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Table of Contents

THE RISE AND FALL OF NETFLIX: WHAT HAPPENED AND WHERE WILL IT GO FROM HERE?

Grace C. Allen, Western Carolina University
Dorothee Feils, University of Alberta
Holly Disbrow, Western Carolina University

ABSTRACT

Netflix, an innovative company that provides home-delivered DVD rentals and steaming of movies and TV shows, has had a rollercoaster ride over the past several years. The company was founded in 1997 and it was not until 2003 that it reported its first profit after years of losses. In 2007, it went from offering only DVD rentals to an additional feature of streaming. Between 2009 and 2011, Netflix's stock price rose from $35 to a peak of $304.79. In July 2011, the company increased its subscription price by 60%, angering many subscribers. Then in September 2011 the company announced it would split Netflix into two companies. Both of these managerial decisions resulted in a severe backlash. Although the company aborted the idea of splitting Netflix, they lost 800,000 subscribers in the third quarter of 2011 and its stock price fell to $67 in December 2011. The proposed splitting of Netflix by management is considered by some to be one of 2011's biggest business blunders. Company analysis will explore the factors that led to Netflix's rise and fall. The case focuses on financial statement analysis, corporate strategy and international expansion.

A DIRTY FISHBOWL: A CASE OF WORKPLACE INCIVILITY

Dana M. Cosby, Western Kentucky University

CASE DESCRIPTION

The focus of this case is the impact that organizational culture can have on employee morale, and ultimately job and organizational performance. In particular, there is a focus on workplace incivility, one form of employee misbehavior. This case has a difficulty level of three and above (appropriate for juniors, seniors, and graduate level). This case does not require the use of statistical analysis so it is accessible to students at all levels. This case is designed to be taught in two or three class hours in a management, education, or communication course and is expected to require one to two hours of outside preparation for students.

CASE SYNOPSIS

In this case a corporate human resources professional is faced with a number of situations happening around the organization that involve rude and inappropriate employee conduct. The underlying concerns of the behaviors relate to professional decorum and appropriate workplace conduct. The professional has to make recommendations for strategies to remedy these situations.

INTRODUCTION

Holley P. was eager to begin her new assignment as Executive Assistant to the President and CEO of a major automotive supplier in North America, DharmaWire. She would be working in the corporate office, with a dual reporting relationship to the President, an expatriate from Japan, and the CEO, a local executive. A long-time human resources professional, Holley knew that her background and experiences in manufacturing would help her in this key role. Her bright and sunny attitude had opened the door for many opportunities in the past, and she had no doubt that her future would be bright at DharmaWire.

Holley's first week went well. She met her colleagues in the corporate office and began to learn about the various procedures and systems required by the company. She noticed that the office was generally quiet, in fact more so than any company that she had ever worked in before. She assumed that it was mainly attributable to the "open office" configuration of the workspace. She wondered why the company would prefer that all staff members work in one open space, rather than having cubicles or even offices, to promote a more productive work environment. Naturally talkative, Holley found that she was having a hard time "warming up" to some of the other employees in the office. Instead of forming good working relationships with them, she found that they seemed to be avoiding her. In fact, her co-workers would disband and stop chatting if Holley P. walked into the break-room.

At the end of week three, the honeymoon at the office seemed to really be over. Holley's boss, Freddy, came rushing out of his office almost on an hourly basis, barking out orders in a fast, and sometimes loud tone. He was generally rude and discourteous---not only to Holley, but other support staff around the office. His position as Chief Executive Officer placed him under a great deal of pressure and as this increased, his behavior became more volatile. His mood seemed to spill over to other managers in the office. Even Jimmy, the normally positive and friendly Compensation Manager, seemed to scowl and frown on those days.

While Holley considered patience her major strength, she felt frustrated and "put down" most of the time these days and could not pinpoint exactly why, and felt out of sorts. Her spirited disposition was becoming more lackluster, day-by-day. While she still politely answered calls and dealt with internal customers, she found her mind wondering about other things. She began to question whether or not she was doing the right things on her job and even if she was in the right organization.

One of the most difficult parts of her job, Holley found, was serving as note-taker for the monthly Corporate Leadership team meeting. In this setting, all of the managers in the corporate office would meet to review key indicators of the organization. There was an air of conflict in the room at each meeting. On the first occasion, one of the women corporate managers was belittled for having recently remarried. One of the executives, Phil, made the comment, "Well, everyone Vera got married this month. She is now Vera Brown. Vera, I suggest you get a mailbox made of chalkboard so you can erase the last name easily. Use the chalk to write your new name." Several of the managers chuckled, but Vera just looked down. After the meeting, Holley heard one of the assistant managers approach Vera. "Vera, that was uncalled for. I am sorry you have to put up with stuff like that here." Holley thought quietly to herself, "I can't believe it either, is professionalism dead?"

In another meeting of top executives, Holley heard Freddy make the comment, "People with Engineering Technology degrees should not think they are real engineers" in front of one of the plant managers. It was widely know that the plant manager had an Engineering Technology degree and the comment was an obvious slight to him. Others in the room heard the comment, but just looked away.

The Accounting department had different issues. The Controller was someone who had been in the organization since it started. If you wanted to know some history about an employee in the company, all you had to do was sit next to him and he would share information. Holley learned very interesting details about many of his staff members when she sat next to him at the monthly office potluck lunch. She found out that Tina, the Accounting Clerk, had two children out of wedlock, Sissy, the Accountant, had a husband with tax problems, and Harold, a Financial Specialist, was a known womanizer. He also commented that he had moved Susan three times in his department because she just couldn't get along with anyone.

Holley's background in human resources gave her pause to stop and think about her observations, but each incident, almost seemed trivial. The communication in the office seemed very unproductive. The working relationships among several employees seemed guarded. A cloud of distrust seemed to be hanging over the office.

One day Holley had enough. As Michelle, the Human Resources Manager, walked by her desk, Holley sighed loudly and put her head in her hands. Michelle stopped at Holley's desk and said, "Holley, is something wrong?" Holley responded, "This place is just a dirty fishbowl, that is all I can say."

CHALLENGES IN EVALUATING AND COMPARING RECEIVABLES LEVELS ON RETAILERS' BOOKS

Martin L. Gosman, Quinnipiac University
Janice L. Ammons, Quinnipiac University

CASE DESCRIPTION

The primary subject matter of this case concerns expectations regarding the accounts receivable levels carried on the books of retail stores and insights gained from calculating and comparing retailers' days' sales in accounts receivable (DSAR) ratios. The case contrasts the impact of administering a store card in-house versus transferring a credit card program to a third-party financial institution. This case has a difficulty level of three to six; the case is appropriate for intermediate accounting, financial management, introductory financial accounting for MBAs, and financial statement analysis. The case is designed to be taught in one hour of class time and is expected to require no more than one hour of outside preparation by students.

CASE SYNOPSIS

In the context of analyzing working capital or liquidity issues in accounting and finance courses, students are typically introduced to the use of days' sales in accounts receivable (DSAR). While DSAR is often characterized as a measure of how long customers are taking to settle their obligations, this case will illustrate instead that DSAR increasingly reflects the timing of electronic transfers from banks. The data in this case reveals variety among retailers in the administration of their credit card operations and their accounting for credit card sales. Given the prevalence of credit card usage by retail customers, students of accounting and finance benefit by understanding the implications for inter-company and intra-company comparability.

OVERVIEW

For viability, a firm must successfully manage the components of working capital (accounts receivable, inventory, and accounts payable). The efficiency of working capital management is often studied when analyzing retailers (Ammons & Gosman, 2012; Gombola & Ketz, 1983; Gosman & Ammons, 2012; Gosman & Kohlbeck, 2005; Kapitall, 2012; Kapitall, 2011). Working capital efficiencies allow retailers to reduce financing costs and increase funds that can be used for store expansion plans or other purposes. While many studies have analyzed financial ratios such as days' sales in accounts receivable (DSAR) as part of working capital management, they have not addressed the evolving credit card landscape of retailers and how this affects an analysis of that ratio and associated receivables levels. This case highlights the care that needs to be taken when inferring what the ratio of days' sales in accounts receivable is conveying. Further, this case clarifies how this credit card landscape drives differences in receivables ratios (and related financial-statement amounts) not only across companies in the same retail segment, but also for individual retailers over time.

Table 1 presents information concerning the prevalence and administration of retailers' store credit cards (which can only be used within that retailer's network of stores).

Table 1: STORE CREDIT CARD FACTS	
Number of retailers with store credit cards (Store-CreditCards.com, 2013)	More Than 125
Number of U.S. adults with store credit cards (Packaged Facts, 2013)	61 million
Standard & Poor's estimate of amount owed on store cards in May 2012 (Andrew, 2013)	$52.8 billion
Estimated percentage of all credit-card loans outstanding represented by store cards (Bernard, 2009)	11%
Estimated percentage of department-store sales on store cards (Bernard, 2009)	30-40%
Sample of eight retailers with store cards still administered in-house in 2012 (Firms' 10-Ks)	Coach Nordstrom Office Depot OfficeMax Staples Talbot's Tandy Brands Target
Sample of eight retailers with store cards administered by third-party banks in 2012 (Firms' 10-Ks). See Table 3 for examples of this growing trend.	Barnes & Noble Best Buy Children's Place Kohl's Macy's Toys "R" Us Walgreen's Wal-Mart

Many retailers offer both a store credit card and a co-branded card, where the latter can be used anywhere the collaborating network's card (such as VISA or MasterCard) are accepted. In either case, the critical issue for analysis of retailers' accounts receivable levels and ratios turns on whether or not the retailer administers its credit card operation in-house or outsources that operation to third-party banks. Table 2 illustrates how the accounting for credit card sales differs depending on who is administering the credit card. In addition, the Table reveals differences among retailers in how they account for amounts due from third-party banks (where applicable).

Table 2 : RETAILERS' ACCOUNTING FOR CREDIT CARD SALES		
Assumptions for Illustrative Purposes: $100 credit sale 3% swipe/interchange fee retained by third-party bank (if any)		
1st Scenario: Customer Uses Store Credit Card Administered by Retailer Itself		
Accounts Receivable	100	
Sales Revenue		100
(Shown as accounts receivable from date of sale until date customer pays retailer)		
2nd Scenario: Customer Uses Any of the Following: Store Credit Card Administered by Third-Party Bank Retailer's Co-Branded Credit Card (usually involves bank) Other Firm's Co-Branded Credit Card (always involves bank) Generic Credit Card (always involves bank)		
Due from Third-Party Bank*	97	
Credit Card Expense	3	
Sales Revenue		100
*A. Shown by some retailers as Accounts Receivable for the period between date of sale and date of electronic funds transfer from bank (e.g., Children's Place and Toys "R" Us) OR *B Shown by many retailers among Cash and Cash Equivalents and *never shown as an Accounts Receivable* if electronic funds transfer is expected from bank within a few days from date of sale (e.g., Kohl's, Walgreen's, Wal-Mart)		

Table 3 presents examples of well-known retailers that have sold their credit-card operations so that financial institutions are now responsible for administering their store cards.

Table 3: Examples of Retailers' Transfer of Store Credit Card Operations to Financial Institutions

Year	Retailer	Card Transferred To
1996	American Eagle Outfitters	GE Consumer Finance
1999	J C Penney	GE Consumer Finance
2003	Sears	Citibank
2006	Kohl's	Chase
2006	Federated (Macy's)	Citibank
2009	Charming Shoppes	Alliance Data Systems
2010	Neiman-Marcus	HSBC Holdings
2012	Talbot's	Alliance Data Systems

Table 4 presents data used in the calculation of days' sales in accounts receivable for three retailers for fiscal years 2006 and 2005. The first two retailers (Kohl's and

Macy's/Federated) outsourced their credit card operations in 2006 as noted in Table 3. The third retailer (Target) kept the administration of its credit card operation in-house.

Table 4: Effect of Sale of Store Credit Card Operation on Level and Trend of Dsar		
Retailer	**2006**	**2005**
Kohl's		
Net Sales	$15,544,184,000	$13,402,217,000
Ending Accounts Receivable	$0	$1,652,065,000
Ending Accounts Receivable as % of Net Sales	0.0%	12.3%
Days' Sales in Accounts Receivable *April 2006 - Sold Store Credit Card Operation to Chase	0 days*	45.0 days*
Macy's/Federated		
Net Sales	$26,970,000,000	$22,390,000,000
Ending Accounts Receivable	$517,000,000	$2,522,000,000
Ending Accounts Receivable as % of Net Sales	1.9%	11.3%
Days' Sales in Accounts Receivable **May-July 2006 - Sold Store Credit Card Operation to Citibank	7.0 days**	41.1 days**
Target		
Net Sales	$57,878,000,000	$51,271,000,000
Ending Accounts Receivable	$6,194,000,000	$5,666,000,000
Ending Accounts Receivable as % of Net Sales	10.7%	11.1%
Days' Sales in Accounts Receivable *** Kept Store Credit Card Operation In-House During 2006	39.1 days***	40.3 days***

In the case questions that follow, students are asked to critically evaluate assertions commonly made about days' sales in accounts receivable numbers and their meaning. The ensuing class discussion can underscore how retailers' choices in managing their credit card landscape affect receivables ratios (and related financials). As a result, students should be better equipped for both intra-company and inter-company analysis, digging into a key driver that allows retailers to manage collections with customers in order to enhance working capital performance.

QUESTIONS FOR DISCUSSION

1. DSAR has been described as "a measure of the average time a company's customers take to pay for purchases" (InvestorWords.com, 2013). Does it then follow from data in Table 4 that Target's customers took 32 more days than Macy's/Federated's customers to pay for their credit purchases in 2006? Explain.

2. One source has expressed concern over a DSAR much lower than 40-50 days, suggesting that "it could indicate overly strict credit policies that might prevent higher sales revenue" (Businessdictionary.com, 2013). How can this concern be reconciled with the Table 4 data that show that Kohl's net sales grew by over $2 billion during 2006 despite the fact that its DSAR fell from 45 days in 2005 to 0 days in 2006?

3. Use the following data for Dillard's Department Stores to calculate its DSAR for each year (Dillard's, 2005 and 2004):

	2004	2003
Net sales	$7,528,572,000	$7,598,934,000
Accounts receivable	$9,651,000	$1,191,489,000

4. Do your findings in Question 3 suggest that Dillard's collection department was much more effective in 2004 than it had been in 2003? If not, provide a more plausible explanation for the results.

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LOVE, AFFECTION, AND CONTRACTSWILLIAMS V. ORMSBY131 OHIO ST.3D 427, 966 N.E. *255*

Diane Y. Hughes, Rowan University

CASE DESCRIPTION

The subject matter of the case falls under the general category of contract law. In order to create an enforceable contract, certain elements must be present. These include a valid offer, acceptance, legal capacity of the parties, and legality of the contract. In addition, consideration must be given by both parties, which is the main issue in this case. Specifically,this case addresses the question of whether the promise of love and affection is valid consideration in a contract between unmarried co habitants.

CASE SYNOPSIS

This case study is designed for undergraduate students and has a difficulty level of two. It would be appropriate for sophomore level business law courses and may be used as a take home assignment or for class discussion.

CASE BODY

Amber Williams owned a house of which she received title from a divorce settlement. In May of 2004, her boyfriend, Frederick Ormsby, moved into the house with her and the two lived as a couple. Ormsby made the mortgage and property taxes payments, later paying off the entire balance of the outstanding mortgage .Williams, in consideration of said payments, transferred the title of the home to Ormsby.

After some relationship problems and a resulting restraining order against her, Williams vacated the home. Both parties agreed in a written document to immediately sell the home and to distribute the proceeds between the two of them. They later attempted to reconcile. Williams agreed to move back into the house only on the condition that she became a ½ owner with Ormsby. The couple signed an agreement in 2005 to this effect. Although they attempted to resume their non-marital relationship, they continued to experience problems which resulted in them living in separate areas of the house until Ormsby vacated the premises in 2008.

Both parties filed suit against each other which was consolidated by the trial court. This court found that the agreement to become equal partners in the home was unenforceable because it lacked consideration. The appellate court reversed based on the ground that resuming the relationship was adequate consideration.

Ormsby appealed to the Ohio Supreme Court which reversed the Appellate court decision. Specifically, the Supreme Court held that the resumption of a romantic relationship is not sufficient legal consideration to create an enforceable contract. In reaching its decision, the

Court cited a few cases. In Snyder v. Warde, 151 Ohio St. 426(1949), a housekeeper sued the estate of her employer to enforce an oral agreement made by the deceased to make a will. The court in Williams v. Ormsby distinguished Snyder on the ground that it involved providing services for money whereas the Williams case sought to use a relationship as consideration.

The court also examined Tiggelbeck v. Russell, 187 Ore. 554(1949). There, an oral agreement to make a will was upheld because it found that the plaintiff had "changed the course of her life and circumstances…"to provide housekeeping and other services for the family. In that case the plaintiff abandoned a lucrative career in order to work for the deceased and his family.

INSTRUCTORS' NOTES

CASE DESCRIPTION

The subject matter of the case falls under the general category of contract law. In order to create an enforceable contract, certain elements must be present. These include a valid offer, acceptance, legal capacity of the parties, and legality of the contract. In addition, consideration must be given by both parties, which is the main issue in this case. Specifically,this case addresses the question of whether the promise of love and affection is valid consideration in a contract between unmarried co habitants.

CASE SYNOPSIS

This case study is designed for undergraduate students and has a difficulty level of two. It would be appropriate for sophomore level business law courses and may be used as a take home assignment or for class discussion.

CASE

In answering the following questions, students demonstrate their (1) understanding of the concept of consideration, (2) ability to research and distinguish case law and (3) creative reasoning skills while analyzing ancillary issues. Discuss the legal requirement of consideration and the Ohio Supreme Court's analysis. Consideration is known as something given in exchange for a promise or for a performance. The Ohio court has stated that it "may consist of either a detriment to the promisee or a benefit to the promisor." See Irwin v. Lombard University, 56 Ohio St. 9(1897). In addition, the consideration must be bargained for, which is often an issue for the courts to decide. Since an 1887 case, Flanders v. Blandy, 45 Ohio St. 108(1887), the court has not recognized love and affection as sufficient consideration for a contract. In that case, a father promised to give his daughter $2,000 in bonds but failed to deliver them, thus the gift lapsed. Subsequently, the father promised to give her $2,000 in cash. The father died and the daughter sought to enforce the promise. The court determined that the gift "required a transfer to take effect" and that therefore, there was no consideration. It also decided that the father's promise was in consideration of love and affection and therefore was no consideration at all. Id. at 114. What is the difference between a contract and a gift? Here students should be able to discuss the elements necessary to create a gift. These elements are (a) donative intent, (b) acceptance and (c) delivery. The donor or grantor must consciously and deliberately intend to make a gift. Statements made in jest or while under duress will not satisfy the intent requirement. Likewise, the recipient must consent to receiving the gift. Delivery of the gift or property may be completed by physically taking possession of the property. It may also be accomplished by constructive delivery, i.e., the donor giving the recipient access to the property. For example, the donor may give the recipient a key a locked box that contains the property. Although a gift may appear to possess some of the identical elements of a contract it does not require consideration.

The court of appeals relied on a few cases including In the matter of the Estate of Arthur Roccamonte. How did the Ohio Supreme Court distinguish this case? Roccamonte, 174 N.J. 381(2002) found a palimony contract to be enforceable. Plaintiff, Mary Sopko, met the now deceased Roccamonte when both were married to other people. They began a love affair, resulting in the Sopko leaving her husband and the two of them living together intermittently. The plaintiff eventually moved from New Jersey to California in an attempt to end her affair with Roccamonte. While there, Roccamonte pursued her relentlessly and promised he would divorce his wife and financially provide for the plaintiff for the rest of her life if she would return to him. In reliance, plaintiff returned to New Jersey to live with Roccamonte. Over the next few decades, plaintiff co habituated with Roccamonte who provided for her and her daughter. Contrary to his promise, Roccamonte refused to divorce his wife, citing business reasons. Roccamonte eventually died intestate. Plaintiff thereafter brought a palimony suit. After two years of litigation to determine in which court should the trial be held, the case ended up in probate court and was dismissed on summary judgment based on plaintiff's failure to prove a contract. On appeal, it was remanded to probate court for a hearing on several issues. The court cited an earlier case wherein it was established that unmarried partners who live together may have a right to receive support based on contract law. Kozlowski v. Kozlowski 80 N.J. (1979). The finding in Kozlowski was upheld a few years later in Crowe v. DeGioia, 90 N.J. 126(1982), a case with similar facts. On appeal, the defendant argued lack of sufficient consideration. The Appellate court stated that the "amount and sufficiency of consideration is not significant as long as it is the bargained for detriment …"Crowe v. Degioia, 203 N.J. Super.22, at 31(1986). The Ohio court distinguished the New Jersey case based on the fact that the state statutes do not recognize palimony or common law marriage and that case law does not permit distribution of assets in such cases. Ancillary issues that may be used for class discussion and legal research. (a)Should an unmarried individual who is financially supported by their romantic partner, yet living separately, be entitled to continued financial support upon dissolution of their relationship? Or, should co habitation be required? (b)Should support agreements required to satisfy the Statute of Frauds? See N.J.S.A.

REPORTING OF SUSTAINABILITY EFFORTS – A CASE EXPLORING ISSUES, BENEFITS, AND CHALLENGES

Marianne L. James, California State University, Los Angeles

CASE DESCRIPTION

The primary subject matter of this case concerns sustainability reporting and the emerging trend of integrated reporting, which combines a company's financial results with information about its sustainability efforts. The case explores the related strategic and reporting issues and the benefits and challenges that sustainability and integrated reporting entail.

The case has a difficulty level of four to five and can be taught in about 45 minutes. Approximately three hours are necessary for students to address all the questions in a group setting. The case can be utilized in an upper division accounting course to help students become aware of important emerging global reporting trends and to explore the issues, benefits and challenges that sustainability and integrated reporting entail. The case can also be utilized in a graduate accounting or business course focusing on the organizational and strategic issues. The case and the independent suggested questions have research, technical accounting, and communication aspects and can be used to enhance students' analytical, research, and communication skills.

CASE SYNOPSIS

During the past few decades formal sustainability reporting has increased significantly in the U.S. and globally. Public and some private companies have embraced this trend. While many companies currently report on their sustainability efforts and thus their impact on the natural and social environment, reporting is largely voluntary. In addition, most companies issue separate sustainability reports instead of including the information in their financial reports. Recently, a new trend toward combining the information about a company's sustainability efforts with its financial/economic results has emerged. This is referred to as integrated reporting or the integrated triple bottom line. This trend is supported by the International Integrated Reporting Committee's efforts to develop a globally accepted integrated reporting framework.

Companies and their stakeholders may derive significant benefits and encounter significant challenges from sustainability and integrated reporting. This case explores the issues, benefits, and challenges that companies and their executives who are planning to formally report their organization's sustainability efforts will tend to encounter.

The case can be used to develop students' awareness of the trend toward sustainability and integrated reporting and can enhance their understanding of the related issues, challenges, and expected long-run benefits. The case can be utilized in an advanced level accounting or *business course; it also can be used in a graduate course focusing primarily on the strategic issues. The suggested questions are independent providing instructors with considerable flexibility to assign all or only selected questions. The case has communication, research, and technical accounting aspects and can enhance students' analytical, research, and communication skills.*

MERGENTHAL CORPORATION*

Mergenthal Corporation is a midsize privately-held company that manufactures and distributes food products. Its product lines are well established and the company's total revenue has grown steadily during its 24-year history. The company is moderately profitable and has accumulated a significant amount of cash reserves. Since the company is privately-held, its management is not subject to stock market pressures to achieve short-term earnings goals and is able to focus on strategies that help the company succeed and build value in the long-run. Mergenthal's board of directors fully supports this long-run focus.

Mergenthal prepares its financial statements in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) and issues an annual report that is available on the company's website. Currently, 82% of the company's products are sold in North America, the majority in the U.S. The company also sells some of its products through independent distributors in Northern Europe. Last year, the company's board of directors voted to spend a significant amount of Mergenthal's accumulated cash to help the company increase its market share in Europe. To facilitate this goal, the company plans to acquire a majority interest in its current European distributor.

The Company's Products

Mergenthal Corporation produces and sells energy drinks and energy bars. Its drinks contain only natural ingredients, such as fruit extracts, natural flavors, and natural sweeteners. Its energy bars are available in 14 different flavors. Each energy bar has no more than five ingredients and primarily consists of dried fruits, nuts, and natural flavors. One of its product lines is sweetened exclusively with Agave syrup, which because its low glycemic index, may even be suitable for individuals who must control their blood sugar levels.

Originally, most of its drinks were sold in recyclable glass bottles. A few years ago, however, the company started filling some its perishable and non-perishable drinks in Tetra Paks, which are significantly lighter and do not need refrigeration until opened. Currently, the majority of its Tetra Pak packaged drinks are sold in Europe where Tetra Paks are very common and typically fully recycled. Because of its lower weight, the Tetra Pak drinks are significantly less expensive to ship. With its planned expansion in Europe, Mergenthal Corporation is planning to increase the percentage of its drinks packaged in Tetra Paks and plans to apply for the Forest Stewardship Council (FSC) certification. Once obtained, the company is planning to display the highly prestigious logo on its packing. The company's energy bars are packaged in fully recyclable wrappers.

Sustainability at Mergenthal Corporation

Ten years ago, the company made a commitment to implement a series of programs that support sustainability of natural resources, enhance employee wellbeing, help preserve the environment, and benefit the community. In support of these goals, the company has successfully implemented a number of initiatives that support sustainable development, including a company-wide recycling program, replacing existing equipment and machinery with more energy efficient units, optimizing manufacturing processes that minimize waste, reusing materials whenever possible, and minimizing packaging while preserving the quality and safety of its products.

The company also adopted programs and procedures that support the wellbeing of its employees. For example, the company installed state-of-art fine particle filtration systems throughout its manufacturing facility, overall enhanced its factory safeguards, and added a fitness facility that is available to all employees and their family members. Two years ago, the company also started providing its own products free of charge in its lunch areas.

A few years ago, the company incorporated its sustainability goals in its mission and revised its code of conduct to reflect these goals. In fact, the company integrated the World Commission on Environment and Development (the Brundtland Commission) definition of sustainability, which defines sustainability as a "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations, 1987) into its mission statement. Many of the company's employees participated in the revision of the mission statement and the code of conduct. Management and all employees must adhere to this code of conduct. Employees are encouraged to discuss ethical issues and challenges with designated team leaders.

The company is committed to providing the highest quality products and carefully selects ingredients that meet its high standards. In addition, the company requires that all its major vendors adhere to a vendor code of conduct that stresses responsible behavior especially in terms of social responsibility, employee welfare; responsible sourcing; and the preservation of natural resources. Mergenthal requires that its vendors sign and adhere to the vendor code of conduct.

Furthermore, the company generously contributes to select community projects. For example, during the prior year, the company encouraged its 1,347 employees to donate money for a new park and playground near the company's headquarters and supplemented its employees' \$147,300 contribution by donating an additional \$352,700.

Communicating Sustainability to Stakeholders

The company's management is aware that many consumers and other stakeholders expect companies to behave responsibly not only with respect to their products and interactions with its customers, but also with respect to the company's effect on the natural and social environment the company operates in. Management is aware that responsible behavior tends to create goodwill and customer loyalty. Consistent with trends in the consumer and especially food industry, Mergenthal Corporation communicates its responsible actions to its customers and other stakeholders via advertisements, news announcements, on its company website, and even on its corporate vehicles. For example, the company prominently displays information about its efforts to reduce wasteful packaging and its reduction in water use on promotional materials, magazine advertisements, and on product packaging.

Mergenthal Corporation also periodically makes public relations announcements that emphasize its responsible actions and promote its sustainability programs. The company's public relations staff has also developed a strong relationship with regional news reporters that periodically report on the company's sustainability and other responsible actions. For example, the weekend edition of the large regional newspaper recently reported that the company regularly donates products to organizations supporting the needy, such as St. Vincent De Paul and that its employees annually utilize two paid work days to support their favorite charity. The company also publishes a monthly "Green News Letter" on its website.

Formal Sustainability Reporting

While the company vigorously publicizes its sustainability efforts, it does not currently issue a formal sustainability report and only briefly refers to its sustainability-related programs and activities in its annual report. The company's Chief Financial Officer (CFO), Kerstin Mannheim, is aware of the global trend toward formal reporting of sustainability-related activities and believes that Mergenthal Company should consider formal reporting in the near future. Kerstin believes that the company would benefit from formal reporting, especially in light of its plans to expand its distribution in Europe where sustainability reporting is expected or required.

Kerstin recently read a report based on a survey by KPMG, one of the "Big 4" global accounting firms that found that currently 83% of the U.S. based large multinational companies issue formal sustainability reports (KPMG, 2011). Kerstin is aware that generally, both public and private companies in the U.S. are not required to issue sustainability reports, even though some European countries require formal reporting by public entities. Kerstin knows that most companies reporting on sustainability are utilizing the guidelines issued by the Global Reporting Initiative (GRI) (GRI, 2012). Kerstin recently noticed that some of its competitors prepare sustainability reports and believes that Mergenthal should also consider formal reporting.

Kerstin, who regularly participates in academic and professional conferences and meetings, also is aware of the movement toward integrated "triple bottom line" reporting. She is very interested in the progress achieved by the International Integrated Reporting Committee (IIRC) to develop a formal integrated reporting framework and recently reviewed the integrated reports of several companies. She understands the potential advantages of integrated reporting and believes that integrated reporting would be the preferred method for reporting on the company's sustainability efforts. She is planning to gain the support of the Chief Executive Officer (CEO) and propose reporting to the Board of Directors.

Kerstin meets with the CEO, John Manner, to discuss various financial reporting issues and brings up the topic of sustainability and integrated reporting. She learns that John is aware that many companies, including several of its primary competitors, currently issue sustainability reports. John agrees that in the long-run, the company may benefit from issuing a sustainability report and agrees to support Kerstin's board of directors' proposal to begin formally reporting of the company's sustainability efforts next year. John asks Kerstin to compile information that will be useful in convincing the board of directors that the company should start issuing a separate or integrated sustainability report.

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

CAPE CHEMICAL:
NEW VENTURE FINANCIAL PLANNING

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CASE DESCRIPTION

The primary subject matter of this case involves a review of the fundamentals of financial statements, preparing projected financial statements for a new venture and examining sources of information, which will aid financial statement preparation. The case requires students to have an introductory knowledge of accounting, finance and general business issues thus the case has a difficulty level of three (junior level) or higher. The case is designed to be taught in one class session of approximately 1.25 hours and is expected to require 3-4 hours of preparation time from the students.

CASE SYNOPSIS

The case tells the story of Ann Stewart, a young business professional who decided to start a new business. Stewart was a sales manager for St. Louis Chemical, a distributor of chemical headquartered in St. Louis. St. Louis Chemical was sold and the acquiring firm did not require her services. As a result of her chemical distribution business experience and the contacts with customers and suppliers, she decided to begin a chemical distribution business. Stewarts has a solid understanding of the chemical industry and the distribution process and while at St. Louis Chemical, she had Profit & Loss (P&L) responsibility, but her knowledge of accounting and finance is limited. She has met with a counselor from the Small Business Development Center at Southeast Missouri State University and has been given a crash course in preparing and using a business plan. She has decided to organize his business as a Corporation. The cash she received from the buyout of her St. Louis Chemical stock options, severance package and savings will provide initial capital. Her father who recently sold a successful business will also be a shareholder and the largest provider of equity capital. Her brother will also provide a small equity investment.

The case contains information on the chemical distribution process and the Small Business Development Center (SBDC) Program administered by the U.S. Small Business Administration. SBDCs provide management assistance to current and prospective small business owners.

BACKGROUND

Ann Stewart, a former sales manager for the distribution operation of St. Louis Chemical, a mid-sized, regional chemical distributor, headquartered in St. Louis, has decided to begin a chemical distribution business. St. Louis Chemical was sold to a large multinational chemical manufacturer. Most of St. Louis Chemical's senior managers, including Stewart, were told their services would not be required. Without adjustments, combining the two firms would result in substantial management duplication.

Ann Stewart is thirty-four years old and had been employed by St. Louis Chemical, since graduation from University of Missouri - Columbia with a degree in chemical engineering. She earned an MBA from University of Missouri - St. Louis after attending evening classes for three years. With St. Louis Chemical she moved through a number of management positions, each with increased responsibility. For the last three years she had been sales manager for the company's southeast region.

As a result of her chemical distribution business experience and the contacts with customers and suppliers, she has decided to begin a Cape Girardeau based chemical distribution business. Stewart gained a solid understanding of the chemical industry and the distribution process while at St. Louis Chemical. At St. Louis Chemical she had Profit & Loss (P&L) responsibility, but her knowledge of accounting and finance is limited. To prepare for staring her new business venture, Stewart met with a counselor from the Small Business Development Center (SBDC) at Southeast Missouri State University and was given a crash course in preparing and using a business plan. Her business will be organized as a corporation. Stewart, her father and brother will provide initial equity capital. Stewart will use the cash received from the buyout of her (limited) St. Louis Chemical stock options, her severance package and a small amount of savings. Her father will invest a portion of the proceeds from his recently sold business. He will be the largest provider of equity capital. Her brother will also provide a small equity investment

First National Bank has agreed to provide a one year $500,000 short term line of credit to finance working capital on the condition that all assets of the company, Stewart and her father's personal assets are used as collateral. Venture Investor LLC will provide an initial $800,000 five-year, interest only loan. If additional funds are required an additional $400,000 will be available, at a higher annual interest. Venture Investors can convert the initial $800,000 loan to equity after five years (at a share price of $3.00).

Stewart always had aspirations of someday owning a business and it appears the time is right to begin the entrepreneurial process.

CHEMICAL DISTRIBUTION

A chemical distributor is a wholesaler. Operations may vary but a typical distributor purchases chemicals in large quantities (bulk - barge, rail or truckloads) from a number of manufacturers. They store bulk chemicals in "tank farms," a number of tanks located in a diked area. The tanks can receive and ship materials from all modes of transportation. Packaged chemicals are stored in a warehouse. Other distributor activities include blending, repackaging, and shipping in smaller quantities (less than truckload, tote tanks, 55-gallon drums, and other smaller package sizes) to meet the needs of a variety of industrial users. In addition to the tank farm and warehouse, a distributor needs access to specialized delivery equipment (specialized truck transports, and tank rail cars) to meet the handling requirements of different chemicals. A distributor adds value by supplying its customers with the chemicals they need, in the quantities they desire, when they need them. This requires maintaining a sizable inventory and operating efficiently. Distributors usually operate on very thin profit margins. *RMA Annual Statement Studies* indicates "after tax net profit as a percentage of sales" for Other Chemical and Allied Products Merchant Wholesalers (NAICS number 424690) is usually in the 3.0% range. In addition to operating efficiently, a successful distributor will possess 1) a solid customer base and 2) supplier contacts and contracts which will ensure a complete product line is available at competitive prices.

SMALL BUSINESS DEVELOPMENT CENTER

A Small Business Development Center (SBDC) provides management assistance to current and prospective small business owners. SBDCs are a combined effort of the private sector, education community and government (state and federal) to stimulate economic growth by aiding development of new businesses. Most SBDCs are housed on university campuses and receive a portion of their operating funds from the schools. Many SBDC counselors are faculty members from a variety of academic fields.

Anyone currently operating a small business or interested in starting a business can receive free, confidential assistance from the SBDC. Counseling and training activities include preparing a business plan, examining sources of financing, preparing loan requests and in general providing guidance on how to start a business.

THE SITUATION

In the meeting with the SBDC counselor, Stewart described the chemical industry, the role of a chemical distributor and thoughts on beginning her business. After her initial investigation of the Cape Girardeau area, Stewart decided to begin operations from a leased warehouse/office building located in an industrial park. The facility would be leased for five years and includes two five-year renewal options. The facility would need to be modified to handle both liquid and dry chemical repacking operations, as well as storage tanks for bulk liquids. Exact numbers have not been developed but she thinks the modifications would cost about $400,000. With the modifications and six plant employees, Stewart estimates the facility will support an annual sales volume between five and ten million dollars. Stewart's customer contacts will provide the majority of the sales and she expects first year sales dollars to approach six million. She is very confident the estimated first year sales can be achieved and can be doubled in the second year of operation. According to *RMA Annual Statement Studies,* distributors report a "Sales/Total Asset" ratio between 2 and 4.

After meeting with the SBDC counselor, Stewart realized that more a detailed financial plan was needed. Expected performance needed to be quantified to remove as much uncertainty about the new venture as possible. With the counselor's assistance Stewart began to project performance for the first year of operation. Together they developed operating assumptions based on Stewart's previous business experience and industry information from RMA. The assumptions will be used to prepare a projected beginning balance sheet and financial statements for the first year.

ASSUMPTIONS

Students are provided assumptions necessary to prepare a beginning balance sheet for the first year, an income statement for the first year of operation and an ending balance sheet for the first year.

THE TASK

As an assistant to Stewart, help accomplish the following:

1. Prepare the following statements:
   a. Beginning balance sheet (year 0). Hint: Do not attempt to complete the ending year one balance sheet until the income statement is complete.
   b. Year one income statement.
   c. Ending balance sheet for year one.
   d. Cash flow statement for year one.
2. Will Stewart have sufficient capital for the first year of operation? Explain
3. Explain the importance of the assumptions developed by Stewart.
4. Evaluate projected performance using ratio analysis. Calculate the following ratios and evaluate performance. (Current ratio, Quick ratio, Accounts receivable turnover, Days sales outstanding - DSO, Inventory turnover - using cost of goods sold in the numerator, Total asset turnover, AP deferral period, Times interest earned ratio - TIE, Debt ratio, Basic earning power - BEP, Profit margin, Return on assets - ROA and Return on equity - ROE)
5. Analyze projected performance, from a banker's perspective. Why would the bank renew the short-term loan? What ratios would prove useful in this analysis? Explain.
6. Most entrepreneurs believe it is a positive indicator if expected sales can be exceeded. Explain why this may not always be the case.

SUGGESTED REFERENCES

http://www.census.gov/eos/www/naics/
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SOUTH CAROLINA DEPARTMENT OF REVENUE: MOTHER OF GOVERNMENT DYSFUNCTION

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CASE DESCRIPTION

This case describes a successful spear phishing attack, the factors that precipitated it and the response to the crisis by top management. The primary issues concern the mismanagement of information systems security by top management, the conflict in goals between executive management and the information security professionals, and crisis management.

This case may be used to highlight several different perspectives. One perspective involves the management of information systems and information systems security, a second involves information silos, and a third concerns crisis management. This case is suitable for graduate and advanced undergraduate management information systems classes. The case has a difficulty level of five. Students should spend from ten to fifteen hours outside of class analyzing the case, depending on the breadth and depth of the analysis the instructor desires.

CASE SYNOPSIS

In 2012, the South Carolina Department of Revenue (DoR) was a victim of a spear phishing attack that led to the biggest data security breach on record for a U.S. state government. This case describes the attack, why the DoR was vulnerable, and the crisis responses by the Governor. The attack, which resulted in the theft of confidential data on 3.8 million individual taxpayers and 699,900 businesses, was enabled by an executive decision not to spend a small amount funds for a needed information system security system. The public response by the governor is a classic example of poor crisis management.

The DoR is responsible for collecting and processing $8.5 billion of tax payments. Decisions to reduce expenses for proper safeguards to protect its computer network, databases, and taxpayer data, made the information system vulnerable to the attack. Mismanagement of the information system is a chronic problem for state governments due to their hierarchical structure, and of course, politics. The case title characterizes the incident and the aftermath of it as the "mother of management dysfunction." While this portrayal may be extreme, it is not made lightly. Rather, it reflects the seriousness of the incident and issues related to it.

INTRODUCTION

November 20, 2012: First-term Governor, Nikki Haley, held a news conference to discuss the security breach of the Department of Revenue's (DoR) information system, and to release the Public Incident Response Report that identified the type of attack, how it was carried out, and the assessment of the known damage. This was a security breach perpetrated from an unidentified eastern European country and was the largest cyber theft of data ever from a state information system in the United States. (Brown, 2012)

SPEAR PHISHING ATTACK

The attack began on August 13 when several DoR employees, including the Director, Jim Etter, received an email message from unknown sender that had an attached file. Etter unwittingly opened the attachment. Opening the attachment activated embedded code that surreptitiously installed a malware program on his office computer, opened a backdoor port, and beaconed to a command and control web site, suspected to be in Eastern Europe or Russia. Then, the malware sent Etter's username and password (a.k.a., user credentials) to the command and control web site, and downloaded several utility programs to his computer.

Two weeks later (August 27), the attacker logged into the DoR's remote access service (Citrix) using Etter's credentials and gained access to his workstation, several DoR servers, and databases. Two days later, the attacker installed a previously downloaded utility program to obtain additional usernames and passwords.

September 1, the attacker executed the utility installed on August 27 and attempted to obtain all Windows user credentials on six DoR network servers. Additional utilities were installed and a backdoor port established on a network server for later use.

The next day, the attacker interacted with twenty-one servers and performs various reconnaissance activities, including logging on to the web server that handles payment maintenance information. No data was retrieved, copied, or damaged during this intrusion.

September 3, the attacker accessed eight servers and performed various reconnaissance activities. Again, the attacker accessed the application server that processes tax payments, but did not accomplish anything malicious. September 4 and 11, the attacker accessed six DoR systems and performed reconnaissance activities.

On September 12, the attacker copied database backup files to a staging directory on the database server. Then, over the next two days, he compressed the database backup files into 14 of 15 encrypted 7-Zip archive files. Then, the 7-Zip files were moved from the database server to a staging server before being sent to an undisclosed Web site. Once the upload transmission completed, the backup files and 7-Zip files were deleted from the staging server. On September 15, the attacker interacted with ten DoR systems and performed more reconnaissance activities.

October 10, agents of the U.S. Secret Service notified the Governor and DoR that credentials of three DoR employees, as well as other personally identifying taxpayer information, were being sold on the Internet. The value of good credentials to gain access to a government system can fetch as much as $30,000 on the black market. (Westervelt, 2011) The Secret Service began monitoring the DoR system and attempted to collect information about the attacker. The next day, Director Etter authorized a Mandiant forensics team to work with the Secret Service to investigate the scope of the data breach and to contain it.

October 17, the attacker checked the connectivity to the staging server using the backdoor installed on September 1. Two days later, the Mandiant forensics team began remediation activities to remove the attacker's access ports (i.e., backdoors) and to detect further attacks. Between October 21 and November 20, there was no evidence of new activity by the attacker.

Full implementation of the cyber monitoring started October 20, ten days after the state first learned about the intrusion and the stolen data, and thirty-eight days after the attack began. (Barr, 2012)

On October 30, Governor Haley and Jim Etter held a press conference to inform the public about the attack. Haley stated that investigators did not yet know if the attacks were done by one person or a by group.

The Mandiant forensics team privately presented its Public Incident Response Report (PIRR) to the Governor on November 19. The Governor held a press conference the following day to present the PIRR and to announce the state's response plan. (South Carolina Public Incident Response Report, 2012)

Damage Assessment

Data on 3.8 million people stolen, including 1.9 million dependents;
Data on 699,900 businesses stolen;
3.3 million bank account numbers stolen;
Total cost as of December 1, 2012 was $14 million;
$12 million contract with Experian for taxpayers one year of free credit-report monitoring, hiring public relations firm and outside lawyers;
At least 33 unique pieces of malicious software and utilities to perform the attack were installed.
Attack activities included:

- One backdoor port on a network server created;
- Multiple password hash dumping tools installed;
- Multiple administrative utilities executed;
- Multiple Windows batch scripts to perform scripted actions installed and executed;
- Multiple generic utilities to execute commands against databases;
- Remotely accessing DoR systems using at least four IP addresses;
- Used at least four valid DoR user accounts, including the Director's;
- Created 15 encrypted 7-Zip archives totaling approximately 8.2 GB for total of 74.7 GB of uncompressed data;
- 23 database backup files packed in 14 zip files;
- One zip file contained about1200 files related to the sctax.org web site (S.C., 2012).

ANALYZING THE CASE

A useful method for analyzing the case is the symptom-problem or effect-root cause approach. Two root causes can be identified in this case: (1) the conflict in between the goals of executive management (i.e., the Governor and the DoR Director) and the goals of the information security professionals; and (2) information silos operating in the highly departmentalized and hierarchical structure of the state government.

The symptoms emanating from these root problems include: increasing employee resignations and position vacancies, increasing security risks, and information silos.

The central message of the case is that executive managers must take information security seriously. Managers must know how to protect the computer and information resources they and their organization use. Spending on security is an investment, not an expense item. In today's online world, government systems, business, and personal computing devices are under constant attack. The attackers are not the stereotypical young nerd challenging his skill to break into systems. Today's attackers are highly knowledgeable professional criminals and organized crime syndicates that break into systems to steal money or data that can be sold on the black market.

Other topics that could be addressed include: (1) the importance of security awareness training for executive managers; (2) the need to consolidate IT security policies and management for all state agencies under a single state chief information systems executive; (3) crisis management; (4) critical success factors for information security and security management; and, (5) how politics affect government information systems. A discussion involving the politics could lead to intense and possibly heated debate. So, be careful.

LEARNING OBJECTIVES

Students will learn what spear phishing is, how it starts, and what a spear phishing attacker can do. Students will learn that information security is a must investment that should not be compromised, even during periods of budget cuts. Students will learn the need for executives to be knowledgeable users of information systems who follow good security practices. Students will learn the importance of crisis management.

References available on request.

THE ROOF IS ON FIRE: THE ETHICAL MINEFIELD OF THE TEXTILE INDUSTRY IN BANGLADESH

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CASE DESCRIPTION

This case is motivated by a recent fire in a textile factory in Bangladesh in which scores of workers lost their lives while producing garments for multinational firms. The case focuses on a multitude of issues involving a multinational corporation's global ethical sourcing program. This case describes a hypothetical assignment facing a public relations and operations manager of Wal-Mart. The assignment revolves around the dilemma of trying to maintain low costs of production while simultaneously trying to ensure tragedies like this one will not happen again. The case provides detailed background information on the social, economic, and political climate in Bangladesh, the current situation of the textile industry in Bangladesh, applicable laws, ethical frameworks, and competitive market considerations. At the end of the narrative the reader is asked to formulate ethically, legally, and financially sound recommendations. The suggested audiences for this case study are upper level undergraduate students and graduate students.

CASE SYNOPSIS

In light of several tragic garment factory fires, including one in which 112 people were killed, this case details the harsh economic realities of the Bangladesh garment industry. Throughout this case our hypothetical manager, Matt Lelander must confront and resolve a multitude of strategic, ethical, and legal dilemmas. Mr. Lelander is presented with a career changing and prodigious task of developing and presenting to his corporation's board of directors a long term strategy to keep the company out of tragedies while maintaining a competitive cost structure. Simultaneously, Mr. Lelander must lay out a plan to repair his company's global image as an ethically responsible organization. Matt has been asked to travel to Dhaka, Bangladesh, to take care of these issues. Additionally, Matt has been presented with several ethical and legal issues, some personal, he must confront. This case provides a detailed background on the Bangladeshi business climate, discussion of applicable domestic and international laws, as well as analysis of appropriate ethical frameworks and decision making.

MARKETING KNOWLEDGE: YOUNG ENTREPRENEURS

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ABSTRACT

As companies understand more about their market, they are able to produce better products for their customers. Through this type of customer insight companies are able to continually innovate their product based on what the market actually wants. The current economic climate has caused many people across the country to revise how they view the job market. A wide variety of age groups have been affected by the economic downturn. One particular demographic is the student workforce. Through observation of the economic downturn, we now understand the vital role entrepreneurs' play in growing the economy and employment. As startups become increasingly popular, more students have become intrigued by the idea of being self-employed, building companies, and having an impact on the world. This new generation of young entrepreneurs is tomorrow's leaders, innovators, and world changers. The purpose of this study is to understand how young entrepreneurs can better prepare themselves for starting their own venture. During the chaotic startup phase there are several pitfalls that young entrepreneurs fall prey to. Therefore, it is prudent that they understand what these pitfalls are and how to avoid them. Through analysis of these pitfalls, suggestions for strategy, product innovations, and education innovations are offered.

INTRODUCTION

It is a common consensus among entrepreneurs that creating your own venture is an exhilarating experience, yet it can also be intimidating. Despite their fears, entrepreneurs view it as a learning experience regardless of the outcome. Josh Millage of DLRTRD and Volly.it says that entrepreneurs use entrepreneurship as a "vehicle of exploration to find out what we want to do in life." Unless a large sum of money has been invested into the company, (which is true of none of the companies interviewed) then there is not much to be lost other than time. Each participant understands that the time invested into their business is a future investment in themselves. By obtaining a holistic view of business they are able to feel more confident about entering the work place and starting future ventures. There are many exhilarating aspects of being an entrepreneur; one in particular is the opportunity to experience ideas that are methodically devised, come into fruition. Watching a project, that has been months or even years in the making, be introduced into market is a huge milestone for many entrepreneurs, even if it doesn't immediately turn a profit. Entrepreneurship is a chance for individuals to take control of their own life. Entrepreneurs are not interesting in working and creating wealth for others. They want to be in the drivers seat controlling where the vessel that is their business is headed.

Representative Sample

The entrepreneurs chosen for this study consisted of young entrepreneurs between the ages of 18 to 27 years old who are currently in the process of starting or operating a small business. Overall, there were fourteen entrepreneurs involved, each with their own share of ownership in a bootstrap startup. Out of the fourteen included in the study, four are currently involved in multiple startups. Most of the young entrepreneurs interviewed are currently enrolled in college. One useful piece of information is that thirteen of the fourteen participants are current or past Indiana Wesleyan University students.

The breakdown for university students is as follows: two college graduates, seven seniors, three juniors, and two sophomores. The fourteen entrepreneurs that were interviewed and observed are currently involved in launching or operating eight separate ventures. It is also important to note that all of the entrepreneurs interviewed have at least one other source of income outside of their venture and that no one is working on their venture full time. Given the purpose of the study, an existential study was used in private settings. Within the existential private format, a cultural and day-in-the-life study was conduct. Through a cultural study, the researchers attempted to gain broad understanding of the group and identify barrier patterns as well as strategies and product innovations. To go even deeper, day-in-the-life practices were used. Attendance at business meetings and "on the job" activities within the participant's environment were permitted. Additionally, telephone and virtual interviews were employed. The following is an interpretation of all the data that was aggregated over the course of the semester.

PITFALLS

Through extensive research, several barrier patterns were identified within the study group. These barriers have been split into two different categories: internal and external. The internal category is defined as inner personal factors that affect an individual's mentality or state of mind. This includes: Sense of being overwhelmed, confidence, self-worth, and motivation. The definition of the external category is, the certain outside influencers, such as group dynamics, experience, technology, education, time, and resources that affect the outcome of a young entrepreneurs venture.

INTERNAL

It's very typical for young ambitious entrepreneurs to limit their scope or quit once they find out the amount and type of work involved. this could be due to a number of internal factors that allow the mind to be filled with doubt. doubt for entrepreneurs can be one of the most detrimental factors that hinder success, which is why is so important to understand that it will occur and develop ways to resist it.

Being Overwhelmed

Each participant interviewed with has experienced the feeling of being overwhelmed at some point during the startup process. As mentioned before in the demographics, all of the participants have other full time and part time responsibilities outside of their startup. When an individual has other responsibilities that are high on the priority list they can very easy overwhelm the entrepreneur during the process. Another factor that caused this feeling of being overwhelmed is the chaotic environment in which startups are created. Most individuals felt a lack of understanding for all of the steps and variables that needed to be taken into consideration when starting a business.

Confidence/Self-worth

Lack of confidence and self worth can play significant roles in the amount of doubt that is experienced. Every participant interviewed mentioned doubt as huge internal struggle they face and each noted how important self-confidence is. Josh Millage, of DLRTRD and Volly.it, spent a portion of his time talking about how self-confidence plays a vital role in a young entrepreneurs ability to continue forward. Fear of failure and uncertainty can be poisonous in the mind of an entrepreneur. It can be a paralyzing factor that leads to poor decision-making or giving up.
Often in team or partnership settings a member will question the value that they bring to the table at a given point in time. This could be a time when a major part of the business operation emphasizes the other member's skills. During this time, an individual will typically view that team member's skills as more valuable and forget the value that he or she has to offer. Another factor that can affect confidence is performance. Performing poorly on a project can drastically reduce motivation and severely increase doubt. Another problem that can occur is a young entrepreneur having too much confidence. A few participants exhibited this characteristic. These participants are often quick to take on a task, despite their knowledge or experience in the field. However, once they have to perform the task their confidence dwindles quickly.

Motivation

Maintaining a steady flow of motivation over a long period of time can prove to be difficult for most bootstrap entrepreneurs. This is especially true when the company starts experiencing slow sales or other problems. It's not only important to stay motivated as the owner, but also to keep employees motivated. There are three companies that employ outside workers for very low wages or nothing at all. These employees are often unmotivated and slow to meet deadlines.

Jordan Easley spoke about the experiences he's had with staying motivated with his work at HUBexchange. One of his biggest hurdles for motivation is the competition for time with his other business Kinetik, LLC. It's hard for Jordan to stay motivated on a business he less passionate about. His reasoning for lack of passion and motivation is due to the business concept and monetary incentive.

EXTERNAL

There are several outside factors that influence the outcome of an entrepreneur. Each external factor limits the imagination, creativity, size, and overall success of a venture started or run by a young entrepreneur.

Group/Partnership Dynamics

There are several factors involved with group dynamics that can prove to be difficult for young entrepreneurs. They include: productivity of meetings, disorganization, communication, unity, and focus. One problem that stood out was the structure of meetings for each group. One researcher sat in on multiple group meetings for Lonely Crowd Clothing and Kinetik, LLC and each of them started out slow and were often unorganized. There were several times where the group deterred from the original conversation and began to converse about topics that were not a priority, which didn't allow the group to capitalize on their meeting time as much as they could have. After sitting in on several meetings and observing group work it became apparent that there was a communication barrier between the groups. The researcher noticed that there was a disconnect when encoding and decoding ideas. This type of problem can cause unneeded conflict and diminished productivity within the group. In the case of Circle City Customs partners, they are separated by distance, which creates an obvious barrier for effective communication.

Each problem that occurs within a partnership makes it harder for decisions to be made. In a chaotic environment the right decisions need to be made quickly. There is not much room for errors due to miscommunication, disorganization, and focus as these can affective the efficiency of the company.

Experience

There are several areas that surfaced in which the young entrepreneurs were inexperienced. The main areas of inexperience were client relationships, legal, taxes, and problem solving. Most of the individuals involved in the study have never had any extensive training in building and maintain client relationships. Managing customer relationships is a new responsibility that has been adopted out of necessity for most participants. Nearly every one in the study is unfamiliar with the majority of legal and tax issues. This is an area that could cost new companies a lawsuit, which is never good for young entrepreneurs with no money.

For young entrepreneurs, a good portion of the knowledge and skill set acquired is from formal education. Therefore, it is crucial that they are provided with a good education. However, the representative sample agrees that the education and opportunities through academia has been less than sufficient.

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HEALTH CARE MARKETING: HOME HELPERS

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ABSTRACT

Due to cutting edge technologies and healthcare innovation, we live in a time of lengthened life expectancy. One main concern of both healthcare providers and senior citizens is that individuals' latter years are meaningful, healthy, and add value to their lives. Our health, relationships, hobbies, careers, and religious affiliation are all factors that help define who we are. As we grow older we lose control over many of the aspects of our lives that once were the backbone of our person. As senior citizens lose their independence, many times they must rely on the help of others to continue their daily lifestyle or participate in activities they love. On the other hand, growing older usually results in less responsibility and demands which can actually be desirable for senior citizens, because it finally gives them time to "stop and smell the roses". This study is aimed to find the fine line between helping senior citizens maintain their prime standard of living and accepting and allowing responsibilities to fall away as the natural aging process takes place. The research process began with an interview with Bob Hartwiger, owner of a Home Helpers franchise in Warsaw, Indiana. I learned a little bit more about his experiences with working with senior citizens, and he told me some of the common themes and needs he saw in the lives of the elderly. Then, research was conducted with literature reviews of home healthcare, aging, and maintaining the elderly population's standard of living. Lastly, interviews were conducted with three elderly individuals, regarding questions about expectations of household cleanliness and safety, social interaction, food preparation, and daily lifestyle. Our time spent with each senior citizen was very individualized, and each interview was tailored to understand more about their lifestyle and needs. Possible rent generating ideas were then created and evaluated after the research took place.

INTRODUCTION

The information was gathered and analyzed in a way that so that caregivers can better understand ways to relate to and care for their clients, and so that companies can have a clearer vision of possible avenues of new services that can be provided. The information was grouped into three main categories, listed below.

1. Food Preparation and Maintenance of Household Cleanliness
2. Household Safety
3. Social Interaction and Psychological Well-Being

Interview with Bob Hartwiger, Owner of Home Helpers, Warsaw

An interview was conducted with Bob Hartwiger, owner of Home Helpers, in order to better understand some of the common reasons why elderly people hire in home care providers. Many of his responses hit on the idea that as people age they do not want to have to learn to live without or adjust to a different lifestyle. Many times, a senior citizen may have spent their whole lives residing in their home, and they are simply not willing to move away from the home and into assisted living. If they are able to hire help for simply a few hours a week in order to maintain their independence, then they will. Some of his top reasons for why people hire in home care includes-

1. They simply need help. They may not know what specifically, but they can sense their way of life changing.
2. Regarding meals, they have learned to live without what they actually want, and no longer want to live that way.
3. They are afraid of falling.
4. Home Helpers has a household safety assessment form, which is an important tool for in home care providers.
5. As something to keep in mind, we should be sensitive as to who is paying the bills for in home care. Many times this dynamic can change what senior citizens are willing to pay for, or how many hours each week they desire for a caregiver to come into their homes.
6. There are many common safety issues that can be avoided- some older homes do not have doors over the entrance going into the basement or have staircases with no railings. A few small fixes here and there can help promote safety, allowing the person to remain independent for a longer period of time.

LITERATURE RESEARCH

After an interview with Mr. Hartwiger, we spent time reading through studies that have already been published regarding the standard of living of the elderly and ways to promote active lifestyles. Due to the rise of in-home healthcare and independent living, resources such as the Council on Aging and Aging Care help provide valuable insight on simple ways to help elderly maintain their desirable way of life. A key concept that care providers should remember is that research has indicated that the elderly are less concerned with the money they will be spending on in-home care, compared to their concern of having to “give up” their usual way of life. In other words, many people would rather pay for five hours a week of home healthcare services if it means that they are able to live in their own homes. This key idea can be used by businesses when evaluating services that can be offered to senior citizens and when identifying what clients are willing or want to pay for.

Research and interviews were conducted with three individuals, all from Warsaw, Indiana. We spent time together individually so that we could learn more about their lifestyle, their family and personal history, and learn more about any physical limitations they may have. Highlights from the interview are listed under the three main categories on the following pages. More in depth notes can be found at the end of this report. After a brief description of each person we interviewed, an assessment is listed of ways that in home care can better help them in their day to day routine. Each interview was individually tailored to the person based on their living conditions, driving capabilities, hobbies, and independence level. During the interviews, we tried to better understand each person's hobbies, interests, and ways they like to spend their day. Then, we were able to take that information and learn more about whether or not they are able to do what they love to do. And, if they are not able, together we tried to open the doors to understanding ways that could make it possible for them to do what they loved.

Participant A

Participant A lives in an independent living 55+ apartment complex. After her husband died, she lived with her daughter and son-in-law in an apartment they built off of their home. However, a few years ago they were killed in a plane crash, and she had no other option but to move on her own. Her attitude toward the adjustment is very inspirational, as her outlook on life is that one should always make the best of every situation. She worked for enjoyment until age 84, and has always enjoyed a life of independence.

Participant B

Participant B lives in a standalone home with husband. Due to his recent surgeries and major health concerns, their daily lifestyle has been turned upside down. Her husband, who created his own successful company from the bottom up, was an electrical engineer, and who rebuilds computers for enjoyment, can now barely walk on his own. Participant B has spent the last few months learning how to adjust to a quieter lifestyle, and has had to hire help to take care of her husband since she is unable to help him walk.

Assessment: Find ways to motivate her to continue doing her hobbies. Provide her with space to paint, or ask her to teach us to paint. She made an eerie comment by saying that at this point in life, the goal is to "just stay alive". We can change this pattern of thinking by helping her get motivated and helping her practice her hobbies. A nice looking house shows that we still have control over our lives and helps us stay prideful in a good way. While working, make this a priority to keep the house looking like you would want your house to look.

Participant C

Participant C lives in a 55+ independent senior living facility. Due to her bad knees, she is unable to go out and about as much. She does most of her shopping now from catalogues and regrets not being able to drive to visit her sister in Wabash. She enjoys cooking, baking, the Steelers, and collecting rooster decorations. She is thankful to live in a facility that offers monthly entertainment, holiday and birthday parties, and meals. She enjoys the sense of community she gains from being able to visit neighbors in her building.

She is still able to do many things she loves, like cooking. But she feels "cooped up" compared to her old lifestyle. Find ways she can get out, maybe see her sister, without her knees being too bothered. Find a way to bring more shopping to her. Ask her what needs cleaned. The drapes were a big eye opener to Home Helpers, and now they are bringing someone in who is able to stand on a ladder and help her with cleaning the drapes.

CONCLUSIONS

It is important that we understand that in the home healthcare industry, we are dealing with individuals who all have individual needs, wants, likes, and dislikes. It is important not to assume that they need help with everything, or that they are unhappy with a quieter lifestyle. Listed below are some services that home care providers could provide and emphasize to possible clients.

1. Home Safety Checks
   -Offer home safety inspections, as well as advice and contacts for companies that could enhance the safety of the living areas.
2. Shopping Services
   -Offer shopping planning services and suggest catalogues or the instruction of how to shop online.
3. Community Newsletters
   -Deliver community newsletters to clients highlighting upcoming events at local colleges, theaters, sports arenas, and churches. And include Bible studies and volunteer organizations that they may be interested in joining. Promote the provision of transportation to these events.
4. Interview and Create Profile on Individual Clients
   With these profiles, caregivers and the company can know each client's hobbies, interests, & needs. Then, the caregivers are able to find ways to help the client participate in doing what they love.
5. Create New Ways to Practice Hobbies
   Something as simple as raised garden beds, help threading a needle, or reading aloud to someone can revitalize a hobby that they may have thought they would never be able to do again.

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DEVELOPMENT OF AND STUDENT REACTIONS TO AN INTERNATIONAL ACCOUNTING GIS CASE PROBLEM

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ABSTRACT

A Geographic Information System (GIS) is an information technology tool which supports presentation, analysis and communication of the geospatial dimension of data. GIS tools have made significant contributions to decision making in marketing, finance, accounting and business intelligence. Business educators can help their students by using teaching resources that facilitate understanding and application of these powerful tools in online configurations similar to situations that graduates may encounter in their careers. This paper describes an international accounting GIS case, which was one module in a series of business GIS instructional modules. In addition, the paper provides feedback from students regarding the perceived benefits of using the case. Findings indicate that the international accounting GIS case is well received by students and contributes to student learning. Instructor notes are provided that include answers to the case questions.

THE TRILATERAL MBA: A TWINNING APPROACH TO INTERNATIONAL EXCHANGE OF MBA STUDENTS OF NAFTA PARTNERS

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ABSTRACT

Recent articles on international business (IB) education pedagogy suggest that the key issues focus upon the inclusion of foreign languages, study abroad experiences, integration of IB material in courses, capstone projects, and faculty development in internationalization. A recent twinning MBA exchange program involving two medium-sized mid-south universities and their partners in French-speaking Canada and in Mexico provide a unique idea in international exchange. Both positive and negative aspects of the program are provided in rich detail. Internal and external conditions play a role in presenting a situation in which a critical decision must be made to continue or discontinue the program. Other decisions could be made about possible modifications to this unique IB exchange program. The case also presents a model applicable to those making decisions based on competing goals, including for profit and not for profit organizations

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Key Words: international business MBA pedagogy, international

AUDUBON HILL: A RELATIONSHIP MARKETING CASE STUDY

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CASE DESCRIPTION

The following case demonstrates how local businesses can flourish even in tough economic times. The case highlights two dominant marketing topics, relationship marketing and customer gratitude, and reveals their favorable effects for a small local business. The case is particularly applicable in an introductory marketing course, although it is also suited for undergraduates enrolled in management, fashion merchandising or retailing courses. It is recommended that students will assess the company's marketing strategy as well as target market, and examine the company's practice of relationship marketing and generation of customer gratitude. Students should expect to spend two hours outside of class reviewing and responding to the case questions in groups. An in class discussion can follow, in which the class hears all of the different group responses.

CASE SYNOPSIS

Audubon Hill Antiques and Gifts is a gift shop located in Saint Francisville, Louisiana. Saint Francisville was founded in 1809 and has traditionally been a popular tourist attraction due to its historic plantations, churches, cemeteries, gardens and renowned golf course. Audubon Hill is located in the downtown market district and the rustic design of the store fits in well with the town's history. The store has been in business for six years and carries a wide assortment of high-end merchandise including gifts, antiques, home décor, jewelry, bath and body products, children and baby items, women's and men's clothing, accessories, seasonal merchandise, souvenirs, and traditional Louisiana specialty foods. Gifts can be found for weddings, baby showers, holidays, and birthdays for all ages. The owner, Kathleen, describes the store as being the place where you can find a gift for anyone and take a little piece of Louisiana home with you. Although Audubon Hill has survived the 2008-2012 global recession thus far, the owner worries about the company's future. Since 2008, tourism in Saint Francisville has been unpredictable and Audubon Hill's current year-to-date sales are down from last year. Kathleen's afraid that Audubon Hill may not experience enough sales to keep the business operating.

AUDUBON HILL OVERVIEW

The downtown market district in Saint Francisville, LA has been steadily experiencing fewer customers than prior years. In the past five years, various local retailers have gone out of business, including clothing and antique shops, video stores, and a neighborhood meat market. The decline in Saint Francisville patronage is likely due to turbulent economic conditions and decreased tourism. According to statistics provided by the director of the West Feliciana Parish Tourism Commission, Katie Smith, Saint Francisville tourism has declined from 2008 – 2011 and has not experienced nearly the same tourism levels as New Orleans. In fact, Saint Francisville recently had to increase sales tax, which is another indication of the financial hardship being experienced. After seeing several of the local businesses close as well as experiencing a decline in sales, Kathleen, the owner of Audubon Hill Antiques & Gifts, a shop located in Saint Francisville, is worried about her own business and whether it can stand these market conditions. Kathleen states, "In the past few years, I've witnessed many nearby businesses close, and I don't want to end up like one of them. My sales have been mediocre, and I know I need to change some things around this shop to stay afloat, but I don't know what to change."

Saint Francisville was established in 1809 and rests on bluffs overlooking the Mississippi River. The town and its surrounding parish (i.e. county), West Feliciana, has traditionally generated a large amount of tourism. In fact, the annual financial impact for tourism in the West Feliciana Parish is roughly $18 million. Saint Francisville's plantations such as the Myrtle Plantation, which is proclaimed as one of America's most haunted homes; as well as the picturesque Rosedown, Butler Greenwood, and Greenwood Plantations, are primary tourism venues. In addition, historic churches and cemeteries are other popular sites, including Grace Episcopal, Our Lady of Mount Carmel Catholic Church, United Methodist Church, Hebrew Rest Cemetery, and Locust Grove State Historic Site. Saint Francisville is also home to the renowned golf course, The Bluffs, which has been recognized as one of the best golf courses in Louisiana as well as one of America's top public golf courses. Lastly, Afton Villa Gardens, is another tourist site that includes roughly 250 acres of lavish gardens. Not surprisingly, due to its quaintness and beauty, Saint Francisville is a popular venue for Louisiana weddings, which are often held at the aforementioned plantations, churches and gardens.

Saint Francisville is roughly 40 minutes north of Baton Rouge, Louisiana and two hours northwest of New Orleans, Louisiana. According to the 2010 census, Saint Francisville's population equated to 1,765 people which is only a 3.1% increase from the 2000 census (an increase of 53 people). Residents are primarily white. The median age of Saint Francisville residents was 36.8 years and the median household income was $44,605.

Audubon Hill is located at the entrance of the downtown Saint Francisville market district. Matching the historical nature of the town, Audubon Hill is located in rustic building originally constructed in the 1880s, which still retains most of its antique features. The retail space is roughly 4,000 square feet. The back of the shop (1,300 sq. ft.) which includes a kitchen, is rented out approximately two times per month for various occasions, including bridal and baby showers, rehearsal dinners, birthday parties, and chamber of commerce meetings. The cost to rent the space is $400 per day. When such events take place, the shop is divided by two victorian pine doors to isolate the selling space, however for the remainder of the time the space is used to display merchandise.

Audubon Hill sells a broad variety of merchandise in hope that customers can find a gift for anyone, even themselves. Product categories consist of *accessories*, which includes purses, wallets, luggage, backpacks and other bags; *antiques*, which includes serveware and home decor items from the 1800s; *baby*, which includes clothing, shoes, pillows, blankets, and books; *bath and body*, which includes candles, soaps, lotions, and fragrances; *childrens*, which includes clothing, toys, games, and books; *women's and men's clothing*; *specialty food items*, which includes different sauces, jellies, baking mixes, and spices used in traditional Louisiana cuisine; *gifts*, which includes gifts for weddings, birthdays, and anniversaries; *home*, which includes home decor items such as lamps and tables, as well as serveware such as platters, glasses, and copper chafing dishes; *jewelry*, which includes earrings, necklaces, rings and bracelets; *seasonal merchandise*, which includes decorations for Mardi Gras, Easter, Halloween, Thanksgiving, and Christmas; and *souvenirs*, which includes key chains, photographs and other memorabilia of the Saint Francisville area. Kathleen mentions that women between the ages of 35-65 represent nearly 90% of her business. Traditionally, roughly 60% of the store's customers were tourists, while 40% were locals; however she estimates that in the past year her customer mix has changed to represent both segments equally since the economic downturn. According to Kathleen, tourists tend to purchase souvenir, jewelry, and food items, while locals tend to purchase gift and home items. Current year-to-date sales and profit margins for each of the categories are shown in Table 1.

The shop is open from 9:30 AM to 5:30 PM every day. Kathleen, the owner, works the shop on most days and is the only full-time employee. Six other individuals are employed part-time, and oftentimes these employees work once every two weeks. Typically Audubon Hill staffs one employee on weekdays and two to three employees on weekends. Kathleen performs all of the management responsibilities and purchases merchandise for the store twice a year.

Kathleen understands the value of relationship marketing and she encourages all employees to foster and grow relationships with customers. By working the shop on most days, Kathleen has placed a strong emphasis on learning and remembering customers' names and merchandise preferences. In fact, local customers greatly appreciate Kathleen's knowledge of customer preferences and merchandise expertise along with the special attention they receive when shopping, which drives customers to continue shopping at Audubon Hill. In an effort to find the perfect gift, local customers will often consult with Kathleen to learn what the gift recipient tends to purchase or desire at Audubon Hill. Customers trust Kathleen's expertise and customer knowledge so much that oftentimes they will call Audubon Hill on their way to a party and say they need a gift for a certain person in a matter of minutes. Kathleen will select merchandise without the customer seeing the item(s) and have the item(s) wrapped prior to the customer's arrival to expedite the shopping trip. Kathleen states, "I understand that people are so busy nowadays, I just want to make my customers' lives easier." Audubon Hill places a large emphasis on providing excellent customer service. Kathleen believes that talking with customers and being friendly is critical to making customers feel welcome. Audubon Hill also offers additional services to make the customer's shopping experience easy and extraordinary. Additional services include gift wrap, delivery to local events (weddings, baby and bridal showers, birthday parties, etc.), and delivery to UPS so that tourists can have merchandise shipped. Another service offered by Audubon Hill includes special orders. When customers desire merchandise that is out-of-stock, Kathleen will special order that merchandise, even if it is the customer's first time at Audubon Hill. Customers often express their gratitude for the treatment and services they receive when shopping at Audubon Hill. In fact, Caryn, a frequent local customer mentioned that, "Kathleen has done so much to help me that I just want to help her in return."

Audubon Hill primarily communicates with customers through facebook and email. Audubon Hill uses facebook to show new arrivals and inform customers of upcoming events. Oftentimes, Kathleen will send personalized emails to local customers mentioning new merchandise that fits their individual tastes or describing an upcoming event or sale. Besides placing merchandise on sale, Audubon Hill also engages in an annual promotion targeting K-12 teachers in West Feliciana Parish. For this promotion, Audubon Hill provides teachers in the district with a gift bag that includes a business card, candy and a 20% off coupon. Kathleen claims that this promotion has been very successful by bringing new customers to the shop and establishing new customer relationships.

Audubon Hill does not currently engage in any traditional advertising, but instead participates in four community events that are sponsored by the city. However, all the events themselves are advertised in *Country Roads* magazine, which publicizes cultural events occurring between Natchez, Mississippi and New Orleans, Louisiana. *Country Roads* is distributed to retailers purchasing advertising space, who then distribute the magazine to their end customers. The four weekend events include the Pilgrimage which occurs in March, Polos and Pearls which occurs in August, Yellow Leaf which occurs in October, and Christmas in the Country which occurs in December. Retailers participating in these events operate until the late hours of the night and offer an open house atmosphere to customers. During these events Audubon Hill samples food merchandise including wine slush and traditional Louisiana spreads, dips and jellies. Kathleen states, "Advertising just doesn't seem worth it. Sales generated from advertising will not offset its high cost ($400 to $800 per ad in *Country Roads*); and potential customers must drive by Audubon Hill on their way to an advertising retailer anyway. There's just no point of advertising." To attract customers, Kathleen decorates the outside of Audubon Hill with a bold assortment of seasonal decorations and signs.

Although four other gift shops are located in Saint Francisville, Audubon Hill differentiates itself by providing high quality merchandise that is thought to never go out of style. Audubon Hill is the only shop selling items considered to be *shabby chic*--a design style using aged items to create an elegant effect. Of the other gift retailers, one solely focuses on antiques, another primarily sells jewelry and wholesale items, the third concentrates on bridal registry and gardening items, and the last sells clothing marketed toward women over sixty years of age. Kathleen states, "I'm the only shop in the area that carries such a wide assortment of merchandise, and I want my shop to appeal to all kinds of customers so they can leave with something that they love."

This past year (2012) has been very challenging for Audubon Hill. With the turbulent economic conditions, fluctuating tourism and customer segments, Kathleen has been open to new marketing strategies. Kathleen noticed a drop in sales early on this year, and in effort to boost sales, Audubon Hill offered a minimum of 25% off all merchandise for seven months. Unfortunately, these financial rewards to customers were not effective, and Audubon Hill's sales are currently down by 37% compared to last year. Kathleen claims that "The discounts we offered this year really didn't do much beside hurt our margins and we really need to think of new ways to generate revenue for the store." She realizes that important decisions and changes will need to be made if Audubon Hill is going to remain in business.

Table 1: Audubon Hill's Sales by Category

Category	Revenue ($)	Quantity Sold	Margin (%)
Accessories	8,624.62	297	-214.52
Antiques	2,069.94	78	33.55
Baby	5,017.48	343	14.14
Bath & Body	23,026.21	1,983	7.30
Children	19,294.30	2,961	22.46
Women's Clothing	20,204.99	1,027	22.40
Men's Clothing	5,987.63	255	36.34
Food	8,232.25	1,619	35.19
Gifts	19,334.13	2,715	37.89
Home	48,551.52	2,525	28.70
Jewelry	48,780.15	2,054	26.28
Seasonal	18,417.38	1,582	18.95
Souvenirs	7,896.76	550	19.41

MARKETING ETHNOGRAPHY: FUTURE OPTIONS FOR CRAYOLA CRAYONS

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ABSTRACT

The focus of this ethnography started between Crayola crayons and their competitor crayons by Rose Art. It began by researching to see which brand was the most popular and the highest bought brand. Research concluded rather quickly that Crayola crayons are the most popular and highest bought. Since research found which brand was the most popular, focus narrowed to only Crayola crayons. The purpose of this ethnography is to determine how Crayola can increase profits by capturing new markets and improving their current markets. Our research found many ways Crayola can solve this problem.

INTRODUCTION

Crayola's largest market is children. A childhood wouldn't be complete without crayons and a coloring book. Children of all ages typically enjoy using crayons. Crayons aren't messy like markers but still offer the same vibrant look compared to markers. Most children prefer to use crayons because of the look, texture, and easiness. In a classroom setting, most teachers use crayons. College age students are another market that uses crayons. Crayola does not specifically market to this age group. This market uses crayons for other purposes then for coloring. Using crayons in artwork has become extremely popular among this particular market. Currently, Crayola is focused on providing products for children. They specifically target to children ages one year to twelve years old. Looking at crayons in particular, Crayola offers many different types and styles of crayons for this particular age group. It's evident that Crayola has thought of many different aspects that children at each age need with crayons. They saw a problem with crayons and created a new type in order to solve this problem. Specifically, young children have a difficult time holding thin crayons and get frustrated when they can't color. Crayola created thick crayons to solve this problem. Children love to use thick crayons.

Data

When observing the children, we found that this age group was highly influenced by their peers and teachers. If one child said they wanted to use a particular color, some of the other children decided they also wanted to use the same color. When teacher 1 asked what they were drawing, the first child answered a lion. The other children heard the first child's answer and also answered with an animal. Some of the other children's answers were a zebra, owl, and a lion again. Since they were two years old, their pictures consisted of multicolored scribbles. Surprisingly, most of the children could differentiate between the different colors and could name the color. The observation also showed that the quite children had a tendency to focus on their drawing and not interact with the other children as much. Even if teacher 1 was only talking to one child about their drawing, the other children had a tendency to also talk about their drawings. Many were trying to receive praise and attention from their teachers. My observation also showed that it was difficult for the children to choose their crayons because they were only in two tins. This caused fighting among the children because they had a difficult time getting the colors they desired. Why did you choose crayons over other coloring mediums? “Markers are very messy. Little kids have a tendency to get marker ink on their arms, clothing, and the tables. Crayons are less messy.” What do you usually see the children use when they are using crayons? “Typically children pick bright colors when coloring. They also prefer the thicker crayons because it is easier for them to color. Since we don’t have many thicker crayons, it usually causes fights over who gets to use the thicker crayons. The children that tend to be more creative color more often.” What would you recommend Crayola do with their crayons? “It’s very aggravating and frustrating when the kids peel off the paper. Many children will sit and just peel the paper off the crayon instead of coloring. This makes a huge mess. Crayola should make crayons where the logo is imprinted or indented into the crayon itself to get rid of the paper. It would also be helpful if they created a new package. Right now we just throw all of our crayons into one container and then divide into smaller containers when we color. We never put the crayons back into the boxes because that takes too much time to put away. Also since crayons become shorter after every use, it’s nearly impossible to get short crayons out of the Crayola box. It would be great if they could make a bucket type of package for children this young. That way they can store all of the crayons in one container and it won’t matter if the crayon is short or not. Another idea they could do is a cup like container. Since kids are learning their colors at this age, it would helpful for learning if they created a container that the outside matched the color crayon inside. The container could be similar to a play dough cup – the color lid matches the color of play dough.”

Product Suggestions/Recommendations

Our research has determined that Crayola can improve their products for children. We would recommend that Crayola create the crayons without the paper. Imprint the logo directly into the crayon. This would help Crayola to be more cost effect because less wax will be used per crayon if they use a logo on their crayon. People will have to buy crayons more frequently because there is less wax included in each crayon. Crayola should also change their packaging. We think this will help generate more profits because parents and teachers are more likely to purchase crayons if they are in a handy container. It is frustrating that Crayola’s crayon package does not seal closed and causes the crayons to spill everywhere if it accidently tips over. Children also find it aggravating when they cannot get a color out of the box because the crayon is too short. I would recommend a container that children and adults can pull out the crayon not matter how tall or short the crayon is. Circle shaped containers are easier for people to get objects out. Just like teacher 1 had suggested, a container similar to play dough would make it more helpful for children and adults.

College Students

Most likely Crayola does not truly realize that they are in another market other than children. College students are a huge market crayons have entered. Initial research found that many college students are using crayons in a new way. Instead of coloring, they are using crayons to create artwork pieces for their dorm rooms. The trend of using crayons in art pieces has most likely escalated because of Pinterest. This website reaches a huge amount of people and is very popular among college students. From this website alone, the following craft ideas on ways to use crayons were found.

Data

Research was conducted by surveying college age students. Surveying college students provided answers to five general questions about crayons. The following research was found by the use of surveys.

Question #1: What is the first word that comes to mind when you think of crayons?

This information shows Crayola's brand messaging to this group that was surveyed. Most answers contained some form of the word color. Other people that were surveyed instantly thought of kids or coloring books. This can help Crayola know what image is created when people think of their brand. Now we have established what people's response is to Crayola's brand image.

Question #2: When was the last time you bought crayons?

Results showed that of the college students selected, about 73 percent bought crayons within the last year. This shows that college students are still purchasing crayons even though they are in their late teens and early twenties. Students felt coloring was a great way to relieve stress and become relaxed. Since school can be a stressful time for many students, this is great information for Crayola to use.

Question #3: Besides coloring, have you used crayons in a different way? If yes, how have you used them?

When preforming the surveys, many people were surprised to hear that they can use crayons in a different way other than coloring. They asked questions as to how to use them besides coloring. Many were intrigued and fascinated by the uses. Some surveyed had used crayons in a different way other than coloring.

Question #4 What would Crayola need to do in order for you to purchase crayons?

When asked this question, many felt Crayola did not need to do anything different to convince them to buy crayons. They already loved the product and thought the crayons were amazing. Other participants in the surveys said "I already buy their crayons so nothing would need to change." Some provided ideas for improvements that would convince them to purchase crayons. One person surveyed desires Crayola to include a sharpener with the crayons. She doesn't enjoy using crayons when the tips are flat because they are harder to draw with precision. "I don't like when the tips of the crayons become dull because it's difficult to draw a thin line or fill in small spaces. I wish Crayola would include a sharpener so I can sharpen them to a point." Survey results also showed that people want Crayola to sell coloring books with crayons. They were more apt to purchasing crayons if they were sold along with a coloring book. Lastly, some answered that they would like to see scented and glitter crayons. These items are already offered by Crayola but they are unaware these products exist.

Question #5 Any changes or ideas recommended to Crayola?

Numerous people would like Crayola to create new colors and add them to their boxes of crayons. Crayola is known for having a variety of colors for their crayons and people enjoy the variety. But they would still like to see more color options. A suggestion to go along with new colors was "I would like to see Crayola have the new colors in a separate package from standard box. I already own a box of Crayola crayons and I don't want to buy an entire new box just for the new colors. I would definitely purchase the box of new colors."

Some suggested that Crayola make crayons that are longer. "It's aggravating when the crayons become nubs. I wish the crayons would last longer so I can get more use out them. I feel like I get down to the nubby part fast and then have to throw away the crayon. If the crayons are longer in length I feel if I'm getting more for my money because they last longer." People did not know what to do with the "nub" part of the crayon and had a tendency to throw it away. Other suggestions people made for Crayola were edible crayons and crayon fingernail polish.

Product Suggestions/Recommendations

Crayola has a huge market with college students. Unfortunately, this market isn't being marketed to correctly. I would suggest Crayola create a new line that is geared towards college students. Create packaging that is eye catching to college students by using new colors for the packaging and a new font. The actual product, crayons, doesn't necessarily need to change, but changing the packaging alone can help increase purchasers that are college age.

Since many college students use crayons for other purposes other than coloring, Crayola should package their crayons accordingly. In particular, Crayola should create boxes of crayons by hue color. For example, a box of purple crayons would include many shades of the color purple. If Crayola sold their boxes by hue color it would make it easier for those who need only one particular color family. The outside of the box should match the color family – purple crayons then use a purple box. College students have a tendency to coordinate all of their belongings to particular colors. If Crayola had boxes with separate color families, it would help college students create artwork that would coordinate with the rest of their belongings. When they go to create the melted crayon art, they can choose between the rainbow affect or by the color family.

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THERE IS ROOM AT THE INN!: A CASE STUDY

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CASE DESCRIPTION:

The primary subject matter of this case concerns ***entrepreneurship****. Secondary issues examined include* ***marketing, management and franchising****. The case has a difficulty level of three, appropriate for junior level and senior level. The case is designed to be taught in two class hours and is expected to require six hours of outside preparation by students.*

CASE SYNOPSIS:

This case study looks at a motel in a small town in Southern US that has been hit hard by the sluggish economy. Once a thriving motel, it is now caught between dropping occupancy rates and high franchise fees. The case explores different factors such as location, various expenses involved in running a motel and the difficulties in increasing occupancy. It also examines some pros and cons of franchising. The case introduces readers to issues that the entrepreneur might have no control over, such as the decline of the downtown area where the motel is located, and encourages out-of-the-box thinking to come up with a solution. While this case study looks at a specific motel, the solutions can easily be generalized to hundreds of hotels and motels facing similar problems.

INTRODUCTION:

Mr. Shah looked at the occupancy figures for the past week again, hoping there was an error in his bookkeeping. But there wasn't. This was the third month in a row where his motel had not even enough guests to cover his running expenses. He wondered if buying this motel had been a mistake. It had been six years since he had owned the Kwality Motel but he was still struggling to break even.

He pondered over what could be going wrong. He had been very careful choosing the location. Kwality Motel is strategically located on the corner of what use to be a major thoroughfare, but is still close to two Interstate highways in a mid sized town in South Texas. It has 127 rooms which include a single or double bed, a chair, a table, television and bathroom. The Hotel offers free wireless high-speed Internet access, free local calls, free coffee and breakfast and a seasonal outdoor pool as well as a children's pool.

The original building where Kwality Motel is located was started in 1997, and has since had several owners operating the hotel under different names but most were unsuccessful due to various reasons. Raj Shah thought he could turn it around and purchased it in 2006 along with a partner. The building was then renovated, cleaned and slightly updated. The current owners decided to become a franchisee with Kwality Hotels and Motels in an attempt to boost sales. That did not help Mr. Shah and the motel averaged a paltry twenty percent occupancy in 2012. The hotel seems to get the best business when there is either a natural disaster or other things causing many utility workers to stay there for a long period of time at a lower cost than most hotels in town. As part of the franchise, the hotel is only benefiting from being listed on the Kwality Hotels & Motels website and other travel websites that Kwality advertises on. The Kwality Hotels & Motels Corporation is not helping the owners of this hotel in any other way. The owner must pay a franchise fee of $4000 a month in order to keep the franchise name. Considering the very low occupancy rates, this fee makes a further dent in the revenue making it almost impossible to make a profit.

Mr. Shah had considered his options before. Last year, he had made up his mind to terminate the franchising agreement with Kwality Hotels & Motels Corporation when the annual agreement came up for renewal. He hit an unexpected roadblock with his bank though. His mortgage officer informed him that the bank required him to continue as a franchise rather than an independent hotel. Although the franchise name is obviously not helping the company, Mr. Shah still owes the bank over$1 million. This gives the bank a great deal of say in Mr. Shah's business decisions and unfortunately eliminates one option of reducing expenses.

Mr. Shah's thoughts went back to the location of his motel. While it was indeed easily accessible thanks to its proximity to the Interstate, it was in a part of town that had been steadily sliding in reputation and safety. Once close to a bustling downtown, it was now home to mainly commercial properties and after nightfall was frequented by mostly prostitutes and drug users. Mr. Shah had lost a lot of business by refusing to permit unsavory members of the society into his motel. But he was convinced that was the right thing to do.

As Mr. Shah drove home that day, he noticed yet another hotel just 3 miles from his. Within a 15 mile radius, there were now 9 similarly priced hotels, most of them franchises with well-known names. Unfortunately, the city did not have the potential to provide business to so many hotels and motels. There was nothing to attract tourists. The only draws were the local University, a couple of oil refineries and the occasional business traveler. Where and how could he find additional business?