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October 14-17, 1997

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Proceedings of the International Academy for Case Studies

**October 14-17, 1997
Maui, Hawaii**

**Jo Ann and Jim Carland
Co-Editors
Western Carolina University**

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Proceedings of the International Academy for Case Studies

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ROBERTS HARDWARE: ISSUES IN INVENTORY ESTIMATION

Marcia S. Niles, University of Idaho

CASE DESCRIPTION

This case explores issues surrounding the estimation of inventories using sampling. Sampling estimation of inventories is allowable by the IRS for reporting purposes and can be used by wholesale and retail businesses for interim reporting and control. Further, it is used extensively by auditors. The issues in the case are thus relevant for accounting, auditing, statistics and strategic management courses at the undergraduate or graduate level.

The case covers several years in which the inventory sampling plan is instituted and develops into a more sophisticated application. This growing sophistication should press the student to develop, apply and evaluate several sampling methods, including choices of statistical sampling methods. In addition, since errors will be found, it can introduce discussion of inventory control methods. The case is suitable for individual or group assignment.

CASE SYNOPSIS

Roberts Hardware is a local store owned by Levi Roberts. Levi and his wife, Julia, an accountant, recently purchased the business from Erv Johnson who was retiring. The store offers a full line of hardware suitable for individual consumer use. Under Johnson's management, the store especially prided itself on the quality and variety of hand tools it carried. Julia and Levi wished to preserve this reputation. As part of their takeover, Levi and Julia also wished to institute better methods for controlling and estimating inventory both on an interim basis and at year end. They viewed this as particularly important since inventory levels had been increasing more rapidly than their analysis of sales would appear to warrant, reaching levels higher than the industry average. In addition, while rearranging the stock into more modern and appealing displays they noticed items which appeared to be quite old. As the owners examined the inventory records, they decided that for the first year, they would both count and estimate the hand tools inventory to test the sampling model they wanted to use in the future.

Levi and Julia have a busy and productive year. They reduce inventory levels to the industry average and provide a list of obsolete items that have been liquidated. Based on the results of their initial test sampling, they decide to extend their sampling to hand tools, power tools and fasteners including nails, screws, bolts and tacks in the second year and to sample count the complete inventory quarterly in the third year.

THE TOLEDO FLYING CLUB (Part One)

Art Joy, Columbus State University
Rodger R. Trigg, Columbus State University
Gary E. Kunday, Columbus State University

CASE DESCRIPTION

The primary subject matter of this case concerns non-profit organizations. Secondary issues include accounting, finance, marketing, small business administration and ethics. The case has a difficulty level of three. The case is designed to be taught in approximately two one hour sessions and is expected to require two to four hours preparation depending on which questions are explored by the instructor.

CASE SYNOPSIS

The case concerns the general aviation industry and what changes (if any) are needed in the operation of a local flying club (The Toledo Flying Club). Flight training and small aircraft rental are the mainstay of The Toledo Flying Club's operation.

The case should be of interest to management, finance, accounting, marketing and entrepreneurship instructors interested in non-profit organizations. This case has elements of strategic planning, ethical conflicts, financing, and tax law application. The case can be used by management instructors as an example of the different stages in the life cycle of a firm (and the industry within which it resides) and the need for change as the environment around an organization changes. Marketing professors would find the elements associated with the customer base and how to expand sales to be of interest. There are elements of conflict of interest for ethics discussion since the club during its decline had evolved into a "for profit" operation disguised as a "non-profit" organization. Finance and accounting instructors will find the leasing of the airplanes to the club and the associated accounting system to be an appropriate subject of study for their students. Finally, there are significant tax questions that would be a challenge in tax courses.

MONON TRAILER CASE STUDY

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CASE DESCRIPTION

This case focuses on the strategic planning problems, the financial decline and eventual bankruptcy of one of the nation's top semi-trailer manufacturers -- the Monon Trailer Corporation. Key issues in strategic management include poor management decisions regarding positioning the business for long term success during a soft market period. The truck trailer business has been well known for shifts from boom times to bust times. Monon Trailer Corporation is contrasted to a success company in the same area that made the right moves to weather the economic storm of the down period. The case lends itself for either undergraduate or graduate classes in strategic management, finance, or industrial relations.

CASE SYNOPSIS

Monon Corporation started with a humble beginning to become the major player in the manufacturing of truck trailers. It is now struggling for new life. Decisions made by the owners and top management appear to have "raped" the organization of its once proud tradition as the manufacturing firm in a town with the same name. The labor organization is in disarray. The community wants the company to revive but it doesn't know how to help. It appears too many "corners" have been cut in a business cycle downturn and it has caught up with the company. What are the alternatives? Is a turn around possible? How much money would it take? What kind of deal with the labor union would be necessary to revive the company? Could the community loyalty be restored?

YOU MIGHT BE A REDNECK MANAGER, IF

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CASE DESCRIPTION

This case is designed to serve as an "ice-breaker" type exercise in any undergraduate or graduate management course. As such, it is a fun and engaging exercise appropriate for a first-class day type assignment. The "Redneck Management Quiz" should take approximately twenty minutes for the students to fully read over and provoke another twenty to thirty minutes of discussion. Consistent with an ice-breaker exercise, this case is designed to require no outside preparation time on the part of the students.

CASE SYNOPSIS

Americans today are grappling with the many questions raised by diversity. One of the questions raised in an era of political correctness is where does the line exist between humorous jokes and harassing speech. Garreau (1995) observed that, "In these sensitive times, ethnic jokes are the last taboo....but rednecks apparently are the last group about which you can tell ethnic jokes with near impunity" (p. B1).

Who are "rednecks"? Jeff Foxworthy, who holds a degree in industrial engineering from Georgia Tech, left a \$30,000 a year job at IBM in the late 1980's to take his act on the road as a stand-up comic (DeVault, 1993). He has started a national introspection as to whether or not we might indeed ourselves be rednecks. One night early in his career, Foxworthy was working a comedy club in Michigan. Some people in the audience kidded Foxworthy - a native Georgian - about being a redneck. This particular comedy club was located next to a bowling alley - that had valet parking. This led Foxworthy to note that there were rednecks everywhere, not necessarily just in the South (Kloer, 1995).

According to Foxworthy, the use of the term "redneck" should not be thought of as a pejorative one, as he defines a redneck as anyone who has, what he calls, "a glorious absence of sophistication" (quoted in Wloszczyna, 1994, p. D1). From time to time, we all display aspects of what he labels "redneck behavior" (Matsumoto, 1994). According to one observer, jokes about rednecks resonate well because they serve as a "common denominator" between people (Hurst, 1994).

Beginning after that show in Michigan with the bowling alley with valet parking example, Foxworthy began compiling a list of questions describing behaviors or characteristics that would describe rednecks. To date, Foxworthy has compiled over 3,000 such questions - with the answer always being "you might be a redneck" (Kloer, 1995). Some of Foxworthy's (1995) examples of redneck behavior include if:

- * "You've ever been too drunk to fish" (p. 55)*
- * "You've ever borrowed chewing tobacco from your wife" (p. 52)*
- * "There are more fish on your walls than pictures" (p. 14)*
- * "You think the phrase 'chicken out' means one of your pets has escaped" (p. 17).*
- * "You think the Bud Bowl is real" (p. 18)*

*These questions have become the basis of seven books by Foxworthy, whose sales have totalled over 1 million copies. However, Foxworthy's most noteworthy presence is in recordings of his comedy concerts. The first of these, *You Might Be a Redneck, If...*, has sold over two million copies and is the best selling comedy album of all time (Zimmerman, 1995). However, neither Foxworthy or anyone else to date has addressed the question of whether or not you might be a "redneck manager."*

The following quiz has been designed to assess whether you, the reader, might indeed be a redneck manager. There is no specific cut-off score to reach for you brand yourself (OOH! That might be painful!) a redneck manager or not. It is written in jest, so have fun reading this - and don't take any item too seriously.

STARWAVE CORPORATION

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ABSTRACT

Have you ever wished upon a star? That is exactly what Paul Allen, the former Microsoft co-founder, did in 1993 when he created the company, Starwave Corporation, located in Bellevue, Washington. Starwave has become one of the leading producers of interactive programming on the World Wide Web. The programmers at Starwave create both joint venture and proprietary online services for sports, news, and entertainment services to millions of consumers using the Internet. These services have included ESPN's SportsZone (the official sites of the NBA, NFL, NASCAR, and WNBA), Mr. Showbiz, CelebSite, Castle Infinity, Family Planet, and Outside Online (some are current sites and some have been folded into other Web sites). As recently as May 1997, Starwave partnered with ABC News to develop ABCNEWS.com, a 24-hour online news service. Starwave's home page had this to say about the company: "Through the combination of Starwave's leading-edge technology, editorial production and design skills, and strong media partnerships, Starwave is well positioned to generate high volumes of traffic on its services, build loyal communities of users, and develop attractive platforms for advertising and other revenue-generating activities." After four years of operation, Starwave has grown from a handful of employees to nearly 300. Their success comes not only from being creative and innovative, and hiring highly technical employees, but also from having a clear focus of where they are going and what really matters in the area of interactive Web sites.

RAILTEX, INC. - 1997

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ABSTRACT

Since 1980, deregulation and other profound changes have occurred in the railroad industry. One of the outcomes of deregulation is the freedom granted to major railroads to divest (through sales or lease) marginal or unprofitable branch lines to smaller railroad operators. This case traces RailTex's beginning as an open-top freight car leasing company in 1977 to present, where it is North America's leading short line railroad organization providing freight service over 3800 miles of track in the United States, Canada, and Mexico. Recently, however, RailTex's strategy of internal and external growth has gotten off track. Rail line acquisitions have slowed in recent years. Some of the issues to be discussed are: What are the pros and cons of accelerating this strategy? "Same railroad" revenue growth has also slowed. Have these lines "topped out" or is a greater marketing effort needed? Funding decisions are intertwined in all of this. Would more debt or an equity offering be best? Regarding employees--does the company have enough of the right people in the right places? The student is required to select an appropriate future strategy.

As the 737 began its long descent into the San Antonio airport, Bruce Flohr checked his watch and concluded that the flight would arrive at the gate 15 to 20 minutes late. Still, this would give him plenty of time to get to the RailTex, Inc. headquarters and get update briefings from his principal staff. Although Bruce's visit with some of the financial "gurus" of Wall Street had gone well, he still felt ill at ease. The railroad industry had never been as volatile as during the last few years and RailTex would have to work even harder to maintain its position as one of the leading operators of short line freight railroads in North America.

A DISASTER RECOVERY DEAL: ASKING THE RIGHT QUESTIONS

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CASE DESCRIPTION

The primary subject matter of this case concerns an increasingly critical issue in information systems, providing for disaster recovery particularly when outsourcers are used. The case may be used as reading to supplement the minimal coverage of disaster recovery provided in most principles texts or as a case analysis for an upper level course. The secondary issues examined are management and organizational behavior ones. The case has a difficulty level of four or five and is designed to be taught in one class hour. Depending on outside reading assignments prior to the case, the case should require approximately 1.5 to 3 hours of outside preparation.

CASE SYNOPSIS

Disasters -- both man-made and "acts of God" such as hurricanes, earthquakes, floods -- are on the rise during the past decade. At the same time, dependence on computerized information systems and networks has increased. The time frame within which companies must recover from a disaster and be able to conduct business using these systems has simultaneously decreased. Disaster recovery for outsourcers is even more critical because many businesses depend on their ability to recover. In fact, outsourcers such as Financial Information Services (FIS) may impact the national and even international economy should they fail to recover within the necessary time frame (All company and individual names are aliases but the case is factual. The case is based on interviews, presentations, reports, and letters from the disaster planning group of an organization like FIS). Over two hundred banks all over the United States depend on FIS for credit card processing, transaction processing for checking and other accounts, and management information systems. Yet FIS has planned to recover only three banks. They are spending less than a quarter of the money their major competitor is spending on disaster recovery. And even the large banks seem unaware that a recovery plan is not part of their contract with FIS.

Constance Goodman, Assistant Vice President and Director of Corporate Information Security and Disaster Recovery Planning, faces an ethical and a legal dilemma. Should banks go out of business because of FIS' inability to recover? Officers of the company are liable and can be sued personally if they can be shown to be negligent in their planning for recovery. She has now faced a year of "stonewalling" with executives at FIS, and knows that the current CFO is either unwilling to spend the money required for appropriate disaster recovery or is unconvinced that the expenditure is a necessary cost of doing business. She faces a complex and difficult decision: to resign this executive position without another job in sight or to continue on salary while knowing that she will not be supported in effectively providing for recovering customer systems should a disaster strike. She could also be sued personally by these customers. She has not yet lied to customers, but they have not asked the right questions. They have asked questions like, "Do you have a contract for disaster recovery? with whom?" not questions like, "Does your contract for disaster recovery match your current configuration? How many hours did it take during the last test to have my systems running again? When was the last test?"

**LES FILMS DU PASSAGE'S 1996 PRODUCTION,
"BALLADE EN MER SALEE"**

Beverly L. Little, Western Carolina University
Donatien Darnaud, Western Carolina University

CASE DESCRIPTION

The primary subject matter for this case is leadership, motivation, and ethics. It would be particularly appropriate in a class with international students, because the setting is in France. It is a level three in difficulty, and can be discussed in less than an hour, with the students having prepared for two hours.

CASE SYNOPSIS

Les Filmes du Passage, a new French movie production company, appealed to potential employees based on nontraditional rewards. They were underpaid, overworked, and housed in less than perfect conditions. The employees were willing to endure these situations for art's sake when they were being led by a charismatic young director and producer who shared their situation. Their view of their rewards changed, however, when they discovered they had been lied to by the producer.

**LEGAL LIABILITIES AT BAYSHORE SCIENCE:
TO ACT OR NOT TO ACT
. . . THAT IS THE INSIDER'S QUESTION.**

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"Byron," said Emily Mac Gregor, Vice President of Global Human Resources at Bayshore Science , Inc. (BSI), "there is no way Tina could have traded on insider information. If she had, why didn't she wait until after the announcement of the approval to sell - she would have doubled her money!"

Byron Sterling, Chief Executive Officer and President of BSI had received a harried call from one of the board members, Robert Black. His ex-wife, Tina White-Black, was under investigation by the Security Exchange Commission (SEC). She had been questioned about insider trading and Robert had been implicated as the person from whom she had received the information.

"I could not agree with you more, Em," said Byron. "All the more reason you need to do a thorough investigation of the events just prior to the approval to ensure there was no hanky-panky."

Dutifully, Emily went off to do her research . . . unaware of the can of worms she was to open!

AND IT WAS UNDER THERE ALL ALONG ...

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CASE DESCRIPTION

This case can be used in graduate or undergraduate courses in organizational behavior, human resource management, and leadership studies. This case is a field and library researched work dealing with an ethical issue in a local church. The student is given past historical data, as well as present issues and environmental forces that impact the event. The student is asked to make a decision from the point of view of the church leadership.

CASE SYNOPSIS

Because of the location of the town and the industrial growth of the area in general, in the late 1800s, the Monon Railroad relocated their shops to Lafayette, IN. The Monon Shops soon became the areas largest employer. The growth of this industry lured many skilled tradesmen to town. These tradesmen were largely of German and Dutch heritage and settled in a rural area north of the existing city limits near the shops.

The population influx caused a strain on existing churches and it was decided that a new Catholic diocese would be started. An order that spoke German was chosen to lay the groundwork and in 1896, the new church started serving the parish. They initially built a large house that served as church, school, and rectory. This was soon outgrown and in the early 1920s, a church was constructed. It was and is a fine craftsmanship example and the parishioners were very proud of their church. There was much struggles in the early years of the church to maintain sponsored programs as well as meet church payments, but they made it.

In 1996, it was decided that, as part of the 100th anniversary, a general refurbishing would be undertaken. The rug in the entrance foyer was scheduled to be replaced and when it was torn out, inlaid swastikas were found in the original tile work in the foyer. The swastikas, a religious symbol dating back thousands of years, were placed in the floor as positive signs of the pride of the church founders. The church fathers did not want to offend anyone, but they faced a decision about what course of action, if any, to take.

The need to take action was exacerbated when the local newspaper discovered the story and ran it on the front page, along with an opinion poll.

THE CASE OF HERBERT J. CAMP

Rodger R. Trigg, Columbus State University
Rodger G. Holland, Columbus State University
Gary E. Kunday, Columbus State University

CASE DESCRIPTION

The primary subject matter of this case concerns self-employment tax. A secondary issue concerns ethics. The case has a difficulty level of three or four. The case is designed to be taught in approximately one hour and is expected to require approximately two to three hours of outside preparation.

CASE SYNOPSIS

Herbert J. Camp was a self-employed insurance agent for the Texas State Insurance Company. He had worked as their agent for thirty-five years and had operated under the name of the Camp Insurance Agency. In 1991 Herbert decided to retire and under the agreement that he had with the insurance company, he was eligible to receive two different forms of retirement benefits. This case is concerned with whether or not either one or both of the amounts that Herbert receives after his retirement would be considered self-employment income and thus subject to the self-employment tax.

QUINTA LAND AND CATTLE COMPANY

Rodger R. Trigg, Columbus State University
Rodger G. Holland, Columbus State University
Gary E. Kunday, Columbus State University

CASE DESCRIPTION

The primary subject matter of this case is federal income tax. Secondary issues include small business and types of corporations. The case has a difficulty level of three or four. The case is designed to be taught in approximately one hour and is expected to require approximately two to three hours of outside preparation.

CASE SYNOPSIS

Most people who are married file joint income tax returns for federal and state income tax purposes because it is usually to their advantage when compared to filing separately. However, some of these people are not aware of some of the activities in which their spouses are involved. When one spouse is not aware of some of the deductions or income that the other spouse has, it can cause problems if the tax return is audited. This case is concerned with whether Margaret Jones (the wife of Richard Jones) should be held jointly liable for additional tax that was assessed after an audit by the Internal Revenue Service (IRS) of their joint return showed that an additional tax of \$898,525 was due.

CATCH ME IF YOU CAN

Vickie Williams, University of Alaska Southeast

ABSTRACT

The student's audit firm has been engaged to perform the June 30, 1997 audit of CMIYC, Inc. (Catch me if you can). This is a new audit client for the firm. Income statements and balance sheets for the previous two fiscal years are provided. The engagement letter was signed on September 5, 1996. No issues surfaced regarding management's integrity in your preliminary discussions with the previous auditor. The majority owner, Rick Slick, and the controller, Betty (Bet) are married.

CMIYC, Inc. breeds and sells race horses. The winner of the 1996 Virginia Derby was sired by one of CMIYC's studs. The inventory includes horses in various stages of life. As the senior assigned to this audit, the student's responsibility is to plan and supervise field work for the engagement.

Students are required to discuss the sources they would consult in preparing and planning the CMIYC, Inc. audit. In addition they need to determine the need for additional information. Their solution should include the preliminary plans and preparation necessary for field work.

GEEK GOURMET

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ABSTRACT

You have recently graduated and have been hired (annual salary \$28000) as the accounting department for Geek Gourmet, a local catering service which opened six months ago. Garfield Geek, owner and creative genius of Geek Gourmet, previously handled all of the bookkeeping himself but due to rapid sales growth no longer has time for it. He also would like to have a more sophisticated accounting system to help in planning and controlling the business.

Geek Gourmet is currently located in 1500 square feet of rented space between downtown and the suburbs. Garfield utilizes a local answering service for the phone and cleaning agency to tidy the kitchen and office. Initially Garfield did all the work himself, but now he hires temporary workers at \$10 an hour to assist in serving, setup, and cleanup at catering functions. Cleanup takes about two hours after each job. His pricing has been based largely on guesswork up to now. Garfield would like you to forecast his costs for October and determine help him determine how to estimate the fees he should charge. Most clients order a mixture of dishes. Geek classifies the dishes (according to the cost of the ingredients) as either expensive or inexpensive. The current accounting records consist of only a general journal and a general ledger.

Summarized information for the first six months of business are provided. The student is required to analyze the information to determine how the costs change with volume. As chief accountant for the firm, the student is then asked to estimate the costs for the next month and the fee which should be quoted a particular client. Too often texts treat the chapter on cost behavior as an exercise in math with few demonstrations of how this information could be useful. This case shows the students a direct link between the determination of cost behaviors and some applications.

EASTERN STATE: A SHIP OVER TROUBLED WATERS

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ABSTRACT

Eastern State University is school located in the southern region of the United States located in the South. Eastern State is a relatively young school that was established, not unlike other colleges, as a place for training teachers. Over time its role as a learning institution has changed considerably and Eastern has grown to be the third largest school of higher education in the region. Nevertheless, Eastern experienced difficult times due to shortfalls in tax revenues due to the cyclical nature of the indigenous industries located within the state. Since the economy is now improving, enrollment is increasing at record breaking levels to the point that the Eastern now advertises "The fastest growing University in the United States." Changes in demographics such as urban flight, the ability to home office, and the demand for better educated workers has led to the increase in the demand for higher education. This increase in demand is forcing Eastern to reconsider it conservative strategies it has held onto in the last 15 years.

DEVELOPING CASES FOR PUBLICATION: A GUIDELINE

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ABSTRACT

In 1987, the American Assembly of Collegiate Schools of Business (AACSB) recognized case development as an intellectual contribution. The recognition has therefore increased demand from deans of schools of business for faculty to develop and integrate case method of teaching and learning in their curricula. All the same, the question remains, not just how do I learn to write a case but what are the characteristics of a publishable case.

This paper examines the history of case method research and its acceptance as an intellectual contribution. This is followed by discussions on editorial guidelines for publication and the recommended contents for effective teaching note. Additionally, the paper presents and discusses a general framework for case development and in conclusion presents a listing of case publication journals and other sources with caveats for editorial nuances.

THE TRAGEDY OF FLIGHT 800

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CASE DESCRIPTION

The primary subject matter of this case concerns crisis communications involved in dealing with the crash of Trans World Airlines (TWAs) Flight 800. Secondary issues include those related to marketing. The case has a difficulty level of three, or junior level courses and above, depending on the approach used and questions selected for student discussion. The case is designed to be taught in one (1) class meeting and is expected to involve one to two hours of outside preparation by students, again, depending on the approach used and questions selected.

CASE SYNOPSIS

This case chronicles the events leading up to and following the tragedy of Trans World Airlines' (TWAs) Flight 800. A brief history of TWA is provided to give the students a better understanding of the troubled history of the airline. The case analyzes Trans World Airlines' handling of the major publics of Flight 800 from a marketing, specifically public relations, viewpoint. Students are asked to assume the role of TWAs public relations officials in formulating a plan of action for handling this critical incident.

WES-EN-VOGUE: THE CASE OF PARALLEL IMPORTS

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INTRODUCTION

Sam Khali, manager of Wes-En-Vogue, stood in front of his father's store one day in July 1995 and lit up another cigarette. He was frustrated and disappointed with his U.S. suppliers. Sam had so many things in his mind. He turned and looked at the display window of the next store. "Why do they have the same merchandise? How can I stop them from bringing in the same merchandise? What should I do to improve my company?" he wondered. Sam had recently discovered that his competitors carried very similar lines of women's undergarments that his store offered. He thought his U.S. suppliers had promised to supply selected styles and brands to Wes-En-Vogue exclusively. Sam further learned that his competitors' prices were lower. He called his U.S. suppliers few weeks ago to find out what was really going on in this market. However, his U.S. suppliers were not aware of any sales of similar products to other retailers in Kuwait.

"I CAUGHT US AN INTERNAL:" EMPLOYEE THEFT

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CASE DESCRIPTION

The primary subject matter of this case concerns employee theft. Secondary issues include the ethical dilemma of a loss prevention associate at Wal-Mart who catches an employee stealing store merchandise. The case has a difficulty level of four which is for seniors. The case can be taught in one class hour and is expected to require two hours of outside preparation.

CASE SYNOPSIS

John Black is a loss prevention associate for Wal-Mart who clearly understands the problems of employee theft. In the United States, internal theft costs companies \$40 billion a year. Thirty percent of American workers steal, and two percent of retail business losses are due to employee theft. At Wal-Mart, employee theft costs the company 1.5 times the cost of customer theft.

John Black has caught an employee (Matthew White) stealing children's clothing from the store. John follows the company procedure of calling his district supervisor and arranging a meeting with the employee. During this meeting, John learns more about Matthew's personal situation such as Matthew's strained marital and financial situation. In addition, Matthew has a child with severe medical problems so that his wife must stay at home, and the family is completely dependent on his income. However, Matthew admits to stealing the clothing for his children. When asked to write and sign a statement declaring his guilt, Matthew reveals that he cannot read or write. John now wonders whether the strict enforcement of company policy which requires firing is in the best interests of the company and society. Matthew has won awards for his performance at Wal-Mart.

The case can be used as a role play exercise of the meeting between John, Matthew, and the supervisor. Students can be asked to weigh the costs and benefits to the employee, to the company, and to society of maintaining company policy and firing the employee or of allowing the employee to keep his job.

ENRON-DABHOL POWER PROJECT: PART TWO A MODEL FOR INTERNATIONAL INVESTMENTS

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ABSTRACT

In 1991, the Texas, U.S., based Enron Corporation agreed with the Government of India to establish a 2,015 mega-watt power plant in Dabhol, Maharashtra. This historic \$2.5 billion joint venture to establish the largest power plant in the world--so important for both the American corporation and the people of India--went through years of court fights, political debates and unnecessary expense of time and money before it was revised and re-agreed upon. (For details, see Enron-Dabhol Power Project: Process and Problems, Journal of the International Academy for Case Studies, Volume 3, Number 2, 1997, 129-138).

The purpose of the (Part Two) article is to present strategies for future international investments in India such that the joint venture agreements between the two parties are clear to understand, easy to implement, free from political overtones, and enforceable by law; and, such that they are economical and beneficial for the people of India, on the one hand, and assure a reasonable rate of return to the foreign investor, on the other.

The article suggests ways to negotiate deals that are apolitical in a system full of conflicting political philosophies. It presents ways for a foreign investor to negotiate binding legal contracts in a land of laws where legal contracts may become vulnerable with changes in ruling parties. It recommends ways to educate the masses about the significance of foreign investments in promoting local employment, technological advancements and economic growth.

The article should be of interest to a wide variety of scholars, executives and administrators interested in the successful establishment and operation of international investments in India and other developing economies.

MANAGING THE INTERNATIONAL HUMAN RESOURCE MANAGEMENT FUNCTION: A CASE STUDY IN THE TELECOMMUNICATIONS INDUSTRY

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ABSTRACT

This case describes the complex issues associated with structuring and managing a growing international human resource function in a large telecommunications company in Finland. The case highlights how the company has managed its rapidly growing IHRM program from the early days of only a few expatriates on assignments to today when its expatriate numbers exceed 1,200. How the company uses its philosophy of "Collecting People" to develop policy and inform decisions regarding IHRM activities are illustrated. For example, the company is committed to structuring its international compensation package to insure perceived fairness across the many international locations in which its expatriates were assigned. Yet, questions of fluctuating exchange rates, variations in costs of living, non-monetary rewards associated with foreign assignment benefits complicates the decision process. Finally, the growing demand for new expatriates throughout the industry, as well as company growth, is raising numerous strategic and policy issues associated with recruiting, compensating, selecting, and training new expatriates. The case was written on-site with cooperation from the company during the summer, 1997. Teaching notes accompany the case.

PUBLIC FUNDS AND AN ENTREPRENEURIAL EFFORT: THE AURORA CATALOG EXPERIENCE IN ALASKA

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ABSTRACT

Rural Alaska Community Action Program, Inc. (RurAL CAP), an Alaskan nonprofit organization dedicated to serving the economic and welfare needs of rural Alaskans, particularly native Alaskans, launched a new catalog operation in 1993. The catalog had several purposes, one of which was to generate funds to support other social programs. In 1995, after two years of heavy losses and the investment of more than \$700,000 of public money through Alaska State administered grant programs, controversy and uncertainty swirled about the contentious new venture. Investors in a private catalog operation, including a leading State politician, were very concerned about competing against a heavily subsidized operation that clearly did not have to make a profit. In addition to competing in the same markets, the two organizations competed for the talents and products of the same producers. RurAL CAP, Inc. Argued that the losses were to be expected in a start-up operation, that they needed more time and money to become profitable, and further claimed that they did not compete unfairly with private enterprise.

The Department of Community and Regional Affairs, the agency responsible for administering the federally funded grant programs, was unsure of what to do. Besides the discomfort associated with giving taxpayer money to an organization that competed against private enterprise, they were concerned about whether the catalog operation represented a wise investment of public money. They wondered whether or not the catalog would ever be profitable, and hired a consultant (the author) to help answer this basic question.

The case can be used to raise and address a number of interesting issues appropriate to classes in public administration, marketing, finance and accounting, and entrepreneurship. In addition, enough data will be provided so that students will be able to examine quantitatively (and qualitatively) the issues involved in forecasting future financial results for such a new operation. The teaching note will emphasize marketing and financial issues, including break-even analysis.

FOREIGN CURRENCY GAINS AT SPEAKERS, INC.

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CASE DESCRIPTION

The primary subject matter of this case is accounting for foreign currency transaction gains and losses. Two secondary issues arise in the case. First, the issue of distinguishing between transaction gains or losses and translation adjustments is considered. Second, the concept of materiality arises in making a cost-benefit trade off decision regarding the fair presentation of foreign currency gains on the financial statements.

This case can be used in junior-level courses for accounting majors. The case can be taught in approximately one class hour and should require no more than three hours of student preparation.

CASE SYNOPSIS

Speakers, Inc. (Speakers), a California corporation and a wholly owned subsidiary of a Japanese company, Shumatsu Enterprises (The Parent), is a manufacturer and distributor of plastic and metal speaker component parts. Speakers has an outstanding loan from its parent company in Japan and is required to issue audited stand-alone financial statements that conform to U.S. Generally Accepted Accounting Principals (GAAP).

These GAAP-basis financial statements must include disclosure of a note that Speakers owes to the Parent. This note is denominated in Japanese Yen. The FASB has taken the position that firms should recognize the effect of changing prices in multiple-currency environments as they occur rather than waiting until an exchange transaction. The logic behind this rule is that a firm that conducts activities in multiple currencies must report in one currency.

KATLEE CORPORATION- REVENUE, LEASE AND EMPLOYEE / INDEPENDENT CONTRACTOR ISSUES

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ABSTRACT

There are several major accounting issues in this case. First, the auditors must decide when revenue should be recognized by the company. Before the revenue criteria can be evaluated for that decision, the status of the representatives must be determined because the classification of the representatives, either as employees or independent contractors, will have a critical impact on the proper accounting reporting practices. If the representatives are independent contractors, then the representatives would be considered outside the company. The representatives could be considered the customers of the company and the revenue criteria would be examined at the time the product is delivered to the representatives. Please see Table I and II for background.

However, if the representatives are considered employees, the revenue point would be later when the representatives delivered the product to the customers that would ultimately consume the product. Other issues would become important. If the representatives are employees, then the classification for the automobiles used by the representatives would be critical. If the leases are capital leases, the related asset and liability would be recognized in the financial statements. This issue is not just a legal question, because the classification of the leases will have an impact on the form of the financial statements (see Table I for details). Accounting for leases is usually a difficult topic for students. This case presents the accounting lease issues in a practical setting. Facts are based on actual events. Students are asked to evaluate the questions in a financial audit environment instead of trying to only memorize a set of rules and criteria. Other issues can be added according to the instructors' own desires and the students' backgrounds. The level of difficulty can be adjusted to meet the objectives of a specific course. Actual lease documents are included in the case to add realism to the case. Experience has shown this case approach helps students' understanding of this challenging reporting area.

THE CAMPUS BEHAVIORAL HEALTH CENTER

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During a flight from Los Angeles to Chicago Charles Brown became involved in a conversation with Cates Lewis who was sitting next to him. After five or ten minutes of the usual topics concerning the weather, promptness of the airline and so forth, Cates asked Charles what he did for a living. With that, Charles entered into a conversation that would ultimately result in a long term relationship between the two of them.

Charles Brown is the CEO of a consulting firm called TM Inc. His firm specializes in turning around failing companies and in some instances buying out failed companies and resurrecting them. Over the years TM has been quite successful and Charles is in the enviable position of choosing the companies he's willing to work with. TM is a virtual organization with a small core staff but with a network of associates that spans numerous industries and disciplines. As a result, the company has been involved with organizations ranging from high tech computer companies to low tech manufacturing firms to health care organizations. Charles' background is health administration and he still seems to gravitate toward projects that involve health care.

HOLIDAY INN--ZHENGZHOU, HENAN PROVINCE, PEOPLE'S REPUBLIC OF CHINA

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CASE DESCRIPTION

Doing business in China has become a very popular pursuit among many major organizations in the global sphere. One of the problems, associated with locating in China has occurred as a result of many Westerner's inability to understand the values, attitudes, mores and cultural impacts on organizational behavior and the manner in which the organization interfaces with its many publics. This case should be appropriate for any course, graduate or undergraduates in which organizational behavior, organizational culture, management style, or cultural influences on business operations are being studied. It also looks at some of the problems encountered by an expatriate manager in a foreign setting.

CASE SYNOPSES

In 1995 the Holiday Inn Crowne Plaza was opened in Zhengzhou, PRC. This hotel is easily the best hotel in the city and quickly became the preferred hotel for international visitors to the Henan Province of central China. b&. James Wilson, who was employed by the Holiday Inn Management of Australia (this company is not a part of the corporation located in the United States) became the expatriate manager of the Zhengzhou hotel. It soon became apparent that habits and cultural behavior of employees and Chinese guests presented problems to the smooth operation of the hotel- Cultural idiosyncrasies, individual habits, environmental conditions and bureaucratic procedures presented challenges to Mr. Wilson and the efficiency of this organization. Although he is trying to be adaptive to the Asian culture, Mr. Wilson knows that he must insist on behavioral changes from the employees and from the Chinese patrons if he is to meet the needs of his international customers and to make best use of his human resources.