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DONG-A PHARMACEUTICAL COMPANY

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CASE SYNOPSIS

Dong-A has been the leading domestic firm in the Korean pharmaceutical industry since its establishment in 1932. By continuously investing in research and development (R&D), Dong-A has developed three original drugs and achieved a competitive advantage over its domestic competitors. However, since the introduction of a drug price reduction policy in 2012 by the Korean government, Dong-A's sales revenue from the domestic market has decreased significantly. This new policy has also influenced the landscape of the Korean pharmaceutical industry by changing the strategic positions of other pharmaceutical firms. Dong-A must respond to this challenging environment.

COMPANY BACKGROUND

Dong-A Pharmaceutical Co., Ltd (hereafter Dong-A), the largest pharmaceutical company in South Korea, began as a wholesale store for medical supplies and hygienic materials in 1932. Joong-Hee Kang, the founder of Dong-A, started his own store in Joonghak-Dong, Jongro-Ku, Seoul, based on his work experience at a small Japanese pharmaceutical company. After obtaining approval to manufacture medicines in 1942, the company released its first five products. In particular, 'Seng Myung Su,' a digestive syrup, was a great success. In 1963, Dong-A released the comprehensive nutritious tonic 'Bacchus,' which has become the most popular energy drink in Korea. Its name is derived from the Roman god Bacchus (Dionysus in Greek); Chairman Shin-Ho Kang, the son of the founder, was inspired by the sculpture of Bacchus that stood in the hallway of the basement of the city hall in Hamburg in Germany, where he obtained his medical degree. The success of Bacchus made Dong-A the No. 1 pharmaceutical company in Korea by sales in only 4 years. Since then, Dong-A has played a pivotal role in the Korean pharmaceutical industry. After the death of its founder, Joong-Hee Kang, in 1977, his son succeeded him as the leader of the company. With the vision of becoming a 'Global company renowned for its innovative pharmaceutical products,' Dong-A has invested intense effort in producing innovative products. Dong-A was the first Korean pharmaceutical company to establish a research laboratory. Its continuous investment in research and development (R&D) resulted in the development of three original drugs: Stillen (a mucoprotective gastrointestinal agent) in 2002, Zyderna (an erectile dysfunction treatment) in 2005, and Motilitone (a dyspepsia treatment) in 2011. In 2010, Dong-A was the No. 1 pharmaceutical company in Korea, with annual sales of KRW 846.8 billion (USD 769.8 million).

In addition to pursuing the domestic market, Dong-A has pursued global markets by actively collaborating with foreign pharmaceutical firms. In 2007, Dong-A and Trius Therapeutics, an American company, entered into a license agreement to develop antibacterial compounds. Dong-A signed an agreement with Meiji Seika Pharma, Japan, to license Zyderna tablets in 2011. Dong-A also agreed to a comprehensive collaboration with

Meiji Seika to construct a biosimilar production plant in Songdo, South Korea, to target the global market for antibody-based drugs.

DONG-A'S SUCCESS FACTORS

Strong R&D

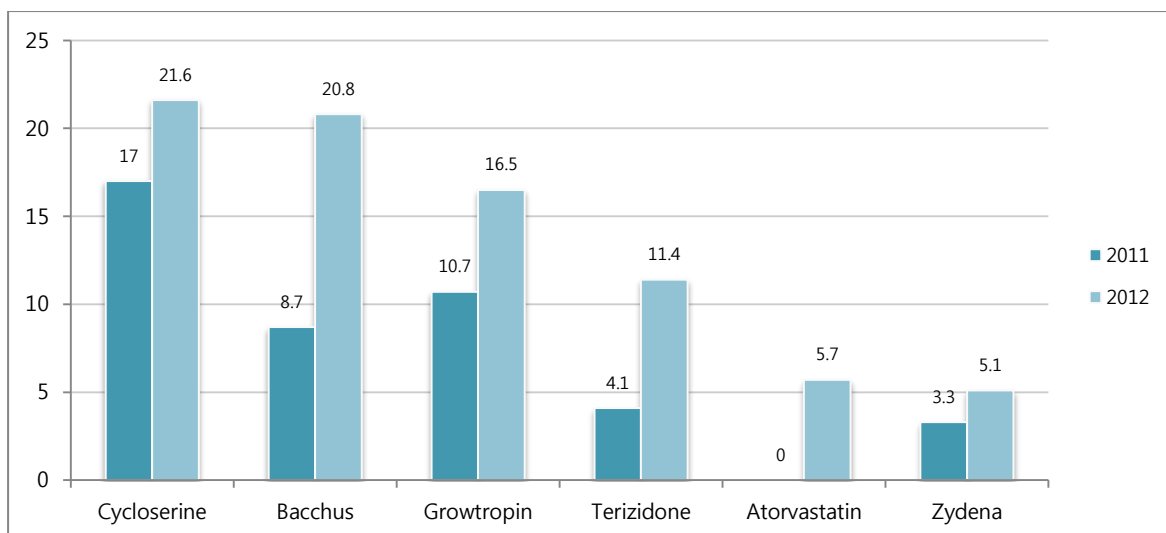
Since the establishment of its research center in 1977, Dong-A has led the Korean pharmaceutical industry by continuously investing in advanced technologies and original medicines. In 2002, Dong-A successfully developed its first in-house developed drug, Stillen (mucoprotective gastrointestinal agent). It has since launched and developed various ethical drugs.

In particular, Dong-A has a strong position in gastric treatment drugs. Dong-A has developed two original gastric treatment drugs, Stillen and Motilitone. These drugs are renowned for their use of natural materials based on Korean oriental medicine instead of artificial and chemical components. For instance, Stillen includes wormwood and other herbs. Motilitone is made from morning glory seeds and a natural substance extracted from a corydaline tuber and has no known side effects. In addition, Dong-A has developed Zydena, which is Korea's first and the world's fourth erectile dysfunction drug. Zydena has been proven effective in domestic clinical studies and in phase 2 clinical studies in the U.S. Zydena competes in the global market with Pfizer's Viagra and is exported to 32 countries around the world.

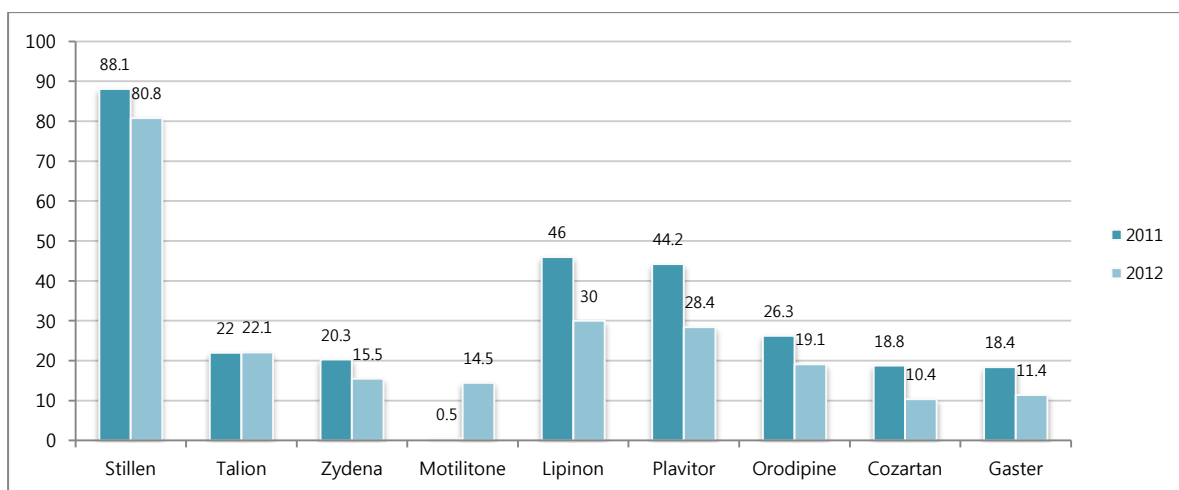
Dong-A has established global R&D networks with foreign pharmaceutical firms. Dong-A entered into an agreement with Meiji Seika Pharma Co. Ltd., a Japanese company, for comprehensive collaboration in the construction of a biosimilar production plant in Songdo, Korea. Dong-A also plans to build its own R&D laboratory in the U.S. to collaborate with American pharmaceutical firms and universities. By collaborating with domestic and foreign universities, research institutes, and pharmaceutical companies, Dong-A aims to acquire advanced technology and knowledge to develop original drugs in the areas of anticancer, dementia, and biopharmaceuticals

Global Presence

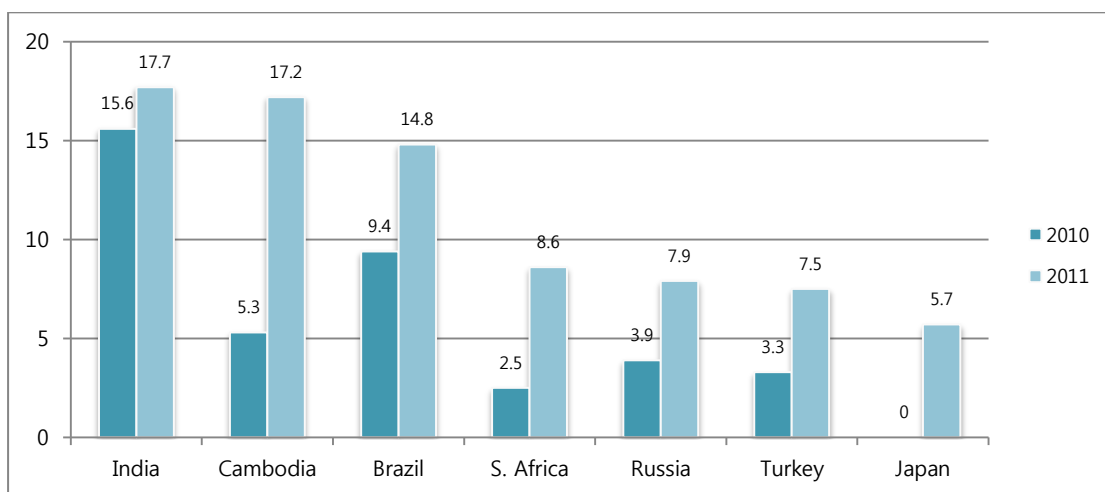
Dong-A aggressively pursues globalization by exporting its drugs to foreign countries (please see Figure1). Dong-A exports its drugs and ingredients to more than 40 countries in Europe, Latin America, and Asia. Figure 3 shows Dong-A's international sales by region in 2010 and 2011. Dong-A aims for global business sales of up to 40% of total sales by 2020. Figure 2 shows the international sales of Dong-A's products between 2011 and 2012. Dong-A continuously pursues opportunities to license out products and form local partnerships to enter other countries and introduce Dong-A's products. For example, Dong-A formed a licensing agreement with Abdi Ibrahim Pharmaceuticals, a top-ranking pharmaceutical company in Turkey, to sell and promote Dong-A's drugs. This agreement has allowed Dong-A to make inroads in European pharmaceutical markets with its product Zydena. First publicized in the Netherlands, Zydena is now sold in Russia and Turkey, and sales of greater than USD 20 million are anticipated by 2015. Furthermore, Dong-A has established subsidiaries in the USA, Brazil, and China to efficiently respond to local market needs.



Source: Dong-A Financial Report (2012)
 Figure 1 Dong-A Export Drug Sales (KRW billion)



Source: Dong-A Financial Report (2012)
 Figure 2. Sales Growth of Key Dong-A ETC Products (KRW billion)



Source: Dong-A Financial Report (2012)
 Figure 3. Dong-A's Export Sales by Region (KRW billion)

Bacchus, Dong-A's energy drink, has become a great success in Cambodia. In 2010, Dong-A introduced Bacchus to Cambodia, and its sales rapidly increased. Its success in Cambodia can be attributed to Dong-A's efforts to localize its products. Dong-A made a strategic alliance with CamGold, a local distributor. With the help of CamGold, Dong-A sensed that Cambodians had a growing interest in their health and promoted Bacchus as a restorative drink rather than merely an energy drink. Dong-A emphasized the health-restoring effects of Bacchus, in contrast to the temporary stimulatory effects and potential side effects of caffeine-containing energy drinks. Furthermore, Dong-A slimmed Bacchus's container design to increase its attractiveness to Cambodians. The price of Bacchus is relatively expensive in Cambodia, thus positioning it as a premium restorative drink. The price of Bacchus is approximately 70 cents, more expensive than Red Bull (60 cents), which had dominated the Cambodian energy drink market for years. Only one year after its release, Bacchus outperformed Red Bull and was ranked the best-selling energy drink in Cambodia

DESIGN PROTOTYPES INC. PROJECT MANAGEMENT (D): CONFLICT CONFRONTS THE TEAM

Carrol R. Haggard, Fort Hays State University
Patricia A. Lapoint, McMurry University

CASE DESCRIPTION

The primary subject matter of this case concerns conflict within a project management team. A Secondary issue examined is corporate politics. This case can be used in Project Management, Operations Management, or Quality Management courses. The case has a difficulty level of three. The case is designed to be taught in two class hours and is expected to require four hours of outside preparation by students.

CASE SYNOPSIS

The Alpha C306 team had been meeting for slightly over 6 months supervising the development of a new electronics product. Raef Conley, leading his first project team, assembled a highly qualified, diverse yet cohesive team. The team had met several times to track the progress of the project and from Raef's perspective worked well together and was still highly motivated. However, that changed when Simon Wright, the son of the EE VP was added to the team. Simon, who has been with the company only 2 years and lacks technical qualifications, is attempting to use the project as a way to demonstrate his value to upper management. Therefore, Simon's agenda is very different from the other team members, creating a source of conflict. There is personal animosity between Simon and some team members. More importantly, Simon created an uproar when after his suggestions were rejected by the team took his ideas directly to his father. His father, concerned that Simon's ideas were not given serious consideration and more urgently that Simon was not being appropriately groomed for upper management, insisted that the team meet and reconsider the crash schedules they had developed.

The meeting was highly contentious with Simon insisting that the estimates the team had developed were "over inflated" and that the project could be completed much more inexpensively. Several team members defended their work and attacked Simon personally. Members also took out their frustrations on Raef, citing him as a failed leader. After a full day of debate on the issue and after seeing a frustrated Raef leave the proceedings, the team came down to a tied 3-3 vote. The deciding vote rested with Alison Whitley, a junior member of the company. The case revolves around the question of: Should Alison support Raef, her mentor, or would she be committing career suicide in not supporting the VP's son? The team is anxiously awaiting Alison's decision.

REVENUE RECOGNITION AT INGELHEIM SUSTAINABILITY CONSULTANTS

Marianne L. James, California State University, Los Angeles

CASE DESCRIPTION

The primary subject matter of this case deals with the new revenue recognition standard issued jointly by the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB), which once effective, will supersede both U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) on all revenue recognition-related issues. The primary objective of this case is to help students learn and understand the major provisions of the new revenue recognition standard and explore its potential effects on the financial statements of a service provider. Secondly, the case explores potential ethical considerations that may arise for accounting professionals implementing the new standard.

The case has a difficulty level of three to four and can be taught in about 40 minutes. Approximately two hours of outside preparation are necessary to fully address the suggested case-specific, research, and ethics questions; which are largely independent, providing instructors with considerable flexibility. The case can be utilized in an Intermediate Accounting course to reinforce the revenue-recognition related concepts. It can also be used in an advanced-level course focusing primarily on the research components or in an accounting ethics course focusing primarily on the related ethical issues.

Using this case can enhance students' technical, analytical, research, and communication skills and may provide opportunities for discussing ethical considerations in the context of revenue-recognition under the new comprehensive accounting standard.

CASE SYNOPSIS

After years of collaboration and extensive due process, in May 2014, the FASB and the IASB issued their new accounting standard on revenue recognition. The U.S. GAAP version of the converged standard, Accounting Standards Update No. 2014-09, which is entitled "Revenue from Contracts with Customers," will be integrated into the FASB Accounting Standards Codification (ASC) topic No. 606 and supersede all currently existing GAAP on revenue-related topics (FASB, 2014). ASU 2014-09, which includes several appendices and exceeds 700 pages, is quite complex and may significantly affect revenue recognition for many entities.

The case scenario deals with a fictitious midsize privately-held company that provides comprehensive sustainability-related consulting services to clients. Sustainability, which is defined as preserving resources for future generations while creating value for current generations, is an important aspect of many organizations' operations. Sustainability falls into three broad areas – environmental (ecological), social, and financial sustainability. The company background included in this case provides students with the opportunity to consider revenue recognition-related issues under the new revenue standard in the context of an industry that is enjoying rapid growth and increasing involvement by accounting professionals, both in the U.S. and globally. The specific revenue-related issues addressed in this case include long-term contracts, bundled services, variable consideration, and discounted future services; which represent issues that tend to require additional consideration under the new standard.

This case explores the effect of changes to revenue recognition on the financial statements as well as related ethical considerations. In addition, the case may help students gain some insights into a growing industry which enjoys increasing involvement by accounting professionals. Use of this case may enhance technical accounting, critical thinking, research, and communication skills; and also enhance ethical awareness related to accounting choices.

THE CASE*

Melinda Flores is the new accounting manager of Ingelheim Sustainability Consultants, a midsize privately-held firm. Throughout her career, Melinda closely followed the standard-setting activities of FASB and its collaboration with the IASB, and especially the boards' deliberations on the long-awaited revenue standard. As an environmentally and socially conscious individual as well as a financially-oriented professional, she is very interested in the continually growing trend toward environmental, social, and financial sustainability embraced by organizations of all types and sizes. During the past few years, she has watched, with great interest, the growing involvement of accounting professionals with sustainability-related issues – in advisory, implementation, and reporting support capacities. Eager for new challenges and in a desire to enhance life-work balance, a few months ago, Melinda accepted the position of Ingelheim's accounting manager.

Company Background

Ingelheim Sustainability Consultants specializes in sustainability consulting and support. The company differentiates itself from its competitors by providing customized comprehensive services, tailoring each consulting engagements to the specific needs of its clients. The majority of the company's clients are small to midsize companies with no in-house sustainability-related staff; thus, they rely on Ingelheim to advise them on all aspects of their sustainability-related activities. As a result, Ingelheim tends to establish long-term relationships with its clients. While Ingelheim offers advisory services on all broad categories of sustainability - financial, environmental, and social sustainability – it currently derives 62% of its \$284 million in revenue from engagements dealing with environmental sustainability.

Over the past four years, the company has utilized specific strategies to significantly expand its long-term client base. One of the programs that contributed to the company's ability to build long-term relationships with clients is that Ingelheim offers its clients significant discounts for additional services contracted for within 18 months following the initial consulting engagement. A typical long-term consulting engagement includes all aspects of planning, implantation, and monitoring of environmentally-oriented programs such as acquisition of energy-saving equipment; implementing recycling programs; setting up employee-benefits programs such as wellness facilities; providing the necessary research support; assisting with the selection of vendors; and monitoring progress achieved with each project. In addition, the company assists clients with internal and external sustainability reporting, including any grant-related reporting where necessary.

Future Expansion Plans

Recently, several of Ingelheim's current clients indicated that they are interested in formally reporting on their sustainability-related activities to investors, consumers, and other stakeholders. The company's management recognizes that this provides an important opportunity for future growth and plans to significantly expand its sustainability-reporting

services by the year 2018. A management team consisting of the company's CEO, CFO, marketing manager, and accounting manager (Melinda), is in charge of planning and implementing the expansion. The team has met several times over the past two months and estimates that in order to accomplish the expansion goal, the company will need to add ten accounting professionals to its current team of 87 consulting professionals. Those additional professionals must be knowledgeable about reporting trends, reporting guidelines and options, choices of formats, and regulatory issues. In addition, it will be necessary for Ingelheim to expand its facilities, purchase additional equipment, transportation for the additional consultants, and enhance IT technology; moreover, Ingelheim will have to hire additional support staff. The company's current owners expect that steadily increasing revenue and profitability will allow the company to achieve a very favorable selling price for its privately-placed shares. The CEO, Alvin Turner, who is also a current shareholder, is planning to start creating interest for the company's shares. He believes that continuing revenue and profit growth are essential in helping the company achieve a high share price.

Ingelheim's Revenue Recognition

Ingelheim's contracts with its clients usually involve several service components such as initial assessment, planning, implementation-related activities, monitoring, and in a few cases reporting support. For contracts involving multiple bundled services, the company allocates revenue and costs to the various components of the contract and recognizes them when they are substantially completed. For consulting engagements involving long-term monitoring, Ingelheim allocates the related revenue and cost over the time period covered by the contract, recognizing revenue and expense based on the passage of time, rather than the performance of specific tasks.

A portion of Ingelheim's contracts include bonuses for achieving pre-specified target completion dates or targeted results. For example, the company recently received a \$280,000 bonus for helping a client successfully implement a recycling program that achieved a waste recycling rate of 80% by September 1 of the current year. Currently, consistent with GAAP, Ingelheim defers recognition of the bonus revenue until it has met the conditions for earning a bonus. In addition, Ingelheim's contracts typically provide clients with the opportunity for discounted future services. At the end of each year, Ingelheim estimates the amount of discounts its clients will likely claim in the future and discloses the related information in the financial statement notes.

As one of her duties, Melinda periodically conducts employee training sessions for the company's 16-person accounting staff. Her first training session scheduled for October 14, 2015, deals with updates on new accounting standards, with a special focus on revenue recognition. She plans to spend the morning session discussing revenue recognition with special emphasis on how implementation of the new standard will affect Ingelheim Corporation. During the training session, Melinda soon notices that most of her staff is already quite knowledgeable about the main provisions of the new revenue recognition standard. Thus, after spending a brief amount of time on the core revenue concept, the new five-step process, and discussing GAAP changes pertaining specifically to Ingelheim Company, the group starts a lively discussion. One of the accounting staff members mentions the length of time it took for FASB and IASB to issue a final standard on revenue recognition. This leads to the question of whether the new standard achieved the intended objective. Another staff member says that he had heard that the implementation date for the standard has been postponed. Then a new staff member, who had just earned her master degree in accounting and currently is studying for the CPA exam, asks whether the new standard would reduce potential earnings management. Melinda shares her opinions with her

staff and feels confident that her own understanding of revenue recognition has been enriched by the discussion. She leaves the seminar feeling very pleased but also thoughtful.

The next day, Melinda receives an e-mail asking her to meet with Alvin, the CFO. After greeting Melinda, Alvin tells her that he reviewed her seminar handout and has a few questions and observations regarding the new revenue standard. Specifically, he wants to know how applying the provisions of the new revenue standard will affect Ingelheim's financial statements in the future. Alvin emphasizes that the amount of revenue reported during the next few years is especially important because of the company's plans to raise additional capital to support the planned expansion. Specifically, he asks Melinda to keep in mind the need for favorable revenue growth prior to and during the financing year.

When Frank notices a concerned expression on Melinda's face, he immediately emphasizes that (of course) earnings management was neither intended nor tolerated. He clarifies that since a number of revenue-related issues involve competing supportable estimates, choosing estimates with favorable results will help the company achieve sustained growth in helping its clients' achieve their missions. Alvin again emphasizes that reporting the highest achievable revenue around the financing year will be very important.

To help him understand the expected effect of the new revenue standard, Alvin asks Melinda to (1) summarize the potential financial statement effect of applying the new revenue standard provisions to its typical contracts, (2) consider strategies for enhancing revenue under the new standard, and (3) consider the needs of the company in recommending an adoption date for the new standard. Melina promises to consider these issues and provide the requested information by the end of the week.

After the meeting, Melinda reflects on her conversation with the Alvin, who is her direct superior. She remembers that previously, Frank had asked her to make the decision regarding the adoption date; now instead he was asking for a recommendation. She also recalls some of the issues she and her staff discussed and a recent conversation with her friend Bettina, a financial statement auditor, about the potential for earnings management. She returns to her office to address the CFO's questions. A few days later, Melinda once again meets with the CFO to provide the requested information. Alvin, however, is called away just as the meeting starts and he asks Melinda to leave the information for his review.

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* This case deals with a fictitious company; any similarities with real companies, individuals, and situations are purely coincidental.

CONSUMER WHORE: TRADEMARK, DILUTION, PARODY, AND FREE SPEECH. A TEACHING CASE

Deborah J. Kemp, California State University, Fresno

Lynn M. Forsythe, California State University, Fresno

Ida M. Jones, California State University, Fresno

In 2000 Starbucks sued comic artist Kieron Dwyer for marketing a comic book and other products like t-shirts with an image that looked like Starbucks' mermaid logo, but which was labeled Consumer Whore rather than Starbucks Coffee. Kieron Dwyer claimed that he was making a parody and social commentary on our consumer oriented society. At a hearing, Federal Court Judge Chesney held that while Dwyer had a First Amendment right to comment on society, Dwyer's use of the modified Starbucks logo diluted the value of Starbucks' trademark and was too similar to Starbucks' original. The parties settled when Dwyer effectively agreed not to market or publish the logo. Starbucks claimed copyright infringement, trademark infringement, and dilution. The court found the parody was a fair use of Starbucks' copyright. It also held there was probably no trademark infringement due to little likelihood of confusion. The court, however, granted an injunction prohibiting use of the Dwyer logo on t-shirts, mugs, and even in comic books, on the grounds that the logo tarnished (diluted) Starbucks' logo. This case can be used to examine the issues of freedom of speech, trademark protection, freedom of competition, and entrepreneurship.

VOLKSWAGEN: FOCUS ON MAIN STREET

Anne Macy, West Texas A&M University
Veronica Carrillo, West Texas A&M University

CASE DESCRIPTION

The primary subject matter of this case is an analysis of the interaction of the strategies of Volkswagen and one of its new American dealerships. Secondary issues include product differentiation, exchange rates, and industry structure analysis. The case also examines local competition environment issues. The case has a difficulty level of four. The case is designed to be taught in two hours and is expected to require four hours of outside preparation by students.

CASE SYNOPSIS

Volkswagen, Europe's largest automobile company, announced the goal of becoming the world's largest car manufacturer by 2018. In order for Volkswagen (VW) to reach the goal, they must first conquer the American market. While VW has been in U.S. market since 1949, its popularity has waned with the ascent of Toyota and Honda. Thus, a challenge for VW is how to sell to the average American consumer.

Amarillo, the main city of the northern Texas Panhandle, is a pivotal business center for the surrounding communities. Joe Street owns the Toyota dealership, which is well known for excellent service and for high volume of sales. When Volkswagen decided to expand into Amarillo, it chose Joe Street over many other potential owners. In this case study, we will assess the decision-making processes for Volkswagen expanding into Amarillo, Texas and for Joe Street expanding his automobile dealership.

IS IT TIME TO ELIMINATE NON-COMPETE AGREEMENTS?

Hill Mayfield, Jacksonville State University
Patricia Borstorff, Jacksonville State University

CASE DESCRIPTION

The pros and cons of non-compete clauses or agreements continue to be heavily debated in today's workplace. This research case takes an in-depth look at the background and history of non-compete agreements, current Employer use, enforceability, determining validity, state by state surveys and a summary of the judicial approaches to non-compete agreements. It also surveys how current students and faculty perceive them and their level of understanding of how non-compete clauses or agreements work. This case further examines and draws conclusions on whether non-compete agreements actually protect intellectual property or simply limit employment opportunities. Finally, this research case draws conclusions on whether or not it is time to eliminate such agreements. This case has a difficulty level of being appropriate for senior level or first year graduate classes. The case is prepared for two hours of instruction and discussion. The students should receive the case earlier and be prepared to discuss the ramifications of the case together with the instructor.

CASE SYNOPSIS

Non-compete clauses or agreements continue to be a major concern for both Employers and Employees. Of particular interest is our research survey of current students and faculty perceptions and level of understanding regarding non-compete agreements. Of the 551 respondents, 70.8% were senior level students while 29.2% were faculty and staff for a regional university. 78.9% indicated they felt a non-compete clause or agreement did not protect their interests as an employee. In addition, 22.0% were required, or had been required in the past, to sign a non-compete clause or agreement to get a job. The majority of respondents felt the following: by signing a non-compete clause or agreement, they were giving up some of their personal rights; a company that requires employees to sign a non-compete clause or agreement only does so to protect its own interest without concern for the employee; a non-compete clause or agreement favors the employer over the employee; believes that they would have a better chance to win a dispute against an employer if their claim was heard by a judge and jury; disagrees that a non-compete clause or agreement is appropriate, felt they understand a non-compete clause or agreement and believes a non-compete clause or agreement does not protect their interests an employee. This research also looked at current and future trends of Employer use of non-compete clauses or agreements in the workplace. Along with being "overly broad" in their mandatory restrictions, Employers are further gradually expanding the "Noncompetition" provision of agreements by expanding the "Restricted Period" and the geographic territory covered by such agreement. Finally, we looked at the various reasons for the elimination of such agreements.

INTRODUCTION

Vigorous competition is the backbone of America. Both consumers and businesses depend on competition to set product pricing, assure widespread choice, and foster higher

quality consumer goods and services. Our free enterprise system should allow individuals the opportunity to join other companies or to start their own business. Job mobility surrounding today's workforce has resulted in employers being concerned over the possibility of losing valuable and financially harmful information to a departing employee. As a result, employers attempt to prohibit, regulate, or restrict postemployment competitive practices through the use of legal restrictions.

These legal restrictions consist of what has become known as a non-compete agreement, a non-compete clause, or a covenant not to compete. These are contractual terms under which the employed party agrees in writing not to pursue a similar profession or business endeavor, or compete against the former employer party. These agreements are used with the premise that upon employment separation, a former employee may start working for a competitor or start a similar business, and gain a competitive advantage by using confidential or sensitive information obtained by the former employer. Employers often require a non-compete agreement as a separate document while other employers include a non-compete clause within the employment contract as part of the company confidentiality policy.

Regardless of how they are implemented, employers look at non-compete agreements and clauses as an effort to protect their intellectual property. Accordingly, employees look at such agreements as a restriction to future employment opportunities and to their career opportunities. No business wants to lose their key employees. They have first-hand knowledge that could enable them to do financial damage to their former employers by disclosing or utilizing confidential or private information important to success. (Orelup and Drewry 29)

METHODOLOGY

What are current students and educators' perceptions and level of understanding regarding non-compete agreements? Our research focused on better understanding current student and educators' perceptions and how well they understood the meaning and application of non-compete agreements.

The participants in our survey were students and educators from a regional university located in the southeastern U.S. This group was chosen because they represented more than one generation, are facing the potential of being asked to sign a non-compete agreement in the near future, or have already faced the decision of signing or declining to sign a non-compete agreement or clause. The survey was electronically submitted to all College of Commerce and Business Administration students, along with all faculty and staff for the regional university.

Respondent Profile

Of the 551 respondents, 70.8% were senior level students while 29.2% were faculty and staff for the regional university. Of the respondents, slightly less than 54% were female. In regards to age, 44.6% were age 26 or older, 19.4% were ages 23-25, and 36.1% were ages 18-22. The primary ethnic backgrounds for the respondents were as follows: 78.6% were Caucasian American; 13.1% were African America; 2.9% were Hispanic/Latino Americans; 1.5% were Asian American; 1.5% were mixed ethnicity; .36% were Native Americans; .36% were of other ethnicity and 2.2% were not US citizens. Those respondents not married represented 65.9%.

Table 1			
Perceptions of Non-Compete Clauses or Agreements			
	Yes	No	Don't Know
By signing, they are giving up personal rights	278 (50.6%)	144 (26.2%)	133 (24.2%)
The Company is only protecting its own interest without concern for the employee	355 (64.1%)	91 (16.4%)	108 (19.5%)
Non-Competes favor the employer over the employee	434 (78.9%)	17 (3.1%)	99 (18.0%)
Believes employees have a better chance to win a dispute if their claim was heard by a judge and jury	277 (50.4%)	106 (19.3%)	164 (30.3)
Believes it is not legal for a company to require employees to sign a non-compete as a condition of employment	297 (53.5%)	104 (18.7%)	154 (27.7%)
Disagrees that a non-compete clause or agreement is ever appropriate	384 (69.4%)	49 (8.9%)	120 (21.7%)
Feels they understand a non-compete clause or agreement	301 (54.3%)	110 (19.9%)	143 (25.8%)
Feels a non-compete does not protect their interests as an employee	289 (52.5%)	97 (17.6%)	164 (29.8)

CURRENT / FUTURE DIRECTION OF NON-COMPETE AGREEMENTS

Our research provided information that current and future mandatory non-compete agreements will attempt to soften the blow of such employment restrictions by offering a modest signing bonus. Most of the proposed signing bonuses are between \$2500 and \$5000 dollars and specifically states that the “Employee acknowledges this sum as sufficient consideration for the provisions contained herein”. Additional provisions further specify “in consideration of the Employee’s employment and continued employment by said company, and in consideration of the signing bonus being paid as set forth herein.” (Confidentiality and Noncompetition Agreement, Rev. 01/15)

Current non-compete agreements are further expanding the “Noncompetition” provision of agreements by expanding the “Restricted Period” and the geographic territory covered by such agreement.

As noted above, it is most interesting to see how truly broad non-compete agreements of today have become. Non-compete agreements are currently specifying that for a period of two (2) years after employment ends, Employees shall not, “directly or indirectly”, own, manage, operate, control, be employed by, “participate in or be connected in any manner” with the ownership, management, operation or control of any business “similar” to the type of Business conducted by said company within one hundred fifty (150) miles of “any” geographic territory for which Employee was assigned or had responsibilities while employed by said company. Surely, anyone reading the above provisions, with the exception of the Employer, would consider the words of “directly or indirectly”, “be connected in any manner”, “any business similar”, and “any” geographic territory to be overly broad in content.

Furthermore, current non-compete agreements acknowledge they contain the entire agreement of the parties and the written document supersedes any prior understandings and agreements between them.

After reviewing the above current provisions for non-compete clauses or agreements it is obvious why 78.9% of our survey respondents felt that non-competes favor the Employer over the Employee while 64.1% felt that Employers requiring the signing of non-competes were only protecting their own interest without concern for the employees.

CONCLUSION

In a capitalistic society full of steep competition and a constant threat of new entrants, it's not surprising some companies attempt to protect their organization by implementing non-compete agreements. People are the most meaningful assets in an organization. Since human capital is so significant, some businesses require new hires to sign non-competes as a proactive defense mechanism to future competition. However, even though non-competes have been around for centuries, it is now arguable as to whether their original intent is as advantageous in today's business environment. The current business environment is quite different than it was 50 years ago. It wasn't uncommon for employees to stay with the same company for decades or even throughout their entire career. Today's landscape is full of entrepreneurs, startups, small businesses which all lead to a climate much more conducive to change. According to the Bureau of Labor Statistics, the average worker only stays in a job for approximately 4.4 years (Meister, 2012). Today's employees do not consider jobs as permanent places of employment but rather temporary stops on a dynamic career journey. Companies expect new hires to move to other organizations as noted above, thus, one reason why non-competes are more prevalent now than in years past. While it may seem obvious why companies require mandatory non-compete agreements, there are many disadvantages in their implementation and actually some benefits for companies not to use them at all.

Talent is mobile, so rather than attempt to stifle an employee's mobility, why don't organizations embrace the idea of flexibility throughout an industry? If this is done, it can be in favor of both the employer and the employee. A recent study reveals that non-competes may actually decrease motivation in workers, a counterintuitive result than the agreement's intent (Anonymous, 2014). It is certainly not to a company's advantage to employ disengaged and unmotivated employees, accordingly, why not embrace the idea of the mobile worker, let them go, and acquire new talent. By letting old talent (previous employees) go and new talent (new hires) in, a couple of beneficial scenarios are happening: 1) old talent exiting could spin off and start their own company, thereby stimulating entrepreneurship; and 2) new talent entering the company fresh, provides the new perspective of allowing the company to stay relevant (Simon & Loten, 2013). Studies have shown that in states, such as

California, where non-competes are unenforceable and human capital flows, results in higher levels of patenting, drawing more talent from more restrictive states, have more entrepreneurs, and experience faster growth.” (Lobel, 2013) Furthermore, some critics say, “by stifling competition, the non-compete agreements actually hold back the economy, preventing workers from moving on and earning bigger salaries.” (Marte, 2013)

The idea of talent mobility should not be considered as merely food for thought. Some of our major industries became the powerhouses they are today because entrepreneurial employees were not tied to non-compete agreements. Look at Intel, Hewlett-Packard, and Google, as examples of companies that were created because no such restrictive agreements were put in place (Hixon, 2014) After doing this research, it is quite clear as to why the relevance of non-competes is no longer valid. Again, it is no coincidence that California, as an adversary of non-compete agreements, is full of new businesses with an extensive pool of raw talent. If the rest of the United States followed the lead of fostering professional mobility and overlooking non-compete agreements, our entire economic landscape would change, and we could all likely reap the benefits. I ask the reader: Isn't it time to eliminate non-compete agreements?

MAKING THE MOST OF YOUR MONEY: EVALUATING EMPLOYEE RETIREMENT PLAN FUND PERFORMANCE

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CASE DESCRIPTION

The primary subject matter of this case concerns evaluation of mutual fund choices offered by competing retirement plans, a topic appropriate for discussion in a number of business courses including investments or personal finance, entrepreneurship, and management/human resources. In completing this case, students will be asked to evaluate performance measures for various types of funds relative to the appropriate benchmark. Students must analyze fund choices among plan carriers to determine the best company to use. They are asked to consider the asset allocation decision vs. the security selection decision. Students must evaluate the merits of a target-date fund relative to other choices available to the investor. They must also consider differences in the approach for evaluating bond funds vs. equity funds among other things. The case has a difficulty level of three, appropriate for junior level courses. The case is designed to be taught in two class hours including background lecture on performance measures. It can be discussed in one class if students have previously been exposed to fund performance measures. This case is expected to require four hours of outside preparation by students.

CASE SYNOPSIS

"Which retirement plan company offers the best funds? What do all of these numbers mean?" David Lyons has accepted a new position at Central Eastern University. He has met with the HR director who has informed him that he must choose between two firms approved by the university to offer 403-B retirement plans. Pressed for time, he highlights the funds with the lowest annual expenses, choosing the fund with the cheapest fees as he has heard that this was the most important factor in long run performance. Unsure of his choices, however, he contacts George Smith, a former neighbor and friend who is a Certified Financial Planner® to ask for help. This case involves comparing mutual funds of different types on the basis of common return, risk, and risk-adjusted return measures. Most investors at some point in their life or career must evaluate the merits of various mutual fund choices. Small business owners and HR managers may face a similar choice when setting up a retirement plan for their employees. From employees to business owners to individual investors, people need to be familiar with the basic performance measures presented in mutual fund sales material in order to make an informed decision. This concise case presents students with performance measures for various types of funds offered by two different firms and must sort through the data to determine which funds have performed the best in each category. Names and locations have been changed to protect privacy, any similarities to persons of same name is completely coincidental. Firm and fund names have been disguise so that students must rely solely on information given in the case.

EL SOMBRERO: REQUIREMENTS DETERMINATION FOR BUSINESS ANALYSIS AND IMPROVEMENT

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ABSTRACT

Business was booming so much so that they were out of stock on many items long before the new merchandise arrived. The problem is perhaps one of the best types of problems that a new small business could have, but it could still cause the business not to succeed in the long run. Customers might get frustrated and find alternative supplies or just give up. The owners felt repeat business was paramount for the small store to prosper. What were they to do?

Joseph Martin and his wife Trudy, the owners of a new Mexican Supermarket, El Sombrero, were really struggling with their inventory problem. El Sombrero is a specialty grocery store that carries Mexican products not commonly carried at the chain supermarkets. The store had a meat market, produce department and a taco eatery. Additionally, the store had five aisles of shelf goods and a section for cooled beverages. Joseph and Trudy had successfully opened the Mexican food supermarket a year ago. Joseph was running the operations for this venture while Trudy ran another business they owned. However, now Joseph had major problems with his inventory: 1) Perishable products were spoiling; 2) Weekly manual inventory was too time consuming to complete; and 3) Many products ended up being backordered due to inaccurate inventory counts. Joseph Martin met with Dr. Janis Warner, PMP to discuss the best approach for gathering information to determine what work would actually need to be done to develop an efficient inventory system. The discussion centered around: 1) Determining what the current process actually is; 2) What the needs are for the new system; and 3) How to document the information gathered. Joseph and Dr. Warner scheduled a meeting to review techniques for information gathering and how to determine which ones would apply to this project.