "Well, here goes," Claire uttered as she typed the following address into her browser: [www.agrana.com](http://www.agrana.com). The first thing she noticed when brought to the company's homepage was that she couldn't read a darn word on the page! "What language is this?" she asked. Quickly, however, she saw the "English" radio button in the top right hand corner of the page and

clicked on it. “Now, that’s much better! Next step, find the financial statements.” Claire perused the horizontal menu options at the top of the site and was drawn intuitively to the “Investors” link. From there, she clicked on “Publications” and was able to find and access the 2012-2013 annual report by using the “All Publications” search function. The document was quite voluminous, but Claire was focused on very specific information: the consolidated financial statements. Almost immediately, Claire was reminded that she was in uncharted waters as she read in the Independent Auditor’s Report that the accountants prepared the statements using International Financial Reporting Standards (IFRS) and not United States Generally Accepted Accounting Principles (U.S. GAAP).

Claire thought to herself, “Okay. No need to panic, I got this. I understand consolidated financial statements. How different can this be? When AGRANA owns more than 50% of another company’s voting stock, it has control over the operations of the other company. Thus, AGRANA plus the controlled companies form one economic entity, and so, one should report it as such. But what is this reference to proportionate consolidation and what does it mean? I see that AGRANA is somehow including seven additional companies through proportionate consolidation.” Claire was clueless, but before spending any more time floundering, she decided to call her friend, Josie. Josie had been an award-winning accounting student who had gone to work for one of the top investment firms in its international division.

Over lunch the next day, Josie waxed eloquent on international accounting standards, proportionate consolidation and joint ventures. Josie stated that until recently, proportionate consolidation was the method by which international companies, reporting under IFRS, accounted for joint ventures. After dessert, Claire pulled out a note pad and asked Josie to summarize. Josie explained that IFRS (and U.S. GAAP) were in the process of making some big changes to accounting standards in an effort to converge the two methods of financial reporting. Beginning with fiscal years commencing after January 1, 2013, proportionate consolidation would no longer be allowed for joint ventures. Both IFRS and U.S. GAAP would only allow the use of the equity method to account for investments in joint ventures. However, whenever a U.S. company with significant amounts invested in joint ventures was analyzed, Josie used proportionate consolidation to add the company's share of the joint ventures' assets, liabilities, revenues and expenses to the company's own financial statement items to better estimate the company’s total worth. Therefore, Josie recommended that Claire should also use proportionate consolidation when looking at AGRANA's future annual reports to see the bigger picture.

Claire left the table with her head swimming in “accountingese.” Later that night, Claire decided to look at AGRANA’s financials again – in order for her to make a sound investment decision she had to get back into familiar territory and answer one question: How would AGRANA’s financial statements look if they had been prepared using the equity method?

## BREADMAKING 101: PRICING FOR PROFITS

**Ann M. Hackert, Idaho State University**  
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“Cost and prices, time for the numbers. What should I do?” A few weeks ago Karen Faulkner finalized the purchase of a bakery which specialized in bread. The prior owner had decided to sell the business because it lacked profitability. There were plenty of customers which suggested to Karen that the problem was with costs or pricing. The last price increase on any of the products was in 2002, ten years ago. Karen thought she could turn things around and would start by repricing her products. “This isn’t a hobby, it’s a business and if I don’t get this right, there won’t be a store.” Karen was overwhelmed, but she decided to start by repricing the signature product -- the honey wheat loaf. “I’ll start with the honey wheat loaf; it will be a ‘pricing beta test’.”

Notes and numbers were spread out on the table so that Karen could figure out costs and margins. Once she estimated cost, the difficult decision would be to decide on a price. A loaf of honey wheat still sold for \$5.25. If the price needed to increase, what was the best price? What price would cover costs and keep customers buying loaves? Was it better to raise prices incrementally or all at once to avoid sticker shock?

### **The Ingredients**

Karen was a graduate of a local college of business. She put her degree to use in a variety of ventures. Karen had owned a business in the past inspecting homes. She was comfortable owning and running a business and thought a better pricing strategy could turn the bakery around.

The bakery was located in a medium-sized community with a stable economy supported by employment at the local university. The bakery was located downtown and served a lunch crowd from the nearby high school and businesses. The building was next to a small plaza where customers could sit outside for lunch. There were also tables at the front of the bakery. The atmosphere was friendly and the scent of baking bread filled the shop. The bread store was well known and liked in the community. It was perceived as selling healthy, high-quality foods; it sold a premium product. Schools visited on field trips and the free samples drew visitors. If asked to describe her customers, Karen said, “I think of them as shoppers like me; aware of quality and willing to pay a little more for something healthy with no preservatives.”



### **The Mix**

Karen knew she had to price the bread based on what the market would pay, but she also knew she needed to make sure the price was high enough to sustain her business. It made sense to her to use a spreadsheet to estimate costs and contribution margins. “Time to do the numbers.” Karen decided to estimate the cost of goods sold and contribution margin for both 2002 and 2012. She made a list of the ingredients in her loaf and their costs as of 2002. Honey, wheat, salt, yeast, and water were the bread’s ingredients. It seemed simple but it wasn’t. One batch of bread that made 48 loaves and required 56 pounds of wheat, 12 pounds of honey, 0.4 pounds of salt and three pounds of yeast. In 2002, honey was \$1.32 a pound, salt \$4.15 a pound, yeast \$1.64 a pound, and wheat was \$0.17 a pound. It cost \$8.50 an hour for labor. Were there other costs she needed to include: packaging and overhead?

Prices had risen significantly for everything except yeast in the ten years between 2002 and 2012. Honey was now \$4.02 a pound, salt \$7.47 a pound, yeast was \$0.98 per pound and wheat was \$0.30 per pound. Wages hadn’t changed at \$8.50 per hour. A batch of bread needed a half hour of labor to mix the batter. While employees needed to be around when the bread rose and baked, employees usually did other work during this time and she decided to allocate only 0.5 hours labor per batch of bread.

The variable costs could and did change over time, but their variability made it difficult to forecast their values in the future. Karen wondered how or even if she should somehow incorporate this uncertainty into her calculations and decision. She had seen how commodity prices had changed significantly in just the few weeks since she bought the bakery.

Karen did not include fixed costs in her calculation. She had bought the business, not the building so there was monthly rent, not a mortgage. Water wasn’t included in the cost structure, but without it there wouldn’t be bread. Should part of the water bill be allocated to the loaves? And what about insurance, taxes, and other fixed costs? Were they part of the cost? Business theory stated that fixed costs should not be included in pricing decisions (Stiving, 2010), yet many business allocated fixed costs to product lines in their pricing decisions (Shim & Sudit, 1995). Since Karen had not collected fixed cost information she decided to ignore them and focus on variable costs.

And then there was pricing. Covering costs was critical but what would customers be willing to pay? If Karen raised prices how would customers react? Should she increase all at once or a little? Should the price cover costs now or anticipated costs for the next couple of years so the change could be “one and done?”

### **The Rise**

Pricing seemed like more of an art than a science. What did competitors charge? The loaves on grocery store shelves looked industrial, tasted bland, and shipped by truck from a factory. A grocery store field trip yielded a wide variety of prices and products. Over the last few years, grocery stores started selling artisan and other kinds of loaves that looked like what she was selling in her store. Focusing on honey wheat, Karen found loaves at a couple of stores that looked like her loaves and sold for \$5.25 or more a loaf. Those loaves seldom went on sale, but

sometimes were put in the day-old section of stores. The difference was the ingredient list. What exactly were some of the ingredients on the label?

In the grocery store, the typical bread loaf was something she thought of as factory-made. Those loaves often went on sale. The price was \$4.10 for higher quality brands, but they often sold at a discount of \$2 a loaf. The texture and taste was inferior to her product, but she knew some customers wouldn't notice the difference and cared more about price. She decided those were not the customers she wanted to target. Convenience and price were their focus.

There was another bakery in town, but it made and sold rolls and didn't sell bread. Since it didn't make products similar to her loaves she didn't think she had to worry about competition from it.

Karen thought her product was a premium loaf, made by her bakers and sold while it was still oven fresh. Her bread was baked fresh and without preservatives, a quality product. Many customers realized the premium qualities of her bread and often commented on the texture and taste. Her customer base seemed less concerned about price and more concerned about quality. They could see the loaves in the back of the store, talk to the bakers and better yet, smell the scent of freshly baked. In short, customers were willing to pay a premium for a higher quality product. Yet, Karen wondered if they would find alternatives if she raised her price. In a Canadian study the price elasticity for bread was -0.43 (Pomboza & Mbaga, 2007) suggesting that a one percent increase in price would lower demand by 0.43%. While this resulted in fewer loaves sold, it also resulted in higher profits for the store if Karen raised her price. Karen did not have information on whether customers would substitute inferior grocery bread for her higher quality bread if she raised her price. It was simply an unknown. Karen's research convinced her that she had a unique product. Competing on price seemed like a bad idea. But if she baked it and priced it for profits, would they buy?

### **The Loaf**

Now that Karen had calculated the numbers and had researched her competition it was time to decide on a price. There were many ways to start. She could estimate the mark up from the cost of goods sold and the margin percent based on 2002. Then she could use those percentages along with the 2012 commodity prices to estimate a 2012 price. Or Karen could estimate costs and multiply that number by some multiple like 2X or 3X to determine the price. Some bakeries priced goods this way. Karen wondered, "Would focusing on profit margins be a better strategy?" Even then she struggled with what to do about the volatility of commodity prices. Should a model incorporate that uncertainty and, if so, how?

Were there other pricing strategies? Should she use a markup from the competition? What if her numbers showed a big price increase was needed? How would her customers react? Did she need to change the price in stages and test the reaction or would it be better to do it all at once? What about the future? If she was increasing prices anyway, should there be a margin for the possible changes in commodity prices? This was much harder than the homework problems she solved in college while earning her business degree and the stakes were higher. This decision could make or break her business and its future. This was bread making 101.

Karen knew the price change was just the beginning. Standing in the store and monitoring sales was important not only to keep the personal connection her customers valued, but also to hear and review in real time how sales changed as the price increased.

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## CASH FLOW CLASSIFICATION – AS LONG AS IT'S ON THE STATEMENT, DOES IT MATTER WHERE?

**Jeffrey R. Miller, Sam Houston State University**  
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Helen was uneasy. Even though her company's top tax managers, Gene and Jamie, seemed comfortable with the cash flow classification and the tax savings plan proposed by the company's international Certified Public Accounting (CPA) firm, Helen's gut feeling told her it was wrong (Steffy, 2013). Still in her twenties, and much younger than her tax managers, was she just being silly to have doubts, or did it really matter where a cash flow appeared on the cash flow statement as long as it was on there? Helen was a CPA, but so were Gene and Jamie. And, as long as her superiors and the CPA firm embraced the plan as legitimate, did it really matter if she had doubts about the economic substance underlying the transactions?

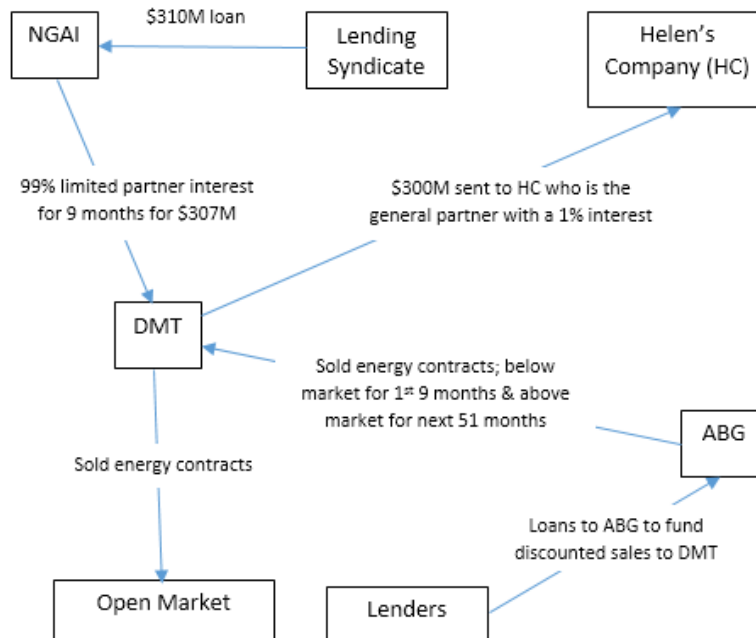
When the idea was presented, Helen, Gene, and Jamie were excited to hear about the plan proposed by their CPA firm. Helen's company had come under close scrutiny by financial analysts because of a widening gap between its net income and cash flow from operating activities. Much of the gap was caused by the company adopting "mark-to-market" accounting. Helen's company was heavily involved with energy trading. "Mark-to-market" accounting was required for these types of contracts. Under this accounting method, the contracts were presented on the company's balance sheet at market value. If the contract increased (decreased) in value, an unrealized gain (loss) would be recorded even though there was no corresponding cash flow. These unrealized gains (losses) appeared on the income statement, thus increasing (decreasing) net income. Most of the contracts had increased in value, which resulted in unrealized gains, and thus increased net income without a corresponding increase in cash flow (SEC, 2002).

Their CPA firm had assured Helen, Gene, and Jamie about the legitimacy of the transactions. In fact, one of the accounting firm's clients was already using the plan. The client was a prestigious company, one of the largest in the United States (Sharkey, 2013). The plan was structured in a way that significantly increased cash flows and reduced income taxes. The CPA firm established guidelines that should be followed, such as avoiding certain hedging transactions, in order for the project to be in accordance with generally accepted accounting principles (GAAP). This proposal, which was named "Project Alpha," appeared to be just what the company needed to appease financial analysts (SEC, 2003).

As time went on, however, Helen became more anxious about the project although it was created by one of the most well-known CPA firms in the world. She was a team player and loyal to the company. Helen began working for the company right out of college (Sharkey, 2013).

“Project Alpha” was complex and involved some of the company’s affiliates and outside lenders. The fees paid for the project were substantial, \$35.8 million. The following figure graphically shows these intercompany transactions. An affiliate called NGAI borrowed \$310 million from a syndicate of lenders. NGAI used these funds to purchase another affiliate named DMT for \$307 million. In exchange for this purchase, NGAI had a nine-month, 99 percent limited partnership interest in DMT. Helen’s company (HC) held the other 1 percent as a general partner. Of the funds received, DMT sent \$300 million to HC, payable back to DMT on demand. At the same time, another affiliate, ABG, entered into a five-year agreement with DMT to sell energy contracts (SEC, 2002).

**Figure: Project Alpha**



During the first nine months, ABG sold the contracts to DMT at a discount. DMT then sold the contracts on the open market at a profit. From these gains, DMT gave NGAI approximately \$300 million to enable NGAI to pay back the loans to the syndicate of lenders. During the remaining term of the five-year agreement, DMT agreed to purchase energy contracts from ABG at above market prices to enable ABG to recoup the losses incurred during the first nine months. ABG borrowed from various lenders to fund these discounted sales to DMT (SEC, 2002).

Interestingly, these “sales” transactions between DMT and ABG did not result in a profit or loss for either entity. Although DMT recorded gains of \$306 million during the first nine months from the energy contracts purchased at a discount from ABG, DMT also would record a loss and a liability of \$306 million for its future obligation to purchase energy contracts at a premium from ABG. The opposite would occur on ABG’s books. That is, as ABG was incurring losses of \$306

million during the first nine months, ABG would record an asset and a gain for \$306 million since that was the premium that they would be receiving in the future (Sellers, 2014).

After the first nine-months of Project Alpha, DMT became a wholly owned subsidiary of HC. Thus, DMT's financials were consolidated with the financial statements of HC. In contrast, NGAI and ABG were considered special purpose entities (now called variable interest entities). HC had no ownership interest in these two entities, and their financials were not consolidated with the financial statements of HC. After the first nine-months of Project Alpha, NGAI ceased to exist. NGAI's \$307 million tax basis in DMT, however, "migrated to a wholly-owned subsidiary" of HC, which resulted in a tax savings of \$79 million (SEC, 2002).

While Project Alpha was just getting started, HC also entered into "round trip" or "wash" trades with another energy trading company. That is, they entered into an agreement with another company to simultaneously buy and sell the same amount of energy at identical prices. This arrangement created neither a profit nor loss for either company. These transactions did not affect net income, but did increase the reported energy trading volume and revenue for HC. The additional revenue reported was offset by an entry to record additional costs. Thus revenues, but not net income, were increased by these "round trip" trades (SEC, 2002).

The main purpose of Project Alpha, however, was to reduce the gap between net income and cash flows from operations. To address this concern, the \$300 million payment from DMT to HC was classified as a cash flow from operating activities, which increased operating cash flows by 27 percent. Since neither the \$300 million nor the "wash" sales affected net income, the gap between net income and cash flows from operating activities was narrowed (SEC, 2002).

"Before Project Alpha, [Helen] saw herself as someone who always followed the rules" (Steffy, 2013). The operating cash flow classification and tax losses, however, kept nagging at Helen and made her feel very uneasy. What possibly could be the consequences? After all, she was confident that nothing was illegal about the plan. In addition, older and more experienced professionals outwardly seemed to be at ease with the project. Yet, something inside Helen was telling her it was wrong. Should she continue to go along with Project Alpha, or should she assert herself in an attempt to do what she thought was right? After all, could something as simple as a classification issue be a life changing event?

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# MORTGAGE CONCENTRATION RISK IN A SMALL DEPOSITORY INSTITUTION

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As Professor John Tallon sat in his fourth-floor office overlooking the tree-lined campus of Northeastern State College (NSC) in December, 2012, his mind wandered from his task of grading term papers to the Board of Directors meeting for NSC Credit Union (NSC CU) scheduled for later that day. As a board member, he was elected to represent the students, faculty, staff, and alumni of NSC who were members of the credit union. NSC CU had emerged from the ashes of the 2008-2009 financial crisis virtually unscathed; yet Tallon felt uneasy as he considered the potential consequences of changing the credit union's policy on real estate loan limits, given the still fragile economy.

The Board was about to consider whether or not to change NSC CU's internal policy limit on real estate loans. NSC CU's auto loan volume had recently declined, and with investments paying near-zero rates, it had been making more mortgage loans and had approached the allowable limit on real estate loans as a percent of assets. These real estate loans were currently profitable; credit risk was low with few delinquencies. However, the long-term nature of real estate loans engendered interest rate risk, which could endanger future profitability if interest rates increased.

Tallon understood the ramifications of holding too many long-term assets during periods of rising interest rates. Unfortunately, it was not clear when interest rates would rise. Short-term interest rates had been near zero for the past four years, and in 2012, the Federal Reserve resolved to keep them there for another two to three years. Tallon wondered—should the credit union allow a greater proportion of assets in real estate loans, which, while profitable now, may eventually be a decision it would regret?

## **Northeastern State College Credit Union**

NSC CU was a medium-sized credit union that had experienced modest growth and increased asset size, and maintained a healthy net-worth ratio (essentially a capital-to-asset ratio) of 9.1%. When assets increased, the denominator of this ratio became larger, making the overall ratio smaller. Net-worth ratios above 7% were considered well capitalized by the National Credit Union Administration (NCUA).



## Interest Rate Risk

The two major types of risk depository institutions face were credit and interest rate risk. Credit risk occurred when borrowers default and the loans were not paid back in full. Interest rate risk occurred when changes in interest rates reduced profitability, as transmitted through the asset/liability structure. Typically, depository institutions had longer-term assets and shorter-term liabilities. When interest rates increased, depository institutions needed to increase interest rates on deposits to retain them; they can raise these rates quickly because deposits were very short-term. New loans were also made at the higher rates, but loans already made tended to stay on balance sheets for some time since they had maturities of much longer than one year. Consequently, when interest rates increase, profitability was typically squeezed for banks and credit unions.

A classic case of interest rate risk occurred in the Savings and Loan industry in the 1980s. High inflation led to higher interest rates and a tight Federal Reserve monetary policy. Rates on the 3-month Treasury bill reached over 15% in 1981 (Mishkin, 2013). Savings and Loan institutions had to pay higher rates on their deposits, while they could not re-price their previously made mortgage loans. The average rate paid on deposits by Savings and Loans in 1982 was greater than the average rate received on their loans. By 1989, 1,066 out of 2,878 Savings and Loan institutions were unprofitable (White, 1991).

NSC CU's Asset-Liability Management Committee (ALMC) monitored its assets and liabilities and proposed any needed interest rate and policy changes to the NSC CU Board of Directors. NSC CU's internal asset-liability management policy limited total real estate loans to 35% of total assets to minimize the risk of holding too many longer-term real estate loans. In the years after the financial crisis of 2008-2009, weaker demand and increased competition from other financial institutions made auto loans harder to make. Simultaneously, investments were paying near-zero interest rates, and the Federal Reserve announced in fall 2012 that it would keep short-term interest rates near zero until the unemployment rate fell to 6.5%, assuming inflation remained below 2%. Inflation in 2012 was 1.7% (Kurtz, 2013). NSC CU used the data published by the Federal Reserve Bank of St. Louis (2014) to obtain historical data on inflation and interest rates.

To maintain profitability and a healthy net-worth ratio, NSC CU made more mortgage loans and approached its 35% real estate loans-to-asset limit. The issue was discussed at the December 2012 ALMC meeting. Its total real estate loans-to-assets stood at 35.71%, compared to 33.12% for its peer group of credit unions. Table 1 shows NSC CU's loans by category, using the figures available at that ALMC meeting, as well as from the end of 2011. Duration, which is typically shorter than maturity because some loans are paid off early or the loan is sold, is shown in the last column. NSC CU's total assets were \$136,398,772 in November 2012.

Professor Tallon taught a method of estimating the sensitivity of assets to a change in interest rates, as described by Mishkin (2013, p. 234) and represented by the following equation:

$$\begin{aligned} &\text{percent change in market value of institution's assets} \\ &\approx \\ &-1 * (\text{percentage-point change in interest rate} * \text{duration in years}). \end{aligned}$$

This equation provided an approximate measure of interest rate changes on assets.

<b>Table 1 . NSC CU loans, rates, and duration, 2011-2012</b>					
<b>Loan Type</b>	<b>Loans (\$) November 2012</b>	<b>Rate (%) November 2012</b>	<b>Loans ( \$) December 2011</b>	<b>Rate (%) December 2011</b>	<b>Average Duration (Years) November 2012</b>
Credit Card	1,091,578	9.00	0	NA	3.07
Unsecured Personal	2,770,947	12.00	2,364,819	12.00	1.39
Real Estate > 15 years	7,465,028	4.25	2,128,844	4.75	8.11
Real Estate ≤ 15 years	36,104,738	NA	27,601,756	NA	4.53
Variable rate HELOC	5,318,820	5.75	5,699,009	5.75	3.10
New Auto	6,981,566	3.24	6,245,590	3.09	1.89
Used Auto	35,540,002	3.24	37,674,334	3.09	1.64
Other Secured Loans	11,239,124	NA	9,018,962	NA	2.94

### **The Proposed Asset-Liability Management Policy Change**

The ALMC reached a consensus at the December 2012 meeting, recommending that the Board of Directors change NSC CU's ALM policy with respect to real estate concentration by increasing the total real estate loan-to-asset limit to 45% from 35%. NSC CU needed to keep making real estate loans in order to maintain profitability. The average duration of these types of loans was a key consideration in their deliberations.

A week later, as Tallon walked across campus to the NSC CU Board of Directors meeting on a cold December day, he thought about the possible repercussions of changing the policy. The average duration for real estate loans with maturity less than 15 years was longer than the average duration for new and used auto loans, but not excessively so. However, the average duration for real estate loans with 15 year maturities or longer was 8.11 years, which carried more risk. Tallon considered the possibility of a separate policy limit for the real estate loans with the longest duration; e.g., 7% of total assets for mortgage loans with 15 year maturities.

As Tallon entered the meeting room, he turned the options over in his mind. If interest rates remained stable, the credit union would benefit from a higher real estate loan-to-asset ratio. If interest rates increased, the lower rate long-term loans would have a detrimental effect on profitability. Should he encourage his fellow board members to change the policy and allow more real estate loans, which would be good for current profitability, or to retain the policy to limit interest rate risk should interest rates start to rise? Should a separate limit for longer duration loans be considered? What would you recommend to the Board, and how would present your case?

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## SMILE TRAIN DONORS *NOT* SMILING

Cheryl B. Ward, Middle Tennessee State University

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### Introduction

“Big fat liars!” Sean thought angrily as he checked his mail. He was disgusted to find yet another solicitation from Smile Train. Ten months ago Sean had donated \$50 to Smile Train, intrigued when the charity had promised that “Make one gift now and we’ll never ask for another donation again.” Sean, like most individuals, had limited funds available, so he tried to do the most good possible with the money he had for charity. Smile Train focused on treating children with cleft palates around the world. Sean realized that children with this disfiguring condition could have greatly improved lives by receiving corrective surgery and believed his donation would have value. Sean’s donation had been made almost a year ago and he had received over a dozen mailings since then. Sean wondered whether his donation had actually benefitted the children. Where had his money gone? He was very frustrated and felt that the charity had betrayed his trust and not kept their word.

### Background

Smile Train was founded in 1999 and based in New York City. The charity was formed with one primary mission—to train local medical professionals to provide surgical repairs to poor patients suffering with a cleft lip and/or palate. In October 2012, *Forbes* listed Smile Train as number 73 in its list of ‘The 100 Largest U.S. Charities’ (“The 100 Largest,” 2012). To date, Smile Train had helped fund more than 930,000 surgeries in 87 developing countries (SmileTrain.org, 2013). Smile Train relied on local doctors to provide 100% free care to patients. In addition, the charity also worked with partner hospitals to assist in education and training opportunities.

Smile Train had over 1,100 partner hospitals and 2,300 partner surgeons representing the world’s poorest nations. Through these partnerships, Smile Train was able to provide more than 125,000 free surgeries for children in 2013. Smile Train started with China and India (with over half a million total surgeries performed in these two countries to date), then expanded into Africa. The charity also helped to create the Pan African Congress on Cleft Lip and Palate as well as sponsoring symposiums to focus on the need for improved anesthesia and post-operative care.

Smile Train had not limited partnerships solely to hospitals and physicians. To improve health care safety and quality at its partner hospitals, Smile Train had partnered with organizations such as the World Health Organization, Lifebox, and the World Federation of Societies of Anesthesiologists. In addition, corporate partnerships with companies such as Estee Lauder, Mars Retail Group, FedEx and Dubai Duty Free helped raise both money and awareness. In 2009, Smile Train received positive publicity for sponsoring a documentary entitled *Smile Pinki*, which won the 2008 Oscar for Best Documentary (Short Subject). The story portrayed a poor girl from rural India and how a free surgery from Smile Train had life-changing effects for her. The Smile Train website offered free copies of this documentary film upon request. In other efforts to promote the mission of the organization, a number of celebrities and world leaders pledged varying forms of support for Smile Train. The list included such well-known individuals as Christie Brinkley, George H. W. Bush, Dean Cain, Stephen Colbert, Walter Cronkite, Howie Mandel, Reba McEntire, Bette Midler, General Colin Powell, and Hilary Swank (SmileTrain.org, 2013).

The Smile Train press kit cited a quote from *New York Times Magazine* that Smile Train was “one of the most productive charities, dollar for deed, in the world” (Dubner & Levitt, 2008). Smile Train used this quote heavily in many of its promotional appeals.

### Controversy

Smile Train had come under some criticism in recent years. Although the Better Business Bureau (BBB) listed Smile Train as an accredited charity that met all 20 standards for charity accountability, multiple complaints had been made against the organization in the last 36 months. Each of the 21 complaints processed by the BBB in the last 36 months was for Smile Train not removing individuals’ names off the mailing list when requested (Better Business Bureau, 2011). Even the American Institute of Philanthropy labeled Smile Train as a B rated charity, partly for this same reason (CharityWatch.org, 2010). Considering many individuals do not complain to the BBB, it was highly likely that the actual number of individuals receiving Smile Train advertising after requesting to be removed was much higher. Some recent consumer reviews of Smile Train, posted on [greatnonprofits.org](http://greatnonprofits.org) (2014), stated that:

- “Since making a modest contribution over a year ago, I had been bombarded by Smile Train for more donations! The calls and letters began over 8 months ago, and despite my numerous requests that they stop contacting me, the phone calls now occur every other day or daily.”
- “I made a donation to Smile Train about 10 months ago. I have been bombarded with constant emails and mail requesting more donations...I wrote them a letter asking them to take me off of their list and got another letter a couple of weeks later. This is a more than once a month, more like 3 times a month maybe 4 times request via mail for more donations...I will never donate again to them fearing that this constant barrage will start all over again.”
- “Gave \$\$ to this "charity" from solicitation that said "give money now and we'll never contact you again". What a LIE! We gave them \$\$ and within a few weeks had 3 more letters asking for more. We were finally able to contact them...not an easy task...and asked to be removed...still got a letter every month for a long time...now I see they are advertising on-line...this organization does not respect their donors.”

Besides the BBB complaints and consumer reviews, Smile Train had also been criticized for its financials. *Forbes* (“The 100 Largest,” 2012) listed the fundraising efficiency of Smile Train as

being 82% (the percent of private donations remaining after fundraising expenses). For 2012, the fundraising costs were approximately 17% (SmileTrain.com, 2013). For comparison, the Give Kids a Smile organization, an A+ Charity and a BBB Accredited Charity, whose stated purpose was “to provide quality comprehensive dental services to impoverished and underserved children with limited or no access to care” had fundraising expenses of only 6.78% (Better Business Bureau, 2013). Furthermore, one of the promotional appeals used by Smile Train was “How Often Do You Get The Chance To Save A Child’s Life for \$250?” (SmileTrain.org, 2013); however, the financials, shown in Table 1 below, don’t necessarily support this figure, based on the number of surgeries reported (number of surgeries in 2012 totaled approximately 122,500).

Table 1: 2012 Financials from Smile Train’s Annual Report

Revenue		Expenses	
Contributions	\$113,825,537	Treatment/Training	\$100,483,656
Contributions In-Kind	\$49,272,637	Public Education	\$32,091,773
Investment Income	\$9,229,573	Administration and Overhead	\$1,911,078
Other Income	\$2,657,468	Fundraising	\$27,637,799
<b>Total Revenue</b>	<b>\$174,985,215</b>	<b>Total Expenses</b>	<b>\$162,124,306</b>

After this research, Sean was extremely frustrated with Smile Train and found himself questioning why he should support them or any other charity. Was the Smile Train organization ethical in its promotional appeal or was it just a gimmick? He questioned whether his money had even been used to benefit the children. Sean felt like he’d been lied to by Smile Train and didn’t believe the charity should continue to make the claim that “Make one gift now and we’ll never ask for another donation again.” Sean believed that Smile Train needed to make some major changes in how they solicited donations and communicated with their donors.

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## GRIDLOCK AT BAY GRAY, INC.

**George L. Whaley, Ph.D., San Jose State University**

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All Bay Gray Inc. (BGI) board officers, Martha, Jamie, and Rebecca Gray pledged to attend a vital board of directors (BOD) meeting to decide the fate of their small family firm (see Table 1). The lone agenda item was to choose the best one of six alternatives to break the gridlock over sale of BGI (see Table 2). The CEO, Rebecca, arrived early for the meeting and overheard a heated discussion between her mother, Martha, and older sister, Jamie; about a family-work issue she could not believe was continuing:

Jamie asked, “How can you support my youngest sister, Samantha, now when you did not support me four years ago?” Martha responded, “I supported both of you, but the most important thing now is to decide how we move forward with the business while we still have valuable assets.”

Rebecca was “stressed out” from past conflicts and she stayed out of the recent feud but reflected on the heated mother-daughter exchange. The current strife was a continuation of family conflict that affected the BOD’s ability to break the owner’s gridlock about a 2011 decision to sell BGI. The strife caused Rebecca to re-examine the eighteen years she had invested in BGI that failed to reduce rising family-work conflict (see Appendix A). In 2010, she felt it was time to leave BGI and get away from growing family feuds in a manner that allowed all owners to be compensated for past efforts. She hired a consultant to find a buyer for BGI and all owners verbally agreed with a buyout deal in 2011; however, one owner (younger sister Samantha) “backed out” of the deal. Rebecca did not want to join this latest feud at the July 6, 2012 BOD meeting that reminded her of the 2011 agreement she thought was settled and later unraveled. Personally, \$100k was at stake, but Rebecca sat down and tried to calm her own emotions to select one of six alternatives (see Table 2) that she thought was best to break the gridlock.

### **Company Background**

Founder, Martha Gray, created a solid business reputation in the court reporting industry and asked her two oldest daughters to take over BGI as equal partners when she retired. Rebecca expected to share BGI leadership with Jamie; instead, she adopted the top role (CEO) with the consent of all owners due to her business experience and MBA. Family clashes spilled over into their jobs and occasionally Martha was asked to mediate conflicts that involved work decisions. Despite conflicts, revenues grew and 2008 was the best financial year in history. Revenues

declined after 2009 as expected in an economic recession (see Appendix A) but BGI maintained even gross margins and operating profitability (EBITDA).

Martha and Rebecca viewed Jamie and Samantha's clashes as mostly self-serving and rooted in sibling disputes that escalated conflicts. Jamie took a larger role in the clashes than Samantha, but both sisters felt their work and views were marginalized. Non-family members, Kayla and Gail, did not join family feuds. They focused on goals and behaviors that others viewed as self-serving and rooted in the desire to maintain work-life balance. Likewise, intermingled use of personal and family resources by Rebecca and Martha was not viewed as strictly job-oriented by others in BGI. By 2010, Jamie left and all remaining office employees were involved in the daily operations and reported to Rebecca. As CEO, she continued trying to share leadership with others, but it did not reduce family-work conflict. When given temporary roles beyond office manager, owner Kayla performed adequately; yet, she and non-owner, Gail showed little interest in leadership. Rebecca arranged for all stakeholders to join team building sessions and her recollection of leadership and conflict style scores were listed in Table 1 with family and BGI roles.

**Table 1. Year 2012 Stakeholder, BGI and Family Roles and Individual Teamwork Scores**

Name	Martha	Jamie	Rebecca	Samantha	Kayla	Gail
Family Relationships	Mother	Oldest Daughter	Middle Daughter	Youngest Daughter	Oldest Friend	Newer Friend
BOD Officer	Yes	Yes	Yes	Not an Officer	Not an Officer	Not an Officer
BGI Stock Ownership	1%	35%	35%	22%	7%	Not an Owner
Final Vote to sell BGI	No/Yes	Yes	Yes	No	No	NA
Leadership Style	Task	Passive	Shared	Passive	Participative	Passive
Conflict Style	Compromise	Compete	Collaborate	Avoid	Compromise	Accommodate

Source: Company Documents and CEO Interviews

### Key Company Meetings

#### 2011 Office Meetings

In April, Rebecca announced she wanted to leave BGI and she looked for a broker to sell the firm. She and Jamie hired a consulting firm and initiated discussion with them to broker an agreement that would sell BGI to a competitor at a price that compensated them for past efforts and allowed Kayla, Gail, and Samantha future employment. Rebecca indicated at a subsequent owner's meeting:

"Shared leadership has not worked at BGI and you guys know that I want to move in a different direction with my life plus I want to get out of day-to-day managing of the firm. I want to protect my interests and I plan to be involved in all meetings with the business broker and attorney. I will need a BOD resolution and \$20,000 to fund the search for an M&A solution. Do you guys agree to move forward to test the market and see what we can get and hope for a merger deal?"

Samantha responded, "Sounds OK to me." Everyone nodded, yes. A buyer was found and all BGI owners agreed in principle to sell with the expectation that details of the deal would be explained later.



**February 27, 2012 Meeting**

An all owners meeting was held to review detailed contents of the buyout with non-BOD officers, Kayla and Samantha. The lowest market value of BGI was estimated at \$300k and it would result in roughly \$100k cash out each for Jamie and Rebecca because each owned 35% of the stock. They agreed to sell based on market timing, return on their past efforts and % ownership. Samantha with 22% and Kayla with 7% agreed to sell but they were less interested in the immediate payout and more concerned about control. Moreover, they did not want to become employees with little say in the new firm. Martha was a 1% owner and did not want to sell because she thought it would do further harm to family harmony and tarnish her legacy. Yet, she realized the financial deal was reasonable and accepted the majority sell decision. After asking whether they had time to review the buyout details and all agreed, Rebecca stated:

“How do you guys feel about moving forward with the sale? If Samantha and Kayla want to run BGI rather than sell it, Jamie and I will agree to stop the sale as long as BGI buys back our stock for \$300k. You guys know that I want to get out of day-to-day managing of BGI and we are leaving \$300k on the table by not taking this offer. If I leave, who is going to run the firm?”

Samantha said regarding the new CEO, “It is not personal, but I do not want to work for that woman.” Kayla replied, “I do not want the company to be sold.” Samantha added, “I guess Kayla and I will run BGI.” Rebecca reacted, “OK, we need to revise the buy/sell agreement to reflect what we plan to do.”

Shaping a new pact was delayed and by mid-June, Rebecca was rather sure Samantha would not sign any new deal. Rebecca changed her informal communication style, sent formal notices and held formal meetings as a safer way to handle communications regarding Samantha’s refusal to sign deals. Rather than incur legal fees, board officers Martha, Jamie, and Rebecca drafted a letter to all owners with six individual alternatives that included suing Samantha for breach of contract, various stock purchases and management changes. Rebecca knew each alternative was supported by financial, social, and human capital concepts and a BOD meeting was slated to select only one of the alternatives as best (see Table 2).

**Table 2. BGI Decision Alternatives for July 6, 2012 BOD Meeting**

Alternatives (A)	A #1	A #2	A #3	A #4	A #5	A #6
Company Action	File suit against Samantha for Breach of Contract	Sell BGI to the Company that made previous offer	Buy terminated stock of Jamie and Rebecca	Replace Rebecca with part-time Finance Mgr. and promote Kayla to VP Operations	Pay cash settlement to Rebecca who retires but retains BGI stock and BOD membership	Purchase all of Rebecca’s stock and she retires

Source: Company Documents and CEO Interviews

**Focus Summary**

Overhearing a few more minutes of intense discord between her mother and Jamie prior to the start of the July 6, 2012 BOD officers meeting; Rebecca’s emotions flared up and she stated, “I have had it.” She did not want to join the emotive feud that was underway. Percentage of stock voting was simple, but she wanted to break the owner’s buyout decision gridlock and not use legal tactics unless needed. Rebecca slumped down in a chair and tried to write one of the six choices (see Table 2) she thought was best for her, other stakeholders, and the BGI legacy. As Rebecca, which choice would you make to stop gridlock?

## Appendix A. Major Company Events and Milestones

1972	Martha Gray founded a small family court reporting firm Bay Gray, Inc. (BGI) after years of experience in the court reporting industry.
1994	Martha retired from BGI with 100% of company stock and asked her daughters Jamie (oldest) and Rebecca (middle) to be equal managing partners in the LLC. This shared partnership expectation began Rebecca's commitment to shared leadership with others as one strategy at BGI.
1996	A family friend and former court reporter Kayla Smith joined BGI as the office manager. She gained limited leadership experience over time.
1997	The youngest daughter, Samantha Gray joined BGI as office employee after early years of not wanting to be involved with the family business.
1998	Martha gifted stock to her two oldest daughters in equal (35%) of shares. Rebecca was officially named CEO of the firm due to her MBA and business experience. Kayla increased her work time to thirty-two hours/week and took on temporary leadership roles when Rebecca requested.
2003	Gail Jones joined BGI as office assistant. Office people worked thirty-two hours/ week for work-life balance and hours were deemed full-time.
2005	Kayla awarded (7%) stock for long service and incentive to assume leadership role; Samantha awarded (22%) stock for long service and Martha retained (1%). Jamie stopped work as court reporter after 21 years and worked part-time in office. Office space was tight and conflicts grew.
2006	Conflicts grew between sisters. Rebecca hired Organizational Development (OD) consultant to develop her transition strategy and a BGI plan for succession. OD advisor began team building sessions that included gathering and effectively using conflict management and leadership styles. The sessions ended abruptly without reducing sibling strife. The OD advisor made proposals to reorganize BGI roles for efficiency that stalled.
2008	Rebecca dropped training as future career path and made choice to move BGI to larger office owned by her. Jamie lacked leadership skill, grew tired of conflict and decided to leave; reducing the firm size from five to four employees. BGI Revenue = \$1.8M (peak) and EBITDA % = 28.0.
2009	Smaller pay bonuses were given. BGI Revenue = \$1.5M, Gross Profit % = 37.0 and EBITDA % = 21.0.
2010	Informal merger & acquisition (M&A) talks with competitor stalled. BGI Revenue = \$1.2M, Gross Profit % = 38.0 and EBITDA % = 24.0.
2011	Rebecca suggested BGI look for M&A candidates. Rebecca and Jamie hire consultant to find a buyer. Revenue = \$1.0M, Gross Profit % = 35.0 and EBITDA % = 22.0. Buyer was found and all owners agreed in principle to the sale of BGI. Later meeting was slated to explain deal details.
2012	A February owner's meeting was held to discuss details of the deal. Samantha dragged her feet on signing the deal and finally rejected 2011 deal. Afterwards, the BOD officers crafted six alternatives as the only subject for the July 6, 2012 BOD meeting. Estimated BGI revenue = \$ .8M.

**Source: Adapted from Interviews with CEO**

## FACEBOOK IPO

**Joseph Younkin, Christopher Newport University**  
**Gabriele Lingenfelter, Christopher Newport University**

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As Sandi started her computer, the following quote appeared in the headlines of her browser: “We’re going public eventually, because that’s the contract that we have with our investors and employees” (<http://www.greatpersonalities.com/mark-zuckerberg/3htm>). She had seen the news about Facebook going public after eight years of existence and wondered why Mark Zuckerberg had decided now to issue an Initial Public Offering (IPO) for his company. Sitting in front of her computer she wondered, “how did Facebook determine its initial offering price and on which stock exchange to trade?”

### **Mark Zuckerberg**

Mark Zuckerberg was born on May 14, 1984. His mother was a psychiatrist and his Dad a dentist. During his high school years he won various prizes in math, astronomy, and physics. Mark began using computers and writing software programs in middle school. His father introduced Mark to programming and Mark soon wrote a program that allowed his Dad’s office computer to communicate with all the computers at home. In essence, he had created a primitive version of AOL’s Instant Messenger.

By the time he entered Harvard University to study psychology and computer science, he already had gained a reputation for his programming skills. As a sophomore at Harvard he created CourseMatch to help fellow students pick classes and Facemash which let students vote on the best looking person. As the popularity of Facemash overwhelmed Harvard’s network, the college quickly shut it down. The following semester Mark launched Facebook, but was immediately accused by three Harvard seniors of having stolen their idea. They filed a lawsuit against Mark, which he eventually settled for 1.2 million Facebook shares. Mark dropped out of Harvard during his sophomore year to complete his Facebook project.

### **Decision to “Go Public”**

Facebook officially began trading on May 18, 2012, but the decision to “go public” was made months before.

Companies could decide to issue shares to the public and have those shares trade on a particular stock exchange for a variety of reasons. The most popular reason to conduct an IPO was to raise money for the company to grow.

Mark Zuckerberg had a number of reasons not to go public: too much paperwork and regulation, higher costs of producing quarterly financial reports (i.e. auditing fees, man hours), and the volatility of public markets. The main reason Zuckerberg decided to go public was due, in part, to the fact that Facebook had become too big, in terms of the number of private shareholders who owned Facebook shares. A Securities and Exchange Commission (SEC) rule, enacted in 1964, required a private company, with over 500 shareholders, to report its financial statements in a similar manner as a public company. And if Facebook was forced to report its financial statements to the SEC then Zuckerberg decided he might as well take the company public.

Another reason to take Facebook public was to make it easier for early investors in the company to cash out. These early private equity investors provided the cash necessary to grow and expand its operations. Going public would provide liquidity to these investors, thereby making it easier for them to buy and sell shares.

Additionally, Facebook was losing good employees to a rule created by Zuckerberg to prevent them from selling their private shares and stock options in the private-equity secondary markets. Employees could only cash out of their Facebook stock options by quitting the company and then selling them. By going public, the company could retain the best people.

A sudden influx of cash from going public would also allow Zuckerberg to continue to acquire smaller companies for their engineers or new products and to consider buying bigger companies in the future.

### **Listing on the NASDAQ**

Soon after the decision was made to go public, Zuckerberg had to decide on which stock exchange Facebook should be listed. Two of the largest stock exchanges in the United States are the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotations (NASDAQ).

The NYSE was established on May 17, 1792 in Manhattan, New York by twenty-four stockbrokers under a buttonwood tree on Wall Street. Its iconic building, whose trading floor can regularly be seen on business channels like CNBC, was completed in 1903. Buying and selling shares was auction-style, where orders to buy were matched with orders to sell, on behalf of investors. Entry fees for a new company listing on the NYSE could be up to \$250,000, while annual listing fees could reach up to \$500,000 (<http://usequities.nyx.com/listings/fees>).

The NASDAQ started on February 8, 1971 as “the world’s first electronic stock market” (<http://www.nasdaqomx.com/aboutus/timeline>). It was a computerized stock exchange where financial companies were connected via a telecommunications network and has the NASDAQ MarketSite, a tower in Times Square showing the day’s most active stocks. Individuals bought and sold shares, not directly, but through a dealer (market maker) for approximately 3,300 listed companies. Entry fees on the NASDAQ could be up to \$225,000, while annual listing fees could reach up to \$99,500 (<https://listingcenter.nasdaqomx.com/assets/initialguide.pdf>).

Listing on the NYSE brought with it prestige, tradition, and the chance to ring the opening bell at the start of the trading day, but also could be expensive for a company. Whereas, listing Facebook on the NASDAQ could put the company name on the tower alongside companies such as Apple and Google and cost the company much less.

Ultimately, Zuckerberg chose to list the company on the NASDAQ.

### **The IPO**

After Mark Zuckerberg decided to go public, he then had to prepare for the initial public offering. In addition to lawyers who had to draft the official paperwork, the company chose Morgan Stanley, JP Morgan, and Goldman Sachs as lead underwriters to take the company public.

First, the company had to file a registration statement with the SEC, which included audited financial statements from the prior three years 2009 – 2011. According to the income statements audited by Ernst & Young LLP, over the corresponding period, revenues grew from \$777 million to \$3.7 billion. Profits (net income) also grew dramatically from \$229 million in 2009 to \$1 billion by the end of 2011.

Second, after the registration statement was finalized with the SEC, Facebook and its lead underwriters marketed the deal to analysts and potential investor groups. These “road shows” allowed investment bankers to conduct due diligence and proper marketing research in an effort to compile potential share orders from investors and fund managers. Facebook share prices, based on this demand, looked to be priced from \$28 to \$35 a share, initially. A week before the IPO, the range had increased at \$34 to \$38 a share.

After the “road show,” a final offering price was determined, based on increasing investor demand, to be \$38 per share and Facebook sold 421 million shares. The lead underwriters earned 1.1% or \$176 million in discounts and commissions on the deal.

As Sandi shut down her computer, she decided that she wanted to learn more about why Zuckerman chose trading on one stock exchange versus another and how Facebook determined its initial offering price.

## THE HUMAN SIDE OF LOGISTICS

**Poonam Arora, Manhattan College**

**Peter Hanges, Manhattan College**

**Anthony Bruzzone, Manhattan College**

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### Introduction

The junior supply chain analyst hung up the phone and slumped down into his chair, while his heart sank. All he could think about was getting fired and having to move back in with his parents. Robert Stevens was a recent graduate from an east coast private school with a bachelor's degree in business. Upon graduation, a few months ago, he had joined the Newark branch office of an aircraft parts manufacturing company, Lucas Aeronautics. The company, which was headquartered in Omaha, Nebraska, was an international supplier of airplane parts. Robert's role was to receive shipments from the company's suppliers located all over the U.S., oversee their repackaging, and distribute the shipments to company warehouses and facilities across the country. He was tasked with ensuring all shipments were completed efficiently and effectively. Recently, cargo shipped from Newark had been arriving damaged at the main warehouse in Tampa Bay, resulting in substantial losses and lots of finger pointing, mainly at Robert. A teleconference with management from Omaha, Tampa Bay, and Newark was planned to discuss the problem. As he started to ponder how he should approach this dilemma, Robert became worried that the teleconference would turn into a hunt for a scapegoat, and as the most junior person, he would be it!

### Background

Roberts's main day-to-day task was to coordinate the gathering of raw materials and aircraft parts produced by various suppliers, repack the cargo into shipping containers, and send them to the Lucas Aeronautics receiving warehouse in Tampa Bay. The suppliers were located throughout the United States, so the bulk of his time was spent coordinating truckers who were willing to do long hauls to Newark, where he consolidated the cargo. From New Jersey, he sent the cargo to Tampa Bay via seafaring vessels or freight trains. Once it arrived in Florida, the cargo was shipped to wherever it was needed in South America.

The size, weight, and packaging of the cargo varied depending on the supplier. On average, a shipment weighed upwards of 2000 lbs., and arrived in packages that were over thirty feet long.

The cargo was also very narrow, usually around twelve inches wide and fourteen inches high. Most of the shipments were packed into wooden crates; however, in an effort to cut costs in a sluggish economy, some suppliers made the crates barely sturdy enough for the cargo that was packed within. They neglected the fact that the cargo was typically stacked in containers three or more high when consolidated with other shipments for Tampa Bay. Since these flimsily built crates could hardly support the weight already in them, they created a dangerous situation. The chances were high that the heavy weight and poor construction of the crates, combined with the relative narrowness of the shipments, would result in the cargo tipping over while loading or during transit. Since Robert had started at the company, he had already received numerous complaints from headquarters in Omaha that cargo arrived in Tampa Bay damaged due to the inadequate packaging.

Robert's counterparts at headquarters utilized a cargo packing computer program that maximized container capacity. Omaha sent him the load plans for the cargo that he physically weighed and measured, which dictated the amount of and what type of containers to use in order to pack the cargo. The program's flaw was that it did not account for the weight capacity of the crates nor did it account for the materials used to pack the cargo itself. Additionally, his colleagues at headquarters never physically saw the cargo nor did they watch it get unloaded from the containers, since Robert was in Newark, and the unloading happened in Tampa Bay. Having never viewed the actual loading and unloading process, the load planners at headquarters were oblivious to the intrinsic restrictions imposed by the cargo and its packaging. They continued to use the software to maximize loading based on either shipment packing lists they received from the suppliers or the weights and dimensions that Robert provided upon arrival of the cargo in Newark. He had been doing his best to operate around the plans from headquarters, while repeatedly voicing concerns to his boss in Newark and his colleagues in Omaha, all to no avail. The tunnel vision on minimizing short-term costs meant that no one was listening.

An additional problem was that the manager of the receiving warehouse in Tampa Bay did not wish to spend money on the proper equipment for their warehouse; such as fork lift extensions, tow bars, tow chains, and tow ropes. This warehouse relied solely on standard forklifts that had a 3000 lb. lifting capacity, which was much less than the total weight of the stacked crates dictated by the load plans created in Omaha. Therefore, along with complaints about damaged packaging and cargo, the warehouse also complained that they could not properly unload the containers without putting the lives of those unloading, and the cargo, at risk. Robert had discussed the issues numerous times with his supervisor in Newark, both in-person and via e-mail. His supervisor had agreed with Robert that the load plans needed to be revised to reflect the operational realities in Newark and Tampa Bay before a tragic accident arose. The supervisor, however, had not raised any of the issues either with management in Omaha or the manager in Tampa Bay.

### **The Challenge**

Since Robert had to follow the plans provided by headquarters, he continued to load the containers accordingly, but made sure to photograph the process. Unfortunately, this meant that shipments continued to be damaged as no changes to the loading procedures were made. His supervisor had just told Robert that they were both being asked to attend a teleconference between Newark, the receiving warehouse in Tampa Bay, and headquarters. Headquarters was upset with the significant amount of complaints it had been receiving, as well as the quantity of material it

had to re-order due to damage during transit. According to Robert's supervisor, the goal of the conference call was to uncover the root of the problem, whether the issue was with the way things were being loaded in Newark, or the way they were being unloaded in Tampa Bay, and remedy them before costs and delays from damages to shipped parts became prohibitive to doing business.

Although Robert was expected to have a cooperative relationship with the receiving warehouse, he had learned through the grapevine that his colleagues in Tampa Bay and Omaha had been blaming Newark for all the problems and damages. He was infuriated by these allegations. He had done everything he could to prevent damage to the shipments, while following Omaha's instructions, yet his concerns had gone in one ear and out the other. He felt like no matter what he said, he would be blamed, since he was just an entry-level employee; a scapegoat with no authority to produce change. Robert thought about what he had learned in his Negotiation and Conflict Resolution course – were there models and frameworks he could use that would help him understand how to best approach the pending teleconference? He knew that Headquarters was under the impression that his facility, and specifically Robert himself, was at fault so he had to find a way to move everyone's focus from him to the task-at-hand. He thought about the players, and how they could be classified according to the Dual-Concern Model. He also wondered whether this was a zero-sum or non zero-sum situation. He had heard that the senior staff at headquarters had a reputation of being fair, open to ideas, and supportive of junior staff speaking up, and knew he would have to use that to his advantage. How should Robert approach the teleconference?



## **SOUTH EAST EXHIBITIONS: FILLING BIG SHOES**

**Timothy E. Burson, Queens University of Charlotte**  
**Zachary M. White, Queens University of Charlotte**  
**Bradley W. Brooks, Queens University of Charlotte**  
**Steven M. Cox, Queens University of Charlotte**

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Jason Kirkpatrick, president of South East Exhibitions, had a problem. He had just met with Diane Aldridge, the president of Women's Shows (a division of South East Exhibitions). Diane was a 28 year veteran with South East and one of the firm's best and most versatile employees. For the previous three years, Diane had been considering semi-retirement – relinquishing her position and taking on a lesser position she could work from home – but she had just given Jason a firm date in which she would step down as Women's Shows president. Jason had been dreading this day, as he felt that none of the current show managers could step into that position and match Diane's diverse skill set, and Jason himself didn't have time to take on any more responsibilities. Jason was concerned that the process of replacing Diane would disrupt the peaceful work environment that his company enjoyed. He strongly desired to make the decision with minimal disruption to the smooth working group. He knew he needed to make a decision immediately.

### **A Change in Management**

Kate and Michael Kirkpatrick started South East Exhibitions in 1959 in Durham, NC, before moving to Atlanta three years later. Their first show was a garden exhibition and by 1983 they were producing five annual shows. Their son, Jason Kirkpatrick, finished graduate school in 1983 and joined the family business. He worked first as an assistant show manager and then as a show manager for 17 years while his mother and Diane Aldridge oversaw the women's shows. In 1999, Kate stepped down and named Jason as president of South East Exhibitions. As president, Jason began overseeing all of the shows except the women's shows, which Diane continued to oversee. Kate Kirkpatrick stayed on as CEO of the company and Michael Kirkpatrick maintained his role as company visionary.

### **The Company**

South East Exhibitions Inc., a privately held corporation, organized and produced several shows each year under a general theme, such as "Ideal Home" that provided an interface for exhibitors

and consumers. From the beginning, South East sought middle and upper class women, regardless of age or ethnicity, as its target market, preferring a more affluent clientele to attract exhibitors. The business concept for South East Exhibitions was based on matching consumers with disposable income to high-quality and reputable businesses, such as landscapers, home improvers, and interior designers. The management at South East Exhibitions believed that success would come through understanding and anticipating the needs of the exhibitors and of the public by creating innovative expositions and services that met both sets of needs.

As of 2009, South East produced 18 separate shows in 11 different markets, with a combined attendance of over 600,000. The largest moneymakers were Spring Shows, Home Shows, Christmas Shows, and Women's Shows. The company had considered producing more shows, but as Jason said, "We've reached a point of saturation. If we were to grow any more, we would be forced to change our entire structure."

The company made its largest percentage of revenue from exhibitors who displayed their goods and services to the demographically appealing South East Exhibitions audiences. Exhibitors generally paid a standard rate based on square foot of exhibit space. The exhibitors were also vital to another source of revenue, as they provided an excellent outlet for ticket distribution. South East consigned tickets to exhibitors in advance who often offered them to VIP customers. Sponsors provided another source of revenue, as South East provided a large stage on which a sponsor could promote their products. Each sponsor was also encouraged to advertise its brand throughout the event site.

South East enjoyed good relationships with its employees, as evidenced by the fact that most of its show managers were veterans with more than 20 years of experience. The company prided itself on open communication between the different divisions and on everyone taking responsibility for the company as a whole. Each prospective manager was first interviewed by the person he or she would be replacing. "This way," Kate said, "they learn the good, the bad and the ugly of the job, and determine if it would be a fit for them." The interview process continued with the candidate meeting the people he or she would work with, senior management, and then either Jason, Diane, or Kate. The unusual process seemed to work, as Kate proudly stated, "we are incredibly fortunate with the staff we have surrounding us. Just think of it, the huge spaces, huge amounts of people, huge amounts of work, and after just a couple shows we send them off and say – 'Go do it!' They come back to us only when they need our help with something."

Internally, the company ran each show like an individual business, with managers having ownership of the shows they produced. The shows were broken into two categories, Women's Shows (overseen by Diane) and Home Shows (overseen by Jason). Within the Women's Shows Division, Diane oversaw six different managers who each ran two shows a year. The shows were broken into fall and spring seasons, with a team of one manager and one assistant manager assigned to run each show independently. The show managers, Alice, Cari, Melissa, Jane, Jen, and Amy had almost complete control over the shows they operated. They were in charge of the overall creative concept of each show, and they worked within budgets to create a comprehensive plan for each show.

### **Diane Aldridge**

Diane had been hired by Kate Kirkpatrick in 1982 when she moved to Atlanta from Canada with her husband. Diane had previously worked with Sports Shows in Canada and South East

Exhibitions was the only company in Atlanta in a similar field. As the company grew, she began taking on more responsibilities with the Women's Shows before she was named President of Women's Shows in 2000. In 2007, however, she informed Jason that her husband had retired and they planned to move their permanent residence to a beach house three hours away. Diane didn't want to leave South East Exhibitions entirely, but instead explained that she would like to take on a different role with less responsibility. She was interested in still doing sponsorship sales, but only if she could work from the beach and have no additional responsibilities in Atlanta.

Diane's decision to leave would affect the entire company. She had built strong relationships with each of her managers, as well as with the exhibitors and sponsors of each show. Cari, one of the show managers, said, "I love Diane because she is always diplomatic when making decisions, and she doesn't micromanage us." Jen, another show manager, loved Diane because "she was an enthusiastic cheerleader, extremely creative in her approach with customers/exhibitors and she always has the attitude of 'let's make it happen.'"

The decision was also a bit scary for Diane. Although she wanted to move to the beach with her husband, she was also reluctant to leave a position that she had worked so hard to attain. So when Jason asked her to wait, she acquiesced. Jason spent the time thinking about his options, but when nothing seemed to fit, he asked Diane to stay a little longer. In truth, he just didn't want her to leave. "I tried to stall her as long as I could, pleading with her to stay through the next big show, and then the next and the next." Finally, in early 2010, after three years of waiting, Diane let Jason know that June 1 would be her last day in her current role and after that she would work strictly on sponsorships.

### **Jason's Dilemma**

Now faced with a firm departure date, different options rolled through Jason's mind. He knew if he promoted another Southeast manager to fill Diane's position she would know the process and understand the ins and outs of the company. No one person, however, stood out as an heir apparent. For example, Jason loved Amy's energy and enthusiasm, but felt she had trouble staying on task. Jen was great with detail and organization, but lacked creativity. Even Jane, a 27-year veteran with the company said, "I really don't think anyone could take her place, including myself." Some managers, however, identified Alice, a seasoned manager, as a candidate for the job. One manager, Melissa, said "I would like to think I could take on Diane's role" and also mentioned Alice as a suitable replacement. Still others expressed reluctance to promoting anyone from within. Cari believed that "If someone currently working here were to get Diane's title, I think there would be an uprising among a couple of managers who did not get the job. These managers angry about not getting the position would try to sabotage the person who was promoted or would constantly disagree with that person to make it hard for them to do their job."

Alternatively, Jason could hire from outside. Jason, however, felt there could be reluctance among the other employees to accept an "outsider," and he worried it would disrupt the structure that had successfully existed since the company's inception.

With such a risky decision, Jason wondered how best to communicate information with his employees. He considered, for example, if he should communicate all information to his entire staff throughout the process, or if he should be judicious about when to communicate information and to which specific employees.

He also contemplated how much participation the employees should have in the decision. One alternative was to make the decision himself without involving the staff. This option would be clean and efficient but it might affect the team morale that Diane had been so good at instilling. Or he could involve the staff in the decision, while participating with the hiring and interviewing processes. This option also held risks since it would be unlikely that everyone would agree on one internal or external candidate. If he were to involve the staff, therefore, he was unsure if he should simply take their input before deciding whom to offer the position or if he should allow a more consensus-based approach and trust the final decision to the majority opinion of the group. The time to make a decision had arrived. Diane had made it clear she was stepping down. Jason knew that whatever process he chose would upset someone. He struggled with how to engineer the process to be the least disruptive to the organization and still have the greatest positive effect on future business. Time was running out.

## WHO IS TRAINING WHOM?

**Donald A. Carpenter, Colorado Mesa University**

**Kay A. Hodge, University of Nebraska-Kearney**

**Fredricka F. Joyner, Indiana University East**

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Staring at the Grand Mesa, Todd sat at his desk and reflected on the Human Resource Department's training session on workplace violence that had just ended. His thoughts went back to a bizarre incident that he had encountered nearly forty years ago. The shocking conversation was still clear in his mind since it was his first exposure to potential workplace violence.

"I can kill a person silently in seven different ways," new salesman Sam declared without emotion.

By contrast, Todd was alarmed to the point of nearly driving his four-year-old, 1969 Opel Kadett into the ditch as he turned his head too long to examine his passenger for outward signs of menace. Seeing none, he calmed himself sufficiently to steer back into the driving lane of I-25 while he wondered how in the world that could have been Sam's most logical answer to Todd's conversation opener, "I don't know you very well, Sam. Tell me something about yourself."

His second thought was that they were only twenty minutes into their two-hour drive to Trinidad, the first leg of a busy three-day business trip, and that no one would be at the office for another hour and a half. Therefore, Todd would not be able to call anyone to see if this was some sort of joke, assuming he could find a roadside telephone.

Todd's next thoughts turned to his mission, which was to help this new salesman become better at his job. Maybe Sam had let slip the key to helping him. Deciding to match Sam's level of calmness, Todd forced out, "And, where did you come by those skills?"

"In 'Nam." Sam didn't seem to mind Todd's question. "It was Cambodia actually. S'pose I can tell you that now that it's over. Spent most of my days in Viet Cong's tunnels."

"You were Army, weren't you?" Todd began to relax a little, as Sam seemed to treat him as a confidant.

“Army Intelligence. That’s why I was trained in those ..., what d’ya call ‘em ... oh yeah, skills,” Sam chuckled at that notion.

Todd was hoping that the conversation would turn lighter so he took the opportunity to try to shift the topic. He strained to remember something positive about this salesman of six months, whom he was supposed to train by example, despite only being on the sales force for a couple years himself. Todd was the rising star of the Colorado Springs’ branch and appreciated that the branch manager had enough faith in him to help with this “newbie” who needed a lot of polish. His thoughts landed on something he thought he knew about Sam. “So, you have a wife and a new baby daughter?,” Todd asked.

“Had. Actually, it soon will be had,” Sam responded.

“Really? I don’t mean to mettle, but do you want to talk about it?”

“Not much to say, really. I woke up a couple nights ago on top of my wife on the floor next to the bed with my knife at her throat.” Sam’s voice was as flat-lined as before, and the only movement he made was to brace himself as Todd swerved back into the driving lane once again. “So, I left ‘em and moved into a motel room last night. Love ‘em too much to risk hurting them.”

“Wow,” was all that Todd could muster as he made a mental note to get separate rooms at the motel tonight.

“It’s no big deal. Most of us full-time tunnel rats wind up this way. I met with a shrink at the V.A. hospital. He said some of his colleagues are starting to call it ‘post-traumatic stress disorder.’”

“Does the Veteran’s Administration offer any help?”

“They’re trying to start a new program for it, but not much funding yet. You might have heard that we Vietnam vets aren’t very popular.” To Todd’s surprise, Sam smiled at that. “But I’ve been a bum in this conversation. So, let me help you out here. Listen, I know why I’m on this trip with you. You’re supposed to help me become a better salesman, and I appreciate that. I’m just not sure I have what it takes to sell mainframe computers. From what I hear, it takes living with a prospect for months before you close the deal. That might get just as ugly as the situation with my wife. But I’m willing to give it a try. So, what else do you want to know?”

Todd was relieved by Sam’s candor. It was good that the air was now clear between them. “Well, Sam, I’m supposed to help you with the way you dress.”

“What’s wrong with the way I dress?” Sam was justifiably defensive.

“Sorry if I dived in too quickly. Please remember, I’m supposed to help.”

“I guess what I’ve heard about you is true.”

It was Todd’s turn to be defensive. “Like what?”

“Like, you get results because you get to the point quickly.”

“I’ll take that as a compliment. So, back to your attire: Why leisure suits? We’re supposed to dress in business suits like the bankers and board directors that we call on. Even in my rural territory, when I’m not calling on bankers, I wear a sports coat and a tie. You ought to save the leisure suits for the dance floor after work.”

“But the bell-bottomed trousers of my leisure suits fit better over my boots.”

“Okay, so that’s another problem: Why engineer boots instead of dress shoes?”

Sam pulled up his pant leg. “That’s where I keep this.” The six-inch knife blade glinted in the morning sun as Sam retrieved it from its holster. “Hey, would mind keeping this little car on the road? Don’t think it would protect us much if we hit a fence post.”

This time, instead of easing back into the driving lane, Todd pulled over. “You mind if I look at that baby?” Sam flipped the knife so he was holding the handle, and surprisingly, he handed it to Todd, who quickly reached to the floor to his left, popped the trunk lid, opened the door, jumped out, deposited the weapon in the trunk, slammed the lid, squeezed back into the driver’s seat, and accelerated into the traffic lane.

“Wha’d’ya do that for?” asked Sam.

“Don’t think you have a right to carry a large knife concealed without a permit.”

“How do you know I don’t have a permit?”

Todd stared into Sam’s eyes and set his jaw, “I doubt if you do. But it doesn’t matter. This is my territory, so we play by my rules.”

“I can’t go into a strange location without being able to defend myself.” Sam stated bluntly.

“You’ll be safe enough. Our first sales call is at Trinidad City Hall. The Chief of Police will be in the meeting. And, I can’t risk what might happen if he got a glance at the lump in your boot. I really don’t care if you spend the night in jail. However, qualified prospects with money are too few and far between, and I can’t afford to lose one at this stage of the game.”

Sam laughed out loud. “Guess you told me. Is that my first lesson, Old Guru?”

“Looks like it will be a trip full of lessons.”

Now, forty years later, Todd was amazed at how he had handled that situation with Sam and wondered aloud, “Would I have even been in the car with Sam if the company knew then what it knows now about workplace violence and post-traumatic stress disorder. I wonder how ol’ Sam is doing nowadays.”

## SHOULD I REPORT HIM?

**Nanette Clinch, San José, CA**  
**Asbjorn Osland, San José, CA**  
**Natalie Carboni, San José, CA**  
**Pamela Wells, San José, CA**

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Leaving her retail position at a popular upscale clothing outlet for an office internship at a high tech company was a dream come true for Carmen Nicolli. As she walked into the office for the first day of her job, she realized that this internship was an opportunity to show off her capabilities in graphic design. Within the first month of work, she embraced the relaxed office culture of alcohol after 3 p.m. on Fridays and dinner with foreign coworkers from the London office. One Wednesday night, after celebrating the company's 100<sup>th</sup> hire, her supervisor invited another intern and her to dinner. This gesture seemed harmless, until she accepted and began to sense his real intentions. While waiting for the elevator with her boss, she became wary when he mentioned that he was going through a difficult divorce. This personal confession before dinner made Carmen feel extremely uncomfortable. Throughout the dinner, she felt alone, like a trapped child, as if nobody was there to listen if she protested. An overwhelming sense of relief washed over her as dinner ended. The boss drove the two interns back to the parking lot at work where they had left their cars. However, as Carmen was getting out of her boss's car, he mentioned to her for the third time that he could give her a ride home instead of driving herself home. In the minutes following her refusal, she felt an overwhelming sense of fear and exploitation. As she walked back to the safety of her car alone, she began sobbing.

The following day, she walked into the office feeling dirty and manipulated wondering if anybody else was aware of her boss's behavior towards his interns. Upon passing him in the hall, she immediately noticed that he was wearing the same clothes as the day before, suggesting that he most likely did not go home. In the weeks following this incident, her boss continued to attempt to manipulate her with uncomfortable requests such as trying on a t-shirt designed for a model to wear at a company trade show, as well as asking her out to dinner even after multiple refusals. Carmen shared her experiences with her family and closest friends who agreed that her boss's actions could be construed as sexual harassment.

Upon reflection, Carmen realized that her boss struggled with the boundaries of work and personal life. In the midst of a failing marriage perhaps he had tried to find the affirmation at work that he could not find at home. Carmen should have recognized the first warning sign during her interview. He did not ask about Carmen's experience using graphic design programs. Instead,



they had a conversation about their hobbies, which to Carmen felt more personal than professional.

Of course, the intention of such a question could have been directed at assessing how well rounded the prospective intern was. Sometimes young people can be too focused on school, for example, and limit themselves. The interviewer might have attempted to use such a question to make the prospective intern feel more at ease or as a measure of “fit.” High tech companies often have strong cultures where some people fit and others don’t. Hobbies or interests could be legitimate indications of one’s ability to relate to certain clients or coworkers.

The dinner mentioned above would have been acceptable if Carmen felt her boss’s intention was to welcome the two interns into the company. People observing the dinner would not have noticed Carmen’s internal conflict. Her co-workers did not know of her discomfort when her boss approached her. Ever since he mentioned his impending divorce, she felt that his seeming kindness and friendliness reflected his ulterior motives.

After the night out to dinner, the two interns talked the situation over. The other intern queried why Carmen was not able to relax and enjoy the dinner. Carmen explained to her their boss told Carmen that he was getting a divorce. The other intern immediately understood their boss’s intention of plying them with alcohol. The other intern then shared with Carmen similar incidents that she herself had experienced with their boss.

Though Carmen had good relationships with her coworkers in the small office environment, she had not discussed the situation with them. She also did not report the incident to the Human Resource Manager for fear of retaliation and humiliation. She was afraid her story would not be perceived as a form of sexual harassment, but as a malicious attack coming from an intern to hurt the career of the Vice President of the company. Lastly, Carmen did not have enough supporting evidence for his actions to be considered an offense. She resolved to stay quiet about the incident even though he continued to invite her to dinner after work.

Carmen tried to suppress the fear of her boss and her other emotions. She wondered if she suffered bouts of anxiety and moodiness longer because she was a woman. She recalled the often heard phrase, “Oh, you are only being an emotional woman, get over it.” Carmen contemplated voicing her fears to another supervisor or confronting her boss directly. Perhaps her boss was just superficially flirting with her. Although Carmen viewed it as inappropriate, perhaps it was just boorish behavior rather than vicious harassment.

Looking back, Carmen accepted that events such as this affected her emotionally. She tended to not let go of these troubling emotions. Taking a step back and analyzing her experience allowed her to recognize her emotional response to uncomfortable situations that arose at work. She concluded that she often allowed the negative emotions bottled up inside to grow and affect the way she saw herself and the way she interacted with others.

Carmen knew she had to find coping mechanisms. She felt a sense of relief when she participated in a 5-kilometer obstacle run with a friend. She knew she needed to overcome her fear of talking to friends about her rotten experience; she had to find social support and could not just suffer alone.

Carmen realized that she had to find another job rather than subject herself to someone she perceived as a creep. The stress was too much. She ultimately knew that she would not be comfortable just trying to take it in stride and pretending it did not happen. If she stayed at her internship, she would have to report her boss. However, it might be easier to just go work somewhere else. What should she do?

## **“HEY! WORM!”**

**Frank Dattilo, Elmhurst College**  
**Sondra Simpson, Elmhurst College**  
**Elyse Jacks, Elmhurst College**

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### **Introduction**

Oliver's co-worker was mugged outside Oliver's Chicago Loop office. That and long commutes urged Oliver to find employment closer to his suburban home. Oliver soon took his 17 years of accounting experience to the stiX Corporation's warehouse in a northern suburb of Chicago. One day, during Oliver's first year at stiX, Oliver was walking through the company warehouse on his way to the lunchroom when he heard somebody yell, “Hey Worm!...”

### **Background**

The stiX warehouse was a distribution point for lightweight office supplies such as rulers, glue, and pencils which were made in Asia, received in California, and shipped to Chicago. Cases were pulled from warehouse shelves by employees called “pickers.” The cases were loaded onto trucks destined for retail distribution warehouses or stores.

The Asian-owned stiX Corporation valued family and group harmony. The company hosted all-inclusive Christmas parties each winter, and all-inclusive company picnics in the summer. Employees were encouraged to invite their families to these events. Picnics included organized softball, sack-races, water-balloon tosses, and plenty of food. Worthwhile prizes such as portable music devices were widely awarded to participants, even if participants had merely placed, rather than won, in a competition. It was unlikely that participants left these events in a grumpy mood. For many people, stiX was a fun place to work.

### **The Challenge**

Now, the entire shout that Oliver heard was more like, “Hey Worm! Get three.” So, vagueness in “...Get three” excluded Oliver from the command. Oliver was still shocked to hear somebody called, “Worm,” which seemed belittling. As Pete, a long-time picker acknowledged receipt of the audible command, Oliver realized that Pete, had been given the nickname “Worm.”

Oliver returned to the lunchroom later that day, but this time the vending machine wasn't his primary objective. Pete was on break, and Oliver requested Pete's assistance. Pete obliged and the "task" afforded privacy, so Oliver asked whether Pete felt it would be appropriate to reject the nickname "Worm." Pete replied that he felt it wasn't a problem; after all, other people had nicknames too, like "Animal" for instance. "Animal" was another picker, Pete's peer, shouter of the troublous command. Oliver explained that not everyone had a nickname, and those who did had names that were not belittling. The nickname, "Animal," for instance wasn't diminutive and projected a fierce, capable image. Oliver explained to Pete that he felt the nickname, "Worm," understated Pete's effectiveness. Oliver thereby gave Pete **appraisal support** (Baldwin, Bommer, and Rubin, 2013). Oliver further explained to Pete that a nickname such as "Worm" might bring future regrets. As if a light had been switched on, Pete showed interest in Oliver's assessment of the situation. Oliver had seeded change agents in Pete's mind; Pete's **vision** (Baldwin, Bommer, and Rubin, 2013) of a future could include new strengths. Still, Pete requested that the issue ought not be pursued. **Expectancy theory** (Baldwin, Bommer, and Rubin, 2013) suggests that Pete might have felt the name would persist despite effort. Oliver told Pete he still felt the name should be rejected, and that the option for Oliver and Pete to (independently or collaboratively) further contemplate the issue would continue. However, Pete had established some control in deciding to accept the nickname, and in deciding not to reject it; as empowering as Pete's choice to reject could be, counteracting Pete's wishes could certainly reduce Pete's **locus of control** (Baldwin, Bommer, and Rubin, 2013). Oliver assured Pete the option to drop the issue was also in line for consideration. Still, Oliver felt strongly that the nickname, "Worm," was inappropriate for Pete and for the workplace.

The Human Resources department was stationed in California. Oliver met with the warehouse manager, who answered that the issue didn't need to be pursued and that perhaps Oliver was too sensitive. Oliver, however wasn't swayed, so at Oliver's request the warehouse manager went with Oliver to meet with the operations manager about the issue. Despite Oliver's reasoning, he faced some doubt from the operations manager, who felt the issue wasn't necessarily a problem.

Oliver had given support to Pete, and had offered further support. Pete appeared as if he valued Oliver's appraisal support, but that he expected frustration from additional "support." Oliver knew that if he had such a nickname, he would not want it to hit the ears of his co-workers, friends, or family. Oliver felt strongly that the latter frustration was more menacing than the threat of frustration posed by rejecting even a tenacious nickname. As shown, Oliver had sought the help of relevant managers to help him increase the likelihood of an overall satisfactory result.

Faced with responses which ranged from uncertainty to opposition from every other stakeholder, how should Oliver have proceeded? How could Oliver have helped eliminate the nickname? Should he have acted as if he hadn't heard the nickname? Should he have pretended to be okay with the nickname as it was used? Should he have learned to accept use of the nickname? If he chose not to help end use of the nickname, what would have been the greater implications of his inaction? What would you have recommended to Oliver?

With the operations manager, who was more receptive to the issue at hand than the warehouse manager, a meeting of the warehouse personnel was called to session. The warehouse manager requested the warehouse personnel consider Oliver's points. The managers chose a high level of employee involvement for the ultimate solution. Nonetheless, unless powerful arguments could sway Oliver, he refused outcomes which strayed far or long from the vision he held as right.

Instead, Oliver convinced those with whom he worked, to see the value of his vision.

During the meeting, Oliver pointed out that it wasn't Pete who had objected to the nickname, but instead it was Oliver who had objected. Oliver also pointed out that Pete had since reconsidered his acceptance of the nickname, and no longer wished to own that nickname. Several co-workers admitted during the meeting that they had felt awkward about calling Pete "Worm."

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# THE FAMILY BUSINESS: OPPORTUNITY OR OBLIGATION TO JOIN

**Jacinto C. Gavino, DPA, Asian Institute of Management**  
**Edwin J. Portugal, Ph.D., State University of New York at Potsdam**  
**Miguel Anton R. Suarez, Asian Institute of Management**

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Alvin's MBA graduation was a month away and he needed to decide whether or not to join the family business, Velazco Construction, Inc (VCI). He knew that VCI was in a position to take advantage of business opportunities because of the high economic growth rate in the Philippines. He also knew that VCI needed to strengthen its top management pool that was composed of extended family members. But, he was afraid of getting trapped in the family business in light of competing job offers from big corporations to graduates of the prestigious MBA School of Business from which he was about to graduate.

## The Family Succession

Francis Velazco started to work in the family business in the 1960s after the death of his father. He had an obligation to join in order to help his siblings finish school. In effect, he became the head of the family at a young age. A year after, Francis asked an older brother and his eldest daughter to run the daily business operations. In the 1970s, VCI encountered financial difficulties because of mismanagement that led to his brother's resignation. In 1980, Francis was diagnosed with liver cancer and he died within a few months of the diagnosis. After his death, the eldest daughter abruptly departed for the US to build a future for herself. This went against the Velazco family loyalty expectation and the Philippine culture of strong family ties. Her departure left the family business without a succession plan.

Victor was appointed in 1984 as the President/CEO and General Manager. He was the third youngest child of Francis and worked for the company right after he earned his engineering license. "VCI was not in its best shape when I took over. The focus during that time was to survive and to turn around the company. We eventually made it profitable after a lot of hard work," Victor recalled. At that time, VCI had shrunk to a modest \$140,000 in assets and under Victor's leadership grew it to its current \$7.5 million in assets. The company grew 53 times faster than the country's GDP since he took over nearly 30 years ago.

During Victor's early years as head of VCI, his other siblings did not see the need to identify successors since the older grandchildren were close to Victor's age. By the time Victor and his siblings realized they were getting older and needed to identify management successors, the older grandchildren already had their own careers. Meanwhile, the parents encouraged the younger grandchildren, who were still in college or recent graduates, to join the business. Many of them wished to pursue their own careers, but there was great pressure to follow family obligations. There was apprehension regarding the younger grandchildren taking over the family business, but it was urgent to have a succession plan.

In the Philippines, loyalty to the family was very important. The Velazco family was very traditional and the children were constantly reminded about their obligation to each other, to their parents, and the family as whole. The younger generation understood this obligation towards the older generation and their parents. The Filipino culture and tradition that the children owed a "debt" to their parents was ingrained. This debt was never truly repaid, but the children were expected to show complete respect and obedience. They were also expected to take care of the parents in their old age. Even as adults, the children were expected to contribute to the family's welfare.

The company's philanthropy inspired the family to continue. Many people in the community asked Francis for help when he was still alive and he generously extended assistance. He provided jobs for many people in the community. This sense of obligation to the community was important to the family members. They wanted to continue the philanthropic legacy because it was a major part of the family identity.

### **Company Overview**

VCI was established in 1961 as a provider of manpower to a local oil refinery. Later it became a general contractor that provided manpower for plant construction and maintenance. They also provided services to many manufacturers in nearby towns. As VCI grew and developed its manpower providing business, the company acquired other companies in the construction tools and equipment business in 1988 and grew its general contracting capabilities.

Seven of the eleven children of Francis Velazco were shareholders but only two were in management. Victor was the General Manager and an older sister handled Finance. The board of directors did not hold regular meetings. Management was run informally. Many of the siblings trusted Victor to make the appropriate business decisions. This trust was carried over to the ownership of the firm where, although only 7 were officially registered as shareholders, dividends and anything to be distributed were divided into 12 equal portions (11 children and the mother). Victor determined the number of shareholders in dividend distribution based on ease of running the business.

VCI employed workers who have been with the company for a long time. Francis' values of loyalty and trust defined the family business culture and identity. Most of the employees were family friends and some of the workers were children of those who worked for Francis in the past. The company was located in a rural area with strict patriarchal tradition. Because of this, the family was risk-averse and cautious when making business decisions.

### **Alvin on the Hot Seat**

Alvin, part of the younger batch of grandchildren, was among the potential successors of the company. He earned a bachelor's degree in industrial engineering and had three years financial industry work experience. Alvin was close to completing his MBA when Victor, and some of his older cousins, discussed the opportunity of him joining management. "There were others with better educational qualifications than me. Some cousins were mechanical engineers, so my course of study was not the most related to the business. I thought that those older than me should hold more responsibility. Don't get me wrong, I was all for helping the family but being treated differently from those who came before me was just not fair," Alvin said.

Salary and benefits in the family business was a concern to Alvin because the general manager's pay was not competitive in the industry. His own career aspirations and desire to earn a good living was in conflict with the obligation to join the family business. He lived in the big city of Manila where all his friends were. The family business was located in the rural province that took up to four hours of travel. The distance was a concern to Alvin. "I was afraid of getting stuck. I felt that once I committed to this job there was no way out especially since a lot of people depended on the company. There was also the pressure of being compared to Victor who gave much of his life for the company's success, with many sacrifices including low compensation. I was just not sure if I would have been strong enough to endure similar sacrifices," he recalled.

There was no overwhelming consensus that his aunts and uncles were in support of him being the successor. Although there was no assurance, as a family business, his becoming a CEO successor was understood implicitly. He feared that this could create tension in the family. In the family business, the relatives sometimes criticized decisions, especially those that did not meet their expectations. There was a history of older family members using business equipment for personal use. They also tapped the family business financial accounts for personal reasons. Alvin had to listen to the advice of his uncle on how to deal with this issue if he was to join the business. "My grandfather had 11 children and being in the middle of sibling misunderstandings was a very difficult position," Alvin worried. Listening and following elders was one characteristic of the Filipino family culture. Victor was third to the youngest of the 11 children of Francis. The family culture drove his behavior. Victor managed it to the best of his ability. He asked for help and support from the other older siblings. He already received similar advice from the younger batch. Implicit influence and explicit family discussions guided their behavior. It was difficult to rectify this issue since the family culture remained a significant part of the family business. This level of uncertainty fueled Alvin's apprehension about joining.

Joining VCI meant that Victor, who was respected and had a good relationship with family members and employees, would mentor Alvin. He needed to give Alvin a free hand in managing projects and then gradually step back and serve as an adviser. Alvin was convinced that hands-on learning and guidance by Victor were things that he could never get as a regular employee in other companies. The work was not the average desk job. He was required to take trips to business sites away from the main office. The level of responsibility meant intense overtime during the week and work on weekends that would keep Alvin away from family celebrations and events, which were important to him. More than anything else, letting the whole family down was something that Alvin, like all the grandchildren of Francis, wished to avoid.



Alvin thought hard about the decision in light of the complexity of issues within the family business and his own career goals and personal life. He weighed the pros and cons and used a matrix of strengths, weakness, opportunities, and threats. Suddenly, he received a cell phone text from his Uncle Victor and an email with a competing job offer from a big corporation in Manila.

Alvin asked himself, “Will I join the family business or not?”

## A HASTY FIRING – DISASTER OR OPPORTUNITY

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Monica sat back on her sofa – frustrated and completely exhausted. While preparing for a grueling series of exams for a graduate program in Analytics, she had also answered an unending stream of phone calls from Ken. Ken worked at ClientB, a financial services firm which managed sizeable funds. He had been Monica’s manager when she had been placed at ClientB by ExpSol (her employer) and specified the work she did as part of his group. It had been a demanding assignment for Monica as Ken’s group reported critical fund performance data.

Monica had been shocked at being abruptly let go that Monday by David, her boss at ExpSol. Bitterly disappointed, she had also been surprised at the timing. Monday was at the cusp of a critical monthly deadline for Ken’s group. Monica had ignored her own turbulent emotions and offered to stay on for a few days to complete that month’s reports for Ken, but David had turned her down brusquely, saying she was not needed anymore. However, it now seemed that David had misjudged. In his haste to fire her, he had created a messy and problematic situation for Ken.

Now Monica was in the throes of indecision. She felt she needed to pick one out of several unpalatable choices – ignore Ken’s increasingly desperate pleas to help complete that month’s work; request David to re-hire her temporarily in order to complete Ken’s work; aggressively challenge David’s decision to fire her; or simply bury her head in her books and focus on the graduate program (hoping it would lead to a well-paying job). Or was there something else she could do that had not occurred to her yet?

### **Life as a Software Consultant**

Monica had joined ExpSol as a software consultant after a decade of experience in the field. ExpSol was a small firm that employed consultants and placed them at client firms. Employees were hired “at-will,” and could be let go or quit at any time.

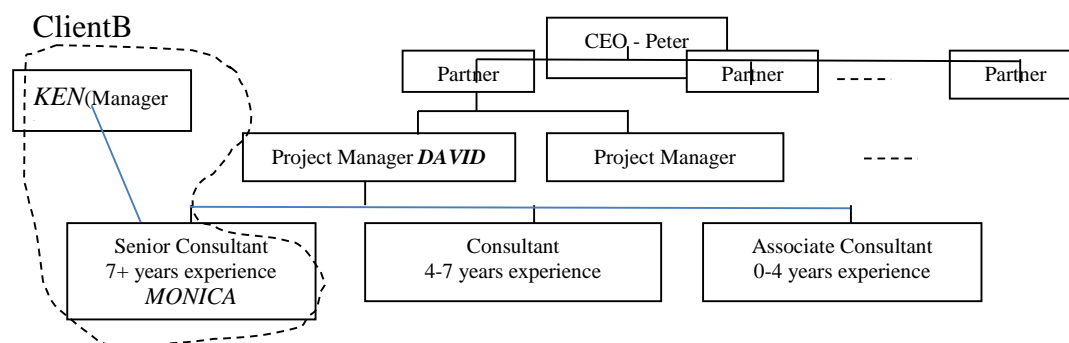
For the last five years, Monica had been working in Ken's group at ClientB. She had developed an excellent professional relationship with members of the group, especially Ken. Several group members had sent laudatory notes about her to ExpSol. Monica appreciated the importance and urgency of the monthly due date. During that first week she was unstinting in her support to the group, readily responding to calls at all times of day and night.

Monica had been fairly happy as an ExpSol employee, savoring certain aspects of being part of a small, client-focused firm. She was expected to put in as many hours as required by the client, but ExpSol unquestioningly compensated her for time billed. For her part, Monica had always maintained scrupulous records and billed accurately for time spent on work.

The one thorn in Monica's side had been her boss, David. He had started out as a consultant programmer, but moved up to a managerial position. David and Monica had started out as fairly cordial colleagues, but as time passed, David's behavior became increasingly irritating to Monica. Although David was Monica's supervisor, he had only a nominal say in the work she did, since that was essentially dictated by Ken. David had become an administrator, and often seemed nervous and uncertain on technical issues. For instance, although Monica had shown herself to be competent and capable in her job, David insisted that she document and report back every action she took at ClientB. He would also ask Monica to describe the work she did there in excruciating detail and question her judgment.

ExpSol was an almost flat organization, with David reporting to a partner, who reported to the CEO, Peter (Figure 1). ExpSol's executives appeared to have delegated Monica's professional development completely to David and had little to no interaction directly with Monica. David himself appeared to have no plans for Monica's growth, apparently content with the status quo. While Monica had no aspirations to be a manager herself, she did feel restless and stuck in a rut, doing the same kind of software development for more than five years.

Figure 1 – Organizational Structure Schema for ExpSol/ Monica  
(source: ExpSol Consultant)



Note 1: Dotted lines indicate authority to specify work and provide feedback on performance.

Note 2: There could be several consultants, of each category, reporting to a Project Manager.

### An Irresistible Opportunity

An upcoming and promising area was that of "Analytics." While IT was still a strong field, there was a move away from basic programming to higher level software work, such as in Analytics. A

lot of what Monica was already doing fell within Analytics. However, a formal program would help strengthen her work quality and provided broader credentials. As the area grew, lack of knowledge of specific techniques and approaches in Analytics would hobble her growth. Others, with formal training and education, would replace her. Monica felt the urgency to move fast.

A prestigious and well-known university in her neighborhood announced the launch of a new program in Analytics. Admission into the program was highly competitive and limited to professionals in the field who were at or just below middle management level. These criteria fit Monica to a “t.” She put all her effort into preparing her application materials for the program and was ecstatic when selected. The program promised to be very demanding, and was expensive (it would drain all her savings and she would still have to borrow some amount of money, yet one that presented tremendous opportunities.

In the past David had always been non-committal when Monica discussed her professional growth. After she was admitted into the program, she requested a leave of absence or a part-time schedule. David rejected outright any changes in her schedule and made it clear that she would not be cut any slack. Monica was perplexed and somewhat annoyed by this. In her opinion, ExpSol would benefit from developing expertise in the area of Analytics. She approached ExpSol executives with the idea of setting up a separate Analytics unit as a new revenue source.

### **A Client is Livid**

Monica’s view that Analytics was the way to future opportunities was validated by articles and news items in numerous publications. As expected, the program required Monica to put in her A-level effort. At the same time, she had to fulfill her professional obligation in supporting Ken’s team. The combined effort was exhausting. Finally, after persistent requests by Monica, ExpSol agreed to grant her a certain number of unpaid personal days for use towards study. Monica hoarded these days carefully and took one only when there was a scheduled exam.

ClientB’s contract with ExpSol was that it would pay for two employees to be placed in Ken’s group. If ExpSol assigned any additional employees for ClientB work, ExpSol would have to bear their cost. When Monica took her unpaid days off, ExpSol assigned a third employee (Jeff) to fill in for her. Monica had a good relationship with Jeff and willingly guided him. One small wrinkle in the situation was that Jeff was a close relative of ExpSol’s CEO, although he never brought it up.

An unexpected complication occurred in this state of affairs when the other ExpSol employee at ClientB suddenly quit after Monica started the Analytics program. After that, it was just Monica, and Jeff when she was not there, working with Ken’s group. Although Jeff tried his best, he could not handle ClientB work by himself. However, Monica was only a phone call away and helped as much as possible. As the days went by, David seemed to increasingly resent her spending any time at all on the program even though the client work continued without interruption. Things came to a boil when Monica took two consecutive days off (a Thursday and Friday) to prepare for and take exams. The Monday following, David had called Monica into his office and unceremoniously fired her.

Monica’s firing came as a shock to Ken. He had depended on her being available to help meet the monthly deadline and knew it would be almost impossible otherwise. Jeff could not do the work

on his own and it would not be possible to find another substitute for Monica right-away. Ken could not directly hire Monica due to the legalities related to intellectual property of the software used by ExpSol consultants. Thus, he was trying his best to somehow convince her to come back to the team until that month's reports were submitted at the end of the first week.

### **Trying to Achieve Work-Work Balance**

Monica definitely did not want Ken's group to suffer on her account. She would also have tried to avoid there being irreparable damage to ClientB's relationship with ExpSol if she could. At the same time, she still felt humiliated by David and Peter, and was extremely reluctant to initiate any contact with ExpSol. She felt conflicted and wondered what would be the most effective employment decision now. It was complicated and she felt she would benefit from viewing it comprehensively from different perspectives – those of ExpSol, ClientB, and herself before making a final choice.

# EVOLUTION OF A MANAGER: CAREER ON THE LINE

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Mike Gibson's head throbbed as he re-read the October report. Although Gibson's specialty oil and vinegar bottling team had high productivity, his personal ratings on an upward feedback appraisal were the lowest of any manager. His second chance as a team manager seemed doomed. Reassigned to lead the bottling and packaging line in a food production facility, members of his team were reprimanded after falsifying quality reports. After the disciplinary incident, the team retaliated and gave Gibson an extremely low rating on an upward feedback appraisal. Although a graduate of a corporate management program and currently an MBA student, he seemed unable to apply the lessons of the classroom to his own work. The handwriting was on the wall—Gibson's career was on the line.

## **Gibson's Career at Athenian and Start-Up of the New Packaging Line**

The Athenian Italian Products food manufacturing plant was headquartered in northwestern Pennsylvania. Management turnover at Athenian was quite low given its well-known reputation as a people-focused organization. Voluntary turnover had declined significantly since the recession began. Promotion was from within for the most part; turnover among manufacturing workers was similar to other manufacturing plants.

Now in his early 30s, Gibson had worked for eight years at Athenian in various minor managerial roles. Gibson's managerial career began with a management trainee program where he spent several 10-month stints in different functional areas. Although Gibson received what he thought were strong performance evaluations, he had never landed a significant line position after the program. He apparently was not on the fast track. He tried to perform well and tried to develop relationships with more senior and influential managers. Due to his innate shyness and passivity, he found networking very stressful and extremely difficult. His peers sometimes told him he was "way off base" in his efforts. With an undergraduate degree in biology from a Canadian university, Gibson became a production team manager on the Gourmet Packaging team. Seeking

to improve his managerial acumen, in the same year he enrolled in an AACSB-accredited, part-time MBA program near his home.

About the time Gibson enrolled in graduate school, Athenian made the largest acquisition in its history. A newly acquired packaging line added to the workload of the existing two-line, three-shift, 22-person operation. Mid-level manager Russell Cavendish noticed that Gibson had recently enrolled at his alma mater, and offered him the production team management slot for the new packaging line. Cavendish told Gibson that he appeared to have the right management skills to be successful there. The previous manager had been a marginal performer who retired prior to the acquisition. Although he had no experience with large engineering projects or with start-ups, Gibson agreed to take the challenge. Now he led two existing packaging lines as well as starting the new packaging line. Among Gibson's new subordinates were two male crew leaders in their early 40s, each with more than 20 years of experience; an eight-person crew of seven males and one female, each with an average of 15 years of experience; and a female engineer, Shirley Wainwright, in her early 40s. While Wainwright had 15 years of company experience, she had minimal involvement with projects of the scope of this new line.

The project plan called for a 1-year installation with the goal of reaching a capacity of 400 bottles per minute and an efficiency metric of 60%. Wainwright would manage the installation, mechanical troubleshooting, and improvements. Gibson was to ensure the proper training of the new packaging team. After one year, the line achieved the 400 bottles per minute goal, yet the efficiency rating was only 50%. Gibson believed that the root cause of his team's efficiency problems rested with the faulty execution of the new line by Wainwright, the project engineer. Upper management felt otherwise—that he lacked control over the situation. Gibson was transferred to another existing team and was replaced by a more experienced Athenian manager.

### **Bar Code Scanner Problems at the Bottling Line**

Athenian believed in offering second chances to those who experienced career setbacks. Hence, two years later, Gibson became production team manager for the bottling line of olive oil, red wine vinegar, and balsamic vinegar, with responsibility for meeting business objectives as well as quality targets. Documenting quality checks without actually performing the check had been a serious issue in the department a year earlier. This was a major quality incident at Athenian that was well known and frequently discussed. When that incident occurred, the violations resulted in disciplinary probation for seven quality control technicians not on the bottling team itself. When Gibson arrived as production manager, he made it clear to the bottling crew that they should never sign off on something unless the task was actually completed.

Disaster struck when Gibson discovered that three of his day shift technicians had signed the first article inspection quality audit without verifying that the case barcode scanner head was operational, a violation of the Standard Operating Procedures (SOP) for the audit. As luck would have it, the bar code scanner head was not adjusted properly and was not reading the cases.

Gibson immediately reported the falsification of the quality audit to his boss and the HR manager, as required by the SOP. HR placed the three technicians involved on probation. Although Gibson voiced concern about what he perceived to be the unnecessarily severe disciplinary action, he was told that the precedent had been set earlier and that acting in a consistent fashion in handling violations was critical. Two of the disciplined men were in their 60s and one was in his mid-20s.

The oldest had been cited for numerous performance issues, but had never been formally disciplined, while the younger two historically had good performance ratings. The other 15 technicians on his team objected strenuously to the punishment. They felt Gibson's response to the incident was harsh and felt that Gibson should have kept the issue within the team. They recounted that their previous manager was more lenient in dealing with similar situations. "We really liked Marrocco—he was like one of the gang and cared for us first before tattling to *the man*." Gibson countered that the previous manager had a reputation for not holding his people appropriately accountable for their actions, and that the former boss had been relieved of his duties because of it. The bottling team members who were not disciplined in this incident told Gibson that they were now "afraid of his leadership style," and believed they could not make a mistake without being punished. Gibson was hurt and felt that his team should realize from daily interactions that he had their best interests at heart while still doing his best for Athenian. Gibson was perplexed by the reaction of his bottling team to the probation action. He felt in some ways betrayed, but he worked hard to help the team understand and follow the SOP. He now decided to explore in depth why he received such a poor score on the Voice of the Associate (VOA) report, Athenian's upward feedback measure for production managers.

### **A Closer Look - Bottle Team Design and VOA Upward Feedback**

When Gibson took over the bottling team, he left in place his predecessor's team design for assignments, collective team responsibilities, customer care, and major production outputs. At Athenian, team performance was measured at the corporate level, but rewards for those on the production floor were based on individual performance alone unless the manager created a team-based option in the appraisal system. However, the bottling team members worked autonomously and rarely interacted with other teams at Athenian on process improvement initiatives. The only significant change he made was to give the team authority to alter their work strategies as long as they informed Gibson prior to implementation, but the team hadn't made more than a handful of improvements. Gibson continued to cross-train team members, but rarely called team meetings unless a major problem arose. Busy with meeting deadlines at work and school, Gibson hadn't found the time to explicitly discuss comprehensive achievement expectations with the team. He made sure everyone knew the weekly team performance goals and efficiency targets, but had not set specific goals for individuals.

Gibson believed that things were going reasonably well on the bottling team, so his first reaction to the VOA feedback was that something had to be wrong with the data. He did not understand how the manager of a high-performing team could have received such a low VOA score. He was determined to find an error with the subjective data. His boss, John Stefano, told him that there was no mistake with the data and that he should determine exactly what the team issues were with his performance. Stefano also mentioned that he noticed Gibson's tendencies to work *out in left field* and stressed that this style was not conducive for upward mobility at Athenian. Athenian preferred their managers to be more like middle linebackers in football who called plays and had the big picture scheme of things. Gibson wasn't quite sure what that meant.

Gibson approached the team to determine their perspective on the VOA scores. The team initially feigned ignorance. Gibson stressed that the low scores had to originate from the team, since they were the only ones from whom the data was collected; therefore, some workers must have had problems with his management style. After several attempts, he felt that he made some headway



in understanding. The team coalesced around the issues of fear of making mistakes, lack of recognition, and distrust as key reasons why Gibson's VOA was scored low.

Seven months later, on a bright and crisp sunny day in October as the leaves were just beginning to change, Gibson pondered his future at Athenian. He knew Stefano's words rang true. Even after eight years with the company, he had not developed levels of power and influence needed. His immediate concern was improving his team's performance while simultaneously raising his team's perceptions of him (VOA score). To do that, he had to become more sensitive to the broader environment in a systemic fashion, right down to understanding the metaphors used.

# AGE DISCRIMINATION AT TEXAS ROADHOUSE, INC.

**Bonnie Leonhardt, Ph.D., S.P.H.R., University of Northwestern Ohio**

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## **The Texas Roadhouse Experience**

Texas Roadhouse's YouTube videos offered great exposure for the restaurant chain, but they also illustrated a potentially ominous legal threat. One video showed an attractive young woman as she circled her hand above her head as she and her coworkers strutted and turned to the strains of "Save a Horse, Ride a Cowboy." "Now lasso four times as you turn to face the wall..." YouTube viewers wanting to learn the popular line dance were practicing at home, so they could join the dancing the next time they went to their Texas Roadhouse restaurant. But not all YouTube viewers saw the Roadhouse in the same positive light. Some viewed a video of P. David Lopez, General Counsel of the U. S. Equal Employment Opportunity Commission (EEOC), which announced that a nationwide lawsuit had been filed against Texas Roadhouse for "a pattern or practice of age discrimination in hiring hourly, front of the house employees" at the chain's casual dining restaurants. Mentioning the increase in age discrimination claims filed with the agency since 2007, Lopez explained the legal action, "It's important in this difficult economic climate that we redouble our nation's commitment to the principle of nondiscrimination in the workplace, to ensure that hiring decisions are based on abilities, not age" (EEOC, 2011).

The Texas Roadhouse website described the chain as family restaurants with "legendary food, legendary service, and legendary good times." Although specializing in hand-cut steaks, ribs, home-baked bread, and large portions, its appeal was definitely enhanced by the line dances every hour led by the servers and other front of the house "team members." This boisterous entertainment distinguished the Roadhouse restaurants from their larger competitors like Lone Star and Outback, and made the "Roadies" an essential part of the restaurant's success. Roadies were expected to be energetic, and to have a "passion for fun." National line dancing competitions for Roadhouse local dance teams were held annually, with many local teams creating their own dances.

In 2007, as job markets tightened across the country, applications for entry-level jobs at restaurants increased from older, unemployed people who might not have considered such low-paying jobs before the downturn. The EEOC reported a rise in age-discrimination complaints,

and a number of these cases charged the Texas Roadhouse with discriminating in its hiring practices for front of the house employees. “Front of the house” referred to the servers, bartenders, greeters, and other publicly visible employees in restaurants. These positions were traditionally jobs held by the young. Many of these jobs were part-time and evening jobs requiring little experience and were well-suited to college students or those not yet focused on a career.

### **History of the Texas Roadhouse Chain**

W. Kent Taylor founded Texas Roadhouse in Indiana in 1993. After a few lean years, Taylor attracted some additional capital, developed a successful business model that included the line-dancing Roadies, and Texas Roadhouse expanded rapidly. Taylor decided to expand into smaller secondary markets, thus avoiding direct competition with Outback restaurants, a major competitor. Markets were selected that had a high blue-collar population. As one investor told Chain Leader magazine, Roadhouse was “a redneck Outback” (Farkas, 2003). By 2012, the corporation had over 300 restaurants, and had expanded globally with the first Roadhouse in Dubai.

The décor of the restaurants was Southwestern with Native American murals on the walls and buckets of peanuts at every table. In 2002, country singer Willie Nelson became the official spokesman for the chain, and a “Willie’s Corner” selling the singer’s merchandise was in every restaurant. Nelson’s outlaw image became an important part of the Roadhouse aura. In a video commercial, CEO Kent Taylor spoofed the television show Undercover Boss by arriving at a Roadhouse in cowboy hat with long Willie Nelson braids and bandana.

### **Trouble with the EEOC**

On October 3<sup>rd</sup>, 2011, P. David Lopez, General Counsel of the EEOC, addressed the media to announce the charges against Texas Roadhouse. The media were quick to dig into the legal documents. Much was made of the quoted comment by a Roadhouse manager to an applicant that “we’re hiring for greeters, but we need the young, hot ones who are ‘chipper’....” Another manager was quoted as saying, “We think you are a little too old to work here...We like younger people” (EEOC v. Texas Roadhouse, 2011). ABC News followed the lawsuit announcement with a feature about the unemployment woes of the over 40s whose rate of unemployment was twice that of younger employees, and whose length of unemployment was twice the average of younger workers (Mayer, 2011).

In the court papers filed in 2011, the EEOC described some of the cases that had led them to the confrontation with the corporation, as well as the statistic that only 1.9 % of Roadhouse front of the house positions were held by those over 40, the protected age group in the Age Discrimination in Employment Act (ADEA). This low percentage was described as well below the labor market percentage in the local communities, and also below the industry averages for the age group.

The EEOC alleged that the corporate office directly instructed managers to hire youth. In a Power Point presentation used to train managers to hire, the first slide said, “Step One: Know what a front of house employee looks like.” The second slide showed a group of shouting young people. All images in the Employee and Training manuals were of young people.

## **The Roadhouse Response**

Texas Roadhouse Director of Public Relations, Travis Doster issued a statement: “Texas Roadhouse is an equal opportunity employer. We deny the allegations and will defend against these claims in court” (Farnham, 2011). The Roadhouse steadfastly resisted conceding any discrimination. After conciliation efforts with the Roadhouse failed, the EEOC filed the discrimination suit itself. Such suits charging organizations with “systemic discrimination” were instituted by the EEOC in 2006, and labeled a top priority of the agency. Systemic cases (class action) were defined as “pattern or practice, policy and/or class cases where the alleged discrimination has a broad impact on an industry, profession, company, or geographic location” (EEOC, 2011). To make a systemic case there needed to be evidence, usually statistical, that demonstrated that discrimination was the employer’s standard operating procedure. To defend against the charge, the employer had to offer evidence that age was a bona fide occupational qualification for the job that was reasonably necessary to the normal operation of the particular business, or where the differentiation was based on reasonable factors other than age.

## **Unresolved Issues**

Was Texas Roadhouse guilty of illegal age discrimination? Was the EEOC using the popular Roadhouse unfairly to make a point about age discrimination? Were the young, energetic Roadies an essential element of a unique business model? Or was Willie Nelson the only “oldie” allowed in the front of the Roadhouse restaurant?

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## ON THE EDGE

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Alexander R. Bolinger, Idaho State University

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### Introduction

I had climbed these stairs countless times during my four years of graduate school, usually two at a time with little effort. But this time the journey up the stairs seemed to take forever. My heart was beating out of my chest, I was short of breath, and I knew that it had nothing to do with physical exertion. It had everything to do with an ominous message from my adviser and a looming sense of dread.

For as long as I could remember, I wanted to be a college professor. Given this goal, after completing my undergraduate education, I began applying to graduate school and was initially accepted by a highly ranked university which was far from home. I accepted their offer without even visiting the campus or meeting my adviser. That was a big mistake. The first time I knocked on the door of the individual assigned as my adviser, he yelled at me to only come back after I had made an appointment. When I finally met him for the first time, he told me that I was fortunate to be able to work with someone of his caliber and that my research interests were not a good fit with his program. Discouraged, I looked for another graduate program.

This time, I applied to schools where I could find an adviser that would be more supportive. I was accepted at several schools and traveled to each school to meet the faculty in person and to make sure that they supported my research interests. At one of the schools that accepted me, I met for a long time with Dr. Littlewood, who had expressed interest in serving as my adviser. He seemed very different from the adviser at my previous school: friendly, open to my ideas, and easy to talk to. I felt a sense of relief, convinced that Dr. Littlewood would be good to work with, and I settled into my classes at my new school.

My first few years in this new graduate program went well. After passing my comprehensive exams, I started working on my dissertation. It seemed like I was on the right track to earn my doctorate and start looking for a job. However, right about that time my relationship with Dr. Littlewood changed. He started calling me at random times to make sure that I was in the office. Instead of smiling and asking me how things were going, he now seemed cold and distant. I used

to regularly visit his office to chat or to ask his advice, but as he became increasingly grumpy and short with me, I rarely went to visit him and only came to his office when he called me.

My increasingly distant working relationship with my adviser bothered me – a lot. I am not the kind of person who thrives with conflict. In my personality psychology classes, I always scored high on Agreeableness (Big 5) and, on the Myers-Briggs Type Indicator (MBTI), I showed a strong preference for Feeling over Thinking. As the impasse with my adviser persisted, I found it harder to sleep and to concentrate on my work.

### **The Conflict**

The downturn in our working relationship came to a head during my fourth year in the graduate program. I had been helping Dr. Littlewood with a research project in which I would learn the publication process by collecting and coding the data. This research project was a massive undertaking that, we hoped, would lead to a high-level publication, with me as a co-author, at a top quality, peer-reviewed academic journal. The stakes were high for both of us. I needed a high-visibility publication to be able to get a job at a university. Dr. Littlewood, meanwhile, was spending most of his research budget on my salary for the work that I was putting in on the project. The amount of time that I had spent on the project was daunting: 300 hours over nine months just collecting the data. I had finally completed the data collection, but the responses from the participants still had to be coded into categories based on a pre-established rubric developed by Dr. Littlewood. The coding was tedious, labor-intensive work that took many weeks, but I finally finished the coding and emailed the results to Dr. Littlewood.

The next day, I was working on a paper in my office when I received a telephone call. He didn't identify himself, but I recognized Dr. Littlewood's voice immediately. In an angry and accusatory tone, he said, "Lisa, come to my office right now."

I swallowed hard. It was clear from the tone of Dr. Littlewood's voice that he was not happy. As I climbed the two flights of stairs to his office, I tried to figure out what I might have done wrong that could make him upset. I stood outside his door, trying to catch my breath and summoning the courage to walk in. He heard my footsteps and barked, "Lisa, don't just stand in the hall."

I walked in, smiling nervously, and sat down in the chair across from his desk. His face was flushed and his chin was quivering. He stood up, walked out from behind his desk, and handed me a sheet of paper.

"Lisa," he snarled, "did you do this coding?"

I looked at the paper. Sure enough, it was mine. "Yes," I replied.

Dr. Littlewood then snatched the paper from me and thrust a second sheet of paper in my face. "Here is the data. I want you to go through each of these statements and tell me which coding category you put them in."

I swallowed hard a second time. It had been nearly six weeks since I had coded the first part of the data and it seemed ridiculous that I would be asked to remember exactly what I had done in

that level of detail from so long ago. But I figured that I had no choice. “I think Participant 1 went into Category 7,” I guessed.

“Wrong,” Dr. Littlewood replied, with no emotion in his voice. “Participant 2?”

I panicked. It could have been Category 1, but it also could have been Category 9. I looked up at my adviser-turned-tormentor, who was staring at me with his arms folded and finally said “Category 9.”

Dr. Littlewood then abruptly turned away and slowly walked back behind his desk, rubbing his forehead with his hand. He sat down and looked out his window for what seemed like an eternity. Finally, he turned back toward me, his face a brighter shade of red than before.

“Lisa, this is unacceptable,” he said. “I have never had a graduate student who was so undependable and did such shoddy work. Do you realize how much money I have spent for you to collect and code this data? And what have I gotten for it? How can I publish something like this?”

His questions hung in the air as the silence became increasingly uncomfortable. My heart was in my throat, my hands were clammy, and I was pretty sure that my face was the color of chalk.

“Lisa,” my adviser said, the anger rising with his voice, “I don’t know what else to say. I am thinking seriously about dismissing you from the program.”

### **The Challenge**

I was suddenly incredibly scared and completely furious, all at the same time. On the one hand, this all seemed so unfair. I had no warning that I would be quizzed about work that I had done six weeks ago, after which I had coded data from hundreds of participants. It seemed to me that Dr. Littlewood was trying to prove a point, to embarrass me and make me feel completely incompetent. I wanted to express my anger and frustration, to tell him off.

On the other hand, I saw my entire career passing before my very eyes. I had already left one doctoral program. If I left a second doctoral program, it would be a major red flag. Schools would no doubt call Dr. Littlewood for a reference and, given the current situation, he would likely talk very negatively about me. I knew that my lifelong dream of becoming a college professor was on the edge of falling apart and my future was hanging on what I said next.

My thoughts were abruptly interrupted by Dr. Littlewood’s angry voice. “So? Are you going to say anything?”

I took a deep breath and looked down at my shoes, trying to collect my thoughts. Questions raced through my head. Should I stand up for myself and tell Dr. Littlewood how I really felt? Should I try to convince him that I was really a hard worker and that his questions were unfair? Should I say anything at all?

# DIVERSITY CHALLENGES AT EASTERN UNIVERSITY

**Shirley A. Wilson, Ph.D., Bryant University**  
**Harsh K. Luthar, Ph.D., Bryant University**

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## **Ram's Request of Dr. Lewis**

Dr. Audrey Lewis, an African American professor at Eastern University (EU), had just finished a conversation with Ram Thackeray, an international student from India. Ram was the President of the Student Senate and was currently taking Professor Lewis' course on Global Diversity. He often dropped by her office to share his thoughts and perceptions since he knew her well and had taken three of her classes in the past. Therefore, when he told her that he felt that Eastern University was not serious about its diversity efforts and only paid lip service to the issue, Dr. Lewis was not surprised, as she had a good relationship with Ram and knew he felt comfortable talking with her about what upset him. Ram asked for Dr. Lewis' help in changing the culture of EU and she wondered if she should become involved in his change efforts since she had to work there.

Ram, a graduating senior, had felt for a long time that the university lumped the minority student population in one category even though these groups had differing needs. As the President of the Student Senate, he was very influential and had talked with various administrators including the President of the University about diversity issues on campus. Ram had lobbied for the university to pay more attention to the housing needs of international students by keeping the dorms open during short breaks, offering meal choices that would appeal to the tastes and dietary needs of international students, providing support for more English as a Second Language classes, and giving minority students more voice in the planning of social activities on campus. Ram even formed a new organization, the Student Cultural Council, comprised of students, faculty and staff, to make recommendations about diversity issues to the administration. Despite these repeated conversations and efforts, Ram felt that nothing ever changed on the diversity front.

Ram felt that EU's widely publicized strategic goal of achieving a twenty percent international and ten percent domestic minority student body within five years was admirable. The University President often spoke of these goals in campus community meetings and wrote about them in



communications to the entire campus community, but Ram felt the supports for more diverse students were not in place to accomplish this goal. The latest incident he shared with Dr. Lewis supported his perceptions. Ram told Dr. Lewis that although he was graduating, he was going to work hard to improve the diversity climate at EU. When Professor Lewis inquired as to what happened, Ram shared the following story.

### **The Last Straw**

Earlier, Ram held a meeting with EU students in his capacity as President of the Student Senate. At the end of the meeting he was walking down a corridor in the student center, preparing to exit the building and saw the Student Affairs Vice President, Dr. Lou Chambers, showing some of the members of the University Board of Trustees the Student Center building and the proposed renovations that would take place during the summer. As Ram approached them from behind to introduce himself as the Student Senate President, he heard Dr. Chambers say to the three Trustees, “This is the minority corner.” Dr. Chambers chuckled and pointed to where the new Gay Pride Center, Women’s Center, and Multicultural Center would be located. “We like to keep them all together,” said Dr. Chambers as he laughed and continued the tour. Ram stopped in his tracks. The statement that appeared part of a normal innocent conversation to Dr. Chambers was shocking to Ram. Ram was now convinced that the highest levels of Eastern University Administration simply did not get the fact that their thinking about minorities was inherently biased. Tired of working through existing channels, Ram felt something had to be done, and had to be done now!

### **Ram Thackeray’s Culture Change Plan**

With only two weeks until graduation, Ram told Dr. Lewis that he needed a bold plan to change the culture of EU to make it more inclusive and in a “eureka” moment he had devised one. He decided that he would begin to change the culture of EU by writing a letter to members of the University’s Board of Trustees, bypassing EU’s president and other administrators, detailing his concerns about the culture of EU. He stated that the letter would end with a challenge to the Trustees, requesting their immediate attention to this matter. Further, he told Dr. Lewis that he was not concerned about the chain of command or proper protocol since none of his previous actions had been successful.

### **Eastern University Background**

A private, New England university, EU had a student population of approximately 5000 students. Until 2004, it was known as Eastern College, a small specialty business school, granting undergraduate and master’s degrees in the business disciplines only. Because of its business only focus, Eastern College always had a problem with diversity. Throughout the 1990’s Eastern was a predominately white, conservative, mostly male campus. International and domestic minority students comprised less than one percent of the total student population. Female students were also in the minority at Eastern College.

When the new President, Jim Hedley, was hired in 1996, Eastern College began to change its strategic direction and undertook several initiatives that would enhance and improve its diversity. President Hedley hired Dr. Lou Chambers, the Vice President for Student Affairs to take the university to a new level in supporting the students. Because of his prior academic experience, as

Vice President for Student Affairs at a large state university in Michigan, Dr. Chambers understood the importance of diversity in higher education. President Hedley and Vice President Chambers immediately implemented several programs designed to support the diversity efforts at EU.

One of the most notable changes in the coming years was EU's transition from a college to a university. Two separate colleges, including The College of Business and the College of Arts and Sciences, were established within Eastern University. This led to increased enrollments and a more diverse student body. A second major change was to move EU to become a Division I school for athletics. Due to the infusion of a significant number of minority athletes on the sports teams, the university student body increased significantly in diversity. In addition, the university started to invest heavily in recruiting students from abroad with a big push to get more students from India, China, and South America. Hence, the number of international students increased as well.

Eventually, President Hedley and his wife also inaugurated a new Interfaith Center at the university to emphasize inclusion and acceptance of all faiths represented in the diverse student and faculty body at EU. Integrating diversity as part of the university strategy moving into the future was clearly part of President Hedley's general orientation.

### **Diversity at Eastern University**

These changes helped change the demographic mix of EU's student population to its current levels of 8.2% domestic minority and 16.2% international representing 40 countries. The conservative culture of EU did not readily embrace the newly diverse student body. GLBT students were often targets of harassment and threats. Minority students were sometimes called derogatory names outside of the classroom and international students complained of isolation and stereotyping. Thus, EU experienced severe growing pains in its diversity efforts. Further, the university did little to improve the conditions diverse students experienced beyond creating a Women's Center, a Multicultural Center, and a Gay Pride Center. Thus, students had a place to meet, but there was no real change to the university's structure where minority students were concerned.

The major diversity efforts at EU consisted of a "What Diversity Means to Me," contest held each spring, the establishment of a Diversity Council which met to discuss diversity concerns, a special one week summer orientation program to help international students adjust to the new campus environment, and a policy for reporting hate incidents which was included in the university's student handbook. Ram felt that while these efforts were a good beginning, they were far from complete and much more needed to be done. Ram constantly met with the President of the University and the Vice President for Student Affairs about his concerns. Ram's demands, lack of patience around diversity issues, and outspoken nature became so intense that he was seen as a hot head and loose cannon by faculty and administrators alike.

### **Ram's Action**

The day before commencement, Dr. Lewis ran into Ram in a separate, chance encounter. Ram stopped her in the hall and told her that he sent the letter to the members of the University's Board of Trustees. Ram handed Dr. Lewis a sealed envelope which contained a copy of his letter and asked if she would meet with him on Monday and continue to assist him in his culture change efforts after his graduation. As Dr. Lewis took the letter, she wondered what Ram had written and if he had thoroughly developed the "next steps" in his organization change plan. While Dr. Lewis admired Ram's passion and commitment for this cause, she had to live in this system. As a result, she asked herself if she should even get involved.

## **GOLD PEAK TEA: SOCIAL MEDIA PROMOTION GONE WRONG**

**Karen A. Berger, Pace University**  
**David Fleischmann, Pace University**

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“After what you did to Theodore Scott, I will no longer buy your product.” “Pathetic!!!” “Your product reflects how you treated Theodore and it leaves a bad taste in my mouth.” “I hope the sewage system enjoys the year supply of Gold Peak Tea.” Several hundred angry Facebook posts were accumulating fast. These responses were directed towards the company’s disqualification of a winner of a Gold Peak Tea promotion. Consumers clearly did not agree with the company’s actions. Gold Peak Tea found itself with a growing public relations disaster. Sarah Tabb, an associate brand manager for Gold Peak Tea, hoped this could be addressed easily with a restatement of the rules (Vega, 2012).

In the spring of 2012, Gold Peak Tea announced a promotion called “Take the Year Off” on its Facebook page (Stafford, 2012; “Gold Peak Tea - Take the Year Off Promotion Official Rules,” 2012). The contest required submission of an essay, with semi-finalists required to submit a video as well. The Grand Prize for the contest was \$100,000, a chance to stay home for a year, and a year’s supply of Gold Peak Tea coupons. The “Take the Year Off” promotion also included a sweepstakes with two prizes, which were to be awarded based on random selections from the pool of contest entrants. Each prize consisted of a package of 4 Live Nation concert tickets and payment for travel associated with attending the concert.

Gold Peak Tea was a brand of tea marketed by the Coca-Cola Company. Gold Peak Tea management viewed the Take the Year Off promotion as a way of keeping its loyal base of customers interested. The brand’s Facebook page usually contained product advertisements, customer supplied photos of enjoying Gold Peak Tea products, announcements of new partnerships, encouragement to enjoy its products on special occasions, and comments from satisfied customers (“Gold Peak Tea Facebook Page,” 2012). The Take the Year Off promotion was intended to communicate that Gold Peak Tea cares about its loyal customers by rewarding one of them. For new customers, the contest and sweepstakes would raise brand awareness. Little did brand management know that its efforts would raise national brand awareness, but in a negative way.

During the judging phase, entrants visited a designated website where they completed a registration form. It requested an essay about what the contestant would do with \$100,000 and a

year away from work, as well as a recent photo of the contestant. By submitting an essay, contestants were entered into the first sweepstakes for Live Nation concert tickets. A panel of judges reviewed the essays for quality, creativity, and relevance to the theme. The best ten to fifteen contestants were asked to record a brief video. The judges then allowed the top five videos to progress to the next phase.

In the voting phase, the five finalists' videos and essays were posted to a designated website for a public vote. Members of the public were allowed to vote once per day. Each voter was granted an entry into the second sweepstakes for Live Nation concert tickets. The contestant with the largest number of votes won the Grand Prize. The winner was required to submit periodic status updates to Gold Peak Tea intended for publicity purposes.

The contest seemed to be going well. In October 2012, Gold Peak Tea proclaimed the Grand Prize winner to be Theodore Scott, a lawyer. However, serious trouble laid ahead. In the company's audit of their winner, it soon became known that Scott had solicited votes on an About.com forum, where members offered to vote for each other in various sweepstakes and contest entries (Vega 2012; "Contests & Sweepstakes," 2012).

When Scott's vote solicitation was discovered, he was disqualified, in favor of an entrant named Michael Simpson (Vega, 2012). On the brand's Facebook page, Gold Peak Tea brand management explained: "Unfortunately, Theodore Scott was disqualified when it was determined during the verification process that he had attempted to inappropriately induce members of the public to vote for his submission, a violation of Official Contest Rules." The terms and conditions prohibited offering incentives to potential voters, vote farming, or any other action that inflated the number of votes, as determined by Gold Peak Tea's sole discretion (Gold Peak Tea Facebook, 2012).

Scott was furious. In a lengthy rebuttal on Gold Peak Tea's Facebook page, Scott said that he did not believe that asking for votes was the same as inducement: "...I merely asked for their vote, and told them to let me know if I could vote for them in something. If they voted for me, they did so out of their own volition..." Scott furthermore claimed that the rules were vague and broad: "...key personnel at Gold Peak Tea....admitted to me that the rules in question were ambiguous." His last argument was that other entries did not follow the theme of how contestants would spend a year at home. Nonetheless, Gold Peak Tea's brand management and the Coca-Cola parent company had made their determination. Scott was out. Simpson was the winner.

A major part of the controversy was disagreement over what constituted vote farming and inducement. Not only was Scott angry, but there was also backlash from Facebook participants. Several hundred angry remarks were posted on Gold Peak Tea's Facebook page. Most agreed with Scott. Some people threatened to boycott Gold Peak Tea and Coca-Cola. Social media pages sprang up in support of Scott: Stand for Justice - Go Team Theodore and Boycott Gold Peak. A Go Team Theodore Twitter page was also created, with a link to sign a petition.

In contrast, there were some remarks that agreed with Gold Peak Tea's decision to disqualify Scott. Some commenters argued that Scott's actions constituted inducement because he offered a vote in return. A few commenters argued that the loser is really the brand itself: "Voting contests are the best ones for building up excitement and participation....Poorly handled ones turned into

messes like this though.” The story was so interesting that the New York Times covered it (Vega, 2012).

Gold Peak Tea was faced with a difficult crisis management dilemma. It could delay responding to the angry Facebook comments, actively refute them, pursue the matter in court, or censor the comments (Thomas et al., 2012).

Gold Peak Tea could give into public pressure. Or, the management could enforce the contest rules, but that might result in greater damage to its brand. What should Gold Peak Tea brand management do?

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## IN YOUR FACE(BOOK): SOCIAL MEDIA AND UNFAIR LABOR PRACTICES

**Janell M. Kurtz, St. Cloud State University**  
**Elaine Davis, St. Cloud State University**

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An unprecedented union campaign was being waged at Jimmy John's Gourmet Sandwiches franchise stores in the Minneapolis area. The franchisee, MikLin Enterprises, Inc., was a small family company owned by Mike Mulligan, his wife, Linda, and son, Rob. When the unionization effort focused on sick leave turned malicious, anti-union supporters responded by posting vicious online comments about one of the union leaders. Authors of the posts included store managers and even a co-owner of the franchise. Because of management's involvement in this social media, MikLin Enterprises, Inc., needed to determine what, if any, course of action to take.

The online attacks began when union activists threatened to plaster the city with flyers insinuating that sick Jimmy John's workers were making sandwiches. The contentious poster showed two identical sandwiches, one purportedly made by a healthy worker, the other by a sick worker. The poster then stated, "Can't tell the difference? That's too bad because Jimmy John's workers don't get paid sick days. Shoot, we can't even call in sick." When co-owner Rob Mulligan learned of the disgruntled workers' intent to publicize their concerns in this way, he posted a comment on the Jimmy John's Anti-Union Facebook page encouraging members of the group to take the posters down.

The Anti-Union Facebook page was created by a rank and file employee, but its members included store managers, assistant managers, area managers and a co-owner, Rob Mulligan. The page was public, however, which allowed anyone with a Facebook account to access and read the posts.

Rob Mulligan's post about the leafleting prompted a barrage of comments. Renee Nichols, a Jimmy John's Assistant Manager, followed Rob's comment with the following:

- A post giving the phone number of a union activist and Jimmy John's employee, David Boehnke, suggesting that the Anti-Union Facebook members send him text messages to "let him know how they feel."
- A comment referring to David Boehnke that read, "F\*\*k you David Forever"

- A message adding to a negative description of Boehnke by another member of the Facebook group, saying “[y]ou forgot to say unbrow. He just likes things that begin with uni lolz [laughing out loud with sarcasm].” [This was apparently a reference to Boehnke’s eyebrows and the “Unibomber,” Ted Kaczynski, who mailed explosive packages to various people over a period of years.]
- A reaction to a picture of David Boehnke with feces on the bill of his cap posted by a former employee Benn McCarthy that said, “Haaaa Benn—2 David—0 Fartbag.”

Rob Mulligan joined the diatribe posting the following rejoinder on the Anti-Union Facebook page, “I call him [Boehnke] the Unibrowner.” Another Jimmy John’s manager chimed in on the exchange too, posting her approval of the defiled photo of David Boehnke and suggesting it be put up everywhere. This sentiment was echoed by another Assistant Store Manager, Eddie Guerrero. These social media posts raised interesting issues for MikLin Enterprises, Inc.

### **Jimmy John’s Background**

Jimmy John’s Gourmet Sandwiches was founded by 19 year old Jimmy John Liautaud in 1983. With the help of a few cookbooks and work in his mother’s kitchen, Jimmy came up with his “award winning bread” and six sandwiches. He soon opened up his first store in a garage; he had barely enough money to pay rent for the space and bought all used equipment. Currently, Jimmy John’s had approximately 1,400 stores, mostly franchises, in over 39 states. MikLin Enterprises Inc. owned ten Jimmy John’s franchises in the Minneapolis, Minnesota area. A small family company, MikLin was owned by Mike Mulligan, his wife, Linda, and son, Rob.

### **The Industry**

Working conditions in food service were widely regarded as substandard. Median annual income in fast food was \$10,462, less than half the poverty line for a family of four. The average workweek was 24.3 hours and the median wage \$8.28 per hour. Benefits were virtually non-existent (Williams & Gault, 2014).

### **Unionization Effort**

Jimmy John’s was the subject of a union campaign. On September 2, 2010, MikLin workers launched a union organizing drive. Days later, Jimmy John’s Workers Union was announced—the first fast food union in the country. Affiliated with Industrial Workers of the World, a global union for all “working people,” union membership was open to all Jimmy John’s employees nationwide. Through the unionizing effort, the workers sought “a pay increase to above minimum wage, consistent scheduling and minimum shift lengths, regularly scheduled breaks, sick days, no-nonsense workers’ compensation for job-related injuries, an end to sexual harassment at work, and basic fairness on the job” (About IWW, 2011).

Initially the union organizers tried to negotiate informally with MikLin Enterprises over their demands, but the approach quickly moved to an official union election. By late September, at



least 30 percent of the MikLin workers signed cards calling for union representation, and an election was conducted on October 22, 2010. By only two votes—87 to 85—the unionization effort failed. Refusing to accept defeat, the union filed a petition with the National Labor Relations Board for unfair labor practices. The petition included allegations of intimidation, bribes, threats, a wage freeze, and dismissal of workers sympathetic to the union. Indeed, following an investigation, the NLRB regional director informed Jimmy John's that it found sufficient evidence to issue a complaint prompting a settlement. The settlement agreement set aside the union election loss and allowed the union to pursue a new election. In addition, MikLin agreed not to discipline or threaten employees because of their union activities and not to withhold raises because of an ongoing union campaign.

With the election set aside, the union focused on changing company policies with sick leave as the top priority. The workers sought the right to call in sick and be paid for sick days. To exert pressure on MikLin, workers wore buttons with the slogan, "Sick of Working Sick" during their shifts. The Facebook exchange was ignited by the workers' threat to plaster the city with the flyers suggesting that Jimmy John's sandwiches were made by sick workers, thus putting the health of its patrons at risk.

### **MikLin Enterprises, Inc.'s Stance**

Mike Mulligan objected to the union's characterization of MikLin Enterprises, stating "[w]e are very proud of our employment record and take issue with the claims of the I.W.W. We value our relationship with our employees and offer competitive wages and good local jobs. We are dedicated to providing a fair, equal and diverse workplace environment" (WZZM 13, 2010). Mike Mulligan believed the pro-union group was using his franchise as an example for a wider unionization movement of the restaurant industry. According to Mike Mulligan, until the arrival of the union "salts," MikLin had only one unfair-labor practices complaint during its ten years in business. More than fifty complaints had been lodged in the past five months.

Mike Mulligan maintained that MikLin was consistent with the industry and that meeting the union demands for sick leave, higher pay and health care could actually bankrupt the company. In Mike Mulligan's words, "[i]f we agreed to these demands, it would cost four times what the company made last year....When I say, 'The things for which you're asking are not done in the industry in which we're competing,' they say, 'Yeah, that's the problem'" (Brandau, 2011). Addressing sick leave specifically, Mike Mulligan stressed, "we do not allow people with flu-like symptoms to work, and we've tried to demonstrate flexibility if they can't show up" (Brandau, 2011).

### **Dilemmas**

The Facebook posts posed legal and management dilemmas for Mike Mulligan, president of MikLin Enterprises Inc. What freedom do employees have in expressing their opinions through social media? What are MikLin's rights and obligations? What, if anything, should Mike Mulligan do about Rob, his son, and the managers' use of social media? Propose a social media policy for MikLin identifying the key issues that need to be addressed.

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## **ROLLING STONE & THE BOSTON BOMBER: SAVVY MARKETING, SOCIAL IRRESPONSIBILITY OR BOTH?**

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The August 1, 2013 issue of *Rolling Stone* magazine included an in-depth article on one of the two alleged Boston Marathon bombers, Dzhokhar (Jahar) Tsarnaev. What sent the social media world into a frenzy on July 17<sup>th</sup> was Tsarnaev's picture on the magazine's cover [see Figure 1], which was released July 16<sup>th</sup> on its Facebook page. The magazine reached newsstands on Friday, July 19<sup>th</sup>. After the release of this magazine issue, the country engaged in a contentious online discussion via social media. The following quotes from Twitter™ provided an example of the contentiousness:

“**Alex Doriot** @adoriot 20 Jul 2013 Before you **#BoycottRollingStone** try reading this insightful deconstruction of how a troubled teen became a monster <http://rol.st/1aPNACJ>”

“**Frank The Butcher** @FrankTheButcher 17 Jul 2013 Terrorists shouldn't be immortalized as rockstars. **#BoycottRollingStone**” (Twitter, 2014).

Figure 1: Rolling Stone Cover



Source: <http://www.rollingstone.com/culture/news/jahars-world-20130717>

This resulted in several well-known retail chains (Walgreens, CVS, Kmart, et al.) not carrying this issue of the *Rolling Stone* magazine. Was this an example of savvy marketing, social irresponsibility, or how public opinion can determine journalistic content and distribution?

Criticism sprang up on social media networks immediately as critics questioned, “whether Tsarnaev’s cover was glamorizing terrorism” (Gabbatt, 2013; Sneed, 2013). There were more than 16,000 postings on the magazine’s Facebook page by that evening (Cannold, et al., 2013). “Sultry eyes burn into the camera lens from behind tousled curls. A scruff of sexy beard and loose T-shirt are bathed in soft, yellow light. The close-up of [Jahar] . . . looks more like a young Bob Dylan” (“Rock star,” 2013) than the young man accused of the April 15<sup>th</sup> bombing. Mass umbrage occurred over the thought that “the magazine was conferring iconic status on a man who has been charged with a brutal act of terrorism” (Carr, 2013; three died and more than 260 were injured (Ray, 2013; Reitman, 2013)). For example, “‘Oh look, Rolling Stone magazine is glamourizing terrorism. Awesome,’ Adrienne Graham commented on the magazine’s Facebook page. ‘I will NOT be buying this issue, or any future issues.’ Others expressed similar sentiments, and words such as “tasteless,” “sickening” and “disgusting” flew around social media” (Cannold, et al., 2013). “‘I am ending my subscription. This is bullshit. Let’s honor those who hurt innocent people. Who’s next, George Zimmerman?? Rolling Stone is a music magazine, not the Taliban Times,’ wrote another Facebook user” (Gabbatt, 2013).

Politicians were quick to condemn the magazine. Among the notable politicians tossing criticism were Arizona Senator John McCain, Boston Mayor Tom Menino and Massachusetts Governor Deval Patrick. They accused the magazine of purposefully creating controversial publicity for the sake of sales (Carr, 2013; Forbes, 2013; Henneberger, 2013; “Rock star,” 2013).

There were defenders of the magazine, not just critics. These questioned the retailers’ censorship activities, calling to mind images of Nazi book burnings decades ago (Johnson, 2013). *Pittsburgh Post-Gazette* editors said, “A consumer’s individual choice is one thing, but withholding a magazine from sale because a legitimate news subject is on the cover underestimates America’s resilience in the face of terror” (“News phobia,” 2013). *Boston Globe* editors cautioned, “‘This issue of Rolling Stone should be judged not by its cover, but on the information that it brings to the public record’” (Johnson, 2013). “Slate’s Max Linsky concurs, writing that ‘lost amid the uproar over the cover was . . . an incredible piece of reporting by [Reitman] that helps explain how a charming kid from Cambridge became a monster’” (Forbes, 2013).

A sidebar about magazine covers: Publishers and editors “know the importance of the cover image as both a newsstand impulse buy and as a brand” (Johnson, 2002). One publisher has noted that “80 percent of consumer magazines’ newsstand sales are determined by what is shown on the cover” (Johnson, 2002). Lambiase (2007, p. 116) noted that “While there may not be consistent empirical evidence for connecting cover design with sales, . . . [covers] are directly connected to consumer expectations about content.” *Wired*’s executive editor was quoted as saying, “there is absolutely no good theory as to what makes a cover sell” (Beam, 1998, p. 50).

Should *Rolling Stone* have put Jahar on its August 1<sup>st</sup> cover? Why or why not?

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# WE'RE TREKKERS, TOO: HOW CUSTOMER SERVICE FAILURE BECAME AN INTERNET MEME

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## Introduction

Jeff Simmermon, director of digital communications for Times Warner Cable (TWC), wondered how his customer service team had dropped the ball. Over the past few days, Simmermon could not escape online and media coverage of how a high-profile customer, Sir Patrick Stewart, a television and film actor known for his role as Capt. Jean-Luc Picard on the television series *Star Trek: The Next Generation*, had tweeted about his unsatisfactory experience with a local TWC office to set up new cable service. "All I wanted to do was set up a new account with @TWCable\_NYC but 36hrs later I've lost the will to live," Stewart lamented in his tweet. Even though TWC's corporate social media customer service (@TWC\_Help) responded to his tweet quickly, the customer service representative could not resolve Stewart's dissatisfaction with the company. Stewart's tweet also seemed to open a floodgate of 1,800 retweets and comments from other TWC customers, including other *Star Trek* cast members William Shatner and LeVar Burton, who echoed Stewart's dissatisfaction with the company's customer service. Simmermon needed to understand why this one tweet had triggered such a negative string of comments toward TWC. What communication strategies could the social media team have used to turn Stewart's negative experience with TWC's telephone customer service into a positive experience that could retain his business and redeem TWC in the eyes of his Twitter followers?

## Time Warner Cable, Inc.

Founded in 1968 as American Television and Communications, Time Warner Cable Inc. (TWC) was among the largest providers of video, high-speed data, and phone services in the United States, connecting more than 15 million customers to entertainment, information, and each other. TWC residential services provided its customers with basic and premium cable packages and digital video recording (DVR), which were often bundled with internet and phone service packages. TWC competitors varied by U.S. region, but included XFINITY (Comcast), Verizon FiOS, WOW!, DIRECTV, and DISH Network ("Company overview," 2012).

TWC had a long history of customer service dissatisfaction. The American Customer Service Index (ASCI) ranked TWC near the bottom of cable service providers since the organization began ranking the company in 2001 ("Scores by company"). In J.D. Power and Associate's 2012 *U.S. Residential Television Service Provider Satisfaction Study*, TWC ranked last, or near last, in every U.S. region ("2012 U.S. residential," 2012).

TWC's social media and customer service initiative was a program that Simmermon was extremely proud of (Simmermon, 2012). He created the blog *TW Cable Unplugged* to highlight TWC's online-based innovations and to keep customers updated on its services (Simmermon, 2012). TWC had several Twitter accounts from which to communicate with its customers, including seven Twitter accounts that were specific to state-based offices ("People").

### Twitter, and Facebook, and Blogs, Oh My!

On Sept. 13, 2012, Stewart posted a tweet about his less-than-satisfactory experience with TWC telephone customer service, "All I wanted to do was set up a new account with @TWCable\_NYC but 36hrs later I've lost the will to live" (SirPatStew, 2012). TWC's national social media customer service Twitter account tweeted back to Stewart almost immediately with the response, "How may we assist you?" Stewart curtly responded to TWC with, "If that question had been asked at any time in the last 36hrs it would have been of value. But now..." (SirPatStew, 2012), to which @TWC\_Help responded, "I apologize for the frustration. If you change your mind, we are here."

Stewart's tweet was shared (retweeted) by nearly 1,800 Twitter users, and added as a favorite by more than 800 users (see Figure 1). Many users echoed Stewart's negative experience with TWC,

Figure 1



SirPatStew, 2012

including other *Star Trek* actors. William Shatner, who played Capt. James T. Kirk on the original *Star Trek* responded to Stewart's tweet with, "I've been trying to get @TWCable\_LA to put CRN Digital Talk Radio back on my service. Been waiting 4 weeks for an answer. Terrible" (Takei, 2012). LeVar Burton, a castmate of Stewart's on *Star Trek: The Next Generation*, responded to a Twitter user's comment, "I bet @levarburton & @wilw never have these problems" with "Been There...!" (Burton, 2012).

Twitter wasn't the only social media platform that propelled Stewart's tweet about his experience with TWC. In addition to the Twitter activity, George Takei posted a screen shot of the Twitter conversation on his Facebook fan page (Takei, 2012), which had nearly 4.5 million followers. Takei's posts were consistently shared between tens of thousands of Facebook members through the like, share, and comment feature. Takei's post about Stewart's experience with TWC received more than 22,000 likes, 1,300 comments, and 4,500 shares.

Due, in part, to coverage by online and traditional media, Stewart's tweet went viral. Many people who commented on Stewart's tweet reflected his frustration with TWC. More than 70 amateur, professional, and media blogs ran posts about Stewart's tweets and comments within a week of when the tweet was posted. Stories published by *The Huffington Post*, *ABC News*, *The New York Post* and *BetaBeat*, a tech blog managed by the *New York Observer*, were shared by more than 1,500 Facebook users and tweeted nearly 200 times. In a TWC statement published by *BetaBeat*, the company said, "Our Care and Social Media teams are fully engaged to make sure he's well tended to. On behalf of the many Trekkers and Sir Patrick Stewart fans across our company, I can assure you, we will make it so" (Roy, 2012).

### What to Do?

Simmermon pondered over what steps to take next to regain the goodwill of TWC's customers. He felt TWC had been on the leading edge of incorporating social media into the core of the company's customer service management. Yet, TWC's use of social media seems to have backfired on it. The company had not only seemed to have lost a high-profile customer, but the social media responses to Stewart's tweet revealed that there were many more people who were also extremely dissatisfied with TWC's customer service. What steps could the social media customer service team take to turn their negative experiences into opportunities for redemption?

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# FREE SPEECH AND DISCIPLINE IN THE PUBLIC SECTOR

**Lieutenant Charles P. Wilson, BA, Rhode Island College Campus Police**  
**Shirley A. Wilson, Ph.D., Bryant University**

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## Introduction

“These are my First Amendment Rights we’re talking about.” Lieutenant Robert Prince sat in the human resources office pondering his fate after being charged with willful insubordination. Looking at a possible three day suspension without pay was not high on his list of things to bolster his career with the Eastern State University Police Department.

## The Incident

The day after an active shooter incident at a sister campus, Lieut. Robert Prince was contacted by a member of the news media to elicit his comments on the previous day’s incident, where campus police officers were required to respond to the situation unarmed. Lieut. Prince was well known for his views on arming campus law enforcement officers and had, in fact, written a number of journalized research articles on the subject. Known for being one of the only researchers on the topic, it was a natural for the media to reach out to him for his comments and opinions.

He advised the news reporter that he was willing to speak to her, but since he was currently on duty he would not be able to meet with her for the face-to-face interview requested until after his tour of duty was completed. Doing so while on duty would likely interfere with work and might be construed as speaking on behalf of the department, which was not allowed. This was acceptable to the reporter and arrangements were made to meet with each other later in the day. That interview was in fact conducted and appeared in a news article the following day.

A few minutes later, when the Chief of Police arrived in the office, Lieut. Prince asked to speak with him. As a matter of courtesy, and because the Chief has previously indicated his dissatisfaction with his supervisory capabilities, Lieut. Prince advised the Chief of the conversation with the reporter and that he planned to speak with her later. His Chief then stated his opinion that Lieut. Prince should not speak with the reporter because Eastern State University

Police were undergoing a review to determine whether they should be armed and he felt that having Lieut. Prince conduct an interview with the news media would only “place more rhetoric” in the public’s view, as well as create more friction with the university’s administration. Stating “You do what you want, but I do not recommend it” the Chief advised Lieut. Prince that he was not in favor of his conducting the interview. Nothing further was mentioned.

Later in the day, while still on duty, Lieut. Prince used the Internet to post three written comments on the web site of The Journal, a local newspaper, regarding the arming issue and the active shooter incident, in response to what he determined to be incorrect or erroneous information posted about the incident by others, with his comments based on his personal knowledge and research. One posting corrected information regarding the statutory authority of campus police officers, while another explained the standards now used by law enforcement for responding to active shooter situations. Still another directed viewers to a quote by former U.S. Attorney General Robert F. Kennedy regarding community expectations for delivery of police services. The newspaper required that, in order to post comments, one had to login to his or her Facebook account which, for Lieut. Prince, identified him as a member of the Eastern State University Police Department.

Several days later, Lieut. Prince was confronted by both the Chief and Deputy Chief about the postings he had made and informed that there may be repercussions. Soon after this meeting, Lieut. Prince was advised in writing by the university’s human resource department that they intended to suspend him for three days for willfully and knowingly disobeying a direct order not to make any statements while on duty or to identify himself as a member of the police department. He was advised that he would be expected to appear at a disciplinary hearing to answer to these charges and determine his fate.

### **Lieut. Robert Prince**

Lieut. Prince was a twenty year veteran of ESUPD, with an additional 21 years of police service in another state prior to joining the department. He had in fact previously served as an undercover narcotics investigator, internal affairs detective, and chief of police prior to joining ESUPD, so was quite familiar with police protocol and procedures.

During his tenure with ESUPD, Lieut. Prince had never been disciplined for any infractions. Recently assigned as the shift supervisor for the day shift, he had spent the majority of his career at ESUPD on the midnight shift. He was well liked and respected by the officers under his control, and was frequently asked for information regarding the arming of campus police and other issues affecting their service as campus law enforcement officers.

His research articles, written in collaboration with his wife, a professor at another college, had been published in various criminal justice-related, peer-reviewed academic journals and were cited by other college and university police departments in their efforts to go from being unarmed police to armed. One of his articles had even been cited by the State Board of Education during their review of the arming issue just two years previously. In fact, the local newspaper had designated him as the only known researcher on this particular subject during a report on legislative efforts to change the status of Eastern State University police officers, a piece of legislation that he himself wrote. As the agency’s officer assigned to oversee the records system, he was also the author of their computer use policy, which in part covered the use of social media

while on duty, and in fact allowed for moderate personal use of agency computers during duty hours. Except for this, no other policies existed which detailed on-duty use of computers or social media. Other members of the police department routinely used agency computers to “surf the web,” check personal email, and conduct other internet-based activities. Those practices had never been questioned.

### **The Disciplinary Hearing**

The day finally arrived for the disciplinary hearing. Lieut. Prince attended with his union representative and both men were concerned that suspension was a foregone conclusion and he would not receive an objective hearing. Also present at the hearing were his supervisors and the head of the university’s Human Resources Department.

Lieut. Prince was advised that the direct order he had violated was that he was not to make any statements while on duty and that he was not to identify himself as a member of the police department. He was shown copies of the various postings he had made on the newspaper’s website which were time-stamped, showed his Facebook profile, and were offered as proof of his violation of the order. However, no departmental or institutional policies which prohibited making those postings, nor any copies of the direct order that he allegedly disobeyed were provided to him as proof of his insubordination.

Lieut. Prince stated that his Facebook profile had always identified him as a member of the police department, and that he knew of others in the campus community, including a favored department chair, whose profiles specifically identified them as campus members. He stated that it was not uncommon for members of the news media and others to contact him regarding questions and concerns about the arming of campus police officers and other issues, and that his research had, in fact, been used to support the recent arming of several campus police agencies in a neighboring state. He stated that everyone, because of his published research and previous comments where this issue was concerned, was fully aware of who he was, what he did, and where he was employed. Consequently it was nearly impossible to separate the two.

Lieut. Prince further explained that he did not believe telling him to “do what you want” constituted an order not to make statements, regardless of when or how they were made and that nothing was provided to him in writing to support the concept of a direct order. He explained that, as a former police chief himself, he was well aware of the parameters needed to give a lawful order to a subordinate and he did not believe that what was actually said to him met that criteria. He also explained that neither the police department or the college had any specific rules, regulations or policies which prohibited the types of postings he had made, and that the comments he had posted were made not as a representative of the department, but as a knowledgeable individual commenting on matters of public concern, expressed himself via his constitutional rights under the First Amendment, and that the postings were made during his contractually allowed break times.

Lieut. Prince also explained that he was very familiar with the various federal court rulings concerning the way public comments could be made by employees in the public sector, and that since there were no specific policies in place which prohibited his conduct, he believed the postings he had made were in compliance with those rulings.

As the head of the Human Resources Department stated that he was ready to issue his ruling, since it appeared to be a foregone conclusion, Lieut. Prince now considered what his next steps should be. How far was he willing to go to dispute what he felt would be an adverse decision?