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# Journal of Critical Incidents

Timothy Brotherton, Editor  
Timothy Redmer, Associate Editor

Fall 2015  
Volume # 8

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The Society For Case Research  
**SCR**

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Volume #8

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**SCR**  
**THE SOCIETY FOR**  
**CASE RESEARCH**

Editor

Timothy Brotherton  
Ferris State University

Associate Editor

Timothy Redmer  
Regent University

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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, please contact the Executive Director, Joanne Tokle at [tokljoan@isu.edu](mailto:tokljoan@isu.edu).

**2015 Journal of Critical Incidents Editorial Review Board**

Atkin, JoAnn	Miller, Jeffrey
Baker, David	Nelson, Eric
Barczak, John	Oas, Denise
Bolinger, Alexander	Olsen, Paul
Borchers, Andy	Osland, Asbjorn
Brooks, Bradley	Pagani, Marco
Brown, Jessica	Peters, Cara
Burgess-Wilkerson, Barbara	Portugal, Edwin
Clinch, Nanette	Ramos, Ramos Luis
Cox, Jessica	Rivas, Julio
Cox, Steven	Schmelzle, George
Datillo, Frank	Schuldt, Barbara
Edmondson, Diane	Schultz, Patrick
Fransted, Emily	Simpson, Sondra
Green, Donna	Smith, Donna
Hartman, Marley	Stevens, Gillian
Ho, Henry	Stratton, William
Hudson, Monika	Strawser, Jeffrey
Hunter, Keith	Tocher, Neil
Inabinett, Jean	Totten, Jeff
Jones, Elizabeth	Townsend, Cara
Kelly, George	VanSchenk Hof, Matthew
Leonhardt, Bonnie	Veal, John
Eshbach, Lisa	Walker, Lorin
Lontoc, Patricia	Ward, Cheryl
Magaldi, Jessica	Whaley, George
McCardle, Michael	Wilson, Charles
McCarty, Claire	Wilson, Shirley
Mento, Anthony	

WELCOME to Volume 8 of the *Journal of Critical Incidents*! This is my fifth year as editor. Thank you for all of your support. With 30 critical incidents in this edition, *JCI* is smaller than usual due to slightly fewer submissions and more rejections. We hope that you find that we have continued to advance the high standards that you have come to expect from every *Society of Case Research* publication.

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 have some good ones again this year. 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, Crystal Jacklovitz. A Public Relations student at Ferris State University, she has helped with the final editing of all of the CIs and did much of the formatting for this volume. She has worked very hard to make this volume as perfect as humanly possible.

Some major changes for *JCI* are in the works. One of the changes for next year is that *JCI* is becoming an open submission journal. To be eligible for submission from now on, either first submit to the SCR winter conference (as before), and/or test the critical incident in the classroom prior to submission. In addition, we are developing a new website for *JCI* that should be completed before the MBAA Conference in April, 2016. Exciting things are happening at *JCI*.

We hope that you will continue to support our ongoing efforts at continuous improvement. The SCR Board of Directors had made changes to the SCR publication guidelines during the SCR Summer Workshop, which are reflected in the current edition. Finally, we have tried to improve the narrative structure of the CIs, because better stories make more interesting critical incidents.

Please read the critical incidents in this edition and consider adopting them for use in your courses. Members of the Society of Case Research should be our own best customers. Thanks 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 at the MBAA Conference next April.

Sincerely,



Tim Brotherton  
2015 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:**

- 11/16/15** Option to submit draft of Critical Incident to the Case Research Track at the Annual MBAA International meeting in Chicago.
- 4/13/16** Start of MBAA Conference in Chicago (April 13-15). A chance to receive constructive feedback on your Critical Incident from session discussants.
- 5/16/16** Submit Critical Incident & Teaching Note to the *JCI* editor ([jci@ferris.edu](mailto:jci@ferris.edu)). Include a memo on how the author(s) addressed recommendations from the SCR Winter Conference or describe the lessons learned by classroom testing.
- 5/30/16** Critical Incidents sent to reviewers (Round 1)
- 6/20/16** Reviewers return with comments
- 6/27/16** Reviewer comments sent to authors.
- 7/14/16** *FYI: SCR Summer Workshop in Kearney, Nebraska (July 14-16)*
- 7/18/16** Revised Critical Incidents due
- 7/25/16** Critical Incidents returned to reviewers (Round 2)
- 8/15/16** Reviewers return with comments
- 8/29/16** Notify Authors whether Accepted, Conditionally Accepted, or Rejected
- 9/19/16** Final submissions due (CI, Teaching Note, Cover, Release, and Summary).
- 10/31/16** Publication of the *Journal of Critical Incidents*, Volume 8.

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).



## **Urban Outfitters Bloody Mess**

*Bradley W. Brooks, Queens University of Charlotte*  
*Steven M. Cox, Queens University of Charlotte*

### **Abstract**

Urban Outfitters, as part of their vintage line, came under severe criticism for selling a sweatshirt with a Kent State University logo that included red splotches that resembled blood stains. The outrage stemmed from a Vietnam era shooting on campus by National Guard Soldiers that left ten students wounded and four dead. The criticism was generating significant attention for the product and for the brand, albeit universally negative attention. The issue for Urban Outfitters was whether/how to respond to the negative outcry against the brand for offering a sweatshirt deemed to be making light of such a horrific tragedy.

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Identify the risks and rewards of a controversial product design.
2. Identify and evaluate risks to brand equity from a controversial product offering using Keller's Brand Equity Model.
3. Propose a course of action to respond to a controversy regarding a product offering.

### **Application**

This decision critical incident is suitable for undergraduate courses in Principles of Marketing, Marketing Management, Branding, Advertising, Public Relations, Promotion Management, and/or Integrated Marketing Communications.

### **Key Words**

marketing, advertising, Keller's Brand Equity Model

### **Contact**

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## **A Hijab Not Quite “The Look”**

*Claire L. McCarty, University of Wisconsin – River Falls*

*Ali Fatih Dalkilic, University of Wisconsin – River Falls*

*Olca Surgevil, University of Wisconsin – River Falls*

### **Abstract**

In June 2008, Heather Cooke interviewed Samantha Elauf for a position at Abercrombie & Fitch. Samantha was well dressed and wore a black hijab, a headscarf, to the interview. Cooke told Samantha that she would have to wear clothing similar to that sold by Abercrombie but never told her about their “look” policy which prohibited employees from wearing black clothing and “caps.” At the end of the interview, Ms. Cooke asked Samantha if she had any questions. She did not. Although Samantha had scored well during the interview, Cooke consulted with her district manager who thought that a headscarf would be inconsistent with the “look” policy. After informing Samantha that she did not get the job, Ms. Cooke wondered if she should have asked if Samantha was Muslim. Did she need religious accommodation? But Samantha hadn’t requested such accommodation and Ms. Cooke couldn’t ask her about her religion, could she?

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Identify the issues involved in evaluating a religious practice in light of business requirements.
2. Analyze whether an employer violated the equal employment opportunity rights of an applicant.
3. Evaluate and articulate the responsibility of employers and employees on religious accommodation needs in the hiring process.

### **Application**

This incident is appropriate for use in undergraduate and graduate courses in human resource management, diversity, and business law. This incident has been class tested and students, even with limited HR knowledge, had no problem discussing the issue of who has the obligation of bringing up a need for accommodation. It provides a springboard to discuss the complexities of EEO laws and interpretation, the role of courts in clarifying issues, and highlights the importance of “best practices” in making employment decisions and managing diversity.

### **Key Words**

religious accommodation, discrimination, diversity, human resource management, EEO Laws.

### **Contact**

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**OMG! He Said What? (A&E's Duck Dynasty Situation)**

*Barbara Schuldt, Southeastern Louisiana University  
Jeff Totten, McNeese State University*

**Abstract**

This incident deals with the controversial interview in *GQ* magazine with Phil Robertson, founder of West Monroe, Louisiana -based Duck Commander and family patriarch on A&E's "Duck Dynasty" reality television show. Robertson, a devout and conservative Christian, made some highly inflammatory comments about homosexuals and African-Americans in the pre-Civil Rights era. The A&E network suspended Robertson amid lots of PR, social media, and print commentaries and then reinstated him. The student is asked to assess how A&E handled the PR controversy and to provide suggestions for how the network should have handled the situation.

**Learning Outcomes**

In completing this assignment, students should be able to:

1. Assess a public relations controversial situation for implications to the firm's reputation.
2. Prepare several strategies for minimizing damage to a firm's reputation and relationship with all publics involved.
3. Conduct a stakeholder analysis of the A&E/Robertson situation.
4. Discuss the best practices that should be followed by a firm when dealing with an outspoken celebrity.

**Application**

This critical incident is appropriate for the Public Relations component of an Integrated Marketing Communications course and specific Public Relations Management courses. It may also be used in a Principles of Marketing course after the chapters on the Promotion Mix have been covered.

**Key Words**

*Duck Dynasty*, controversy, A&E network, public relations, social media

**Contact**

Jeff Totten, MMBA Department, Box 92135, McNeese State University, Lake Charles, LA 70609. Email [jtotten@mneese.edu](mailto:jtotten@mneese.edu). Phone 337-475-5534.

**The Missed Deadline: Whose Problem Is It?**

*Gillian Stevens, Asian Institute of Management  
Edwin Portugal, State University of New York*

**Abstract**

This critical incident takes place in the Philippine office of an engineering design consultancy whose parent company is British. The office is managed by expat UK managers and staffed with Filipino engineers. The incident is about a missed deadline that one of the managers has to deal with in the short-term as well as with the longer-term issues that the incident raises. The incident raises issues about culture, management style and personal communication.

**Learning Outcomes**

In completing this assignment, students should be able to:

1. Analyze the impact of cultural differences between the manager and the workers and the effects on a manager-subordinate relationship.
2. Evaluate leadership styles appropriate to different situations.
3. Construct an immediate action plan and a long-term plan that will address the issues raised by the incident.

**Application**

This CI is most appropriate for graduate courses in human behavior in organizations, leadership, and cross-cultural studies.

**Key Words**

human behavior, leadership, management style, cross-culture

**Contact**

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Phone +632 465 2870

## **A Community Unraveled: Police Shooting in Ferguson, MO**

*Charles P. Wilson, Rhode Island College Campus Police*

*Shirley A. Wilson, Bryant University*

### **Abstract**

This decisive critical incident describes events which took place within the community of Ferguson, MO following the shooting of an unarmed African American teenager by a white police officer that resulted in mass protests and national debates on racial inequities, police abuse of power, law enforcement militarization, and community protest. Students are asked to discuss both the police department's and officer's role in this situation, the community's response, and whether or not the department bears any responsibility for the level of protests which followed the shooting.

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Examine the need for transparency in releasing public information by FPD with regard to the shooting and its aftermath.
2. Develop strategies for creating positive community interactions when dealing with diverse communities
3. Review and examine FPD's responsibility to investigate and prosecute allegations of police abuse.
4. Analyze the importance of diversity in the hiring practices of FPD.
5. Analyze and discuss crisis management strategies that can be effective for use by FPD and other police agencies

### **Application**

This incident can be used to illustrate a number of Organizational Behavior/Human Resource Management issues such as organization culture, race relations, cultural diversity and awareness, and ethics.

This decision critical incident may be applied to classes in Organizational Behavior and Human Resource Management, as well as classes dealing with ethics, diversity, cultural studies and general management. This critical incident can also be applied to courses dealing with law enforcement procedure, policy, and practices.

### **Key Words**

personnel/OB; policy/strategy; ethics; human resource management; diversity; cultural studies

### **Contact:**

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**Service Unbounded: A Contract Management Dilemma**

*John Barczak, Notre Dame of Maryland University*  
*Elizabeth H. Jones, Notre Dame of Maryland University*  
*Scott Shindledecker, Notre Dame of Maryland University*

**Abstract**

Nathan O'Rourke's simple service contract became complicated when the contractor he was responsible for chose to work beyond the scope of the contract. Although he knew the contractor worked at risk with the best of intentions, there was a mess to clean up because the contractor continued to perform contractual duties beyond the period of performance outlined in the contract. O'Rourke had to decide the best course of action to take with his superior and with the contractor under his supervision. The incident had ethical and legal implications, considered the situation from both sides of the contract, and offered a glimpse of how challenging contract management can be. This decision critical incident is representative of a common ethical challenge faced by contract managers throughout all branches of government.

**Learning Outcomes**

In completing this assignment, students should be able to:

1. Examine ethical issues associated with contract management.
2. Predict how customer/contractor relationships may change over time.
3. Distinguish when outsourcing may or may not be appropriate.
4. Assemble best practices for project outsourcing.

**Application**

This decision critical incident could be used in MBA and master's courses in project management or contract management. It could also be used in general business ethics classes.

**Key Words**

project management, contract management, ethics, government contracting, outsourcing

**Contact**

Elizabeth H. Jones, Ph.D., Notre Dame of Maryland University, Department of Business and Economics, 4701 North Charles Street, Baltimore MD 21210, Phone: 410-532-5154, Fax: 410-532-5104, Email: ejones@ndm.edu

## **Say It Isn't So Lady "O": A Sex Scandal at the Oprah Leadership Academy for Girls**

*Barbara Burgess-Wilkerson, Winthrop University*

*Barbara K. Fuller, Winthrop University*

*Nathaniel Frederick II, Winthrop University*

### **Abstract**

This critical incident represents a real situation in which a well-known billionaire television executive, Oprah Winfrey was caught in the middle of a sex scandal at her beloved Leadership Academy. In response she visited the school to ensure the safety of the girls. She then made allegations and statements to the media and immediately terminated two individuals because of the allegations. This event played out in the media who weighed in throughout the ordeal; subsequently the charges were dropped on the first individual as insufficient evidence was found to support the charges. The executive was taken to court for defamation by the second individual; the case was resolved in an out-of-court settlement. Oprah's candid communication and leadership styles in dealing with the media sends a powerful message to all those who manage and lead because of the consistency in her morality and values which translate into ethical and honest communications.

### **Learning Outcomes**

In completing this assignment students should be able to:

1. Identify the business communication strategies used for managing negative news and crisis communications.
2. Analyze the situation and determine the leadership styles used in crisis communication and determine the extent that leadership styles impacts the decision-making process.
3. Evaluate the strategies used in responding to a crisis and the impact on the media and brand; they will develop strategies for addressing the news in the public and media that positively impact the company brand.
4. Understand how decision-making of business communicators can be influenced from personal values as well as from a legal, ethical or moral standpoint.

### **Application**

The incident is appropriate for use in both introductory and advanced courses in business communications, crisis communications, leadership and communications, business ethics, mass media, and entrepreneurship.

### **Key Words**

crisis communications, ethics and communications, leadership styles, brand management, media relations

### **Contact**

Barbara Burgess-Wilkerson, CBA Department of Management, Winthrop University, Rock Hill, SC 29722, Email: burgessb@winthrop.edu, Phone: 803-323-2690.

## After Hours

*Marley Hartman, Elmhurst College*

*Sondra Simpson, Elmhurst College*

### Abstract

This critical incident describes a situation that a relatively new mid-level manager experienced in the workplace. It was seemingly a case of sexual harassment, presented in the form of second hand information from a subordinate. This subordinate claimed to witness an explicit sexual act between another employee and an upper level manager in the vicinity of the business. Once addressed, the employee claimed that the sexual favor was not consensual, but a “quid pro quo” situation. The manager, who was currently off the clock when presented with this information, was forced to make a quick decision on what to do with this second hand information. Students are asked what they would do if placed into this situation.

### Learning Outcomes

In completing this assignment, students should be able to:

1. Deliberate on the model of the communication process and dissect the effectiveness of communication channels that were in place at this business.
2. Analyze the dynamics of power, influence, and authority on the situation, and comprehend the long-term effects of this incident on the integrity of the workplace.
3. Analyze how the Six Steps to Making an Ethical Decision could be applied. Consider the Ethical Commitment of the supervisors in this scenario and whether or not the displayed Ethical Consciousness and Ethical Competency.
4. Examine the options that supervisors have and how they could affect the workplace by using PADIL.

### Application

This critical incident is appropriate for any college level management, organizational behavior, or human resources course.

### Key Words

ethical decision making, quid pro quo, PADIL decision making, power, sexual harassment.

### Contact

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## **Seeing the Light or Tilting at Windmills? The Case of Richards-Townshend**

**Keith Hunter, University of San Francisco**  
**Monika Hudson, University of San Francisco**  
**Karl Boedecker, University of San Francisco**

### **Abstract**

As a result of complying with a request made of all law firms to investigate gender equity, by his Bar Association, Merle Richards obtains evidence that his firm's environment may not be gender neutral. A consultant's report indicates confusion about the criteria for attorney retention and promotion, a perception of gender bias, rifts between female associates and female partners, and high dissatisfaction among most female partners. Meanwhile, the firm's Board of Directors is divided regarding the wisdom of taking any conspicuous action to verify and address these issues. Students are asked to put themselves in Merle's position as he tries to make sense of the consultant's findings as well as make the right recommendation to the Board of Directors. Should Merle recommend that the firm openly examine gender bias in the workplace?

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Evaluate the implications of the multiple issues that are associated with perceived gender inequities within the workplace.
2. Distinguish between the possible interests and positions of stakeholders.
3. Determine how communication between organizational leaders and members should be leveraged as a means of resolving the presented situation.
4. Assess possible approaches that decision-makers might take in response to the nuanced and multi-faceted situations embedded in this critical incident and explain possible outcomes that may result from those decisions.

### **Application**

This critical incident is most useful for graduate coursework in management, organizational behavior, or organization development. This is due to its emphasis on analyzing, synthesizing, developing and evaluating nuanced decision alternatives from the practitioner's perspective. However, this critical incident may be appropriate for undergraduate courses where content and format are conducive to bridging gaps in maturity and experience. Where internal business operations are emphasized, this critical incident may be useful for legal education.

### **Key Words**

gender equity, organizational communication, leadership, decision-making

### **Contact**

Keith Hunter, Department of Organization, Leadership and Communication, University of San Francisco, 2103 Fulton Street, San Francisco, CA, 94541. Email: kohunter@usfca.edu . Phone: 415-535-9488.

## **The GoldieBlox Video: Copyright Infringement or Fair Use?**

*Jessica A. Magaldi, Pace University*

### **Abstract**

GoldieBlox posted a video to its website that depicted young girls creating an elaborate and entertaining Rube Goldberg device. The only audio in the video a performance of the Beastie Boys song “Girls” with the original misogynistic lyrics changed to be empowering to girls and women. The musicians believed that the use without their permission of the music was an infringement of their intellectual property rights. GoldieBlox argued that the use was permissible as a fair use, specifically that the song GoldieBlox created was a parody of the original song. Because fair use is a defense to a copyright infringement claim and is only asserted once a copyright owner has proven that claim, there was inherent uncertainty in whether GoldieBlox’s use would be protected. Accordingly, GoldieBlox had to evaluate its legal risk and decide whether to continue to assert its rights to the song in the video.

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Examine the underlying principles and public policy of copyright law in the context of a real-life situation.
2. Evaluate a party’s use of a creative work of another in light of the law of copyright and copyright infringement, specifically with respect to the creation of derivative works.
3. Analyze a legal defense from two perspectives to advocate for a position and to determine the strength of an opponent’s arguments.

### **Application**

The critical incident is appropriate for classes in business law, the legal environment of business, intellectual property law, copyright law, arts and entertainment management, public policy and ethics. It was tested in three business law courses at the undergraduate level.

### **Key Words**

law, copyright, social media, music licensing, derivative works

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## **An Inventory Letter from Carter's to Kohl's – What Could Go Wrong?**

*Jeffrey Miller, Sam Houston State University*  
*Jeffrey Strawser, Sam Houston State University*

### **Abstract**

Mr. Johnson had a highly valued business relationship with Mr. Elles. Johnson was the executive manager of Kohl's Corporation's profitable Children's Division, while Elles served as Carter's, Inc., executive vice-president of sales. All seemed to be going well until Elles asked Johnson to sign a letter that misstated the amount of Kohl's discounts for the prior year's purchases. These two executives had previously negotiated discounts totaling \$16.5 million, which Kohl's had already taken. The letter stated the amount as approximately \$12.1 million, an understatement of \$4.4 million. To Johnson, the signing of the letter apparently seemed like a necessary formality in order to maintain Kohl's favorable discounts. Johnson also desired to keep Kohl's, and particularly its Children's Division, as cost-effective as possible. Kohl's financials would not be affected by the letter. What harm could come from signing the letter?

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Illustrate the accounting for inventories, including accommodations, by a department store and its supplier using a perpetual inventory system
2. Analyze the impact that recording the accommodations in the wrong accounting period has on the financial statements
3. Evaluate the implications of signing a letter that misrepresents financial information of another company even though one's own company is not impacted
4. Appraise the difficulty of detecting a misstatement when collusion exists and the importance of conducting auditing procedures subsequent to the date of the financial statements

### **Application**

This critical incident is most appropriate for use in an upper-level accounting class, particularly courses such as Intermediate I, Intermediate II, Advanced Accounting, and Auditing. Neither individual mentioned in the case, however, was an accountant. Thus, the case may be suitable for other business classes, such as a principles of accounting, management, marketing, or an MBA class, as this critical incident points out how signing a seemingly innocent, but false, document may have significant ramifications.

### **Key Words**

accommodations, discounts, inventory, letter of representation, perpetual method

### **Contact**

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## **Old Dog, New Tricks: Staying Relevant in the Digital Era**

*JoAnn L. Atkin, Western Michigan University*  
*Michael McCardle, Idaho State University*

### **Abstract**

Anders Dahlberg is at a crossroads. As Underwriting Director at WMUK, he must find new ways for the local, NPR affiliate-classical music radio station to remain relevant. The station's listener base is historically affluent and aging; yet it needs to attract younger consumers to listen. For the past two years, WMUK had experienced declining listenership and losing sponsorship revenues from local businesses. A recent online survey among local college students suggested that 77% did not listen to WMUK primarily because they did not know it existed. Anders knew that in order to remain relevant in the ever changing media environment, WMUK needed these potential local listeners, who would, in turn, generate new sponsorship revenue for the station. The organization has never seen the need to do much in terms of marketing communication. However, times have changed and the station must effectively compete against several other media outlets for consumers' attention.

### **Learning Outcomes**

In completing this assignment, students will be able to:

1. Describe and/or revise an organizational mission statement.
2. Identify an appropriate value proposition.
3. Construct a market research plan to address a specific information need.
4. Identify and construct relevant target market segmentation strategies.
5. Write a positioning statement.
6. Design a marketing communication plan to reach a specific target audience.

### **Application**

This critical incident is primarily suggested for an undergraduate Marketing Principles course; although it also could be used and/or adapted for a non-profit marketing class, a market research class, or marketing communications class depending on which discussion questions the instructor finds most relevant.

### **Key Words**

marketing, non-profit, segmentation, market research, integrated marketing communication

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**Profit and Inventory Under IFRS and GAAP**

*Gabriele Lingenfelter, Christopher Newport University*  
*Abby Brooks, Christopher Newport University*

**Abstract**

The critical incident asks students to define inventory and net realizable value of ice cream bars. The students are required to calculate the ending inventory value of the ice cream bars using allowable cost flow assumptions as well as the respective gross profit and net income. The critical incident requires the definitions and calculations as required by Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS).

**Learning Outcome**

In completing this assignment, students should be able to

1. Analyze the importance of choosing an inventory method.
2. Compare and contrast accounting for inventory under US Generally Accepted Accounting Principles (GAAP) versus accounting for inventory under International Financial Reporting Standards (IFRS).
3. Examine how inventory valuation impacts earnings management.

**Application**

This critical incident can be used as an in-class assignment or a homework assignment in an introductory accounting course, in an accounting class for non-business majors, or in an entrepreneurship class.

**Key Words**

IFRS, accounting

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**Refuge: A Place of Safety or Danger**

*Timothy Redmer, Regent University*

**Abstract**

Ed Post, a new member of the Messiah Board of Deacons, needs to make a recommendation on a proposal for a ministry outreach. There is a significant amount of funds associated with the project and a lease commitment of ten years. Possibly complicating the situation is that the church has seen a decline in revenue in the last year and is currently operating at a loss. There is some uncertainty regarding future finances and fiscal stewardship must be considered.

**Learning Outcomes**

In completing this assignment, students should be able to:

1. Analyze the current financial condition of Messiah Church.
2. Appraise the overall situation for Messiah Church and recommend a decision for the Refuge proposal

**Application**

The case is most appropriate for undergraduate courses accounting, not-for-profit, or small business class.

**Key Words**

not-for-profit, accounting, financial analysis, decision making, budgeting

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## **Heritage Health Resources**

*Scott Shindledecker, Notre Dame of Maryland University*

*Dawn Grissom, Notre Dame of Maryland University*

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

### **Abstract**

Ann Igbo's small business, Heritage Health Resources, was strapped for cash. Client insurance payments dribbled in and cash flow had become a problem. It looked as if billing automation might offer a solution, but software was expensive. Ann had no experience with running projects, yet she had to determine if the costs and risks would be worth the potential benefit. In this decision critical incident, a small business owner must determine whether or not the expense of automation would be worth the risks and the cost.

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Recognize the importance of the project selection process.
2. Describe the steps a firm should take to select the right project(s) before embarking on actual work.
3. Evaluate alternatives to selecting this particular project while considering the costs and tradeoffs involved.

### **Application**

This decision critical incident is useful in upper-level or graduate-level courses in small business management, entrepreneurship, and project management.

### **Key Words**

small business, woman-owned business, social entrepreneur, project management, technology competency

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## **Inventory Management at the Theme Park**

*Matthew VanSchenkof, University of Central Missouri*

*David Baker, Tennessee State University*

*Jessica Cox, University of Central Missouri*

### **Abstract**

Erin is a catering supervisor and is responsible for requisitioning food for all catering events. She is experiencing consistency problems with the warehouse including late delivery, missing food from deliveries, and the delivery of too much food. Erin's summer hospitality internship is half over and she is seeking to understand and solve the process issues her operation has with ordering and receiving the food in a timely manner. She is using this issue to complete an assignment required for her internship. The focus of this critical incident is on the processes involved with inventory management and how it impacts the foodservice operation.

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Evaluate an inventory system and determine the implications of poor inventory management.
2. Develop an inventory management plan and understand the relationship between it and an inventory control system within a central warehouse setting.
3. Propose inventory management tools and techniques to improve existing processes.

### **Application**

This critical incident would be useful in undergraduate courses focused on hospitality management, foodservice management, and inventory management.

### **Key Words**

inventory, inventory management, foodservice

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### **Whose Back Do I Scratch?**

*Eric Nelson, University of Central Missouri*

*Denise Oas, University of Central Missouri*

#### **Abstract**

Danielle O'Reilly was frustrated. She paid for a massage several weeks ago and was really looking forward to it. However, she had just been told that she was not going to get her massage and there was nothing she could do about it. Danielle refused to believe she paid thirty-five dollars for nothing, but what could she do?

#### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Apply Agency Theory to an intermediary relationship.
2. Determine the self-interests that drive the agent-principal problem.
3. Apply ethical frameworks to the agent-principal relationship.
4. Make recommendations for action that take into account the self-interests of agents and principals.
5. Determine the implications of moral hazard in an intermediary relationship.

#### **Application**

This critical incident would be useful in undergraduate courses focused on ethics, sales, internet marketing and business law.

#### **Key Words**

agency theory, moral hazard, ethics, internet marketing and service failure

#### **Contact**

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## **August First Bakery & Café Pulls the Plug on Laptop and iPad Use**

**Paul E. Olsen, Saint Michael's College**

### **Abstract**

This critical incident describes Jodi Whalen and Phil Merrick's decision to go "screen free" by prohibiting use of laptops, iPads, and electronic reading devices at their restaurant, August First Bakery & Café. Whalen and Merrick made the decision to address the problem of Wi-Fi squatters, customers who spent hours at the café working on electronic devices while purchasing little food. Whalen and Merrick estimated that Wi-Fi squatters cost them \$15,000 annually in lost business. Customer response to the new policy was mixed. While some customers welcomed the ban, others said they would not return to August First Bakery & Café. The wisdom of the decision, the policy's impact on customer service at August First Bakery & Café, the "screen free" movement, and the issue of Wi-Fi squatters are central to the critical incident.

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Identify the issue of Wi-Fi squatters;
2. Describe the "screen free" movement and evaluate the arguments for and against adopting a screen free policy;
3. Analyze the challenges small business owners face from multiple stakeholders; and
4. Evaluate how policy decisions (e.g. prohibiting laptops, iPads, and other electronic reading devices) impact customer service.

### **Application**

This critical incident is designed for use in undergraduate Marketing, Management, Hospitality Management, or Introduction to Business courses.

### **Key Words**

customer service, hospitality management, small business management

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## **The Language Barrier**

**Sondra Simpson, Elmhurst College**

### **Abstract**

This critical incident describes a discrimination issue between an employee at a retail store and an angry customer. The incident illustrates the issue of language discrimination in the workplace. An employee did not understand what the customer needed because the customer was not clear with her request. Then, she began to ridicule the employee because English was not her primary language. The primary purpose of this critical incident is to learn basic undergraduate organizational behavior concepts to demonstrate the ways an individual can cope with language discrimination in the workplace.

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Determine a response that will exercise emotional intelligence.
2. Evaluate situations in the workplace where language discrimination takes place.
3. Determine a model of self-management that could assist in coping with this issue.
4. Evaluate different ways to exercise stress-management strategies that will ease tensions in the workplace.

### **Application**

This incident can primarily be used for illustrating how to handle discrimination in the workplace and is useful for management, organizational behavior, and sales courses. These courses can benefit from this critical incident because it demonstrates skills that individuals can use. This critical incident was developed for use in and was tested by students in an undergraduate Organizational Behavior class.

### **Key Words**

self-management, discrimination, hostile work environment, English as a second language, immigrant issues, stress management

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## **Lululemon Athletica and a Series of Bad Marketing Decisions**

*Jane Thomas, Winthrop University*

*Cara Peters, Winthrop University*

### **Abstract**

Lululemon Athletica, known for high-end yoga apparel, faced a series of bad public relations events starting in 2006 and continuing until 2013. The company first faced some questions about product claims. Then they were in the news because an employee murdered a co-worker within a Washington D. C. outlet store. Next, the company decided to switch to a manufacturer overseas, a decision that resulted in the production of low quality, sheer yoga pants that consumers felt violated their privacy. Finally, a decision to not produce and sell pants over a size 12 caused a backlash as well. CEO, Chip Wilson, ended up resigning from the company in December of 2013, but, despite his departure, the brand's image was badly damaged and several questions remained about how the company would regain consumer trust and restore its brand image.

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Identify the social implications of selecting a specific target market
2. Explain how brand image can be damaged
3. Develop strategies for improving a company's brand image
4. Judge the impact of consumer forgiveness related to a company's marketing mistakes

### **Application**

This critical incident is designed for undergraduate courses in marketing communications, public relations, and marketing strategy.

### **Key Words**

brand image, public relations, trust

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## **Finding the Perfect Strategic Partner for an FDA Approved Drug**

*George Whaley, San Jose State University*

*Jessica Brown, San Jose State University*

### **Abstract**

MannKind Corporation is a small biotechnology firm faced with a critical decision to find a partner to market its first product. The Food and Drug Administration (FDA) approved the firm's inhalable dry powder insulin (Afrezza) in June 2014 that has the potential to help millions of diabetics worldwide. MannKind burned cash at a high rate to develop Afrezza; hence, it is not yet profitable and other products in their pipeline are years away from FDA approval. Top management decided to review a short list of stable pharmaceutical firms to select the best strategic partner. Based on the experience of other firms and their own experiences, MannKind management knew money and marketing acumen were not the only items needed to make the partnership successful. The incident (CI) ends with top management mulling over an appropriate decision process and tools to select the best strategic business partner to market Afrezza.

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Identify factors involved in selecting appropriate pharmaceutical business partners to commercialize FDA approved biotechnology products
2. Apply decision support system models to analyze critical success factors for strategic alliances between biotechnology and pharmaceutical firms
3. Defend decision-making models that are appropriate for selecting the best pharmaceutical strategic business partner to commercialize FDA approved biotechnology products

### **Application**

Graduate and advanced undergraduate courses in strategy, decision-making, and entrepreneurship are the primary focus of this critical incident. Due to the industry context, graduate management classes in biotechnology, related life science fields, and workshops for life science industry professionals should be considered.

### **Key Words**

strategic management, entrepreneurship, product marketing and biotechnology management

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## **Deployment or Demotion**

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

*Anthony J. Mento, Loyola University Maryland*

*Gregg T. Zavadasky, Loyola University Maryland*

*James N. Van Daniker, Loyola University Maryland*

### **Abstract**

On the flight back to his home station, Captain Jack Thompson pondered his choices. He had to make the decision now because his unit was about to deploy to Afghanistan. During a rotation at the National Training Center at Fort Irwin, CA, he had recognized leadership gaps in two platoons. He could leave the platoon leadership as it was, remove, and reassign the platoon leaders elsewhere in the battalion, or reorganize the company leadership internally. This decision would have a lasting impact on the company and on the careers of his platoon leaders.

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Assess the leadership and coaching skills of unit leaders.
2. Evaluate available options and recommend a course of action.

### **Application**

This decision critical incident could be used in upper-level undergraduate, MBA, and master's courses in management, leadership, military science, or organizational development.

### **Key Words**

leadership, management, organizational behavior, military science

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**Half-Baked**

*George Kelly, Colorado Mesa University*

**Abstract**

This critical incident concerns a middle aged man employed as an adjunct baking instructor at a small community college who is expecting an advancement to a full time position. A conflict arises when another newer instructor is advanced to that position and the adjunct is faced with a decision about his future. This critical incident is based on an actual situation.

**Learning Outcomes**

In completing this assignment, students should be able to:

1. Explain the difference between job descriptions and employee potential.
2. Assess how higher management can influence performance in current and future employment?
3. Describe how human resources plays an important role in avoiding problems with external hiring.
4. Analyze the case from a career development perspective.

**Application**

This decision critical incident could be used in any Introduction to Business, Ethics, Human Resources, or Principles Management of classes.

**Key Words**

hiring practices, HR, employee promotions, job descriptions.

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## **Leonidas Mining on the Edge**

*Patricia Lontoc, Asian Institute of Management  
Edwin Portugal, State University of New York at Potsdam  
Ramon Ramos, Asian Institute of Management*

### **Abstract**

Production and profit objectives were not being met by the two-week old Leonidas Mining Philippines Joint Venture with Gab International, USA. CEO Lito made an iPhone call to Ron, Director of Operations (Lito's son) for a situationer. Ron reported that Peter, the Chief Operating Officer (COO), had angrily sent home the operations staff (the locals) without pay. The plant didn't have enough raw materials for processing. Trucks were redeployed to a mine site covered with volcanic ash and breccia where a truck broke down, aggravating the situation. Lito asked Ron to join his meeting with the locals. Ron pondered what he could say or do before the meeting. He knew COO Peter's strict command-and-control style of management signaled there is no time for kindness as Leonidas Mining teetered on the edge. The locals need to find the positives and not lose morale.

### **Learning Outcomes**

In completing the assignment for a Strategic Management class, students should be able to:

1. Analyze explicit and tacit strategies at play when a business is in trouble
2. Critique alignment of strategies of key decision-makers in the business
3. Generate ways of communicating strategies to achieve multiple strategic objectives

In completing the assignment for an Organizational Behavior class, students should be able to:

1. Analyze how affective commitment to a supervisor can bring about a positive organizational climate
2. Create ways for a business in trouble to foster organizational behavior that benefits the organization rather than harms it

### **Application**

This critical incident is a decision case suitable for both undergraduate and graduate business administration courses in Strategic Management and Organizational Behavior.

### **Key Words**

strategic management, organizational behavior, leadership, mining industry

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**The Race to the South Pole:  
Lessons in Problem Solving, Planning, and Teamwork**

*Patrick L. Schultz, University of North Dakota*

*John J. Vitton, University of North Dakota*

*Nikolaus T. Butz, University of North Dakota*

**Abstract**

In 1912, two explorers, Roald Amundsen and Robert F. Scott, were preparing separate expeditions to conquer the South Pole. The vast southern oceans separated Antarctica from the shores of South America, Africa, Australia, and New Zealand. To date, little was known about the continent's interior. To be successful Amundsen and Scott needed to decide on the objective of their expeditions, schedule and chart their course across the formidable continent, and select the appropriate equipment and supplies for their trip.

This critical incident uses this historical event as the basis for problem solving, planning, and teamwork. Taking on the role of the Antarctic explorers Amundsen or Scott, students will work in teams to assess the situation confronting Amundsen and Scott, solve the problems involved in operating in the inhospitable Antarctic environment, and design a successful expedition.

**Learning Outcomes**

In completing this assignment, students should be able to:

1. Analyze a problem solving situation to identify relevant situational factors and decision objectives.
2. Engage in planning a group's activity to solve the challenges it faces.
3. Work as a team in problem solving and planning situations.

**Application**

This critical incident could be introduced in graduate and undergraduate courses associated with leadership studies or those that require teamwork.

**Key Words**

problem solving, planning, teamwork

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## **Cannonball!**

*Sondra Simpson, Elmhurst College*

### **Abstract**

Laura, area supervisor for a large swimming pool management company that dealt primarily with private community pools, received a call one night from the president of a homeowners' association regarding its pool. Recently promoted that summer, Laura supervised nine pools and roughly seventy lifeguards. Midway through the summer season, things were good despite being understaffed for lifeguards. Then two guards used their company keys to access the pool after hours to allow themselves and a group of ten friends to swim. The president of the community's homeowners' association discovered the group sometime after 10 p.m. The police were not involved despite the trespassing violation as one of the girls lived in the community. Company policy stated that employees were allowed in the pool facilities only during their scheduled shifts. Their performance prior to this had been adequate, not outstanding. The president wanted immediate action. What should Laura do?

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Evaluate the situation using knowledge of managerial concepts to help effectively manage the situation
2. Recognize the implications of the management's response to the current situation in relation to possible future incidents
3. Determine the importance of effective communication in expressing and upholding company expectations and policies
4. Demonstrate an understanding and ability to communicate with different levels of personnel within a company

### **Application**

The critical incident was written to accompany a basic undergraduate organizational behavior textbook and is most appropriate for undergraduate courses in Organization Behavior, Human Resource Management, and Principles of Management Theory.

### **Key Words**

management, performance management, PADIL decision making, conflict management, communication

### **Contact**

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**Sam Cooper: To Stay with the Family Firm or Not!**

**Neil Tocher, Idaho State University**  
**Alexander R. Bolinger, Idaho State University**  
**William E. Stratton, Idaho State University**  
**Scott C. Tysor, Idaho State University**

**Abstract**

This decision based critical incident describes Sam Cooper's dilemma of whether to continue working at his family's business where he had worked for ten years, or to instead accept an offer to become an assistant manager at a large retail company. The family business offered such advantages as enjoyable work, close customer relationships, flexible work hours, and the chance to finish college. However, staying with the family firm meant that Sam would likely have to accept his father's quite informal approaches to managing the firm, which had frustrated Sam for quite some time. The job as assistant manager offered benefits including a career path with upward potential, a standard benefits package, and formal managerial practices but had drawbacks including long hours, frequent moves around the country, and probable curtailment of his college education. Sam, a married 36-year-old father of three, was left to make this critical career and family decision.

**Learning Outcomes**

In completing this assignment, students should be able to:

1. Recognize and compare the strategic considerations for Sam as he faces a potentially critical decision point in his career.
2. Analyze the situation and identify reasons that may explain why small business owners resist managerial practices such as formal training manuals and standard financial controls.
3. Comprehend the managerial practices within small businesses that may hinder growth and increase turnover of talented employees.

**Application**

This incident is appropriate for use in human resource management and small business-entrepreneurship courses. The key issue in the incident is personal career planning. A directly related issue is the impact of the informal financial and management practices in small family businesses on employees, including family members, and on the firm's potential for growth.

**Key Words**

career transitioning, informal management, family business, financial control procedures, firm legitimacy

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## **Save the Whales? A Public Relations Crisis at Lego**

*Paul E. Olsen, Saint Michael's College*

### **Abstract**

This critical incident describes Greenpeace's social media and direct-action campaign targeting Lego for its business relationship with Shell Oil. Greenpeace was opposed to Shell's plan to drill in the Arctic and was concerned that Shell used Lego to greenwash its image in the eyes of children and the public. Greenpeace created a satirical video using Lego that showed the Arctic being polluted by oil. The video went viral and was viewed more than 5 million times on YouTube. Greenpeace also engaged in a number of direct action activities targeting Lego's relationship with Shell that caught the attention of the media. Greenpeace's social media campaign and Lego's response to the public relations crisis are central to the critical incident.

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Describe how advocacy groups use public relations, social media, and direct action when protesting corporations.
2. Analyze a public relations crisis from the perspective of multiple stakeholders.
3. Evaluate how socially responsible firms respond to public relations problems.
4. Judge the effectiveness of ways firms manage a public relations crisis.

### **Application**

This critical incident is designed for use in undergraduate Marketing, Public Relations, or Introduction to Business courses.

### **Key Words**

crisis management, public relations, marketing, ethics

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## **Just What Constitutes Protected Concerted Activity in Social Media Use by Personnel?**

*Asbjorn Osland, San Jose State University*

*Nanette Clinch, San Jose State University*

### **Abstract**

An employee goes home at night, frustrated by what he or she perceives to be an unjust workplace and unfair manager, but can this employee go to social media to complain? Employers sometimes mistakenly accuse personnel of making inappropriate or harmful comments about the employer on social media. However, the federal National Labor Relations Act protects employees in the private sector who want to raise legally significant issues about their workplace, unionized or not. Those issues might constitute protected concerted activity under the federal statute.

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Appraise the NLRB adaptation of the Wagner Act of 1935 to apply to protected concerted activity on social media.
2. Interpret what constitutes protected concerted activity.
3. Judge legitimate uses of social media by employees with uses that an employer can legally prohibit.

### **Application**

The critical incident is best suited for an undergraduate human resources or business law class. It is a descriptive case in that the events of an NLRB case are described. Instructors could ask students to discuss whether or not the employees should complain online or not; in that way, the critical incident could be construed as decision oriented.

### **Key Words**

protected concerted activity, social media, labor relations

### **Contact**

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## **The ALS Ice Bucket Challenge: The Good, the Bad, and the Money**

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

### **Abstract**

“C’mon, c’mon...” Josh muttered anxiously as he checked his social media, “maybe someone challenged me today.” Josh Bryant was a typical teen who had been waiting impatiently for someone to issue him the “ALS Ice Bucket Challenge.” Not being challenged brought back bad memories of being picked last in gym class. Josh didn’t understand why some people were challenged multiple times while others were not invited to participate.

The ALS Association had challenges to deal with as well. Having no way to anticipate the immense popularity of the Challenge, the organization was not prepared for the overwhelming response of the social campaign. The ALS Association realized they needed to evaluate the pros and cons of the Ice Bucket Challenge, acknowledging they were not exactly sure how to handle this success. Where did the organization go from here? Could they continue to build on the success of this social media campaign?

### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Analyze why people participate in viral marketing campaigns.
2. Evaluate the pros and cons of the ALS Ice Bucket Challenge campaign.

### **Application**

This critical incident is most appropriate for courses in marketing, social media, consumer behavior, promotion, non-profit, and social responsibility.

### **Key Words**

marketing, social media, consumer behavior, non-profit, social responsibility

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## Urban Outfitters Bloody Mess

**Bradley W. Brooks, Queens University of Charlotte**  
**Steven M. Cox, Queens University of Charlotte**

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### Introduction

“Urban Outfitters are you serious w/that Kent State sweatshirt? It is appalling to think that someone at your company thought that was cool” (Broder Van Dyke, 2014).

Messages such as this tweet (see above) from Monica C Birakos (@monicabirakos) demonstrated the outrage felt by many consumers. With the internet buzzing, and the national media picking up the story, the outrage was quickly going viral. Marketing executives at Urban Outfitters had to decide quickly whether to respond. And, if so, how to respond.

### The Sweatshirt

On September 14, 2014, Urban Outfitters offered a \$129 sweatshirt with the Kent State University name and logo through its company webpage. The item was part of the company’s “Vintage Finds” collection, in which “each piece is unique,” so the company only offered one item for sale. The website described the item as being “washed soft and perfectly broken in, this vintage Kent State sweatshirt is cut in a loose, slouchy fit. Excellent vintage condition.” The picture, however, displayed red spots similar in appearance to blood splatter, which consumers associated with a horrific massacre at Kent State from decades earlier (Boder Van Dyke).

### Kent State 1970

On Friday, May 1, 1970, Kent State University students protested US involvement in the Vietnam War. National Guard troops deployed tear gas on a large assembly of hostile student demonstrators on the University campus. When that failed to disperse the volatile crowd of protestors, the troops ultimately opened fire on the students on Monday, May 4. Ten students were left wounded. Four were killed (Rothman, 2014).

## **Urban Outfitters Company**

Although the Urban Outfitters company offered different brands to a variety of markets, the company was most associated with the brand that shared the same name as the company. The company had focused the specific Urban Outfitters brand to connect deeply with its target 18-28 year old market segment, particularly those who aligned themselves with the “hipster” core values. Hipster had become synonymous with a group of young adult consumers who were very fashion conscious but more counter-culture than mainstream (McDuling, 2014). As part of the Millennial Generation, this target market also highly valued social causes and became offended by organizations that treated human suffering lightly (Cooper, 2012).

Urban Outfitters’ website described its desires to use innovation to connect emotionally with consumers. Excerpts from the company’s profile as presented on its website included:

Urban Outfitters, Inc. is an innovative specialty retail company which offers a variety of lifestyle merchandise to highly defined customer niches. We have an established ability to understand our customers and connect with them on an emotional level. .... Each brand chooses a particular customer segment, and once chosen, sets out to create sustainable points of distinction with that segment. ... The emphasis is on creativity. Our goal is to offer a product assortment and an environment so compelling and distinctive that the customer feels an empathetic connection to the brand and is persuaded to buy.

## **Urban Outfitters Controversies**

Offering products that ignited strong emotions, particularly if associated with controversy, allowed a company to generate significant attention to the company and/or to the brand. Urban Outfitters had apparently utilized this approach with previous product lines.

- In 2011, the Urban Outfitters “Navajo” line of clothing and accessories offended some Native Americans who found the items to be inauthentic, cheap, and inappropriate. One upset customer stated in a letter to the company that the “Navajo” products “make a mockery of our identity and unique culture” (Ng, 2011).
- In 2012, the company hit on stereotypes of Irish people as heavy drinkers with slogans on green Saint Patrick’s Day t-shirts such as “Irish I Were Drunk” or “Kiss Me I’m Irish. Or Drunk. Or Whatever.” It concurrently offered a hat that depicted a stick-figure person on his/hers knees vomiting with the accompanying caption: “Irish Yoga” (Ng, 2012).
- Also in 2012, Urban Outfitters marketed a \$100 t-shirt that depicted the yellow Star of David symbol that the Nazis had forced Jewish people to wear during the Holocaust, particularly in concentration camps (Huffington Post, 2012).



### Public Reaction to the Sweatshirt

Reactions to the Urban Outfitters Kent State sweatshirt began immediately – and were universally negative. A sampling of Twitter responses posted in the early hours of September 15 included the following (Broder Van Dyke, 2014; Washington Post 2014):

**Dana DeArmond** <sup>TM</sup> @danadearmond

“Yet another reason to boycott @UrbanOutfitters ...”

**Becca Laurie, PI**@imbeccable

“urban outfitters is pure garbage: selling a kent state sweatshirt w/ blood spatter”

**cory zanoni** @cjzanoni

“... Nothing says “hip” like murder”

**Shae** @ShaeFit

“whats wrong with companies,since when does death & suffering.bcome fashion!!”

Clearly, Urban Outfitters struck an emotional chord with yet another controversy. But, could this controversy be considered a net positive or a net negative for the company? Had Urban Outfitters now gone too far? Should the company take action, or had this product met its mission? Urban Outfitters had to decide if – and how – to respond.

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## A Hijab: Not Quite “The Look”

**Claire L. McCarty, University of Wisconsin – River Falls**

**Ali Fatih Dalkilic, University of Wisconsin – River Falls**

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### **Introduction**

After informing Samantha that she did not get the job, Heather Cooke, an assistant manager at Abercrombie & Fitch, wondered if she should have asked if Samantha was Muslim. Did she need religious accommodation? But Samantha hadn't requested such accommodation and Ms. Cooke could not ask her about her religion, could she? As most prudent employers do, Abercrombie trained its store managers not to assume facts about applicants and not to ask about their religion. Consistent with EEOC guidance, asking such questions could raise an inference of discrimination based on religion.

### **The Interview**

It was June 2008 and time for 17-year-old Samantha Elauf to get a job policy (EEOC v. Abercrombie & Fitch, 2013). She applied for a position as a “model” (what Abercrombie & Fitch called their sales associates) at one of their Kids stores in Tulsa, Oklahoma. Samantha often shopped at Abercrombie and wore an Abercrombie-like T-shirt and jeans, and chose a hijab that she thought looked chic. Samantha regularly wore a headscarf, as was appropriate according to her Muslim religion. She had been told by a friend that wearing a hijab would not be a problem in getting a job at Abercrombie (Miller & DiNapoli, 2015).

Ms. Cooke had seen Samantha in the store before and knew she wore a hijab. It never came up during their conversation. Ms. Cooke was impressed with Samantha and she racked up points during the interview. At one point, Ms. Cooke told Samantha that she would have to wear clothing similar to that sold by Abercrombie but never told her about their specific “look” policy (EEOC v. Abercrombie & Fitch, 2013). This policy prohibited employees from wearing “caps.” Samantha was very agreeable and already had many clothes that were appropriate. At the end of the interview, Ms. Cooke asked Samantha if she had any questions. She stated that she did not.

### **The “Look” Policy**

Abercrombie & Fitch, an upscale American fashion retailer focused on casual wear and accessories, targeted a consumer of around 18 to 22 years old. Founded in 1892 as an elite outfitter of sporting goods, the stores were patronized by luminaries such as Teddy Roosevelt, Amelia Earhart, John Steinbeck, Ernest Hemingway, and John F. Kennedy (see [http://www.thefullwiki.org/Abercrombie\\_and\\_Fitch](http://www.thefullwiki.org/Abercrombie_and_Fitch)).

Abercrombie was all about image. The company strictly enforced its “look” policy, which detailed acceptable hair styles, make up, jewelry, and clothes. There was even a 40-page manual for the actors and models who worked on the company’s Gulfstream jet (Creswell, 2012). Men had to be clean shaven and wear Abercrombie polo shirts, boxer briefs, and flip flops. The manual was only disclosed as part of an age discrimination lawsuit by a former pilot.

### **The Selection Process**

After someone was interviewed for a position, Abercrombie required the interviewer to assess the candidate according to a point scale, taking into consideration the candidate’s appearance as one of the factors. As Ms. Cooke considered Samantha’s application (she had scored a 6 which was good enough to be hired), she wondered if the headscarf was a “cap” (EEOC v. Abercrombie & Fitch, 2013). The meaning of “cap” was not explicitly defined in the policy. She assumed that Samantha was Muslim and wore a *hijab* for religious reasons, but did not know for sure. Samantha had not requested any accommodation for a religious custom and Ms. Cooke could not ask her about her religion, could she?

She consulted with her district manager. When he stated that a headscarf would be inconsistent with the look policy, Ms. Cooke decided not to make an offer of employment to Samantha. In fact, the district manager instructed her to lower Samantha’s job interview scores in the “appearance and sense of style category” (Avins, 2014). Ms. Cooke put Samantha’s application into the “do not hire” pile.

Meanwhile, Samantha waited to hear from the company. Ms. Cooke told her that the next time she would hear from Abercrombie it would be about when to report for orientation. Finally, she asked her friend who worked at the store to find out why she had not been hired. The friend told her it was because of her hijab (Couric, 2015).

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## OMG! He Said What? (A&E'S Duck Dynasty Situation)

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### The Interview

Phil Robertson, patriarch on A&E's *Duck Dynasty* reality show, did an interview with GQ magazine in 2013. Sitting in his house, Phil begins the interview with:

*Everything is blurred on what's right and what's wrong," [Phil] says, "Sin becomes fine." ... "Start with homosexual behavior and just morph out from there. Bestiality, sleeping around with this woman and that woman and that woman and those men.*

He then paraphrases 1 Corinthians [5:11 perhaps?] about adulterers, homosexuals and drunkards, among others, not inheriting God's Kingdom. He also commented about African-Americans being happy before the Civil Rights era. Then he said:

*It seems like, to me, a vagina—as a man—would be more desirable than a man's anus. We never, ever judge someone on who's going to heaven, hell. That's the Almighty's job. We just love 'em, give them the good news about Jesus—whether they're homosexuals, drunks, terrorists. We let God sort 'em out later, you see what I'm saying? (Magary, 2013).*

The "foo" hit the fan and A&E had to deal with a public relations crisis.

### Background

*How in the world did a family of squirrel-eating, Bible-thumping, catchphrase-sprouting duck hunters [from Louisiana] become the biggest TV stars in America?" (Magary, 2013) "The massively popular reality show, which follows the quirky Robertson family running a duck call business in [West Monroe] Louisiana, shattered cable ratings records (Yahr, 2013, p. D1; see timeline on page 2).*

Family members end each show with a meal and prayer.

## The Reactions

*The story went viral, the remarks left people outraged and a stunned cable network suddenly had a major public relations crisis surrounding its most important show” (seasonal premiere of 12 million viewers in 2013). “The NAACP expressed outrage. Gay-rights groups called for A&E to condemn their star for his ‘vile’ comments (Yahr, 2013, p. D5).*

A&E executives announced later that day to indefinitely suspend Phil from the series (Yahr, 2013). The family issued a statement, “We cannot imagine the show going forward without our patriarch at the helm” (Elber, 2013a).

Defenders became vocal. Louisiana Governor Bobby Jindal and former Alaska Governor Sarah Palin asserted that A&E had violated Robertson’s First Amendment rights (Gill, 2013). Right-wing conservatives Glenn Beck and Sean Hannity were supportive of Phil while actor Charlie Sheen criticized his comments (Sacks, 2013). A website, [www.IStandWithPhil.com](http://www.IStandWithPhil.com), was established and had accumulated 195,000 signatures for a petition in support of Phil. Cracker Barrel stores/restaurants pulled “Duck Dynasty” products off its shelves on December 21<sup>st</sup> but bowed to the pressure and restocked the items on the 22<sup>nd</sup> (Durand Streisand, 2013).

Dr. Jonathan Tankel, a retired professor, wrote that

*Phil Robertson’s suspension from A&E is not an abrogation of any First Amendment rights. . . . [He] got to say what he wanted in his GQ interview. Subsequently, his employer made a business decision to remove [him] from the [show]. [There was] no government interference (Your Opinions, 2013).*

Columnist Harrop pointed out,

*As far as freedom of speech, A&E hasn’t taken anyone’s away. Its executives have every right to suspend Robertson from its programming for violating its code of conduct ... (Harrop, 2013).*

## The Reversal

After Christmas, just over a week after the controversy began, A&E reversed their decision and reinstated Phil Robertson. The network had held meetings with Phil, his family and various advocacy groups. The network, in suspending Phil, had based its decision on following its core values of inclusiveness and respect. Now A&E said, in their press statement, “Duck Dynasty is not a show about one man’s views. It resonates with a large audience because it is a show about family ... a family that America has come to love... they come together to reflect and pray for unity, tolerance, and forgiveness” [which we also value] (Gilman, 2013). Also the network announced “it intended to launch a national public service campaign ‘promoting unity, tolerance and acceptance among all people’” (Elber, 2013b & 2013c). “The channel’s interest is in ratings and revenues, not refereeing social discord.” Its ratings may have been affected by the brouhaha as it averaged 1.5 million viewers over December 16-22, versus 2 million viewers the week before (Elber, 2013c). Evaluate how A&E handled this public relations brouhaha. How should a company handle an outspoken celebrity better?

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## The Missed Deadline: Whose Problem is it?

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### Introduction

David had always thought of himself as an effective problem-solver but now he realized he was faced with a situation that needed resolving on a number of levels. “What am I going to do now?” David thought out loud. In the short term, he imagined a way to tell Andrew in the London office of the Manila Design Services (MDS) that would appease their new client. In the longer term, David wondered about how he could avoid the situation about missed deadlines from happening again. David just received a Skype meeting request from Andrew, the Director in the London office. He knew that Andrew was going ask where the drawings were. The meeting with the client was due to begin and Andrew desperately needed the missing drawings. “I don’t really know how to explain to him about the missed deadline,” he said to himself.

It was 8:00 p.m. local time in Manila and 1:00 p.m. in London. David sat at his desk at the end of this busy day and thought about what just happened. The engineering drawings that he expected were not completed by the agreed upon deadline. A similar incident happened only two weeks ago with another Computer Aided Design (CAD) Specialist with the company who also missed a deadline. He thought to himself that this was yet another example of ‘Filipino Time’ which was a term his expat colleagues often jokingly talked about referring to the locals’ habit of arriving at appointments late and for missing deadlines.

“I just can’t believe Tony went home without telling anyone that he hadn’t finished these engineering drawings,” David muttered to himself. “Why don’t people realize how important deadlines are? Don’t they realize the impact of these actions on our company reputation?” he mused.

David met CAD Specialist Tony, who missed the deadline to submit the drawings, in the conference room the following day. He asked him why he didn’t come to him as soon as he realized that he wasn’t going to meet the 5:00 p.m. deadline. David explained that he could have notified Andrew, the Director in the London office of the MDS, to advise him they needed an extension. That would have been acceptable but in the absence of this information, everyone was working to the 5:00 p.m. deadline. A missed deadline in Manila had a ripple effect on subsequent actions in the company’s process chain.

Tony, the Filipino CAD Specialist, explained to David that he did not want to tell him that he was not going to finish on time because he didn't want to annoy him. "But that's ridiculous because by you telling me there is going to be a delay is the only way I know how you are doing without me having to continuously check up on you," David responded. Tony remained silent. He gave David a sheepish look and got up to get ready to leave the conference room. David sighed and thought there was no point in continuing the conversation further so he let Tony go back to his desk.

Two years ago, when David arrived in his new assignment as a design manager in the Philippines for the first time, he did not have preset expectations. He had a fairly easy going management style but in his mind he expected that when someone committed to a deadline, that he or she met the deadline unless there was a very good reason.

### **A Multinational and Multicultural Business**

Manila Design Services (MDS) was an engineering design consultancy that specialized in building infrastructure services. Its head office was in the United Kingdom (UK) and there were regional offices in the Middle East, Europe and Asia. Workers in those three regions were from different nationalities and cultures. Thus, in addition to the work process, the managers also had to deal with different cultural issues. The office in the Philippines was located in Manila and was the 'hub' for engineering design work. This location allowed the UK company to market itself as having a 15-hour work day. It took pride in the fact that engineers in Manila worked on a project for 7 hours and, because of the time difference, the engineers in the UK could continue working on that same project for an additional 8 hours. This extended working day meant that a project took less time to complete overall. These extended working hours between the two locations in two different time zones gave the company a great selling point since most of their clients were 'blue chip' companies located around the world.

There were 60 staff members in the Manila office, all of whom were Filipino nationals. There were five administrative staff, 30 engineers, six of which are female, and 25 CAD specialists. The office was managed by a team of two British Design Managers, who were experienced, senior engineers. The Manila office operated a flexi-time system. This meant that people have to be at their desk during the core hours between 9:00 a.m. and 4:00 p.m. local time but they could come in and leave work at variable times. The working week comprised 40 hours with 1 hour for lunch and two 15-minute breaks. Overtime work was voluntary and was paid.

### **Work Flow**

Work requests were received in the Manila office on a daily basis accompanied by a work order describing what production was required along with an estimated time to undertake the task and when delivery was required back to the person who requested the work. These work orders came from Europe and the Middle East. Usually the Design Manager in Manila approved each work order. He assessed the estimated time to complete the job, that all information was on hand, and sufficient manpower was available to undertake the job.

A number of work orders were scheduled for a 24-hour turnaround due to the urgency of the project. The Manila office did not assess these cases in any detail. The work order that left the UK for delivery next day only allowed a normal working day and necessary overtime to complete the job by the Manila office.

**The Design Manager and the CAD Specialist**

Although David joined the company almost two years ago, he was still considered relatively new to the organization. His orientation program had never been completed and so he was still getting to grips with organizational norms, policies, and procedures. David was in his late fifties and Manila was his first overseas posting. He had previously owned and ran his own successful engineering consulting firm in the UK. He described his management style as collaborative. He always encouraged the younger staff to take on more responsibility and develop themselves further. He was proud of the fact that three of the engineers in his UK firm had completed Masters’ degrees under his guidance and encouragement. He felt this way of managing was more effective and so continued to use this same style with the staff in Manila.

Tony was in his mid-thirties, a senior CAD Specialist who had been with MDS for four years working in the Manila office. Tony had a degree in architecture and was considered to be a hard-worker as well as a capable CAD Specialist.

**The Missed Deadline**

A work order was received from the UK and assessed by David, the Design Manager, as a 24-hour turn around project. On this occasion, David sent a confirmatory email back to the UK that acknowledged receipt of the order, confirmation of time allotted to complete the work and required delivery time to allow Andrew, the Director, to confirm the presentation material to be available in time for the prescribed meeting in the UK.

The work instruction was given in Manila at 9:00 a.m. to Joe, the Design Engineer, and then passed on to Tony, the CAD Specialist, who received the package of work at 10:00 a.m. Joe knew the package was important and reviewed the final work content with Tony. This was done right away because there was little chance to review the work after this time due to other commitments. Joe, Tony, and David all agreed that 5:00 p.m. was the fixed target for completion. David emphasized how important this was and asked Tony again for reassurance that he could finish in time without further help. “Yes,” Tony smiled, through pursed lips. After lunch, David asked Tony how work was progressing. Everything appeared to be on target and so David turned his attention to a series of meetings he had to attend. He knew he was going to be busy until 5:00 p.m.

**Table 1 - Work Flow Timeline in Manila**

9.00am	10.00am	5.00pm
Work order Received	Package of work received	----- Fixed target Completion

By the time David had finished his meetings, he went over to the CAD department to see Tony, but Tony had already left for the day with the work unfinished and no explanation! In reviewing the unfinished work, David estimated that it would take at least another two hours to complete. This meant that delivery to the London office would not meet the UK deadline at noon. This created a ripple effect in the company work flow. So, he decided to reassign the work to the following day's schedule.

This was not an isolated incident in the organization but this was the first time Tony had failed to meet a deadline commitment. David was determined that things were going to change. He did not want this type of behavior to continue so he needed to do something about it. It was putting the reputation and credibility of the Manila office on the line. David knew he had to put a stop to these missed deadlines now because a missed deadline in Manila causes a backlog in London which in turn causes angry customers.

So, David had already explained to Andrew in London why the deadline was missed in Manila. He knew he had to get to the bottom of why cut-off times are being missed and decide on what changes need to be acted upon.

# A Community Unraveled: Police Shooting in Ferguson, MO

**Charles P. Wilson, Rhode Island College Campus Police**  
**Shirley A. Wilson, Bryant University**

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## Introduction

Had the police department done enough to address community concerns regarding perceptions of racial discrimination and police abuse? Race relations and discord in Ferguson, MO had been tense for a number of years (Strassmann, 2014). Many local residents viewed the police department as racist and anti-community because of their past dealings with the Ferguson Police Department (FPD). Portions of these feelings were no doubt founded in the fact that, while the city's population was predominantly African American, the police department was comprised of nearly all white males. This relationship had now come to a dramatic peak with the police shooting of a young, unarmed African American teenager. Regardless of who was responsible for this situation, one thing was certain. Ferguson, MO was in a crisis situation. The question was could it have been handled better.

## The Community

Established in the 1850s as Ferguson Station, the city became one of the first in St. Louis County to adopt a council-manager form of government. With a total 2010 census population of 21,203, 67.4% of its residents were African American. Coupled with a 22% overall poverty rate, there were strong correlations to high unemployment, crime, and educational disadvantage.

The governance of the city, however, did not reflect its racial makeup. The mayor and police chief were white, as were 94% of the police department. Six of the school board members were white, with one Hispanic member. Only one of its six-member city council was black. So it seemed that the city's largest population has little or no political capital. Discriminatory practices were alleged to run rampant in nearly every facet of government (DOJ, 2015). Strong evidence of this was shown in the fact that eighty seven percent of all traffic stops made by the police were African American citizens, while 81% of all searches were the same (Diversity Inc, 2015).

### **The Incident That Started It All**

Although police and witnesses gave different accounts of what actually happened in the moments immediately before the shooting, it was determined that Officer Darren Wilson, a White male officer with six years of service on the Ferguson Police Department, observed two young African American males, later identified as Michael Brown and Dorian Johnson, walking in the center of the street. Officer Wilson initially confronted the two young men and, according to Johnson's statement, cursed at them, telling them to "Get the f\*\*\* out of the street." The young men allegedly stated that they were only moments away from their final destination and would be out of the street shortly. Officer Wilson then drove away but, for whatever reason, stopped, backed up and returned.

At some point a struggle ensued between Brown and Officer Wilson near Wilson's patrol vehicle, at which time police indicate Brown tried to take Wilson's service weapon and allegedly physically assaulted Wilson while he was still in his patrol vehicle. A shot was fired. Brown then was reported to run away from the vehicle. Officer Wilson then was said to have exited his vehicle and began to pursue Brown and Johnson. Several more shots were fired by the officer, while Brown was allegedly facing him with his hands raised in a sign of submission, resulting in Brown falling face-down to the ground, dying from his wounds, some 20-30 feet away from the site of the initial struggle. It was later determined that Brown was unarmed.

Other officers responded almost immediately to the scene of the shooting. The area was taped off, access restricted, yet Brown's body remained where it lay, uncovered and visible to the public, for more than four hours.

Community members and Brown's family immediately became alarmed at the shooting, with several people providing conflicting accounts of what happened in the moments immediately preceding the shooting. No one disputed, however, that there was some form of altercation between Brown and the police officer, and that Brown was unarmed when he was shot (CBS News, 2014).

### **The Immediate Aftermath of the Shooting**

Chaos now reigned supreme in Ferguson. Days of mostly peaceful, sometimes violent protests occurred, with community members and outsiders seeming to take over the streets nightly. Ferguson Police Department initially responded to these demonstrations by deploying officers in military-style riot gear backed up by armored vehicles, tear-gas, and stun grenades. This war-like response gave the impression that the police considered members of the community as enemy combatants, rather than disenfranchised, frustrated protesters (ACLU, 2014).

Police officers had serious concerns about their safety as people threw rocks and bottles at them during the protests, and there were reports of shots being fired. This made police attitudes and perceptions of the protesters strained, to say the least, as many officers were quite vocal in their support for Officer Wilson.

Little to no information was being released due to what was defined as an on-going investigation of the shooting. The officer's name was not being released publicly because of what was being described as threats that had been made against the officer's life.

Soon, national attention was focused on the shooting, with even the President of the United States commenting on the racial unrest and distrust of the police. The Governor of the state eventually called out the State Highway Patrol to take over policing activities in Ferguson, placing an African American Highway Patrol Captain, Captain Ron Johnson, in charge, as well as activating units of the National Guard.

For a while, the violence associated with the demonstrations subsided, with Captain Johnson often seen to be walking side-by-side with protestors. Brown's family called upon the community to remain calm and peaceful in their protests, but to continue their call for justice for their son, demanding that the officer involved be criminally charged with murder. When Ferguson Police finally released Officer Wilson's name to the public, they also released information that implicated Brown and Johnson in a strong-armed robbery shortly before the shooting. Further, they included an excerpt of video surveillance that showed Brown presumably stealing a package of small cigars from a convenience store nearby. Captain Johnson initially voiced astonishment at hearing this, indicating a lack of informational follow-thru between local and state authorities. There was also no information indicating that the original officer involved had been aware of these circumstances immediately before the shooting. In fact, it was later stated that this was not the reason for the original police interaction with Brown.

These revelations, however, only served to further inflame the protestors' feelings of outrage and distrust, resulting in weeks of violent protests accusing the police of racial profiling, undue abusive acts against people of color, and calling for the arrest of the officer involved in the shooting. Some protestors attacked police with guns, rocks and bottles, and vandalized and looted several business establishments in the area. Several people were placed under arrest for their actions in violating the law. Community members were further dismayed by the involvement of the County District Attorney, who was felt to be too closely aligned with law enforcement to render a fair decision on the shooting, and called for his recusal.

As the protests continued, the District Attorney, who could have filed a formal complaint against the officer, chose instead to present the case to a specially formed grand jury, whose deliberations would be closed to the public. The mostly white City Council declared that they would now consider measures for reforming court procedures, the way certain fines were handled and the possibility of establishing a police-community review board. And the United States Department of Justice indicated that they would now become involved in an investigation of the shooting, as well as conduct what is known as a "patterns and practices" investigation of the Ferguson Police Department itself.

But for now, the community had an out of control crisis situation. Whether or not the grand jury issued an indictment against the police officer, the question remained what could have been done to manage the situation better.

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# Service Unbounded: A Contract Management Dilemma

**John Barczak, Notre Dame of Maryland University**

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## Introduction

Nathan O'Rourke's first thought after hanging up the phone was, "Can I get fired for this?" As a representative for the government, he was supposed to make sure the agency's new laboratory administration contract was performed without incident and according to regulation. The contractor *had* successfully kept the labs operating, but had done so by working outside the scope of the contract. Why did the contractor assume they could work outside of the contractual agreement and why is he just learning about this now? How had this simple service contract gone off track after only a few months? He had to decide what to do. Now!

## Background

The U.S. Government conducted a wide range of science and technology research across many agencies, including the Department of Energy, the Department of Defense, the Environmental Protection Agency, and the National Institutes of Health. Scientific Research Agency conducted basic and applied research for the national defense community and operated several facilities around the country. While most federal agencies received their funding directly from Congress, Scientific Research Agency received its funding from the organizations it serviced. Management of Scientific Research Agency's operations were especially challenging because it supported many programs, and the agency's third-party accreditation required extensive documentation.

The national defense community had experienced many changes over the past 15 years. After the attacks of September 11, 2001 a flood of government civilians and contractor personnel were employed to support the global war on terrorism. Following several years of active U.S. military engagement in the Middle East and elsewhere, the U.S. began to pull out of Iraq and Afghanistan, and the requirement for civilian support staff went down dramatically. The government's decision to use contractor personnel to meet surge requirements made it easier to "right-size" organizations after the mission shrunk because it was simpler to terminate contracts than to fire government employees. As part of the defense community, Scientific Research Agency had to adapt quickly to mission changes, funding cycles, and other influences. In some cases, Scientific

Research Agency decided it could increase its flexibility by outsourcing certain functions that were not inherently governmental in nature.

Eva Crosby, a contracting officer, oversaw Scientific Research Agency's acquisition of goods and services. Only contracting officers were legally authorized to bind the government to a contractor via written contract. Nathan O'Rourke was a contracting officer's representative who performed specific technical and administrative functions on Crosby's behalf in accordance with Defense Procurement and Acquisition Policy (Office of the Under Secretary of Defense for Acquisition, Technology and Logistics, 2014). The contracting officer's representative acted as the eyes and ears for the contracting officer and monitored the contractor's execution of the contract on a daily basis.

### **The Dilemma**

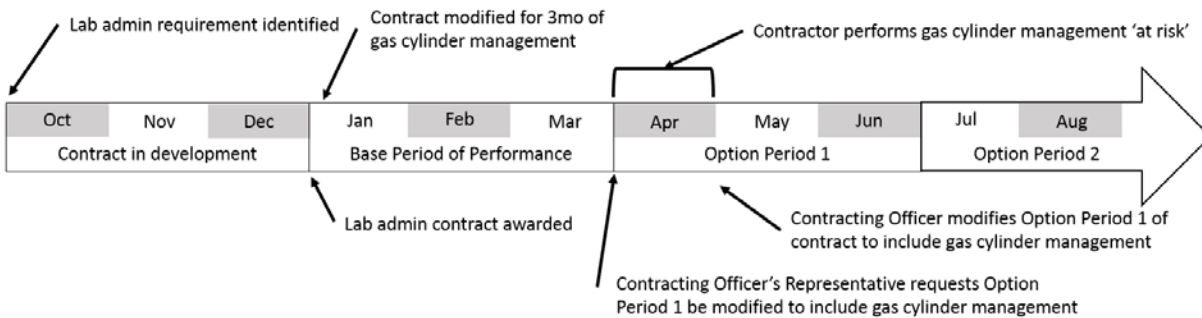
At the start of the fiscal year, Scientific Research Agency identified the need for a support contract to handle some routine administrative functions associated with operating the agency's research laboratories. These functions included management of unique software tools, management of test results, quality assurance analysis, and management of consumable supplies.

Three months into the fiscal year Crosby, the contracting officer, awarded Engineering Associates, Inc. a Cost Plus Fixed Fee (CPFF) contract that authorized payment of actual expenses plus a set amount of profit. This new laboratory administration contract required the contractor to provide monthly progress reports to the contracting officer's representative and to the contracting officer. Funding limitations forced the two-year contract to be broken into several smaller time intervals that could be funded incrementally. The base period of performance for the contract was for three months. If funding permitted and the need for the contract continued, the contracting officer could award a series of option periods. Option 1 was for three months, Option 2 was for six months, and Option 3 was for 12 months. If every option were exercised, the full performance period for the contract would be two years. Engineering Associates, Inc. was a small business and this contract was their first one with Scientific Research Agency.

Concurrent with the laboratory administration contract, Scientific Research Agency also prepared to award a new contract for leasing laboratory gas cylinders. These gases included hydrogen, nitrogen, and specialty gases that Scientific Research Agency's equipment used in its testing operations. Unfortunately, the award for the gas cylinder contract was three months behind schedule. Without the gas cylinders, critical laboratory operations would cease, important research and testing would suffer delays, and restarting at a later time would be costly. This would waste precious resources and inhibit the agency's ability to perform its mission. In order to sustain laboratory operations, O'Rourke asked Crosby to modify the three-month base period of the laboratory administration contract to include the management of gas cylinders. This would bridge the gap until the stand-alone gas cylinder contract was awarded. Because Engineering Associates, Inc. was already managing some of the lab consumables, Crosby determined that the modification was appropriate and agreed to adjust the contract to include this requirement. Three months passed. The lab administration contract was going well and the first option period was exercised, extending the contract for another three months. Unfortunately, the new cylinder contract still had not been awarded.

O'Rourke notified Crosby of the need to modify the first option period to include cylinder management, as had been done for the base period. This would buy more time as the cylinder contract continued to move toward award. Due to a heavy workload and other complications, it took O'Rourke a month to get the contract modified, as shown in the timeline below.

**Figure 1. Timeline showing contract performance periods and subsequent modifications.**



Unbeknownst to O'Rourke, the Engineering Associates, Inc. program manager chose to keep managing the gas cylinders for that month because they understood the impact to the program and they wanted to please their new client. Because the need for gas cylinder management had never stopped, Engineering Associates, Inc. continued to perform this function past the base period of performance, even though their contract stated that they were only to manage the cylinders for three months. This type of situation exemplified working *at risk* because the contractor performed work that the government had not formally agreed to pay for.

After the contract's modification, O'Rourke learned that the contractor had never stopped managing the cylinders and in actuality had been working at risk. O'Rourke had to decide what to do. Should he let sleeping dogs lie? After all, the contract modification was eventually completed. Or should he notify Eva Crosby, the contracting officer, that unauthorized work had been performed? If he did, would O'Rourke be held legally responsible for the incident? Should Engineering Associates, Inc. be compensated for the cylinder management they performed at risk? Had the relationship between Engineering Associates, Inc. and the government suffered damage? O'Rourke also wondered what might have prevented this situation from occurring in the first place.

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# Say It Isn't So Lady "O": A Sex Scandal at the Oprah Leadership Academy for Girls

**Barbara Burgess-Wilkerson, Winthrop University**

**Barbara K. Fuller, Winthrop University**

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## **Introduction**

“I am a mama bear when it comes to protecting my children” (Gaskell, 2007). These were the words of the billionaire media mogul Oprah Winfrey following the tragic announcement that allegations of sexual abuse were made against the school matron by 15 female students at the prestigious Leadership Academy for Girls founded by Winfrey. Unbeknownst to “Mama Oprah,” a code of silence was being enforced that hindered the girls from coming forth with the reality of the situation.

## **Background of the School**

In January 2007, Oprah’s Leadership Academy for Girls was formally opened in Meyerton, South Africa. Oprah Winfrey stated that she instituted a leadership school to, “offer didactic and leadership options for intelligibly gifted girls from underprivileged backgrounds of South Africa” (Oprah School Scandal, 2014). The posh 40 million dollar private academy was established by Oprah and Nelson Mandela to provide a quality education (Building a Dream, 2014).

Because protecting the girls was a high priority, Winfrey had worked to ensure the students’ safety by installing high-tech security systems, electric fencing, and guards. When the allegations came out Winfrey expressed that although she was fully aware that any system was only as good as the people running it, she was still stunned to get a call from Academy CEO John Samuel regarding the allegations of sexual abuse (“Oprah’s Great Hope”, 2008).

### **The Scandal and Charges**

Samuel contacted Winfrey in early October informing her that 15 students had come forward with a list of complaints about various forms of mistreatment (“Oprah Wept”, 2007). Virginia “Tiny” Makopo, 27, was charged with 13 counts of indecent assault, assault and criminal injury committed against at least six students aged 13-15 and a 23-year-old at the school (Silverman, 2007).

When the allegations first became public Winfrey immediately made plans to speak with students via satellite. Winfrey took a trauma counselor to help the 152 students (Oprah Addresses Abuse Scandal in South Africa, November 5, 2007, 2010). Winfrey spoke to each girl individually encouraging them to, “break the silence.” Fifteen of them did, recounting how they were abused by dorm matron Makopo (Rudolph, 2007). Winfrey took full responsibility saying the screening process was inadequate and “the buck always stops with me” (“Oprah Wept” , 2007).

### **The Parents**

Winfrey flew to South Africa a second time to meet with parents. She apologized for the unfortunate circumstance and promised changes were forthcoming, “I’ve disappointed you. I’m so sorry. I’m so sorry,” a tearful Winfrey told angry families who showed up for an emergency meeting at Leadership Academy. Later the parents applauded the quick action she took and the concern she had shown the school and its students. According to a media website, a father of one of the students stated, “We don’t blame you. You have more passion for the school and its existence than anyone else in this country, including us parents” (Grossberg, 2007).

### **The Media**

Nearly every media outlet across the globe reported on the story that caught international attention. Winfrey very candidly discussed the case with the media openly sharing her pain and disappointment. Winfrey stated that in her role as a leader, “You get to know who you really are in a crisis. This I know for sure. As I write this, I’m in the center of a full-blown, class A, devastating situation-having just gotten an e-mail informing me that the police in South Africa have picked up and are waiting to charge a dorm matron at the Oprah Winfrey Leadership Academy for Girls” (“Oprah’s Great Hope” 2008).

The initial hearing was held at the Magistrate Courtroom, 13 miles away from Oprah’s Leadership Academy. Makopo was released, several hours before Winfrey’s press conference, on the equivalent of \$450 bail (“Oprah Wept”, 2007). One media outlet indicated that the “O” brand had been tarnished. However, another media source reported that Winfrey proved herself to be a strong leader in the heat of battle. Winfrey reflected an atypical model of leadership answering every harsh question about the sex abuse scandal (Aubato, 2007).

Winfrey did not immediately go public via the media, she first addressed the crisis by dismissing school administrators who should have been more on top of the situation. She also quickly communicated with all key stakeholders at the school. Her first concern was to show sensitivity to the girls involved in the scandal. Winfrey was front and center with the media, apologizing to all stakeholders including the parents, telling them, “I’ve disappointed you. I’m so sorry” (Aubato, 2007). Having a background of abuse, Winfrey also shared the intimate details of how she was

raped by a distant cousin at age nine and then abused by three other men, trusted family, and friends. According to the *Times*, a Johannesburg paper, the scandal, “did not reflect badly on Winfrey.” Instead it was stated that the incidence was a poor reflection on the nation of South Africa. Reported allegations of sexual abuse had reached “alarming proportions” therefore it should not have been surprising that it manifested itself in Oprah’s school. In fact she was praised in the media for her prompt, aggressive handling of the situation (Perry, 2007).

### **School Staff**

Following the visit to the school, Winfrey publicly reported that the head mistress’ contract would not be renewed and promised a shake-up (“Oprah Wept”, 2007). After an internal investigation, two employees were terminated and the school administration was completely re-vamped. This resulted in the headmistress filing a claim for defamation of character in which Winfrey settled out for court for an undisclosed amount.

### **The Students**

Winfrey, an advocate for victims, was horrified that the girls were told to stay silent. She told the girls that leadership is all about using your voice, no matter what the personal consequences (Gaskell, 2007). To further empower the girls and diminish their fears she gave each girl a cell phone with her number on speed dial (Oprah Wept After Hearing Alleged Abuse, 2007). Winfrey and a team of professionals developed a three-fold intervention plan that first, looked into the charges, offered psychological support for the girls, and re-built an educational team. Once the crisis was resolved the school began anew.

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## After Hours

**Marley Hartman, Elmhurst College**  
**Sondra Simpson, Elmhurst College**

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### Introduction

Had she really made a mistake? Lauren had contemplated her decision-making process regarding the past incident while she nervously sat in the office waiting to meet with Matthew, her General Manager. Lauren had come to realize that she had made a poor decision, but she thought she had done the best she could at the time with the knowledge she had. After all, the information she had to act upon was second-hand. Nevertheless, would she lose her job as a result? A single mother of two small children, she was working hard to pay her bills and needed the job.

Lauren was a hard-working employee at Triple M's Steakhouse and had been recently promoted to an entry level management position after eight years working as a server and then bartender. Lauren had been excited about this new position because she was also in college trying to obtain a management degree. Her first management experience at Triple M's seemed like a big step in the right direction. Lauren knew that it would be a great learning experience and would strengthen her resume, so she was determined to do a great job.

When Lauren started in her new position, she was able to use her experience as a server and bartender to her advantage when managing her employees. What Lauren found, however, was that her new job was not as easy as it looked. Since she had been at this same establishment for a good length of time, she knew all the employees and was friends with most of them. It had been a difficult transition for her moving from employee to manager, and Lauren had experienced a hard time gaining her employees' respect and compliance. She had never been a manager before and, in this position, she felt that she was walking a fine line between friendships and professional relationships with her staff. Through her training, some in person and some online, there had been information on subjects such as making the schedule and balancing budgets, but nothing about managing your friends -- and unfortunately none that helped her deal with the situation she encountered. Lauren had hoped this would be taken into consideration when she and Matthew discussed her decision-making process.



## **Background**

Triple M's Steakhouse was a well-established chain restaurant around the country. A family-friendly restaurant, Triple M's strived to live up to its beliefs and principles. The company's mission statement stated that it wanted to provide high quality food, service, and a great atmosphere. It was extremely important to the owners of Triple M's Steakhouse that the mission statement be upheld and that all staff lived and worked by these principles. In order to monitor this, one of Triple M's Steakhouse's policies was to have two managers on duty at all times. Since each store only had two salaried managers, they hired shift managers to allow the salaried employees to have their two days off. These shift managers were also servers, bartenders, and hosts. Lauren was one of these hourly paid shift managers.

Some of the shift manager's responsibilities and duties consisted of front of the house duties, some of which included: table visits to guests, following up with guest issues, ensuring the host stand was running efficiently, helping in the take-away room when needed, helping servers or bartenders when needed, creating the floor plan for the shift, cutting employees when it was slow, and other tasks as needed. The shift manager essentially had the same duties as a salaried manager, just not the same amount of pay and authority. They generally did not have as much experience.

## **The Challenge**

One night while working, Lauren was presented with disturbing information. John, an older team member with whom Lauren talked often, came to her with some astonishing second-hand information. He informed her that he witnessed their boss Ron, one of the salaried assistant managers, performing sexual acts with Amy who is an hourly employee. John had been eating dinner at another restaurant right across the street when he looked out of the window and saw Ron and Amy having sexual relations that were much more graphic than kissing. John seemed really upset about this – not only for personal reasons, but also because the image of Triple M's was at stake. It was more than just sexual acts at this point – it had been performed right across the street from Triple M's where any visitors could potentially have seen. It was clearly against Triple M's Steakhouse policy for an hourly employee and a salary employee to have any sexual relations.

Lauren realized this incident could potentially be considered Quid Pro Quo sexual harassment. She knew that Quid Pro Quo was a form of harassment in which things such as job benefits were contingent upon sexual favors and dealt with an employee and supervisor who may influence or make decisions about employment actions. She didn't know what to do, but knew she had an ethical commitment and had to react. Lauren was not sure what to think. This information was shocking to her, but she knew it was also second-hand. She had not witnessed the situation herself. Lauren told John that she would definitely look into it. Ron and Lauren were friends and she was surprised to hear this. Could what John reported even be true? Was John mad at Ron and trying to get him fired? This couldn't just be ignored and yet Ron had influence over Lauren's career at Triple M as well. His position was higher than hers.

Lauren did not have the authority to write incident reports regarding employee behavior without a salaried manager present. She knew she had a problem because she couldn't have Ron be the witness to writing a report about himself. Should she tell her other manager? The restaurant provided an anonymous incident hotline. Should she call it? Lauren ultimately decided to hold a meeting with the fellow shift managers to get their input, since she really didn't believe the information was true. All the shift managers told Lauren to ignore it because they also thought it could not be true and creating drama would not help.

This weighed on her mind, but she kept silent as suggested. A month went by and one evening, Lauren noticed a lot of flirting between Ron and Amy. She realized that John had probably been telling the truth. She felt, by keeping quiet, she had not made the right decision. As soon as she was able, Lauren had a meeting with Ron and told him the entire story. He tried to deny the incident and said he would take care of it. Ron reported back that he had talked with John and seemed like they worked out the problem. However, a few months after Lauren had the talk with Ron, upper management found out what had happened and decided to relocate Ron to another store. They felt they had to do this due to the majority of the staff knowing what happened between Ron and Amy. Matthew, the General Manager, scheduled a meeting to discuss the situation with Lauren.

What should Lauren have done differently? How does ethical commitment, decision making and power play a role in the scenario?

# Seeing the Light or Tilting at Windmills? The Case of Richards-Townshend

**Keith Hunter, University of San Francisco**  
**Monika Hudson, University of San Francisco**  
**Karl Boedecker, University of San Francisco**

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## Introduction

Merle Richards took another long sip of black coffee and continued rubbing his brow. Merle and his old friend Jim Townshend had started the firm over 20 years ago with a pledge to treat the business like a growing family and to have “zero tolerance for jerks.” The challenges they had faced early on had mainly consisted of tough cases and learning the ropes as newcomers to the Marchant County Bar Association (MCBA). But now Merle faced the toughest and most unexpected question yet: Had his firm somehow become a “demeaning minefield for female attorneys?” If so, what was he going to do about it?

## Background

Richards-Townshend and Associates (RTA) had been founded over 20 years earlier by Merle Richards and Jim Townshend with a handful of other attorneys they had come to know and trust. The firm had grown to include over 100 attorneys working across multiple areas of practice including litigation, construction, and corporate. The home office was located in a metropolitan area in the Northwest United States. Most of the 58 attorneys at that location were men who had obtained the status of partner, a senior rank within law firms that the less-experienced associates strive to earn (Table 1). Typically, associates who failed to earn this promotion in a timely manner through billing hours, developing profitable business relationships and demonstrating high professional competency faced dismissal. RTA had done well even during economic downturns and was cited as the fastest growing law firm of its size in the region.

Table 1. Associates and partners by gender at the main offices of RTA

	Men	Women	Total
Associates (junior attorneys)	16	7	23
Partners (senior attorneys)	29	6	35
Total	45	13	58

### **Bar Association Concerns**

Even as the number of female and male law students had reached numerical parity nationwide, female attorneys' professional outcomes had continued to lag behind those of their male peers. National statistics showed that women were less likely to be found at the upper echelons of law firms (Catalyst, 2015). With lingering gender disparity questions came lawsuits.

Recently, MCBA had been rocked by a high-profile gender pay disparity and promotion lawsuit involving a junior level partner at one of its top regional firms. The dispute was very costly to the law firm involved and the associated media coverage resonated with the concerns of many within the profession. Against the backdrop of this recent case, MCBA decided to encourage its member firms to establish internal programs to head off charges of gender discrimination. The association also hoped that this step would support an effective narrative regarding its commitment to equal opportunity.

As an initial step, member law firms received a letter from Bob Terrell, MCBA President, urging assurance of awareness and equitable practices with respect to gender. Firm leadership was strongly encouraged to participate in an upcoming meeting aimed at identifying issues, sharing experiences and considering approaches. Merle Richards attended mainly as a courtesy and to stay apprised of MCBA issues. He left the meeting with an information packet on gender issues sure that RTA's environment presented no greater obstacles for women than it did for men.

### **Opportunity Knocks**

A week later as he sat at his desk, Merle had not invested much more time in deciding how to respond to MCBA's call for equity due diligence. The packet he took contained statistics and trends, all pointing to persistent gender disparity among attorneys in law firms nationwide, but Merle couldn't see how the environment at his firm could be deemed unsupportive to women. Some people, he thought, see discrimination behind every negative outcome as if those outcomes cannot simply be the consequences of people making their own career choices. Not having the right expectations or work ethic seemed to Merle the main reasons any qualified hire would fail to work his or her way up. RTA didn't need to take up arms against nonexistent foes.

Merle's thoughts were interrupted by an unexpected call from Grace Taylor. Grace led a small consulting interest that specialized in providing communications, leadership, and organization development training for law firms. She was calling about training she had facilitated a year earlier at RTA. The discussion prompted Merle to share details of the recent MCBA meeting as well as his skepticism regarding their relevance to his people. Grace said she might be able to help Merle check on the health of RTA's culture with respect to these issues. A former attorney herself, Grace always came across as trustworthy, insightful, and supportive. After the call, Merle decided to approach his Board of Directors about having Grace conduct a study of the firm's internal relations and culture with respect to diversity, inclusion, and gender equality.

**The Board Makes a Decision**

The Board of Directors had a mixed reaction to Merle’s proposal. Grace was well-respected by board members thanks to previous engagements, but some had serious reservations about “opening up a can of worms” connected to gender equality and diversity. One of RTA’s most experienced and successful attorneys argued that the mere fact of having undertaken such a study could be interpreted as a sign of trouble. Another member said that “getting into this could be like opening up Pandora’s Box” and lead to an endless stream of complaints and conflicts that could not be resolved. Nonetheless, most agreed with Merle that deeper insight could be very useful in helping the firm prevent or at least deal with any claims of gender discrimination. The board voted 8-4 in favor of the study and Merle retained Grace’s services that day.

**The Problem with Questions**

Eight weeks later, with study results in hand, Merle sat at his desk mulling his options. He kept hearing the voice of one of his board members saying “We need to be careful about this, Merle. Good questions don’t always get good answers.” Merle now realized that his colleague might not merely have been concerned about accuracy of information. Now “good answers” took on an entirely different connotation. One female attorney had described firm culture as “demeaning” and another had described it as “a kind of minefield.” Accurate or not, the study results indicated that RTA had some changes to make if attorneys there were ever going to be on the same page. Table 2 summarizes the findings of Grace’s study.

Table 2. Summary of Issues Identified in Taylor Report

Associate Concerns	A strong majority of the associates expressed confusion and anxiety regarding expectations for retention and promotion to partner.
Partner Concerns	A slight majority of partners were frustrated with junior attorneys’ low commitment to work quality and to attending to their own professional development.
Gender Concerns	Nearly all female associates complained that business development and networking tended to occur within settings they considered “masculine” (e.g. golf courses, shooting ranges, gyms). Three of RTA’s four most accomplished female partners were highly dissatisfied with the firm’s equity and inclusion environment. Numerous female associates indicated that they did not want to work for most female partners because those partners were considered “harsh,” “judgmental”, and “negative.”

Merle didn’t think the firm depicted in Grace Taylor’s report resembled the firm he had started with Jim many years ago. Had RTA really drifted so far from what they had set out to create? Merle knew that he would have to share these findings with the board. Given how provocative the very thought of a study had been, he knew a lively discussion lay ahead. But what kind of response should he advocate?

Grace's advice was to have a firm-wide dialogue to identify root causes and develop a participative solution. A transparent, proactive approach to the issues unearthed by the report might show RTA's commitment to improvements. Grace asserted that this approach should also encourage broad engagement in finding and implementing sustainable solutions.

However, Merle was hesitant to call attention to trouble at the firm before he understood what decisive actions he and the other senior partners were ready to take in response. It was also hard for Merle to imagine the firm staying productive with this side discussion going on among all the attorneys. Would sensitizing everyone to negative attitudes around them hurt morale or even drive good attorneys away? Merle thought a safer approach might be for the firm to postpone any response until Grace's findings were internally verified and any needed strategies developed. As Chair and Managing Partner, Merle wanted to provide a recommendation to the board regarding whether or not to take Grace's advice. But which recommendation should that be?

# The GoldieBlox Video: Copyright Infringement or Fair Use?

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## Introduction

GoldieBlox posted a video to its website that depicted young girls creating an elaborate and entertaining Rube Goldberg device. The only audio in the video was music, a performance of the Beastie Boys song “Girls” with the original misogynistic lyrics changed to be empowering to girls and women. The video was developed in connection with GoldieBlox’s launch of toys aimed at girls, in connection with its stated mission to inspire girls to become engineers. The Beastie Boys (along with the musicians’ record label) own the copyright to the lyrics and music of the song “Girls.” As such, the musicians believed that the use without their permission of the music and some of the words from the song was an infringement of their intellectual property rights. GoldieBlox argued that the use was permissible as a fair use, specifically that the song GoldieBlox created was a parody of the original song. Because fair use was a defense to a copyright infringement claim and was only asserted once a copyright owner has proven that its work was used without permission, there was inherent uncertainty in whether GoldieBlox’s use would be protected. Accordingly, GoldieBlox had to evaluate its legal risk and decide whether to continue to assert its rights to the song in the video.

## Background

Deborah Sterling, a Stanford engineer and MBA, formed the toy company GoldieBlox out of a concern that, although the engineering profession is a desirable one, only 11 percent of engineers are women (Kickstarter, n.d.). Determined to help increase the ratio of women in the profession, Sterling envisioned Goldieblox as a company based on the idea that girls could build and invent fabulous things (GoldieBlox, n.d.). The company’s strategy was to provide construction toys, each with an accompanying book series, geared to girls between five and nine years old to expose them to the concept of building and creating.

## The Challenge

In connection with GoldieBlox's core strategy to create engineering toys for girls, one of the company's marketing strategies was to promote its products on social media with the release of entertaining and thought-provoking videos on YouTube and the GoldieBlox website (Marketing Report, 2013). Each of these videos depicted girls playing with its toys, set to a musical track or "anthem" by a popular artist ("Complaint", 2013). Some of the artists whose music was incorporated into videos were Queen, Daft Punk, Krewella, Kaskade, Avicii, Slam, k.flay and Trevor Guthrie ("Answer", 2013).

On November 18, 2013, GoldieBlox released an online video, "GoldieBlox and the Princess Machine," showing three girls rejecting the stereotypical depictions of girls on television in favor of the creation of a large, complicated and fun highly engineered contraption. In this video, GoldieBlox used the Beastie Boys' song "Girls," recording a new version of the song that replaced the misogynistic lyrics of the original with lyrics meant to be empowering to girls and women ("Complaint", 2013). One verse, for example, included the lines:

*Girls to build the spaceship,  
Girls to code the new app,  
Girls to grow up knowing that they can engineer that.  
Girls.  
That's all we really need is Girls.  
To bring us up to speed it's Girls.  
Our opportunity is Girls.  
Don't underestimate Girls.*

The video was meant to be provocative and viewers, indeed, found it stirring. Whereas the lyrics of the original song depicted girls as being limited to gender-typical behaviors and occupations, the lyrics of the song in the video celebrated the broad capabilities that girls possess and suggested that there were no limits to the things girls can do (Complaint, 2013). And it appeared as if the strategy was successful. At the time of its release GoldieBlox began promoting the video on its Twitter and Facebook accounts and, shortly thereafter, the video went viral. It was viewed by over eight million people within the first week of its release (Michaels, 2013). Viewers really responded to GoldieBlox's message of empowerment.

The Beastie Boys first learned that their song was included in a GoldieBlox video a week after it was released on the internet when their representative was contacted in connection with GoldieBlox's submission of the video to a Superbowl advertising competition (Answer, 2013). The Beastie Boys contacted GoldieBlox to inquire about the use of their song in the video. Later that day, fearing that it might be sued for copyright infringement, GoldieBlox's attorneys filed a declaratory judgement in Federal court in California, seeking a ruling from the court that GoldieBlox's use of the song "Girls" as an empowering anthem was a protected fair use as a parody of the sexist song ("Answer", 2013).



In response to GoldieBlox's lawsuit, the Beastie Boys published an open letter to GoldieBlox that set forth their policy that none of their music could be used for commercial purposes:

*Like many of the millions of people who have seen your toy commercial "GoldieBlox, Rube Goldberg & the Beastie Boys," we were very impressed by the creativity and the message behind your ad. We strongly support empowering young girls, breaking down gender stereotypes and igniting a passion for technology and engineering. As creative as it is, make no mistake, your video is an advertisement that is designed to sell a product, and long ago, we made a conscious decision not to permit our music and/or name to be used in product ads. When we tried to simply ask how and why our song "Girls" had been used in your ad without our permission, YOU sued US.*

It also came to light that a member of the Beastie Boys had recently passed away and his will contained a clause prohibiting the use of his music in advertising (Cubarrubia, 2012). Adam "MCA" Yauch's will stated:

*Notwithstanding anything to the contrary, in no event may my image or name or any music or any artistic property created by me be used for advertising purposes.*

GoldieBlox had a decision to make. Should the company go forward with the lawsuit? Copyright laws gave the exclusive right to owners of creative works to determine the way in which those works were used, but the principles of fair use provided protection to a parodist to make use of another's copyrighted work. If GoldieBlox's use of the song "Girls" was a legitimate parody, the use of the song would be a fair use and would not contradict the wishes of the Beastie Boys as expressed in their letter and in MCA's will. To answer this question, GoldieBlox must evaluate the video based on the principles of copyright infringement and the defense of fair use defense.

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## An Inventory Letter from Carter's to Kohl's – What Could Go Wrong?

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### Introduction

Mr. Johnson had a highly valued business relationship with Mr. Elles. Johnson was the executive manager of Kohl's Corporation's profitable Children's Division, while Elles served as Carter's, Inc., executive vice-president of sales. All seemed to be going well until Elles asked Johnson to sign a letter that misstated the amount of Kohl's discounts for the prior year's purchases. These two executives had previously negotiated discounts totaling \$16.5 million, which Kohl's had already taken. The letter stated the amount as approximately \$12.1 million, an understatement of \$4.4 million. Elles explained that the letter concerned Carter's "internal budgetary issues ... not financial statement issues" (Hornbeck, 2012). To Johnson, the signing of the letter apparently seemed like a necessary formality in order to maintain Kohl's favorable discounts. Johnson also desired to keep Kohl's, and particularly its Children's Division, as cost-effective as possible. Kohl's financials would not be affected by Johnson signing the letter. What harm could come from signing the letter?

Kohl's opened its first department store in 1962 in Brookfield, Wisconsin. Within 50 years, Kohl's had expanded its operations to over 1,100 locations in 49 states with revenues exceeding \$16 billion (Kohl's Fact, 2014). Kohl's went public in 1992 and eventually became the third largest department store in the world (Deloitte, 2014). A sizeable portion of Kohl's revenues came from its Children's Division, which generated annual sales of about \$2 billion.

Carter's began its operations in 1865 in Braselton (now a suburb of Atlanta, Georgia) by William Carter. With its "Carter's" and "Oshkosh B'gosh" brands, the company grew to become the largest "branded marketer in the United States of apparel made exclusively for babies and young children" (Carter's, 2015). Carter's operated more than 700 company-owned stores. It also sold merchandise to other large retailers; including Walmart, Target, Toys "R" Us, Costco, JCPenney, Macy's, Sears, and Kohl's. Kohl's was Carter's largest customer (SEC, 2012) and accounted for approximately ten percent of Carter's sales (Carter's, 2010). Carter's market value had grown rapidly as its stock had nearly doubled in price since its initial public offering (IPO) less than four years earlier (Yahoo, 2015). Elles, as vice-president of sales, played a key role in Carter's success by cultivating profitable arrangements with other major retailers. Elles, however, negotiated a

special arrangement with Johnson. In fact, Elles was providing discounts greater than those Carter's had authorized him to allow.

Carter's and others in the clothing industry routinely gave discounts, also known as accommodations, to its retail customers. These accommodations or discounts helped their customers pay for "costs related to inventory clearance and sales promotions and to allow customers to achieve a desired profit margin on their subsequent resale of Carter's products" (SEC, 2012). For the retailer, these discounts reduced inventory costs and the amount due to Carter's. The discounts were reported in a contra-revenue account and as a reduction in the receivable due from the customer. Discounts were negotiated between the supplier and retailer and were often not finalized until just before or after the end of a fiscal period (SEC, 2012).

To increase Carter's sales to Kohl's and maintain the mutually beneficial relationship, Elles granted higher discounts than Carter's authorized. Normally Kohl's would not take these excess discounts, however, until the following accounting period. This delay prevented Carter's management from learning of the additional discounts allowed Kohl's. Accordingly, the accommodations were recorded by Carter's in the period when Kohl's paid for the merchandise. Anyway, why should Johnson, a Kohl's employee, be concerned as to when Carter's recognized the discount?

Carter's accounting department monitored the amount of discounts given to its customers. When Elles granted a discount, his assistant "filled out an Internal Authorization Form (IAF) which set forth the details of each accommodation" (SEC, 2012). The assistant sent these forms to the executive who was responsible for budgeting discounts. After approving the IAF, the forms were sent to the accounting department. When the customer deducted the discount from its payment, Carter's accounting personnel checked to see if the discount taken agreed with the IAF. For approximately the first three years in which Kohl's received an additional accommodation, the discount was not in excess of the IAF because the extra accommodation was delayed until the following fiscal period. However, as Kohl's purchases and the corresponding accommodations increased, the delay in taking the additional discount became more difficult to manage. Finally, the discount that Kohl's took one year was much greater than what appeared on the IAF. When questioned about this discrepancy, Elles responded that Kohl's received an additional discount based on anticipated purchases. Management accepted this explanation, but requested that Elles obtain a letter of representation from Kohl's verifying the anticipated purchases and the amount of discount. The letter correctly stated the anticipated purchases, but understated the discounts by \$4.4 million.

The accurate accounting for inventories was essential for both Carter's and Kohl's. Carter's inventory typically comprised more than 40% of its current assets and 22% of its total assets. The cost of goods sold was approximately 63% of its total expenses (Carter's, 2015). Kohl's cost of goods sold also was about 63% of its total expenses. Inventory, however, usually was roughly 68% of its current assets and 25% of its total assets (Kohl's, 2014). Utilizing the perpetual inventory method of accounting, Kohl's increased its inventory account when it purchased merchandise from Carter's. Carter's recorded this sale to Kohl's by decreasing its inventory account and increasing their cost of goods sold account for the cost of the inventory. Carter's also recorded an accounts receivable due from Kohl's and the related sales revenue. Kohl's made similar entries as Carter's when merchandise was sold to its customers. The accounting for the accommodations, however, presented a problem in that the amount often was not settled until

after the end of the fiscal year. The amount of the accommodation or discount reduced Kohl's inventory cost and consequently its cost of goods sold. For Carter's, the accommodations granted reduced its accounts receivable from Kohl's and also was reported in a contra-revenue account, which reduced net revenue and net income. To comply with generally accepted accounting principles (GAAP), the discounts must be recorded in the same period as when Kohl's purchases from Carter's were made.

The relationship between Kohl's and Carter's had been beneficial to both organizations. Johnson valued Kohl's relationship with Carter's and the discounts that Kohl's was receiving since it increased the profitability of Kohl's, particularly its Children's Division. The letter that Elles asked Johnson to sign did not affect Kohl's financial statements. As Elles explained, the letter pertained to budget issues at Carter's (Hornbeck, 2012). In fact, Kohl's accounting department was probably not even aware that the letter existed. What harm could come from signing a letter from such a trusted supplier? Johnson also wished to show his appreciation for the generous discounts that Kohl's had received from Elles. Certainly, there was nothing illegal in delaying the additional discount amount until the following year. After all, what did it matter in which period Carter's gave the discounts to Kohl's?

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# Old Dog, New Tricks: Staying Relevant in the Digital Era

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## Introduction

Anders Dahlberg, Underwriting Director at WMUK – the local National Public Radio affiliate and classical music station located on the campus of Western Michigan University (WMU) – sighed heavily as he read yet another article about the demise of traditional radio. “It seems like all media are destined to migrate to the Internet,” he read. Yet, Arbitron (2013) stated in its “Public Radio Today 2012: How America Listens to Radio” report that even in an environment of increased media choices, time spent listening to public radio had remained stable. And, interestingly enough, the report noted that public radio’s popularity among younger audiences was starting to grow. Unfortunately, these positive trends at the national level did not match up with Dahlberg’s data. For the past several years WMUK experienced declining listenership and a drop in sponsorship (underwriting) revenues from local businesses. Anders knew that in order to remain relevant in the ever changing media environment, where other digital sources of news and entertainment were readily available, WMUK needed to attract new, younger listeners. This younger audience would become future contributing members who would, in turn, help to generate new sponsorship revenue.

Despite WMUK’s physical presence on campus, WMU students were, quite frankly, unaware WMUK existed. In fact, a recent survey among WMU students suggested that 77% of students did not listen to WMUK primarily because of that reason. Those few that did report listening to the station rarely accessed the station’s web site or interacted with the station via social media. Anders knew that the WMU college student population was an untapped opportunity. “Surely,” he thought, “there is some way to connect with students who are interested in what we are providing: high quality, local news and music, commercial-free.” The question was how could this be achieved given their limited marketing budget?

## The Radio Industry

Terrestrial radio – the transmission of content or music through airwaves – a product in the maturity stage of the product life cycle, had been a fixture in homes, cars, workplaces and on the streets, beaches and elsewhere. In an average week, 92% of people aged 12 years or older are

reached by radio. However, according to an IBISWorld (IBIS) industry report (Crompton, 2013), the radio broadcasting industry had struggled to retain its relevance and audiences because of increased competition from digital media, in the form of online streaming radio, podcasts and portable music players. The report also pointed out that the industry suffered due to its limited interaction with listeners and its heavy reliance on advertising. Anders was all too aware of this latter factor. As the Underwriting Director, he had been responsible for obtaining corporate support for WMUK's programming. The public radio industry, which was heavily regulated by the FCC, had mandated that underwriting copy may not include qualitative, comparative, or promotional language. Calls to action, price information and inducements to buy or sell are not allowed either. These rules were intended to protect the non-commercial content of public broadcasting and to assure that underwriting would not compete with commercial radio advertising. According to Crompton (2013), the most important success factors for radio to remain relevant in the future included its: ability to adopt new technology, ability to attract local support/patronage, and access to quality DJs and radio personalities.

### **WMUK – The Station**

A non-profit public radio station, WMUK was a charter member of National Public Radio (NPR) and Michigan Public Radio Network. Owned and operated by Western Michigan University, WMUK broadcasted at an effective radiated power of 50,000 watts at 102.1 FM. According to its website, the station's mission read: "To offer high quality programs and information to the Southwest Michigan area." The station started broadcasting 24 hours a day in both HD-1 and HD-2, providing high quality programs in a non-commercial environment. The station's geographical boundaries included north of Grand Rapids, east of Battle Creek, west to the shores of Lake Michigan, and south to just over the Indiana border. The station had averaged 44,000 listeners a week, with peak listening times of 8AM on weekdays, 9-10AM Saturdays, and 1-2PM on Sundays. Considered a News-Classical format, WMUK had been required to devote at least 30% of its airtime to news, public affairs or talk programming, or carry NPR newsmagazines. In addition, the station had been required to spend at least 30% of its Monday-Friday 6AM-7PM airtime to classical music, per its licensing agreement.

Twenty other News/Talk radio channels and seven other Classical radio stations provided terrestrial radio listeners a variety of options to satisfy their news and music needs. WMUK's main competitor had been Michigan Radio, the hub of NPR in Michigan, and a collective of three stations: WOUM (Ann Arbor), WVGR (Grand Rapids) and WFUM (Flint) which have provided service to most of the southern two-thirds of Michigan's lower peninsula. Together, Michigan Radio had 10 times the number of listeners as WMUK, and was much more active on social media platforms such as Facebook, LinkedIn, Twitter, Pinterest, YouTube and Instagram.

WMUK previous marketing efforts had included semi-annual pledge drives that had generated between \$160,000 and \$170,000 with a conversion for pledges to actual donations of 96%. Other efforts included weekly email blasts to any listener who signed up for the station newsletter and a very limited social media presence, which included a Facebook page and Twitter account. Although the station attended multiple events in the Southwest Michigan area, survey results indicated that most people did not recall seeing or coming into contact with WMUK at those events.

### **The Listeners**

According to National Public Media's report titled, "This is NPR: Cross-Platform Audience Profiles" (2015), the NPR listener was described as notoriously affluent, educated, leading active lives, and likely very influential in their communities. It was reported that their interests range from politics to gardening, from travel to physical fitness. Luxury and self-improvement were also reportedly important to NPR listeners. In addition, it was stated that NPR listeners are more likely to shop at expensive clothing stores and own computers. Sixty percent (60%) of NPR listeners indicated using the World Wide Web in the past month (as compared to only 30% of the adult population in the U.S.). NPR listeners were also reported to be avid readers. Public radio listeners also more frequently reported being college graduates, professionals, investors, and having household incomes over \$75,000 than compared to the Average Adult Consumer.

Anders believed that WMUK listeners were similar to those of NPR. They were also highly educated, owned their homes, and had incomes over \$50,000. Most (89%) of WMUK's audience members reported not having children under the age of 12 in the household, while 54% of the audience members were 25-54 years of age and 73.7% were 35 years of age or older. The WMUK audience had historically been equally split between genders.

While WMUK had traditionally catered to an older, more affluent demographic, the station had been located right on the main campus of Western Michigan University since its inception. A full 25,000 students could be tuning in to WMUK for local news and music. WMU was home to seven different colleges, among them the College of Fine Arts, which was one of a kind in the state of Michigan. The College of Fine Arts consisted of the Frostic School of Art, Department of Dance, School of Music and Department of Theatre. All were nationally accredited. WMU students were exposed to more than 1,400 plays, concerts and exhibitions staged by the fine arts college. In addition, comedians, musicians and other popular entertainers had been invited to visit campus by the Campus Activities Board. WMU also was the home to Miller Auditorium, the third largest theatre in Michigan, which presented numerous concerts, multimedia extravaganzas, Broadway shows, and internationally acclaimed performances of ballet, opera, music and dance.

### **The Challenge**

Anders had come to the conclusion that WMUK's lack of resources in marketing and promotion were negatively impacting the station's success. There had never been an employee or department with the responsibility of marketing the station. He acknowledged that there might have been a time, a few years ago, when listeners expected little or no spending in the area of marketing in public radio, but that time had passed. Given the competition and the array of choices for listeners today, marketing needed to become a priority for WMUK.

The station had been tentative about exploring social media (Facebook and Twitter) and wasn't sure how to best utilize either outlet to its full potential. And, Anders didn't know if they should be on other social media, such as Instagram, YouTube or LinkedIn. Considering the marketing budget was small, Anders needed low-cost, yet impactful ways to reach out to the next generation of WMUK listeners.



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## Profit and Inventory Under IFRS and GAAP

**Gabriele Lingenfelter, Christopher Newport University**  
**Abby Brooks, Christopher Newport University**

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### Introduction

The hot sun was setting on the street as Sabrina took down her sign which had advertised her ice cream bar sale in the neighborhood. While most of her friends sold lemonade to make a little money during the summer months, Sabrina decided she wanted to sell ice cream bars this hot July afternoon. She had sold the ice cream bars since the early afternoon and was almost running out of inventory, when she decided that she had made enough money to buy the toy she had seen in the store a couple days earlier. After Sabrina took the cooler with the remaining ice cream bars and the table she had used back to the house, she counted her money and yelled excitedly to her mother who was in the kitchen: “Mom, I made \$70.50 during the afternoon.” Sabrina’s enthusiasm was short lived, as she was to learn why the \$70.50 she received in cash was not entirely profit.

### Basic Business Lessons

Sabrina’s parents tried to teach basic financial concepts to their two children starting at an early age. They asked their kids to participate in working on the family budget and paid them a modest, monthly allowance, of which they had to save 10 %. The kids also knew they had to do chores, pet-sit or cut the neighbors’ grass if they wanted additional spending money. This hot July morning Sabrina had decided to make some money selling ice cream bars at the intersection of the street that everybody in the neighborhood passed a few times a day.

### The Ice Cream Bar Sale

While Sabrina’s mom went to Walmart (see Table 1) to buy three different types of ice cream bars, Sabrina set up a card table in the neighbor’s yard by the intersection. Her homemade sign hung from the side of the table and announced: “Ice cream bars: \$1.50 each.” She also filled a large cooler with ice from the ice machine and two bags of store bought ice that her family kept in the big freezer. When her mother returned from Walmart, Sabrina added the bars to the cooler and began selling the bars for \$1.50 each. When she was running low on inventory after a couple hours of the sale, her mother went to Food Lion (see Table 2) a few blocks down the street and purchased another supply of ice cream bars. Finally, as the day drew to a close, Sabrina’s mom

bought a few more ice cream bars at the corner gas stations (see Table 3). The cost and quantity of the ice cream bars purchased were listed in the tables below.

**The Business Lesson**

As Sabrina spread the \$70.50 on the kitchen table and placed the remaining ice cream bars (see Table 4) from the cooler into the freezer, she gleamed with excitement about how much money she made. Her mother put a calculator and a piece of blank paper on the table, while pulling up a chair. “Honey, you have done a great job, but you really did not make \$70.50. You forgot to include the cost of your inventory in your calculation.” Inclusion of the cost of inventory only began to address the issue. Complication arose when the prices paid for inventory varied. Which costs needed to be reported on a Balance Sheet as the ending balance of the ice cream bars in the freezer? Which costs needed to be expensed via Cost of Goods Sold on an Income Statement to reflect how much money Sabrina really had made? To answer these questions and to calculate how much money Sabrina made at her ice cream bar sale, she had to carefully consider the flow of the varied costs of her inventory.

Table 1: Walmart Purchase

<b>Ice Cream Bar</b>	<b>Unit Cost</b>	<b># Units Purchased</b>
Lemon	\$1.10	10
Vanilla	\$ 0.90	10
Chocolate	\$1.05	10

Table 2: Food Lion Purchase

<b>Ice Cream Bar</b>	<b>Unit Cost</b>	<b># Units Purchased</b>
Lemon	\$1.15	7
Vanilla	\$1.00	5
Chocolate	\$1.10	10

Table 3: Gas Station Purchase

<b>Ice Cream Bar</b>	<b>Unit Cost</b>	<b># Units Purchased</b>
Lemon	\$1.25	2
Vanilla	\$1.10	10
Chocolate	\$1.10	3

Table 4: End of Day Inventory

<b>Ice Cream Bar</b>	<b># Units Left</b>
Lemon	4
Vanilla	11
Chocolate	5

## Refuge: A Place of Safety or Danger

Timothy Redmer, Regent University

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### Introduction

Ed Post had just been nominated to the Board of Deacons for Messiah Church. The annual business meeting was only one week away at which time he would be officially voted on to the board. A major responsibility for a board member was to oversee the financial statements and make sure the church maintained its financial accountability. He had been given an advanced copy of selected financial data (see Table 1) and had time to become familiar with the financial status of the church. One of the most essential duties of the board was to review and approve the 20x9 budget. Ed was also made aware of a major proposal which was going to be put forth to underwrite a project called the Refuge, a ministry outreach to unwanted teens. He was going to have to vote for or against this significant ministry and financial commitment, which included a ten year lease. Ed took his appointment to the board very seriously and he wrestled with the dilemma of ministering to the needy while also maintaining responsible fiscal stewardship. Could the church afford this ministry? On the other hand, could the church afford, from a social perspective, not to do this ministry?

### Board of Deacons for Messiah Church

The Board of Deacons for Messiah Church were members of the church nominated by the senior pastor with the support of the four associate pastors. After being vetted to make sure the nominee was of high moral character and integrity the actual appointment took place at the annual business meeting through a vote of the attending membership. The two year appointment process was virtually guaranteed and most members of the board could be reappointed as long as they wanted to serve.

The board met every other month and reviewed the financial statements plus a report from the bookkeeper. The reports included the overall church operation along with specific reports for each pastor's area of responsibility. The board also gave consultation on initiatives and proposals presented by the pastors.

Currently, there were three other members on the board. These members had all been reappointed and their years of service ranged from four to twelve years. The members all had business savvy either as entrepreneurs or at a mid or upper level managerial position. Ed learned that the board members pretty much went along with whatever any of the five pastors proposed and asked few

questions regarding the financial situation. While he had no doubt with regard to the knowledge and integrity of the board members, he felt that it was important to be a little more inquisitive. At the same time Ed was the new board member and he did not want to overstep his role.

### **Messiah Church Financial Report**

The church balance sheet as of December 31, 20x5 through December 31, 20x8 indicated over the three year period that cash increased but had shown a decrease in the last year. Net property and equipment had a gradual increase over time from capital purchases. The church bonds provided an increase in cash but had all matured and been cashed in. The only liabilities were credit card balances which were paid on time. The balance in the current liabilities had declined over the three year period. The fund balance represented the net worth of the church and reflected the excess of revenue or surplus over the years.

On the income statement the sole source of revenue was from tithes and offerings. The administrative, benevolence and ministry expense categories were most closely related to the operational activities of the church and the other expense accounts were more like support or overhead. In 20x8 the church had a loss after two years of surplus.

### **Refuge**

Associate Pastor Newborn was responsible for the teenagers and young adult groups in the church. He also felt called to try to reach the unchurched, especially the young adults that were neglected by most of society. Since most of these individuals were not interested in attending a church, Pastor Newborn wanted to go where these people were. He also wanted to create a venue that might be appealing to these individuals.

The name of this ministry was called the Refuge, and it was a safe place where teens and young adults who were displaced or had difficulty fitting in could come for fellowship, ministry and music. The facility was alcohol and drug free. At any given event maybe ten to twenty people would show up. Some were open to ministry but getting through to most was a challenge. Pastor Newborn would say: "The value of one saved soul was priceless." So the operating costs of the Refuge were not as great of a priority to him.

Two years ago, a small space was rented through a strip shopping center which served as a coffee house. The facility was opened some evenings and on weekends, and sometimes music groups would perform. Because of the size and some zoning regulations, the music groups were generally restricted to maybe one singer, or one or two instruments. Unfortunately, the shopping center was sold and plans were in the works to have the property demolished and a new office complex constructed.

Pastor Newborn had spent the last two months looking for alternative locations. He identified a shopping center in a low income neighborhood which was undergoing some urban renewal. The shopping center's major food store had moved out. Space at least five times larger than the current coffee house was available at apparently a very reasonable lease rate. The other stores in the shopping center included a pizza restaurant, a tattoo shop, a karate studio, a clothing consignment store and three vacancies.

The landlord thought that a church related venue in the shopping center could bring in some stability and maybe even enhance the overall area, which was in line with the urban renewal initiative. Pastor Newborn also realized that the increased size would make it possible to expand the music aspect of the ministry and groups of all sizes could perform.

The landlord was willing to give the first six months of occupancy free and then require a \$10,000 security deposit. The monthly lease rate would be \$6,000 which would increase about \$200 per year and the lease term was for ten years. Pastor Newborn would need \$100,000 up front for the renovation of the space and to acquire furniture and facilities for the Refuge. He felt that once operational, there would not be much in the way of additional expenses beyond those the church was already incurring to support the existing coffee house operation. Also, Pastor Newborn felt that the concerts could be a revenue generator and anticipated that he would bring in \$2,000 a month to help offset the lease costs.

### **Decision**

Ed knew he would have to play an important role in deciding on the proposal for the Refuge. The other pastors seemed to have bought into the vision of Pastor Newborn to minister to the unwanted. Also, he could not discount the value of reaching lost young adults and helping to turn their life around. At the same time the church apparently was going through some financial hardship especially in the last year. Was the financial condition a one-time situation or a trend? Fiscal integrity remained a key priority for any decision Ed made.

**Table 1: Messiah Church Selected Financial Data**

	<u>12/31/x5</u>	<u>12/31/x6</u>	<u>12/31/x7</u>	<u>12/31/x8</u>
Cash	347,118	483,770	466,765	395,531
Net Property and Equipment	1,378,421	1,373,859	1,433,387	1,430,562
Church Bonds	101,984	36,456	3,379	0
<b>Total Assets</b>	<b>1,827,523</b>	<b>1,894,085</b>	<b>1,903,531</b>	<b>1,826,093</b>
<b><u>Liabilities &amp; Fund Balance</u></b>				
Current Liabilities	22,173	35,461	9,481	8,013
<b>Fund Balance</b>	<b>1,805,350</b>	<b>1,858,624</b>	<b>1,894,050</b>	<b>1,818,080</b>
<b>Total Liabilities and Fund Balance</b>	<b>1,827,523</b>	<b>1,894,085</b>	<b>1,903,531</b>	<b>1,826,093</b>
		<u>12/31/x6</u>	<u>12/31/x7</u>	<u>12/31/x8</u>
Revenue:				
Tithes & Offering		1,428,879	1,453,630	1,382,025
Expenses:				
Administrative		75,296	42,479	36,483
Benevolence		75,518	83,707	110,376
Depreciation		102,099	111,110	119,645
Insurance		9,870	10,009	13,085
Maintenance		54,471	58,002	59,423
Ministries		328,051	292,508	224,708
Payroll		659,463	739,759	785,596
Rents/ Leases		17,834	16,377	17,961
Travel		0	4,157	18,881
Utilities		53,003	60,096	71,837
<b>Total Expenses</b>		<b>1,375,605</b>	<b>1,418,204</b>	<b>1,457,995</b>
Excess of Revenue		53,274	35,426	(75,970)
Beginning Fund Balance		1,805,350	1,858,624	1,894,050
<b>Ending Fund Balance</b>		<b>1,858,624</b>	<b>1,894,050</b>	<b>1,818,080</b>

## Heritage Health Resources

**Scott Shindlecker, Notre Dame of Maryland University**

**Dawn Grissom, Notre Dame of Maryland University**

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

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### Introduction

Ann Igbo's dream was turning into a nightmare: Heritage Health Resources was strapped for cash, and things would get worse if she did not act. Her company had plenty of work, but its costs were increasing and it relied on payments from insurance companies for nearly all its income—payments based on claims that were labor-intensive to prepare and frequently delayed or lost altogether. Ann was in charge of her own destiny, and that was part of the problem. She made all the decisions for her company, paid the bills, and made payroll. Should she hire another employee, consider outsourcing, or automate the insurance claims process which could further burden her already-stretched employees? She was on the verge of starting a major project without being fully aware of its magnitude or implications. Automating her claims process with a new software package could be a wise investment or sheer folly. Ann did not have a strategic plan; she used trial and error, like most new entrepreneurs. Was there a better way?

### Background

Ann Igbo always dreamed of being a social entrepreneur, but it took a while to get there. The second oldest of nine children, she grew up in poverty. She viewed education as her ticket out. She first earned a bachelor's degree in mental health, and later obtained a master's degree in social work. While managing a program to assist people who were homeless and mentally ill, she started a part-time business selling books and African art and jewelry. Although profitable for 10 years, she was unable to find partners willing to put in the physical and emotional capital needed to expand. Then her entrepreneurial spirit and passion for helping others came together in a brilliant idea for a business where she could finally use her education in social work to promote well-being. She started Heritage Health Resources, a private practice providing much-needed mental health services to the community, which was Ann's ultimate goal.

As a licensed therapist, Ann offered therapy to individuals, couples, and families. She also consulted and conducted workshops and training sessions throughout the metropolitan area's mental health community. Ann's business took off and grew steadily. After about two years, she hired a full-time office manager, part-time office support staff, and several part-time therapists. Heritage even added other services to its offerings, such as group therapy and off-site counseling.



A prominent local organization provided links into the community for mental health services, which generated a steady stream of referrals to Heritage. Ann was thrilled—the front end of her business was thriving!

Most Heritage clients used medical insurance to pay for their sessions. There were some self-pay clients, but 90 percent of the clientele relied on insurance to cover their therapy costs. Heritage submitted insurance claims to each client’s provider after each visit. The process to complete each HCFA 1500 (Health Care Financing Administration) claim form was a manual one and quite cumbersome. Kim, the office manager, manually prepared claims for all clients, and then mailed them to their respective insurance providers. It could take up to an hour to complete claim forms for just five clients. This became a major burden to Heritage. There had to be a more efficient way for these claims to be prepared. Automation seemed like a way to improve cash flow, but Ann needed more information on the costs and benefits of making the investment.

### The Case for Automation

Once the claims were submitted to the various insurance providers, it could take several weeks—even months—to receive payment for services rendered. Some companies were painfully slow to pay. Ann was obligated to accept whatever reduced rate each insurance company was willing to pay based on her agreement with them. Ann depended heavily on insurance payments arriving in a timely manner. So far, such payments had covered Heritage’s expenses for overhead (\$1,000/month), salaries (\$40/hour for therapists and \$7-15/hour for staff), and taxes (15%). However, sometimes insurance providers made errors and did not pay all of the submitted claims, or claims were lost in the mail. Once such claims were resubmitted, the waiting process would start over. Kim sometimes spent hours on the phone with insurers trying to resolve issues. Receiving timely, steady payments was essential to the success and longevity of Ann’s business. As a small company, it was extremely important for claims to be processed quickly to ensure a sustained, positive cash flow for continued operations (see Table 1).

**Table 1: Heritage Health Resources Cash Flow**

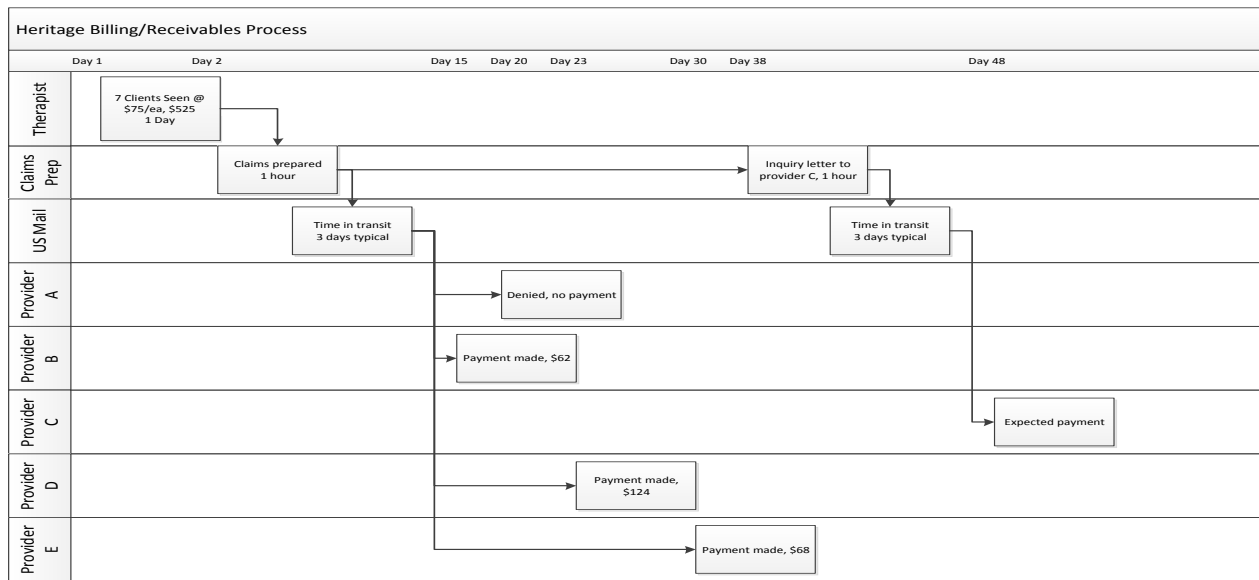
<b>Expenses</b>	<b>Daily</b>	<b>Weekly</b>	<b>Monthly</b>	<b>Annually</b>
Rent			\$ 700	\$ 8,400
Utilities			\$ 200	\$ 2,400
Phone			\$ 100	\$ 1,200
Salaries				
Therapists	\$ 400	\$ 2,000	\$ 8,000	\$ 96,000
FT Staff	\$ 120	\$ 600	\$ 2,400	\$ 28,800
PT Staff	\$ 28	\$ 140	\$ 560	\$ 6,720
Totals	\$ 548	\$ 2,740	\$ 10,960	\$ 131,520
Taxes	\$ 82	\$ 411	\$ 1,644	\$ 19,728
Supplies/Other Expenses		\$ 50	\$ 200	\$ 2,400
<b>Total Expenses</b>		<b>\$ 3,201</b>	<b>\$ 13,804</b>	<b>\$ 165,648</b>
<b>Receivables</b>				
Client Receivables	\$ 750	\$ 3,750	\$ 15,000	\$ 180,000
Other Sources of Income			\$ 250	\$ 3,000
<b>Total Income</b>			<b>\$ 15,250</b>	<b>\$ 183,000</b>

Cash flow deteriorated when payments from insurers were delayed. Ann suspected that the cumbersome claims preparation and submissions process was the culprit after she discovered that only half of the amount billed was received within five weeks. Ann met with Kim to ascertain

whether there was a way to expedite claims submissions. She knew that Kim was performing many duties in her role as office manager, as was often the case in small businesses. They needed to strategize and figure out what could be done to ensure quick, accurate claims preparation and submission in order to minimize insurance company turnaround time.

Ann wanted to identify bottlenecks and delays, so she asked Kim to create a process map (see Figure 1) to illuminate the receivables process from therapy sessions to payments received. Ann and Kim concluded that automation might help. They examined a variety of software packages that could significantly reduce the time required to process insurance claims. Furthermore, a good software package might simplify many office tasks, allowing Heritage to integrate the entire client process.

**Figure 1: Heritage Health Resources Process Chart Showing Delays**



After looking at many options, Ann and Kim selected *Therapist Helper* because it also served as a client database that could be used for scheduling and capturing the therapist’s notes. *Therapist Helper* promised not only to automate the claims preparation process, but could also electronically submit claims to some insurance companies. It seemed ideal. With the new program, Kim could prepare and submit claims in a fraction of the time she had been using. Unfortunately, the software was expensive; it cost \$3,000, which was a lot of money for Ann’s fledgling company. Ann was not certain the software would resolve the company’s cash flow issues, and wondered if the benefits would exceed the risks. She also knew she needed to figure out some reasonable payback period to aid the decision process.

Ann had several serious concerns. She lacked technical knowledge and knew nothing about software licensing and maintenance fees, training time and costs, and compatibility of *Therapist Helper* with her existing computer hardware and operating system. What if the software did not solve the problem? Would the learning curve be too much for her staff? Would the project be completed on time? What about software bugs and downtime? Had she estimated the costs correctly? Would the project go over budget? In the end, should Heritage Health Resources undertake a significant implementation project to automate its insurance claims process in an effort to improve cash flow?

## Inventory Management at the Theme Park

**Matthew VanSchenkof, University of Central Missouri**

**David Baker, Tennessee State University**

**Jessica Cox, University of Central Missouri**

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### Introduction

“What the . . . ? How can I make sure catering has the right products in the right amounts to make sure we satisfy our customers? Why can’t the warehouse get my order right?” Erin, a catering supervisor for a Midwest theme park had just audited a warehouse delivery to the catering kitchen. The order was submitted on Monday to be delivered on Wednesday and only half of the order was in front of her. She was expected to feed 18,000 people on Thursday and Friday and she wasn’t sure she’d get what she needed to do so. “Well, at least I’ll get a good summer project out of this!,” she thought as she headed to the warehouse to investigate whether the submitted order sheet was correct.

### Background

Erin worked for a 235-acre amusement park located in Kansas City, Missouri. The park was divided into five major sections that included ten counter-service full menu operations, twelve specialty foods (i.e., ice cream, coffee, etc.), and twelve single item food vendors (i.e., Dippin Dots, soda, etc.). The park also operated a full-service catering operation capable of handling more than 8,000 guests per day and generated more than \$1.7 million in sales over the summer.

Erin was a 27 year-old junior in a hospitality program at a regional university. Erin was hired into one of three supervisor positions in the catering department. The department had more than forty employees ranging in age from 14 to 18. A non-traditional student, Erin had a few years of broad supervisory experience focused on managing the procurement and production within various foodservice entities, but little food-handling experience. She was ServSafe food safety certified and had completed more than 20 credit hours of hospitality and management classes. She took on the position as catering supervisor to fulfill an internship requirement.

### Warehouse Requisitions

Erin’s training included all the required pieces including basic state and federal laws. The following week she trained with the foods department covering procedures and tasks including

the catering department process for calculating inventory, ordering, and forecasting customer's food and beverage needs. This was based on how they had been performed in the past.

The catering procurement and production timeline was as follows:

1. Seven days prior to an ordered event a catering supervisor would forecast food needs based on an event's menu and expected number of participants.
2. Department inventory occurred on Monday and Thursday mornings to determine what product was on hand and what needed to be ordered for the upcoming events.
3. The food order was placed by noon, two days prior to the expected delivery. This was noon on Mondays and noon on Thursdays.
4. Food order deliveries would occur before 10:30 a.m. on Wednesdays and Saturdays. The orders were audited to make sure everything that was ordered was delivered.
5. Any shorted (not enough) products or miss-picks (wrong products) were immediately reported to the warehouse with a "hot shot" order via phone. The "hot shot" detailed what the food item was, where it was to be delivered, and quantity needed.
6. Delivery of "hot shot" orders would occur within four hours, if at all. This often impacted the catering department's ability to correctly finish events and impacted customer satisfaction.

### **Catering Operations**

Within a few days of working within the catering operations, Erin noticed there was a consistent problem with the amount of food the kitchen had on hand versus the number of guests in attendance. There were occasions when there was more food available than necessary and other times when severe shortages occurred. Erin investigated whether she and the other supervisors were ordering the correct items in the correct amounts. She found that the orders were usually right and when they were off it was because the other supervisors were over-ordering. The other supervisors stated that they wanted to make sure enough product was on hand.

Whenever there was a shortage, Erin or one of the other supervisors had to call the warehouse to request the inventory item via a form called a "hot shot." Unfortunately, shortage errors directly impacted the catering departments' ability to satisfy customer needs, created additional labor costs, caused staff to pillage from other upcoming orders, and led to staff attempting to find suitable substitutes based on extra items they had in stock.

### **Warehouse Operations**

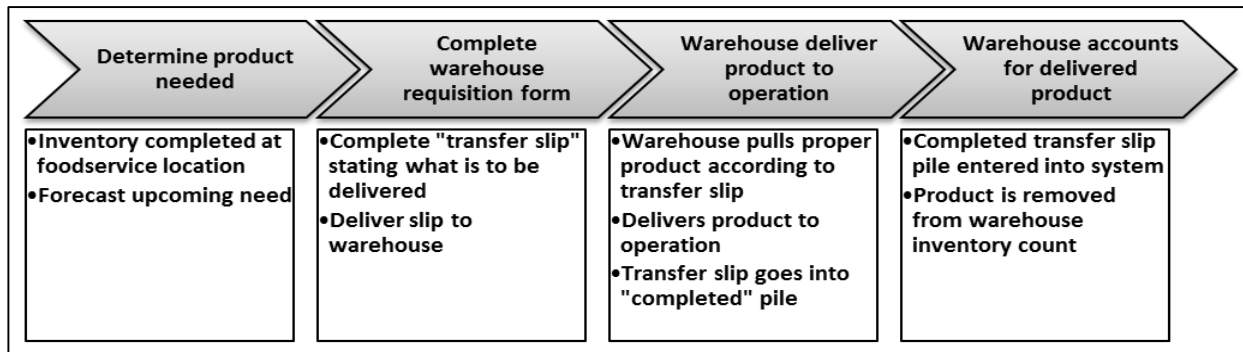
On a day the weather was bad and all of the park's picnics were cancelled, Erin seized the opportunity to spend the day in the warehouse attempting to understand why deliveries were so inconsistent. Since the theme park had several food service and retail locations, all food and retail items were delivered to a central warehouse and then distributed to the stores within the park. The warehouse ordered and received food and beverage deliveries from outside suppliers and would then deliver what each shop supervisor turned in on an order slip when food was needed at individual shops. The process is found within Figure 1.

All orders from foodservices within the park were completed in paper form. When Erin or another supervisor completed an order slip and delivered the request to warehouse employees, it was added to a stack of slips from every food location in the park. Warehouse employees grabbed items from multiple order slips and attempted to fill multiple orders at once. Because they also

delivered orders while the park was in full operation, they received phone calls from supervisors who needed hot shot orders. Sometimes these were due to locations not receiving their food requests. These hot shot orders were added to the regular order requests.

Once the items left the warehouse, the “hot shot” form was marked with the total number of items that left the warehouse. However, when the warehouse employees returned and continued with the order requests they marked the items that they had just delivered using the “hot shot” as also being delivered on a regular order. “hot shot” items were being double counted.

**Figure 1: Requisition process for warehouse.**



*This figure illustrates the warehouse delivery process.*

Once deliveries were completed, the forms were turned into warehouse supervisors. The supervisors took the paper forms and manually accounted for the items from the warehouse to the shop location. This action removed product from warehouse inventory and added it to the location’s inventory. However, the documentation completed by warehouse employees seemed to show that they were moving almost double the amount of items from their inventory into the location. This documentation flaw left overages when the warehouse attempted to complete an inventory.

Erin immediately noticed the double counting issue. She also saw that several items she had requested and received were marked as not delivered on the order sheets. Others did not account for the additional items which were delivered. She discussed her observations with her instructors. They agreed that the effectiveness of the warehouse processes were limited and negatively impacted aspects of foodservice operations. Her instructors suggested approaching the warehouse issues from a best practices perspective and proposed the following questions to her:

1. Was each product being handled too many times?
2. Was paper the best format to requisition warehouse items?
3. Could the process be changed to increase order consistency?
4. How did each area account for the excess food delivered?

Erin was required to discuss and offer potential solutions to an issue within her internship. The warehouse issue might be perfect for her. Erin thought: “*JEEZ! Well, at least I’ll get a good summer project out of this!*”

## Whose Back Do I Scratch?

**Eric Nelson, University of Central Missouri**

**Denise Oas, University of Central Missouri**

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### Introduction

Danielle O'Reilly was frustrated. She paid for a massage several weeks ago and was really looking forward to it. However, she had just learned that she was not going to get her massage and there was nothing she could do about it. Danielle refused to believe she paid thirty-five dollars for nothing, but what could she do?

Danielle worked as a school teacher. She enjoyed her job but, like any other job, it could be stressful at times. To help her deal with the stress, Danielle treated herself to a massage after she turned in her final grades each semester. She looked forward to these massages all semester long. As a school teacher, Danielle had to be careful with her money. While her job allowed her to live quite comfortably, it did not leave her with much money for luxuries like massages that could cost \$60 or more.

Rather than deny herself this particular luxury, Danielle signed up with an online deal-a-day website that provided discounted gift certificates from local companies. The website worked with local companies to find the deals; all Danielle had to do was pick the deals that she wanted. Danielle purchased the gift certificates through the website and then worked with the masseuses to schedule her massages.

Danielle had been working with one website for years. When one of her friends suggested a new coupon provider, The Good Life, Danielle was willing to give it a try. Signing up was easy, purchasing the gift certificate was easy; it was scheduling the massage that turned out to be so difficult.

The gift certificate that Danielle bought was good for several months so she wasn't in too much of a hurry to schedule her appointment right away. However, when she did try to schedule an appointment with Healing Hands ("HH"), their website didn't work and they did not answer or return any of Danielle's phone calls. Danielle finally found an email address for HH on their website and sent them an email explaining that she had been trying to reach them for several weeks and wanted to schedule a massage. By this time, the certificate was only good for another six weeks. Danielle was thrilled to receive an email back from the masseuse at HH but

disappointed when she read the email and found out that HH was booked solid with no openings until the day after the certificate expired!

Danielle had never been denied service with the other deal-a-day website and she was not sure what to do, so she reached out to The Good Life. When Danielle asked for a refund, they told her they could not refund her money because her request was “outside of (their) refund policy.” However, they did promise to check with the HH and get back to her. When they did, they told her that HH told them that they did have openings. Since HH had openings, The Good Life would not refund Danielle’s money.

Danielle really wanted the massage, not the money, so she again contacted HH to try and schedule an appointment, and they told her again that they had no openings. Danielle couldn’t believe it! Somebody was lying to her. She reached out again to The Good Life and asked them to tell her what times HH told them were available so Danielle could schedule a massage. When The Good Life would not, or perhaps could not, give her specific times, Danielle got angry. Danielle really wanted her massage. She had paid for it and, if she did not need it before, she certainly needed it now. She would be happy with an extension on the time for her coupon or an exchange of her coupon for one with another provider. She did not care which, as long as she got her massage. If she did not get her massage, she thought she should at least get her money back. Then she would go back to the other “deal of the day” website she had been using and get a massage through them.

Danielle was not having any luck with either The Good Life or HH. However, she did not want to be one of those people who did complain about poor service, but simply left and never came back. She wondered, who was responsible for making sure she got her massage? Who did she have the best chance of convincing that they should make sure she got it?

## August First Bakery & Café Pulls the Plug on Laptop and iPad Use

Paul E. Olsen, Saint Michael's College

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### Introduction

*“If you do build a great experience, customers tell each other about that. Word of mouth is very powerful.”-Jeff Bezos, CEO Amazon.com (Bezos, 2004)*

Jodi Whalen had had enough. During a lunchtime rush, her restaurant’s electronic cash registers went dead when a customer unplugged Whalen’s computer router so he could plug in his laptop computer to use at August First Bakery & Café. When Whalen explained the situation to the customer, he became upset with her. That’s when she decided to pull the plug on laptops, iPads, and other electronic reading devices and finally make her restaurant, August First Bakery & Café, “screen free.”

Whalen and her husband, Phil Merrick, did not anticipate the media attention or customer response to their decision. Although they long considered the move, they weren’t sure how prohibiting customers from using laptops, iPads, and other electronic reading devices would be received. How would customers greet the decision? Would it solve the problem of Wi-Fi squatters? And most importantly, what impact would the decision have on customer service at August First Bakery & Café?

### Background

Described as the “love child” of Jodi Whalen and Phil Merrick, August First Bakery & Café, an S-Corp, was established in downtown Burlington, Vermont, in 2009. Burlington was located in northwestern Vermont on the shore of Lake Champlain and home to a number of colleges including the *University of Vermont*. According to the U.S. Census Bureau, the population of Burlington was 43,000 (U.S. Department of Commerce, 2013). August First’s competition included Burlington-area café-style restaurants including: New Moon Café, Skinny Pancake, and Mirabelles and coffee shops like Muddy Waters, Magliano Café, Starbucks, Uncommon Grounds, Speeder & Earl’s, Dobra Tea, Radio Bean Coffeehouse, and Dunkin Donuts. At the time none of August First’s competitors had a screen free policy. In fact, many provided free Wi-Fi for customer use.



Located in a former garage, August First Bakery & Café seated approximately 50 people inside and 10 outside on a seasonal patio. Whalen and Merrick had 11 employees including bread and pastry bakers, a kitchen and catering manager, counter servers, and baristas. A sign saying “It’s all about you” greeted customers as they entered the café. Another sign noted “We are a laptop free bakery.” Bookshelves lined one wall of the café while bakers could be seen in the open kitchen behind the cash registers. On nice days, a large garage door was opened to the street. Customers ordered food and drinks at the restaurant’s counter and names were called when orders were ready. August First’s menu included breakfast and lunch sandwiches, pastries, homemade granola, soups, salads, and a variety of beverages. Sandwich prices ranged from \$3.95 to \$8.75, cookies cost \$1.25, while pastries cost \$2.75.

Whalen and Merrick described August First’s mission as follows:

We are completely dedicated to having fun, baking amazingly delicious bread, making you feel warm and welcomed, and having you feel nurtured when you are here. We keep our menus simple in choice, but deep in flavor and character. Our space is a big renovated garage in downtown Burlington; bright and warm in the winter, and breezy and open in the summer. The open space lets you see the bakers in action, creating our European style breads and pastries (August First, 2014).

### **The Problem**

Whalen and Merrick offered free Wi-Fi when they first opened in 2009. Within a few years, they noticed the problem of Wi-Fi squatters, customers working on laptops and iPads for hours while purchasing little food. In an attempt to address the problem they eliminated Wi-Fi in 2012 and then prohibited laptop use during their lunchtime rush. Their final move was to go completely screen free in early 2014.

While Jodi Whalen and Phil Merrick relied on regular customers at their restaurant, they increasingly found Wi-Fi squatters problematic. “We see people stay for hours,” Whalen lamented. “One day not too long ago, there were seven individuals with laptops not buying anything, and we watched customers leave.” Whalen estimated that Wi-Fi squatters cost August First Bakery & Café \$15,000 in sales annually. The average customer sale was \$9.00.

Whalen and Merrick announced their decision to go screen free with a sign in their shop, via social media, and on August First Bakery & Café’s website:

Beginning on March 31, 2014, August First will be a laptop/tablet free environment. While we completely understand how nice it can be to sit in our sunny bakery and spend time on a digital device, as business owners we have seen many, many customers leave because they couldn’t find seats. And in general, many people who have come in with laptops have stayed for hours on end. This doesn’t make for a sustainable business model.

We implemented a ‘screen free’ period between 11am-2pm a few months ago, and the response was overwhelmingly positive! We were amazed at how many people thanked us. So, based on that feedback, we decided that the time was ripe to listen to the majority of our customers, and make the bakery a screen-free environment. Are we going to harangue someone who is using their smartphone to access email, the internet, etc.? Of course not! We just want to make sure that August First has seats available for all of the people who want to come to eat, drink, relax, and engage.

### **The Response**

August First Bakery & Café’s “screen free” policy attracted local and national press. Whalen was interviewed by the local CBS and cable news affiliates and news stories appeared on National Public Radio and *Seven Days*, Burlington’s arts and entertainment weekly newspaper.

Customer response to the new policy was mixed. While some customers welcomed the change, others said they would no longer frequent August First. Ironically, support and opposition to the new policy was expressed via social media (e.g. Facebook), which customers could no longer access while at August First. Representative responses follow:

- I support this. It’s been frustrating to find a table during busy times because they’re all occupied by people working on their laptops. August First should be for everyone.
- I love August First and I think this is an awful idea. My iPad is my library and my notepad. If I am alone, I have no one to chitchat with. Perhaps thinking through all the implications of this policy would be helpful.
- I think this is a lovely idea! People can survive without screens in their lives all of the time. It’s actually interesting to see what comes to mind when you are by yourself in a public place, with no one to talk to. Or hey, we can all make some new friends, or enjoy some old ones!
- I support utilizing limited seating for active customers, but if reading a book while I eat my lunch is ok then I wish reading my kindle while eating was ok too.
- It’s amazing how difficult it is for some people to disconnect. People are always on their phones or computers. Nobody seems to look or talk to each other anymore. I think taking this stand will only give August First respect.
- It’s a deal-breaker for me. My routine is coffee and reading news. I often go to a coffee shop alone. I read news on my tablet. I’m doing it right now. I’m not going to buy a newspaper or a copy of Time to read when I have an e-subscription.

### **Revisiting the Decision**

Months after going screen free, Jodi Whalen and Phil Merrick reflected on their decision. Was it the right one? Did the public relations about the move help or hurt August First Bakery & Café? Did it solve the problem of Wi-Fi squatters? And most importantly, from a customer service perspective, should they continue prohibiting laptops, iPads, and electronic reading devices?

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## The Language Barrier

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### Introduction

The customer quickly ran off with her package in hand as Heather watched her go. “Did that customer really just say that to me? I can’t believe she would say such thing!” Stinging from the insult hurled at her, Heather McCook, a Service Experience Specialist at Trillium Department Store, walked through the back employee room and wondered if she could handle the Customer Service job after all. She had been working for this retail store for almost a year and customers had always treated her exceptionally. But what happened this time? Why was this customer so rude towards her? Heather helped customers with their returns, questions regarding their retail card, directions around the store, and answering phone calls. Before this position, she was a sales person that assisted customers with their purchases. However, never had she experienced something so challenging in her workplace. She had been in the Service Experience position for three months when the challenge came along.

The new position as a Service Experience Specialist was very different compared to being a salesperson and other part-time jobs she had in the past as a student. The level of responsibility proved higher and customer interactions were more challenging. One of the goals of a Service Experience Specialist was to make the customer’s shopping experience easy by quickly answering their questions and resolving their issues.

### Background

Trillium Department Store was a retail store that emphasized customer service and was known for always providing the best high-end service. It was people-oriented as it helped employees grow and they promoted from within. Customers chose Trillium Department Store because they were always the priority. Customers trusted the expertise and knowledge of the employees. Aside from that, customers received the best service because employees went above and beyond to assist them. Additionally, Trillium Department Store carried famous brands that were well-known for their quality.

As a Service Experience Specialist, Heather was responsible for assisting with issues at the customer level throughout the whole store. This meant that when she received calls about customer issues from various departments that she walked over to each department as issues arose to help the sales person assist the customer. Also, in her position she answered phone calls from customers who were not physically in the store. Their questions were mostly about their online orders and when they should expect them to arrive, as well as questions about their retail card regarding their current balance, minimum payment, and so forth. Heather was proud of her ability to do a great job.

The environment in Trillium Department Store was very pleasant. Customers were happy because they were having an enjoyable shopping experience and employees were happy with their job and duties. Employees were required to have high interpersonal communication skills and were able to use their own judgment in complicated situations. The employees were empowered to drive their own business and success; thus, they went above and beyond for their customers.

Heather was very pleased to be moved to the position of Service Experience Specialist, because she would be able to assist employees throughout the store and solve complicated problems in the customer level. She would be one of the respected “go to” people in the team that employees would approach for help in regards to solving customer issues and providing the right tools to develop themselves as salespeople.

### **The Incident**

At the end of Thursday night, during Heather’s second month in this new position, as she stood behind the customer service counter, a woman approached her. She greeted the customer politely and the customer continued by saying “I am here for my order that I ordered from the catalog.” Heather went ahead and asked the customer if that meant that she had an online order to pick up here at the store. The customer angrily replied, “I just told you that I ordered it from the catalog.” At that time Heather felt very confused because she thought that she had the right idea about what the customer needed but she was not sure. Heather was frustrated that the customer would not clarify what she meant. Heather responded, “I’m sorry ma’am but English is not my primary language and I do not understand what ordering from the catalog means. I want to make sure I get your request right so I can further assist you.” The customer replied, “Then Trillium Department Store should not hire employees whose primary language is not English. Now I have an order to pick up so will you go get it?” Heather found the customer’s order, and sent the harried woman on her way.

### **The Challenge**

But, Heather continued to dwell on how she was treated by the customer. She was shocked that a customer would ever harass her because English was not her primary language. Heather felt discriminated against and that she should have stood up for herself and respond to that comment. But what could she have said? Should she have put her personal feelings aside and continue on with the customer’s request or should she have made a comment about how she did not appreciate

the way the customer was talking to her? Would her job be in stake if she decided to protect herself and ignore the customer's request?

Heather knew that she had to make sure that her relationship with the customers, and especially with the company, was not affected. Her future in this company was important to her and her decisions had to be directed towards that goal. Heather did not want to trouble her supervisor with this issue but was still confused and unsure as to how she should have responded. Heather wondered how she could handle the stress of dealing with rude customers in the future.

# Lululemon Athletica and a Series of Bad Marketing Decisions

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## Introduction

Chip Wilson was so inspired by his yoga classes that he decided to experiment with different fabrics to come up with the ultimate yoga wear. When taking yoga classes, he noticed that cotton clothing that was typically worn did not perform well, given the sweating and stretching required for the exercise. Having previously owned a snowboarding apparel company for 20 years, Wilson was used to running a successful athletic apparel business. Thus, in 1998, Chip Wilson founded Lululemon Athletica, a popular yoga apparel company. However, Chip's previous experience in snowboarding did not prevent him from making a series of bad marketing decisions that resulted in a firestorm of negative publicity for Lululemon Athletica. In 2013, Chip Wilson was forced to resign as chairman of the board. The board of directors hired Laurent Potdevin to take the company in a new direction. However, Potdevin was left with a badly damaged brand image that he needed to clean up rather quickly.

## Company Background

Chip Wilson opened the first Lululemon Athletica store in Vancouver, Canada. This store included a design studio, retail space to display the apparel, and shared space with a yoga studio. The first multi-purpose Lululemon Athletica storefront was popular, and business steadily increased for the company. Over time, the company added more retail outlets, and by 2013 there were more than 200 Lululemon Athletica stores in over 40 different countries around the world. As the company expanded, Lululemon Athletica became known for its fashionable, high-quality yoga pants—one pair of yoga pants sold for as much as \$98. Celebrities such as Reese Witherspoon, Gisele Bundchen, Kelly Ripa, and First Lady Michelle Obama became fans of the brand, and the stylish, upscale merchandise quickly became a fashion trend. Lululemon Athletica became more than just yoga apparel; it became lifestyle apparel for everyday wear (Weinger, 2013).

### A Series of Public Relations Nightmares

In 2006, Lululemon Athletica sold bags that were part of its Vita-Sea line of products. The company claimed that the bag released amino acids and vitamins and was made of seaweed, which reduced stress for consumers who carried it. *The New York Times* conducted a study that found the claims made about reducing stress were false and that the bag was actually made of pure cotton (Story, 2007).

In 2008, the company sold a bag with inspirational quotes printed on the outside. Shoppers discovered that when the bag was washed, less than positive messages were revealed underneath the top layer of text. For example, according to *CTV News Toronto* (2008), quotes found on the inside of the bag referred to being most creative when drunk, stoned, or just after an orgasm (CTV News Toronto, 2008). Lululemon Athletica responded by stitching a covering over the offensive language on the bag but that did not quell consumer complaints, so the remaining bags were pulled from the stores.

In 2011, the company received even more negative press when the media began to cover the trial and guilty verdict of one Lululemon Athletica employee who murdered her co-worker in a Washington D.C. suburban outlet store (Lawrence, 2011). The murder and related conviction brought the company and its business practices under even greater scrutiny from the press and wider public.

In 2013, Chip Wilson moved the manufacturing of Lululemon Athletica's products from Vancouver, Canada to Taiwan in an attempt to reduce costs and increase margins. According to the company, the yoga pants manufactured in Taiwan passed all of the basic metric tests for fabric hand-feel and construction. However, when consumers tried the pants out and began doing yoga poses in them, the transparency of the fabric was noticeable (Berg, 2014). Customers were outraged by the sheerness of the pants and felt their privacy had been violated.

Lululemon Athletica decided to recall the product, and acknowledged the problem on the community blog of the company's website. In the post, Lululemon Athletica apologized to their customers and stated that the pants did not meet their standards for quality. The same day Lululemon Athletica posted on its community blog, *The Wall Street Journal* published an article about the sheer Lululemon Athletica yoga pants, stating that pulling the in-store stock would affect as much as 17% of the product in stock, reducing expected first quarter sales by millions of dollars (Mattioli and Jones, 2013).

During the month following the recall, Lululemon Athletica continued to publish press releases in which the firm took responsibility for the low product quality and attempted to let the public know they were working to remedy the problem. Despite these efforts to admit their mistakes, Lululemon Athletica was still receiving a significant amount of negative press. For example, late night TV show host Jimmy Kimmel created a YouTube video mocking the see-through yoga pants that had over 300,000 views. Lululemon Athletica made an attempt to participate in the humor by putting pairs of the sheer pants on the mannequins in its stores (Kowitt and Leahey, 2013).



Just as the sheer pant issue was settling, Lululemon Athletica faced yet another public relations problem. In July 2013, Elizabeth Licorish, a former employee of Lululemon Athletica, made statements to the press that the company purposely tried to discriminate against larger size women. She claimed that sizes 2-8 were prominently displayed in each store, while sizes 10-12 were cast off to the back of the store under tables. She also noted that the company did not even sell pants larger than size 12. This story created even more negative press for the brand, as some consumers publicly stated that they were treated differently while shopping in Lululemon Athletica stores simply because they did not wear size 2 (Rasmus, 2013).

In a subsequent interview, Chip Wilson was asked why the company did not sell the larger sized products. He claimed that the cost to make larger sizes was too high because it used more top-of-the-line, expensive fabric. In another interview with ABC News (Lustrin and Pantinkin, 2013), Wilson stated that, "Some women's bodies actually just don't work for us." Shortly after these interviews, women took to social media to express their outrage at Wilson's comments. On December 10, 2013, Chip Wilson was forced by the board to resign. In January of 2014, the company hired a new chairman, Laurent Potdevin, who was tasked with creating a new vision for the company. But the company had a badly damaged brand image, and it was unclear how Lululemon Athletica would regain consumer confidence. Potdevin had to address a number of strategic questions: 1) Should the company continue to target its specific market? 2) What else would the company have to do to restore its brand image and consumer trust in the brand? and 3) Would consumers forgive the brand?

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# Finding the Perfect Strategic Partner for an FDA Approved Drug

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## Introduction

MannKind Corporation, stock symbol MNKD, burned \$10 million in cash monthly to develop new insulin that could spare millions of people from the seventh largest cause of death but external funds were needed to avoid company demise (Markey, 2013). MNKD's losses mounted as it spent billions to develop the new drug (Afrezza) to help diabetics manage the dreaded disease and avoid having to stick themselves with needles (Seeking Alpha, 2014). Insulin usually had to be injected but Afrezza was fast acting dry powder and less intrusive since it could be inhaled. The Federal Drug Administration (FDA) approved it; but, Afrezza was not yet on the market, thus MNKD was unprofitable. The firm decided to find a partner that could bring Afrezza to market and provide needed funds. Pfizer, a large pharmaceutical (pharma) firm, had tried to market a similar product in 2006 and failed, costing the firm \$3 billion (Macaluso, 2012). MNKD knew money and marketing were not the only things needed to make a drug successful. Management reviewed decision tools and processes that allowed them to select the best firm from a short list to market Afrezza and sustain their firm (Seeking Alpha, 2014).

## Industry Background

Kale & Singh (2009) suggested industry characteristics were as important to strategic alliance success as key internal partner traits. Industry characteristics provided external opportunities and threats that allowed alliances to achieve success. The biotechnology industry was competitive and the top 1% created most of the revenue (The Industry Handbook: Biotechnology, n. d. ). For biotechnology firms without profitable products, a major threat to long-term survival was lack of external financing (Rothaermel & Deeds, 2004). Thus, firms invested most of their resources in drug development and then partnered with pharma firms to market FDA approved drugs (Rothaermel & Deeds, 2004; The Industry Handbook: Biotechnology, n. d. ). Strong strategic partners had internal traits such as a healthy network of Healthcare Professionals (HCPs) and involved seven other internal traits as shown on the short list of potential partners in Table 1.

### Potential Strategic Business Partners

Several firms on the short list were capable of marketing Afrezza (see Table 1). Pfizer, Johnson & Johnson, Merck & Co. and Eli Lilly & Co. were large, stable and diversified U. S. based firms. As point out, Pfizer failed with a similar product in the past and Eli Lilly was the only one of the four that marketed the same type of insulin as Afrezza. The second largest pharma firm in the world, Switzerland based Novartis, had a weak reputation in the diabetes market. Swiss firm, Roche, was the third largest pharma company in the world; yet, failed to create a strong presence in the diabetes market. French based Sanofi ranked fifth in the world among big pharma and marketed the same type of insulin as Afrezza. UK based GlaxoSmithKline was the seventh largest pharma firm in the world but, similar to Novartis and Roche, they had not formed a strong presence in the diabetes market. UK firm, AstraZeneca, ranked tenth in big pharma, was a major player and successfully marketed many diabetes drugs. Danish pharma firm, Novo Nordisk, ranked nineteenth globally, had a vast diabetes pipeline and had a drug similar to Afrezza under development (Seeking Alpha, 2014). Kale & Singh (2009) placed all internal partnership traits into three categories (commitment, complementarity and compatibility) to analyze the scope and success of strategic interfirm relationships.

**Table 1: Potential Partners for MannKind Strategic Alliance Formation (2013)**

Company Name	Global Rank	US Rank	Revenue USD \$M	No. of HCPs Paid	Gross Profit Margin	Diabetes Products Name/Description	Competing Products?	Complementary Products?
Johnson & Johnson	1	5	71,310	97,000	69%	LifeScan Ultra: Blood sugar meter Animas: Insulin pump	No	No
Novartis	2	6	56,670	64,500	69%	Starlix: Oral drug	No	No
Roche	3	2	52,310	NR	66%	Accu-Chek: Blood sugar meter	No	No
Pfizer	4	1	51,580	142,600	81%	Exubera: Inhaled insulin (discontinued); Ertugliflozin (Phase 3): Fast-acting oral	Yes, Ertugliflozin	No
Sanofi	5	9	52,300	NR	59%	Lantus: Long-lasting injectable insulin; Apidra: Fast-acting injectable insulin	No	Yes, Lantus, Apidra
Merck	6	3	44,000	81,300	62%	Januvia: Oral drug; Ertugliflozin (Phase 3): Fast-acting oral	Yes,Januvia, Ertugliflozin	No
GlaxoSmith Kline	7	7	43,900	85,100	68%	Avandia: Oral drug	No	No
AstraZeneca	10	11	25,700	111,200	77%	Oral: Onglyza, Symlin Komboglyze Farxiga; Injectable Exenatide: Inject, long-lasing	Yes, Exenatide	No
Eli Lilly & Co.	11	8	23,100	79,000	79%	Humalog: Fast-acting injectable	Yes, Humalog	Yes - Humulin
Novo Nordisk	19	13	15,400	NR	77%	Levemir: Long-lasting injectable	Yes, FIAsp	Yes - Levemir

Source: Seeking Alpha, 2014; Ornstein, Grochowski Jones & Sagara, 2014; Stock Analysis on Net, 2014

## **Company Background and Scope of Strategic Alliance Interfirm Relationships**

Kale & Singh (2009) asserted the scope of interfirm relationships ranged from contractual to equity arrangements and determined strategic partnership success. MNKD was not yet profitable and stakeholders anxiously awaited a marketing partnership. Immediate financial distress moved many firms in this situation to focus on contractual deals that offered a sizeable upfront payment. Still, contractual arrangements such as large, up-front licensing fees tended to mean smaller future royalty payments (Pullan, N.D.). Since the CEO had substantial equity in MNKD and prior experience with partnerships, he was unlikely to settle for a licensing deal that failed to benefit himself and the firm long-term. Thus, he pondered whether all traits showed in Table 1 were equally crucial criteria for selecting strategic business partners (Seeking Alpha, 2014).

### **The Strategic Alliance Decision Challenge**

Although arrangements that improved weak cash flow were important short-term MNKD needs, long-term sustainability was also important. The second most vital consideration for a strategic alliance deal was whether a firm had a strong presence in the diabetes market (Seeking Alpha, 2014). Most firms believed potential partners needed to have a proven ability to market diabetes products. Not far behind in terms of importance were established contacts with HCPs, a solid reputation, and expert diabetes knowledge (Seeking Alpha, 2014). Afrezza, along with new products by Eli Lilly and Sanofi, was “fast-acting” insulin that worked quickly after use and lasted for a few hours (Seeking Alpha, 2014). In addition to knowledge about conventional diabetes treatment options, an ideal partner needed to be knowledgeable about fast-acting insulin. As a novel product, Afrezza required HCPs to become educated and trained about how it worked and how to use it – which was a potential barrier to market (Seeking Alpha, 2014). If this new type of inhaled insulin was not well received by HCPs, potential business partners would need to be very skilled in this area to avoid the risk it would miss patients who could reap the benefits.

The need for MNKD to find a partner was not as simple as finding a big pharma firm with an existing diabetes network, product platform and money to invest (Seeking Alpha, 2014). Although this trait or factor was not as important as previously mentioned company traits, direct competition with a partner’s existing or future diabetes product might entice a firm to become a partner for the sole purpose of making sure Afrezza never made it to market (Seeking Alpha, 2014). This scenario was a major threat to MNKD future royalty payments, which were desperately needed to continue operations. An ideal scenario was a firm with diabetes products that complemented Afrezza (Seeking Alpha, 2014). If Afrezza worked well for some patients but not others, a complementary product would work well for those patients who did not benefit from Afrezza. If you were CEO, what confidence for success did the short list create and what decision process and tool would you use to select the best strategic business partner in Table 1?

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## Deployment or Demotion

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### Introduction

On the flight back to his home station, Army captain (CPT) Jack Thompson pondered his choices. He had to decide soon because his combat support company was about to deploy to Afghanistan. During a rotation at the National Training Center (NTC) at Fort Irwin, CA, he had recognized leadership gaps in two platoons. He could leave platoon leadership intact, remove and reassign the platoon leaders elsewhere in the battalion, or reorganize the company leadership internally. This decision would impact the company and the careers of his platoon leaders.

### Background

A recent graduate of the Army's mid-level career course, CPT Thompson was a distinguished military graduate of a major university's Reserve Officers Training Corps (ROTC) program. He attained company command after successful stints as a platoon leader and executive officer. His company was comprised of 100 enlisted soldiers and three commissioned officers organized into two platoons, a headquarters section, and a maintenance section. A second lieutenant (2LT) platoon leader and a sergeant first class platoon sergeant (PSG) led each platoon. In the Army's hierarchy, non-commissioned officers—sergeants—were first-line supervisors charged with caring for the needs of soldiers. When commissioned officers, such as lieutenants and captains, took command of any unit, they were held responsible for *everything* the unit did or failed to do.

Being a platoon leader involved two distinct roles. First, the platoon leader needed to lead from the front, be the most physically fit, tactically sound, and technically proficient. Second, the platoon leader was responsible for day-to-day administration of his platoon. Platoons were evaluated both on execution of assigned tasks and on the documentation provided upon completion. Task completion included a required After Action Review (AAR) to be submitted to the company commander. An AAR was a structured de-briefing of an event that enabled soldiers to discuss and document what happened, why it happened, and how to sustain strengths and improve on weaknesses. Leaders and units used this tool to gain benefit from every task.

CPT Thompson's hands-on leadership style involved him in every aspect of unit preparedness. He had established an officer professional development program within the company in order to clearly lay out his expectations and mentor his lieutenants, who had arrived only a few months before he took command. The lieutenants were receptive to this program and took their careers seriously. After six short months under his command, his company had evolved from an undermanned, under-trained unit to first in the brigade in terms of readiness and training.

Then CPT Thompson's battalion commander informed him that his company was going to deploy to Afghanistan for a year. Thompson had eight months to prepare for deployment, including a rotation to the NTC for training before final preparations for deployment. The battalion commander held high expectations for the company, and CPT Thompson intended to deliver. Thompson was confident that he could meet all deployment requirements, yet he knew that he would inevitably face tough decisions.

In preparation for the NTC rotation, the company successfully completed all training assignments and met their benchmarks for training, personnel manning levels, maintenance for weapons, vehicles, and equipment, and overall combat preparedness. While both platoon leaders were proficient and competent, their leadership would be tested in a combat zone. CPT Thompson needed to ensure that he put the company in the best position to be successful during deployment and to make any leadership changes in time for soldiers to adjust before deployment.

CPT Thompson noticed disturbing trends with the leadership and management styles of his platoon leaders and their over-reliant relationships with their respective platoon sergeants. He closely monitored their professional development programs, hoping that after the NTC rotation the platoon leaders would demonstrate greater leadership abilities. Deployment required each lieutenant to be fully competent in all aspects of his position. If either or both did not fully meet the criteria, CPT Thompson needed to make a decision that would have a lasting impact on the company, and might damage the careers of the lieutenants: deployment or demotion.

### **The Platoons**

2LT Jeff Russell, a 28-year old Officer Candidate School graduate with six years of enlisted experience prior to commissioning, led First Platoon. Russell's leadership style was similar to CPT Thompson's, in that he was very involved in the day-to-day operations of the platoon and created a culture of professionalism and trust with his soldiers. Russell diligently trained his junior leaders and provided opportunities for them to develop their own careers.

2LT Russell scored highest on physical fitness tests and received outstanding tactical evaluations; however, he fell short in the detail-oriented nature of writing operations orders, managing required maintenance programs, and keeping up with the administrative tasks of his platoon. Russell was involved in day-to-day operations and had specific reporting and administrative requirements. He delegated AARs to his platoon sergeant, who was on top of all of the administrative tasks of the platoon. CPT Thompson knew that those tasks were the responsibility of the platoon leader. He outlined these on 2LT Russell's counseling forms and continually worked with him to improve his administrative skills. For instance, CPT Thompson gave Russell assignments designed to focus on report writing and conducting meaningful AARs. Thompson knew that during a deployment, administrative skills were essential and highly visible because of increased operational tempo.



2LT Jack Wagner, a 22-year old, Ivy League school graduate commissioned directly from his ROTC program with no prior military experience, commanded Second Platoon. A highly intelligent mechanical engineer, Wagner excelled in technical aspects of platoon leadership such as managing the administrative requirements of medical readiness, promotion schedules, report writing, and AAR documentation. However, 2LT Wagner struggled to take charge and provide clear and confident instruction. The PSG for the second platoon was a 15-year Army veteran with multiple deployments whom Wagner relied on heavily to run the day-to-day operations of the platoon, take charge of mission execution, and lead training events.

CPT Thompson observed that whenever soldiers in the platoon had issues or needed guidance, their first call was to the PSG and not to 2LT Wagner. This bothered Thompson because the types of problems being raised to the PSG were of the sort that should have been handled by the platoon leader. 2LT Wagner repeatedly missed the mark and his soldiers were going around him to get their answers. On his counseling sheet, CPT Thompson wrote in bold letters: “As the platoon leader, you are responsible for everything your unit does or fails to do.” Thompson believed that NTC experience would either force 2LT Wagner to fully lead the platoon, or put him in a downward career spiral.

### **National Training Center**

The NTC offered final training for units deploying to Iraq or Afghanistan. Its training simulated day-to-day operations of units forward-deployed in combat zones. Each unit was treated as if in a combat zone, and everything was documented for evaluation. CPT Thompson knew that this would be his best opportunity to evaluate his platoon leaders. On the flight to Fort Irwin, Thompson had one final professional development meeting in which he clearly laid out his expectations to both platoon leaders. He specifically told 2LT Russell and 2LT Wagner the performance dimensions he would be evaluating and the standards for success. The platoon leaders would be evaluated on their mission preparation and planning (to include writing clear and concise operations orders), mission execution, and recovery operations, including AARs.

The final NTC exercise exploited unit weaknesses by design. While the unit successfully completed the intermittent missions and the culminating field exercise, CPT Thompson’s fears about his platoon leaders were confirmed. 2LT Russell’s platoon exceeded expectations, but Russell himself received criticism and a below average performance evaluation in the planning phase of the culminating exercise. During the test mission, he failed to brief key aspects of communication and recovery plans in the operations order. 2LT Wagner received outstanding evaluations in the planning phase, but once the operation began, he allowed his PSG to take over and his command presence was minimal. When his platoon reached its objective, Wagner was in an observation post, unable to control movements of his personnel.

With deployment set for five months after the NTC rotation, CPT Thompson needed to make a decision as soon as possible. He reviewed both his evaluations and the evaluations provided by the observer-controllers at NTC. As neutral observers during simulated combat, observer-controllers followed battles, monitored radio transmissions, and gathered data for the AARs. The observer-controllers and CPT Thompson reached similar conclusions on the leadership and technical proficiency of his platoon leaders. Before he called his platoon leaders into a meeting in which he would inform them of his decision, Thompson pondered possible courses of action: leave the platoon leadership as it was, remove and reassign one or both platoon leaders elsewhere in the battalion, or reorganize the company leadership internally. This decision would have a lasting impact on the company and on the careers of his platoon leaders.

## Half-Baked

George Kelly, Colorado Mesa University

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### Introduction

“This can’t be happening,” Gerry spoke out loud as if someone else were still standing in the kitchen. Gerry couldn’t believe his ears. One of the other chef instructors had just told him the new baking chef, Diane Harvey, had been promoted over Gerry to a full time position. Gerry Kennedy had been an adjunct instructor at the community college for six years. When the full time position was originally posted, Gerry’s supervisor, Dave Klein, had advised Gerry that he might not be qualified for the position because he lacked the Certified Executive Pastry Chef (CEPC) needed for the job. Gerry now wondered whether his current position was secure, or whether it was time to move on to a new opportunity.

Gerry had enrolled in the culinary arts program offered at the college years before. He had performed so well as a student that he was the first graduate of the program to be invited back as an instructor. The community college had offered a conversion program where graduates could take their Associate of Arts degree and transfer to the university in town. With additional course work, students would end up with a Bachelor of Arts degree in business. Gerry had willingly made this conversion, added a second undergraduate degree in Marketing, and eventually went on to get an MBA at the university.

During this period, Gerry had continued to work as an adjunct instructor in the culinary arts program. Gerry remembers being very excited when the full time position was made available. Even if he lacked the CEPC qualification, his six years of experience combined with his three business degrees would make him a candidate. That was before Dave Klein had advised him they would keep looking for even more qualified candidates. Gerry was disappointed, he felt he at least deserved an interview, but realized that he might have to consider an adjunct position in the business department at the university instead of staying with the culinary arts department.

Then Grant heard the news that Dave had given the full time position to Diane Harvey, the new adjunct. Gerry couldn’t understand how this could be possible. Diane did not have the CEPC qualification listed in the job posting. She also did not have any other college degrees or his teaching experience; not even the Associate of Arts degree that the students she was instructing were working on. There was already other women working as instructors, but like all the instructors in that department, they were younger than Gerry.

### **Gerry Kennedy**

Gerry Kennedy was in his fifties when he decided to change careers. Culinary Arts had seemed like a good way to secure an income in food service while working on his real objective: A B.A. in Business Administration. Gerry began working as an instructor right after receiving his A.A.S. in Culinary Arts. Students and faculty both like Gerry's friendly and positive personality. Being an Instructor at the community college was the perfect part-time job for Gerry while he finished his degree.

Gerry worked as an adjunct instructor until his graduation in 2010. Because of his age (now 55 years old) and no better full time job prospects, Gerry immediately enrolled in the MBA program at the University. After graduation in 2012, an MBA allowed Gerry to teach a whole new set of classes for both the Community College and the University. Gerry was sure that being able to teach more courses would make him invaluable to the Culinary Arts Department and insure him a full time job there. When the new job was listed, Gerry was sure that this was the break he had been waiting for.

### **High Desert Community College**

High Desert Community College had been a vocational school until it was acquired by the University and became an extension campus for general education classes, as well. Students enrolled in Culinary Arts Associate of Applied Science programs had an option to convert them to Bachelor of Applied Science degrees by transferring to the main campus of the University.

### **Dave Klein**

Dave Klein had been the Department Head for the Culinary Arts Department at High Desert Community College for 19 years. Dave had owned both full service and limited service restaurants in the past and was well respected at the college. Gerry had never seen a job description from Dave, and while full time employees (FTEs) are hired by committee through the HR Department, it was Dave's decision alone to hire adjuncts for the program. Like other instructors in the Culinary Arts Department, Dave was under pressure from the University to finish his undergraduate degree. Last year, Dave actually had to take Gerry's computer class as part of Dave's B.A. requirements. Dave ended up with a "C" for that course.

### **Diane Harvey**

Diane Harvey was a 42 year old business owner from the local community that had owned and operated a cake and cupcake business for 10 years. She was a self-taught baker that was looking for a change to the demanding rigors of self-employment. The baking instructor opportunity at the community college seems perfect for Diane. Diane started as an adjunct instructor, but after three months, was promoted to a full time position.

Diane enjoyed teaching and got along well with the students. Department Head Dave Klein told Diane that she was the best suited employee to be advanced to the full time position as no other qualified applicants had even applied. Diane was excited about her new opportunity, sold her cake and cupcake business, and began a second career at the community college

### **The Pastry Chef Controversy**

In 2013, a new instructor position was listed for a Certified Executive Pastry Chef. Although Gerry taught baking classes and was the senior adjunct skills instructor, he had never pursued getting the CEPC certification. This was largely due to Gerry being enrolled in the University's MBA program. Gerry had graduated with his MBA in the spring of 2012; the first Culinary Arts Department graduate to earn one. Although Gerry knew that the CEPC certification was important for the position, he was confident that if no one who applied had one, they would pick him because of his seniority and academic accomplishments.

### **Gerry and Dave's Meeting**

Gerry made an appointment to talk with Dave Klein about the new job.

Dave was as cordial as ever and explained that no favoritism had been shown; that the new Instructor simply had more pastry experience.

Job fulfillment was not based on seniority, but on job qualifications. Because this advancement was to a full time employee (FTE) position, the hiring was done by Committee, and it wasn't Dave's decision alone.

Dave explained that although Gerry had two undergraduate degrees and an MBA, the Culinary Arts Department was a vocational curriculum and those qualifications didn't matter as much.

Dave told Gerry he was welcome to stay and continue to teach his three baking classes.

### **Moving Forward**

Gerry wondered what to do next. Had he overstayed or outgrown his welcome at the Community College? Was it possible Dave was upset about the computer class grade? The business department at the university had offered Gerry a chance to teach three business classes for them next semester. Gerry wondered if he should abandon his hope of getting a full time job at the Community College in-lieu of a different opportunity at the University.

The university job was closer to Gerry's current skill set, but he had an emotional attachment and a long history at the Community College. Gerry had to make a big decision, and he had to let the University know his decision in one week.

## Leonidas Mining on the Edge

**Patricia Lontoc, Asian Institute of Management**  
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### Introduction

“Chewed out?! Sent home without pay?!” exclaimed Lito de Guzman, President and Chief Executive Officer (CEO) of Leonidas Mining Philippines Joint Venture. Using his iPhone, he called his son, Ron de Guzman, the Director of Operations (DOO) at the mines in northern Philippines for a situationer. That Monday, Ron reported to him trucks were redeployed from the plant to mine sites in the Lahar Desert, a large area that contained breccia and boulders mixed with rain water and lava flow from the volcano. A payload truck filled with raw materials stalled there since Saturday. By Ron’s calculation, with only the other trucks left, there would be a 40 percent reduction of the daily targets. Peter Sanders, the new Chief Operating Officer (COO), had angrily sent home without pay the operations team, who were all locals. Lito told Ron, “Stay put. I want to talk to the team with you. I’m just 15 minutes away.”

Ron had been impressed by Peter’s strict command-and-control style of management to meet production and profit targets. Meeting these goals was necessary for Leonidas Mining to survive. He was becoming more cautious though about how Peter related with the locals. The locals were a hardy people: polite, friendly, with an aversion to confrontation. They were with the operations team from the start. He recalled how his father treated them with respect and kindness. They reciprocated by going the extra mile, working voluntarily on weekends, even if they sensed that the corporation was teetering on financial distress. Ron pondered: “These past two weeks working with Peter signaled there is no time for kindness. Daily targets must be met at all costs. The locals need to find the positives and not lose morale. What should I do now?”

### Leonidas Mining Philippines Joint Venture

Leonidas Mining Philippines was an all-Filipino family corporation founded by Lito, who was its Board Chairman, President and CEO from 2011-2013. It reorganized into Leonidas Mining Philippines Joint Venture in early 2014 with its partner, Gab International, headquartered in the United States of America, with its newly opened Asian office in Hong Kong. Gab International was diversified into industrial real estate, alternative energy, and mining. Leonidas Mining Philippines Joint Venture kept Lito as Board Chairman, President and CEO, along with two other

board directors and the Independent Board Director. Gab International brought in three board directors who also constituted the Investment Committee.

Leonidas Mining's main business was the production of iron ore, a mineral used in steel production, exported mainly to China. It had a total of 107 employees, and 95 of them were in the operations unit. The plant was set up in the Zambales region in northern Philippines, geologically tested and found to be rich in metallic minerals such as iron ore and titanium. The production process would start with the gathering of raw materials from the mine sites surrounding the plant site. This was followed by the extraction of iron ore from raw materials using magnetic separation in the processing plant. To meet its daily targets for raw materials gathered and finished goods produced, Leonidas Mining had to fully utilize all of its heavy equipment: seven dump trucks, four payloaders, three backhoes, and two bulldozers.

### **The COO, the CEO, and the DOO**

A month after the joint venture agreement, Leonidas Mining started to perform poorly because of production setbacks: heavy rains that slowed down the gathering of raw materials, trucks breaking down, and inadequate monitoring of operations. A new COO was quickly recruited: Peter had experience as COO and CFO of manufacturing companies in the United States and Australia. His mission was to increase production using all means possible.

The CEO agreed to Peter's appointment as COO, believing his experience would speed up the corporation's turnaround. Lito wanted the DOO - his son, Ron, an MBA graduate - to take over Leonidas Mining someday so he constantly reminded Ron to learn as much as he could from Peter. Lito spent most of his time building relationships with Chinese firms but he didn't miss reviewing daily performance reports. He would give direct orders to operations to avert crises.

Ron had been with Leonidas Mining since it started. He began his working day having breakfast meetings with Fabian, the plant manager; Jake and Roger, both operations supervisors; Chris, the warehouse manager; and William, the field accountant. These meetings focused on the action plan for the day and issues related to people and production. His daily routine was to walk around the 10-hectare processing plant interacting with workers. He joined truck drivers as they made their way through the mine sites. These person-to-person interactions made the locals open to communicate with him. In turn, he learned about their concerns.

### **Peter and the Operations Team**

Peter's first link to the plant was Ron. On his first week, he asked Ron to deliver his instructions to the locals: heavy equipment deployment, adequacy of manpower, and release of funds to purchase supplies. On his second week, he began exerting his influence, speaking directly to Fabian, giving direct orders, with Ron present and ready to follow-up implementation. That Monday morning of his third week, Peter was optimistic as he greeted Ron while he made his coffee at the staff house, located only 500 meters from the plant. "It's going to be a great day today," Peter said. "I see good sunny weather outside. All trucks should be available. All workers should be present." He was expecting good news from the plant and mine sites. The past two weeks had unfolded with daily disappointments: trucks breaking down, unfavorable weather conditions, shortage of supplies, and inadequate manpower. These problems prevented Peter from reaching his daily targets for production and cost control. Disappointed but

undaunted, he told Ron: “This could be a start of great things to happen.” He was entrusted with a bold mission: he was determined to succeed. “I can’t wait to see Fabian and the rest of the gang! Ron, you better get the cold drinks ready for tonight’s celebration,” Peter said. He smiled as he imagined himself delivering the good news to the joint venture investors later that day.

“Good morning boys! How are you doing today?” Peter greeted Fabian, William, and Chris as he approached the field office. “We’re doing great, sir. How about you?” replied Fabian, with a hint of nervousness in his voice.

“I’m good, thanks. So, how did we do with last night’s delivery?” Peter asked. The delivery he referred to was the raw materials the gatherers picked from mine sites in the morning, placed them in the afternoon in trucks that drove back to the plant at night. The amount of tonnage collected determined processing levels. “I’m afraid we are short on our deliveries again, sir,” Fabian answered anxiously.

“Haha! You’re kidding me, right? I could still remember your exact words last Friday, Fabian!” Peter exclaimed as his jovial mood started to shift slowly into agitation. “Yes sir, I know. But one of our trucks broke down in the middle of the Lahar Desert. It had to be pushed by one of our bulldozers back here. Lito gave an order Saturday night to have two of the trucks and two payloaders sent there,” Fabian answered. Ron calculated in his mind that with only five trucks and two payloaders, there would easily be a 40 percent reduction of daily production targets.

“Aarrggh! Fabian, our targets were clear last Friday! If we don’t step it up we’re all gonna lose our jobs! Don’t you understand that?! I thought I told you to inform me if *anything* happens!” Peter barked angrily. “Peter, Ron, this is not our fault. We did not want the truck to break down and who are we to say ‘no’ to the CEO’s orders?,” William responded calmly.

“I don’t care. I’ll talk to Lito to bring those trucks back here. I’m stopping operations until we get enough raw materials. Fabian, send the workers home. It’s no use paying them if we’re not operating!,” Peter exclaimed, fuming as he walked away. Ron saw that Peter was under stress.

### **Ron’s Dilemma**

Ron understood that missing daily targets repeatedly could mean closing down Leonidas Mining, but he was alarmed at how Peter reacted. He sent operations staff and workers home without pay, and indefinitely. If this kind of treatment of the locals continued, they might lose their morale and become unproductive. Ron’s experience of working with these men taught him they were sensitive and not used to this kind of aggressive approach. The last thing he wanted was for the plant to close down and for the workers, whom he saw as his friends, to lose their jobs. He pondered: “What should I do to avoid this kind of situation from happening again? Should I talk to Peter, the team, or should I wait for my dad first?”



# The Race to the South Pole: Lessons in Problem Solving, Planning, and Teamwork

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## Introduction

Antarctica lies at the bottom of the world encircled by the Southern Ocean and isolated from the shores of South America, Africa, Australia, and New Zealand. The Heroic Age of Antarctic Exploration occurred during the first decades of the 20th century, when humans first ventured onto its ice shelves. Explorers Robert Falcon Scott and Ernest Shackleton mounted expeditions to explore the Antarctic and place the British flag on the geographic South Pole. In January 1909, Shackleton ventured within 100 miles of this objective when he and his crew were forced to retreat just short of their goal (Ponting, 1975; Shackleton, 2010). Expedition members walked a considerable distance after losing their ponies, endured blinding blizzards, and suffered illness from eating tainted pony meat. They also nearly starved to death after cutting rations to stretch their dwindling supplies.

After learning that others had reached the North Pole ahead of him, Norwegian explorer Roald Amundsen focused on the South Pole, while Scott organized another expedition to succeed Shackleton. When each became aware of the other's intentions, it triggered a race between the explorers and the two nations, each vying to be the first to conquer the South Pole. This rivalry prompted each team of explorers to identify the objectives of their mission and to design an expedition in accordance with their aims. Each explorer considered a variety of objectives, such as gaining territory, survival, and national pride. How should success be defined based on what is selected as the primary objective? Based on this objective, what factors must the explorers consider when mounting a journey to the South Pole and returning safely? Indeed, success variously hinged on numerous small decisions. The brave leaders of these expeditions would have to schedule and chart their course as well as select appropriate, food, clothing, shelter, and transportation, not to mention equipment and supplies. What provisions and planning would an expedition need in order to be successful?

### **Why Venture to the South Pole?**

The Antarctic fascinated many adventurers over the years, and they were motivated by a variety of factors. In terms of geographic exploration, Scott and Shackleton discovered that the rocks and structure around the Ross Sea were remarkably like the rock structure of Australia (Taylor, 1930). This, however, did not curb the scientific community's curiosity surrounding the mystery of what awaited inland. With the goal of investigating specialized polar phenomena, Sir James Ross was dispatched in 1840 by the British government to advance scientific knowledge of magnetism. Ross' journey also served to claim honor for his country by claiming the South Magnetic Pole for Britain, just as he did on the North Magnetic Pole. The South Magnetic Pole, however, differs from the geographic South Pole. The geographic distance between the South Geographic Pole and the South Magnetic Pole is approximately 2,858 kilometers (1,775 miles) (Taylor, 1930). However, as of 1912, the geographic pole remained elusive to polar explorers.

### **The Hostile Continent**

Of the seven continents, Antarctica is the most inhospitable, with the coldest, windiest, and driest climate in the world. Antarctica is located 950 kilometers away from the nearest neighboring land, Cape Horn, Chile (Brewster, 1982). Continental Antarctica covers about 3 million square miles. By comparison Europe spans 3.9 million square miles (Taylor, 1930). The surface area of Antarctica varies with the seasonal pack ice. In late winter and spring, pack ice can extend up to 1,100 kilometers from the coast, isolating the continent from access by ship from mid-March to November. The pack ice can easily crush unwary ships trapped within it (Brewster, 1982). The ice sheet is separated by the Transantarctic Mountains. Some maps express the Transantarctic Mountains as a possible continuance of the Andes Mountain Range (Taylor, 1930).

The temperatures in Antarctica typically range from about -30° F in the day to -60° F at night (Panama Pacific International Exposition, 1915). At these temperatures, steel shatters when dropped and a cup of water explodes into ice when tossed into the air (Brewster, 1982). However, low temperatures are not as much a problem as are the cold winds. According to Brewster (1982), Antarctica is the world's windiest continent. With gales that often exceed 200 kilometers per hour, wind is thought to be a major factor limiting human involvement in Antarctica. Polar explorers of the day often used wool, fur, or animal skins to protect them from the elements; however, not all garments were equally effective. Various types of portable shelters were also useful, but the cost for added protection at camp was paid for in term of extra cargo weight. In addition to the harsh temperatures and severe winds, Antarctic explorers have only about 150 days in which to travel (Panama Pacific International Exposition, 1915). For the remainder of the year, Antarctic has little to no daylight.

The plant life of the continent could almost be dismissed in a sentence, "there are no flowering plants in Antarctica" (Taylor, 1930, p. 200). There are few food sources available on the Antarctic mainland, and accordingly, there are no land animals aside from a few insects. In contrast, the polar waters are free from bacteria, which results in a lush oceanic ecosystem teeming with krill. The orca whales, which often feed on krill, have also been found to attack men and dogs who venture out onto the ice flows (Taylor, 1930). While more benign aquatic species, such as seals, can serve as a food source, the success of an expedition often relied on the party's ability to stay nourished (Panama Pacific International Exposition, 1915).

### Traversing the Ice

In addition to man-hauling, there were three means by which to transport heavy sledges across Antarctica's frozen terrain, namely, ponies, dogs, or internal combustion engines (Panama Pacific International Exposition, 1915). Although Shackleton's 1908 journey to South Pole was not successful, he found ponies to be effective for negotiating Antarctica's many crevasses. With some frustration, however, he observed that their hooves often broke through patches of thin ice (Ponting, 1975). Scott's first inland expedition of 1902 was assisted by dogs. Although dogs were great companions, they proved to be practically useless on the return trip and could barely stagger eight miles per day (Taylor, 1930). Accordingly, Scott placed little reliance on dogs and resorted to man-hauling the sledges over the ice and snow. Furthermore, Scott was the first to experiment with balloons and motorized sledges. The challenge with these modes of transportation, however, was fuel evaporation (Panama Pacific International Exposition, 1915). However, designing a successful expedition involved numerous small decisions beyond just transportation, from charting and scheduling a course to selecting appropriate food, clothing, and shelter, not to mention equipment and supplies. The list below provides only a small sample of some of the items that were available to the explorers as options.

Anemometer	Compass	Hydrogen	Portable huts	Sledges
Animal skins	Construction tools	Kerosene	Rifles and pistols	Tins of fruit
Axes	Dogs	Matches	Seal meat and blubber	Woolen sweaters
Biscuits	Fur clothing	Penguins	Sextant	
Coal	Hot air balloons	Ponies	Skis	

### Organizing the Expedition

At the dawn of the Heroic Age of Antarctic Exploration, Scott and Amundsen were both poised to launch rival expeditions to be the first to conquer the South Pole. They had the benefit of learning from their previous efforts and those who ventured before them. Decisions for each expedition would need to be based on how the teams defined success. What decisions promised the best chance of success and what were the implications of these decisions?

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# Cannonball!

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## Introduction

Late one night Laura received a call from the president of a homeowners' association regarding one of the community swimming pools she supervised. "Laura! We need you to get here immediately! I found two of your guards using the pool after hours," he shouted. Promising to get there as quickly as possible, Laura hung up the phone and raced to the pool. Laura wondered how she should respond to this situation. This was her first management crisis and Laura knew she would have to address her employees' behavior while also appeasing the homeowner's association leader. Her heart was pounding and her thoughts swirled as she raced through her options on her way to the pool.

Laura was a 20 year old college student going into her third year of school. For the past three summers she had worked as a lifeguard for a large pool management company, Private Pool Services (PPS). In her position she served as a lifeguard for a single guard, private community pool. At the beginning of her fourth summer she had been promoted from lifeguard to supervisor.

While she had three years of experience as a lifeguard, this was her first management experience and Laura was excited for the opportunity. She was optimistic about the summer season because, despite her lack of experience, she knew the industry and was eager to apply concepts she had learned in her management classes.

## Background

Private Pool Services had staffed and maintained private community pools in a large suburban area for the past 20 years. Services they provided included training lifeguards in both lifesaving capacities, as well as the maintenance of the pools and their surrounding pool area. Their aim was to provide customers with a safe and clean swimming environment.

PPS supervisors' responsibilities included maintaining seamless operations for upwards of ten pools within a thirty mile radius. Laura was in charge of a total of nine pools and roughly seventy lifeguards within her territory. Her responsibilities included the staffing, training and disciplining of lifeguards for each individual pool. She was also in charge of scheduling the lifeguards, resolving any issues as they arose, and ensuring that the pools were properly

maintained. The position had no lifeguarding duties, but Laura would occasionally cover a lifeguarding shift due to several pools being understaffed.

Each pool had two shifts (morning and afternoon), with one lifeguard per shift each day. Each shift was six hours long with a ten minute “safety break” each hour to ensure guards remained properly hydrated and alert in the hot weather. The lifeguards generally consisted of students in their junior or senior years of high school and some college students.

In addition to lifesaving and safety services, PPS also provided pool cleaning and maintenance services. In order to keep in line with industry standards all guards were required to be properly trained and managed closely in these areas by PPS. The company routinely performed mandatory health and safety checks and submitted monthly reports to industry regulators.

Laura was very happy in her new position as supervisor. They were halfway through the summer and everything was running smoothly. Other than some of the individual pools being understaffed, the season had progressed without any major incidents.

### **The Challenge**

After hanging up the phone, Laura jumped in her car and sped off toward the pool. As she drove she anxiously analyzed how to deal with the situation she would have to resolve at the scene.

Upon arriving, the homeowners’ president brought her up to speed on what had transpired. Two guards employed at the pool, Jessica and Emily, had been found using their company keys to access the pool after hours in order to allow themselves and a group of ten friends to swim. The president of the community’s homeowners’ association discovered the group sometime after 10 p.m. He immediately sent the ten friends packing, but told Jessica and Emily to stay and wait for Laura to arrive. He had not involved the police, despite the trespassing violation due to the fact that Emily lived in the community.

Company policy stated that employees “are only allowed in the pool facilities during the time of their scheduled shifts, with a 15 minute buffer window on either end of their shift.” This had been made clear to all lifeguards under Laura’s employ. The girls’ performance prior to this was adequate but not outstanding. The homeowners’ association president demanded immediate action on Laura’s part in resolving the incident. Laura knew that whatever decision she made would impact the pool for the rest of the summer season.

After he left, Laura considered what to do. She realized the homeowners’ association President was not clear about what he thought was appropriate “immediate action” and had left that up to her. She also felt that she could handle this on her own and did not seek her corporate supervisor’s assistance at this time of night. This was within her responsibilities to manage.

How should Laura respond to the situation and what would the implications of her decision be? Should she fire the guards on the spot since they were in flagrant violation of company policy? She had the authority to do so. She was not sure if that was the action the president of the homeowners association meant. Laura wondered, should she put the girls on a probationary period since the pool was already so short staffed? If she fired them, she was not sure she could staff the pool this late in the season. So, perhaps another action would be more suitable?

## Sam Cooper: To Stay With the Family Firm or Not!

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### Introduction

Card denied! The message appeared on the screen like a recurring bad dream. I had 10 lawns to finish fertilizing that day before I went to my other part-time job and there I sat with a company credit card that was denied payment for insufficient funds. I finally had to put the charges for gas for the company truck and fertilizer supplies on my own personal credit card, again!

I really liked working with my Dad and thought our family firm had great potential, but after 10 years of dealing with his informal, “shoebox” management style I wondered if it was time to transition to more stable employment with a large, established company. As a 36 year old married father of three, the benefits and steady paycheck every two weeks would be nice, but the thoughts of 50-hour corporate work weeks and giving up the chance to finish college made my skin crawl. However, while I have tried to get my dad to change his informal ways, well, what is that phrase about a snowball’s chance in....?

### The Business

My name is Sam Cooper and my father Richard Cooper owned a chemical lawn care service called LawnTech that he had been operating alone as a sole proprietorship for many years. He had gained a good reputation in the business and about ten years ago, as he floundered under the work load due to rising demand for his services, he asked me to come on board with him as a technician.

### **Introduction to the Job**

To work as a technician with LawnTech, I needed to obtain a chemical applicator's license from the state department of agriculture. This required approximately a week of study, done solely on my own using study materials provided by my father. After the week of preparing, I took the exam and passed with flying colors. My father was impressed by the initiative I had taken to make sure I passed the exam and he decided that, as a team, he and I could make the business extremely successful. Ten years later we were still trying to figure out how exactly to make that happen.

Initially, my father took me with him to service his accounts in an attempt to train me in the ways in which LawnTech operated. The first couple of weeks of training were helpful as I was able to observe how my father handled his customers and also how he actually performed services for his accounts. There was little formal training regarding how he wanted me to operate on my own. After two weeks of riding with my father and observing his work, I was given a truck of my own, a credit card for gas, and a list of customers to contact and service. At first I felt overwhelmed, but gradually I became comfortable running my own route. I found that I was able to build strong relationships with my customers, who became some of the most loyal customers a technician could have. As customer loyalty grew, so did my customer base. Word-of-mouth referrals were pouring in and I was becoming extremely busy.

### **Mounting Frustration**

As time passed, the lack of specific training or standard operating procedures for technicians like me within our small company started to become frustrating. If I had questions about a product I was using or questions about an issue I had come up against, I would either have to research the answers myself or track down my father to get the information I needed. This in itself was not such a bad thing for me because it helped me develop an understanding of what I was doing, and in the process I learned a lot about the business we were in. However, I could not help but envy the employees of our larger competitors who had not had to spend the extra time and energy looking up such information.

During this time period, I enrolled in a university program in business and got to within about three semesters of graduating before I dropped out. Some of the things that I learned in my classes about good bookkeeping and operations management practices only increased my frustration at how my father ran his business.



For example, my father and I discussed expanding the business, but I did not see how we could expand without creating a more formal training program. If we were to hire on more technicians, who would more than likely not be family members (none of my three brothers had any interest in joining the company), we would need a formal training program so that these technicians would operate under the standards we felt were important. My father had given me autonomy to make many decisions about how I wanted to operate, but I was afraid that taking the same approach to additional, non-family technicians hired to work for us could compromise our good reputation and put us at risk for a lawsuit. It seemed like the successful businesses I heard about in my classes established standards and stuck to them. If we had too many people making their own decisions about how they wanted to operate, then the business could lose its consistency and professionalism, and potentially fail. In addition, if we were to hire more technicians, I was sure they would want training in how we expected them to operate and knowledge regarding the chemicals they were going to be using.

I discussed the training issues with Dad to see if he would be willing to develop an approach that could be used to train future employees. He actually agreed and on his own created an employee handbook that addressed most of the relevant issues. It didn't include a manual of standard operating procedures, but I felt it was a good start.

The manual was then used as additional technicians came on board. However, some new technicians hurt the business by their poor customer relations behavior and had to be let go, while others were good employees but soon moved on. Initially, technicians were paid on a commission basis, but that was later changed to hourly pay for everyone except me to motivate better service on their part. I felt that I was personally helping to make a difference within LawnTech and that we were moving the company in a positive direction. I saw that by working together, my dad and I could get things done and be effective, but his financial management style drove me crazy.

It seemed to me that the business operated paycheck-to-paycheck without any real financial planning or budgeting. Dad would wait to see if a check arrived in the mail before deciding if he could buy the chemicals needed to do our jobs. As I mentioned before, I sometimes tried to purchase gas and found there was no money on the business charge card, frustrating me beyond belief. Further, Dad didn't draw a regular paycheck, but instead felt that any excess money in the bank account was his to spend. I had a good idea of what our overhead and expenses were and saw no reason for the company to operate that way.

Eventually, I proposed that we create more formal financial procedures for LawnTech based on a system I had recently learned about in college for separating the person receiving money and making deposits from the person spending the money. My intention was not to point the finger at anyone, especially Dad, but to introduce standard financial practices at LawnTech. I tried to spell things out in a way that made sense for the business without seeming like I was attacking Dad's personal financial habits. I simply proposed that he set his own rate of pay, whatever that may be, and collect a check twice a month just like the rest of us.

Unfortunately, my intentions were totally misinterpreted. Dad became defensive and stated several times that since he didn't draw a paycheck, any extra money in the bank account was his to spend. I thought Dad should be collecting a paycheck for the work he was doing and not just living off whatever funds were left over, which I felt had resulted in excessive costs to the business. Without a budget, we were unable to take advantage of quantity discounts for supplies and even purchased supplies at local retail outlets in emergencies. Furthermore, we did not regularly maintain and upgrade our equipment, so we had to rely on old and broken-down trucks despite running a profitable business.

Frustrated by Dad's lack of responsiveness to my financial suggestions, I finally took on a part-time job working for a major hardware retailer. Things went well and after I had worked there for some time the company offered me a full-time position as an assistant store manager. This position offered the potential for future career advancement within the company's large national chain of stores. The pay was similar whether I worked the management position or went back to working at LawnTech full time (although the manager position offered possible bonuses of 20% of annual salary), but the retailer's benefit package was attractive as my insurance came from my wife's nursing job at a local doctor's office and required us to pay a significant portion of the premium out of pocket. That said, I just didn't know if I was a fit for the corporate world.

### **Decision Dilemma**

I liked the possibility of staying with the family business and helping build it into the large and highly successful business it was capable of becoming. However, I worried that Dad would never change his ways, and thus the business might be doomed to its current status forever. The large retailer offered me a chance to develop my career, earn steady pay, bonuses, and standard benefits, but it would require long hours and moving around the country every few years (neither of which I wanted to do) and would likely prevent me from finishing college. I really enjoyed my regular clients at LawnTech, and although working with my Dad was often quite frustrating, I did enjoy that it had brought us closer over the years. However, I could not work at both the assistant manager's job at the major retailer and continue servicing my regular clients at LawnTech. I was just really struggling with which path to take.

## Save the Whales? A Public Relations Crisis at Lego

Paul E. Olsen, Saint Michael's College

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### Introduction

Lego Group President and CEO Jørgen Vig Knudstorp was surprised when Greenpeace activists, in an attempt to stop Arctic drilling, mounted a campaign criticizing his popular toy company for its cobranding relationship with Shell Oil. At first, Knudstorp and his team at Lego headquarters in Denmark didn't understand Greenpeace's criticism. Why didn't the group tackle Shell directly? Would the campaign be taken seriously? As Greenpeace beefed up its efforts through social media and direct action, Lego's management was left wondering how to respond and whether they should continue their business relationship with Shell.

Lego, from the Danish words "leg godt" or play well, was founded by Ole Kirk Christiansen in 1932 (Herman, 2012). Lego produced Lego-based video games, popular *Star Wars* and *Harry Potter* Lego sets (Baichtal & Meno, 2011), and manufactured 45.7 million studded plastic bricks in 2012. They also sold a series of Arctic Lego sets including a Base Camp and Snowmobile for \$89.99 and \$6.99 respectively. Lego's 2014 film, *The Lego Movie*, grossed more than \$468,000,000 worldwide ("The Lego Movie," 2014). With 2012 sales of \$4.04 billion and a corporate value of over \$14.6 billion, Lego became one of the world's most valuable toys (Metcalf & Franco, 2013) and recognized brands (Robertson, 2013). The company was committed to being socially responsible saying it was "our ambition to protect children's right to live in a healthy environment, both now and in the future."

Shell was a global group of energy/petrochemical companies headquartered in the Netherlands. The company sought "to reinforce our position as a leader in the oil and gas industry while helping to meet global energy demand in a responsible way. Safety, environmental and social responsibility are at the heart of our activities." Shell's 2013 revenue was \$451.2 billion ("Shell," 2014). Their plan to drill in the Arctic was because it was estimated that the Arctic held 90 billion barrels of oil and 1,700 trillion cubic feet of natural gas (Schmidt, 2012).

The international direct-action environmental activist group Greenpeace was founded in 1971 to challenge U.S. nuclear testing (Hunter, 2004). The group's mission was to "defend the natural world and promote peace by investigating, exposing, and confronting environmental abuse, championing environmentally responsible solutions, and advocating for the rights and well-being of all people" (Greenpeace, 2014). Recent campaigns included global warming, protecting oceans, safety from toxic chemicals, sustainable agriculture, and saving the Arctic.

## The Lego/Shell Controversy

In early 2014, Greenpeace launched a campaign criticizing Lego's partnership with Shell. Greenpeace was concerned that Shell used Lego as a form of "greenwashing" to bolster its image. Under the agreement, which ran through 2014, Lego sold Shell-branded Lego sets at gas stations in 26 countries and included Shell signs in some Lego sets sold at retail outlets. Greenpeace described the campaign and their concerns on its website:

As part of the co-promotion, LEGO has branded Shell's logo on a special set of its toys. By placing its logo in the hands of millions of children, Shell is building brand loyalty with the next generation of consumers. Shell has launched an invasion of children's playrooms in order to prop up its public image, while threatening the Arctic with a deadly oil spill. We can't let Shell get away with it.

Greenpeace created a 2-minute video titled "LEGO: Everything is NOT awesome," a play on *The Lego Movie's* theme song, "Everything is Awesome." The video, which went viral and had been viewed more than 5 million times, featured views of a Lego Arctic including polar bears, icebergs, fish, and mini figures including Santa Claus. While a version of "Everything is Awesome" played, the Lego Arctic got covered with oil. The video ended with a Lego Shell sign and the message "Tell Lego to End its Partnership with Shell" and link to an online petition. By late August, more than 700,000 people had signed the petition (Reed, 2014). The campaign did not end there. Greenpeace activists dressed up as Lego mini figures tried to deliver 115,000 petition signatures to Lego's UK Headquarters ("Lego Refused," 2014). Activists in Canada created "Arctic Oil Spill" Lego sets with a Shell drilling rig, emergency helicopter, and oil-soaked polar bears and displayed the product in downtown Toronto (Speers-Roesch, 2014).

### Lego's Response

In July, Lego Group CEO Jørgen Vig Knudstorp (2014) responded to Greenpeace's campaign:

The LEGO Group operates in a responsible manner and continually strives to live up to the motto of the company since 1932: "Only the best is good enough".

We are determined to leave a positive impact on society and the planet that children will inherit. Our unique contribution is through inspiring and developing children by delivering creative play experiences all over the world.

A co-promotion contract like the one with Shell is one of many ways we are able to bring LEGO® bricks into the hands of more children.

We welcome and are inspired by all relevant input we receive from fans, children, parents, NGOs and other stakeholders. They have high expectations to the way we operate. So do we.

The Greenpeace campaign focuses on how Shell operates in a specific part of the world. We firmly believe that this matter must be handled between Shell and Greenpeace. We are saddened when the LEGO brand is used as a tool in any dispute between organisations.

We expect that Shell lives up to their responsibilities wherever they operate and take appropriate action to any potential claims should this not be the case. I would like to clarify that we intend to live up to the long term contract with Shell, which we entered into in 2011.

We will continue to live our motto of “only the best is good enough” and deliver creative and inspiring LEGO play experiences to children all over the world.

### **Moving Forward**

As Greenpeace continued its campaign, Lego executives were left wondering if Knudstorp’s response was adequate. What else should they say? How would retailers respond? Finally, should Lego renew its contract with Shell beyond 2014?

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## Just What Constitutes Protected Concerted Activity in Social Media Use by Personnel?

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

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### Should Disgruntled Employees Resort to Social Media?

Employees discussed work related problems on Facebook, with the more pointed comments paraphrased below:

It's pretty obvious that my supervisor is as immature as a person can be and she proved that this evening even more so. I'm am unbelievably stressed out and I can't believe NO ONE is doing anything about it! The way she treats us in NOT okay but no one cares because every time we try to solve conflicts NOTHING GETS DONE (Design Tech Group, LLC, 2013, p. 7).

The employee was frustrated. She perceived her workplace as unjust and manager as unfair. But can this distressed employee go to social media and seek consolation from other employees that may also be frustrated, without fear of employer reprisal?

### Facts

Employers sometimes mistakenly accuse personnel of making inappropriate or harmful comments about the employer on social media. However, the federal National Labor Relations Act protects employees in the private sector who want to raise legally significant issues about their workplace, unionized or not.

Employees at the retail clothing store in San Francisco, upset about their supervisor's actions, wrote a letter detailing complaints to management. Concerns included scheduling hours, supervisors not paying for company products, abuse of break time, and not allowing employees to contact company owners even though company policy allowed this.

Another issue was closing time. The San Francisco store closed at 8 p.m., not 7 p.m., which was more common in the immediate area. Leaving after 8 p.m. made the employees nervous for their safety. The end of the tourist season led to decreased foot traffic and homeless people congregated on the sidewalk close to the store. The store did not have a security guard, surveillance camera, or panic alarm. But their supervisor did not agree with the employees' suggestion to close earlier. When the supervisor was absent, one of the employees decided to report the early closing issue to Human Resources, who suggested going to the company owner. The owner agreed to an early closing but the supervisor later complained about the employees making an end run around her. She then rescinded the early closing.

Management saw the Facebook posts, which became part of an employer decision-making process leading to the firing of the three employees. Management did not refer to the employee handbook when discussing social media. But the handbook limited personal use of the company computers to non-working periods and they were urged to minimize personal use of company computers.

### **Protected Concerted Activity**

The basis for concerted activity was Section 7 of the National Labor Relations Act (NLRA, 1935), which stated that employees had the right to unionize and engage in collective bargaining.

The National Labor Relations Act (NLRA) was a federal statute. The NLRA oversees collective bargaining but also addresses workplace issues even if no union has been established, since the purpose of the statute was to maintain the general welfare of workers, businesses and the economy. Employers discharging or discriminating against employees protected under the NLRA were subject to investigation by the NLRB.

The NLRB (September 9, 2014) advised those with questions about protected concerted activity to contact a local NLRB office. The office would focus on three questions: Is the activity concerted? Does it seek to benefit other employees? Is it carried out in a way that causes it to lose protection? Concerted referred to two or more employees collaborating to improve working conditions or wages. The benefits must have been for more than just one employee.

### **Fair Discharge?**

In the discharge of the three disgruntled employees, did management violate their right to protected concerted activity, even though the employees' use of social media could have been perceived by some employers as inappropriate or disrespectful?



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# The ALS Bucket Challenge: The Good, the Bad, and the Money

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## Introduction

“C’mon, c’mon....” Josh muttered anxiously as he checked his social media, “maybe someone challenged me today.” Josh Bryant was a typical teen who was constantly on social media and had been waiting impatiently for someone to issue him the “Ice Bucket Challenge” for Amyotrophic Lateral Sclerosis (ALS). As he watched the videos that other teens posted, he wanted to participate as well. Not being challenged was bringing back bad memories of being picked last in gym class, provoking that same sense of social exclusion he experienced when he was younger. Josh did not understand why some people were challenged multiple times while others were not invited to participate.

The ALS Association had challenges to deal with as well. Having no way to anticipate the immense popularity of the Ice Bucket Challenge, the organization was not prepared for the overwhelming response of the social campaign. Although the incredible increase in donations and attention brought to the ALS cause were very welcome, these same factors also created many new issues for the organization. The ALS Association realized they needed to go back and evaluate the pros and the cons of the Ice Bucket Challenge, acknowledging that they were not exactly sure how to handle the immense success of the fundraiser. Could they continue to build on the success of this social media campaign?

## Background

The ALS Association was the only non-profit organization dedicated exclusively to fighting Amyotrophic Lateral Sclerosis (ALS), more commonly known as “Lou Gehrig’s Disease.” ALS was a neurodegenerative disease with no known cure which impacted about 30,000 Americans. The disease affected nerve cells, eventually leading to total paralysis, without impacting the mind of the individual. Life expectancy was usually two to five years from the point of diagnosis. The goal of the ALS Association was to help support those individuals living with ALS, and to help find a treatment and cure for the disease. In a typical year, the ALS Association’s budget was approximately \$25 million. In fiscal year 2014, the association spent 28% of its operating budget on research (ALS Association, 2014).

## **The Ice Bucket Challenge**

The ALS Ice Bucket Challenge was one of the most successful social media fundraising campaigns in history. The process was simple and had wide-spread appeal across all races, ages, and genders. A challenge was issued to an individual to participate in the ALS Ice Bucket Challenge. That individual then had 24 hours to either donate \$100 to the ALS Association or to douse themselves with a bucket of ice water. Many people opted to do both. The challenge was videoed and posted to social media. The challenger then selected three other people to challenge to do the same. Typically, hash tags such as #IceBucketChallenge and #ALSIceBucketChallenge were used to share the video among social media users.

While the ALS Ice Bucket Challenge did not begin as a dedicated awareness campaign, it quickly grew into the most successful fundraiser in the association's history. There is not a definitive origin for the Challenge, but it is most widely attributed to former Boston College baseball player Pete Frates, who had ALS. Frates started a personal campaign to leverage his social network, including friends and family, to help create awareness for ALS patients. According to Frates, "The story right now goes: You've got ALS, have it for a little while, a long while, but either way, the end is always the same. ALS always wins. So in order to rewrite the end of it, we need to raise awareness, money." (Steel, 2014). He was able to successfully garner interest from celebrities and sports figures which helped launch the Challenge on a national level. The ALS challenge quickly became a point of pride and social standing; everyone wanted to be included in the fun. Throughout the summer, such well-known public figures as Oprah Winfrey, Zac Efron, Taylor Swift, Justin Bieber, Dwayne "The Rock" Johnson, Lady Gaga, Chris Hemsworth and Justin Timberlake, all took the Challenge. The end result was a prime example of how the Challenge successfully used social media for social good.

Incredibly, from June 1 through August 17, more than 28 million people participated in the Challenge in some way on Facebook (videos, comments, likes), including almost 17 million videos. Twitter had over two million posts in just over two weeks and YouTube had more than a billion views (a record) related to Ice Bucket challenges. The campaign raised over \$114 million for the ALS Association (CBS This Morning, 2014).

## **The ALS Association after the Ice Bucket Challenge**

The ALS Association could be looking at months, or even years, of national media scrutiny as a result of the extraordinary success of the Ice Bucket Challenge. New donors would want to see results from the funds raised; however, results from scientific research were typically slow in coming. Ken Berger, CEO of Charity Navigator, warned that a rush of capital brings higher scrutiny, ratcheting up expectations for the organization. While the charity currently had a 4 of 4 rating from Charity Navigator, they will have increased pressure to perform in the future—and will be under significant social scrutiny as they did so (CBS This Morning, 2014).

Not everyone was a fan of the social media campaign. According to *Vice's* Arielle Pardes, “There are a lot of things wrong with the Ice Bucket Challenge, but most annoying is that it’s basically narcissism masked as altruism” (Steel, 2014). In a similar tone, Dr. Lyn Day, a psychologist, stated, “If you don’t do the ice bucket dump then somehow you’re not a good person. I don’t think anybody intends to send that message but I think that’s the message we receive which is a bit unfortunate... It’s wonderful to raise awareness. It’s wonderful they are raising money. I just want people to keep perspective” (Jadhon, 2014).

Some unfortunate events also occurred as a result of the Ice Bucket Challenge. Tragically, one firefighter in Kentucky died after exposure to electricity from a power line (Fantz, 2014). He and three other firefighters were on a ladder spraying water on a group of college students below who were trying to pull off the Ice Bucket Challenge. In another incident, a 15 year old autistic teen thought he was participating in the Ice Bucket Challenge and had a bucket of urine, cigarette butt,s and feces dumped on him while being videoed. That video was then uploaded to social media. Diane, the teen’s mother, said, “The bucket challenge is supposed to be raising awareness for this disease and now they’ve turned it into a sick joke... He was embarrassed because he did not know what the contents were until afterwards, and then he didn’t want anybody to know. They used his phone to tape it and they put it up on Instagram” (Yan & Baldacci, 2014). While these actions were outside the control of the ALS Association, they nonetheless became associated with the Ice Bucket fundraiser as they made national news.

### **Conclusion**

Commenting on the Ice Bucket Challenge, Barbara Newhouse, President and CEO of the ALS Association said, “We have never seen anything like this in the history of the disease. We couldn’t be more thrilled with the level of compassion, generosity and sense of humor that people are exhibiting as they take part in this impactful viral initiative...It just became craziness. Good craziness, but craziness” (ALS Association, 2014). However, the ALS Association must now evaluate the Ice Bucket Challenge, looking at the pros and cons of this summer campaign. Some individuals, like Josh, felt frustrated as they were excluded from the social media event. Others may not have wanted to participate, but felt social pressure to conform. The simple challenge ultimately became quite complex.

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