Allied Academies
International Conference

Maui, Hawaii
October 13-16, 2004

International Academy for Case Studies

PROCEEDINGS

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MOTIVATIONAL ISSUES AND SAFETY REGULATIONS IN ARABIA: A CASE STUDY IN A MULTINATIONAL OIL COMPANY

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ABSTRACT

This unconcluded case study brings to the fore the complexities of a consulting effort in a major multinational oil company in Arabia. The impetus for the study was to assist the expatriate management of a seismic crew develop a better understanding of the organizational, cultural, and situational factors that impact safety management, especially driving safety violations amongst the predominantly host country employees. The intended goal was to provide recommendations that will bring about changes in the safety culture of (local) Seismic Crew employees and their motivation to comply with established safety procedures.

The case study presents the consulting process from initial entry, terms of reference, the desert camp field visit; multiple perceptions of the problem and the proposed intervention to manage the process. While the division management endorsed the recommendations, implementation was suspended without providing a convincing reason.

The case study would be of interest to students, faculty and practitioners in the field of International & Human Resource Management as well as Organizational Behavior in addressing issues of organizational culture, job dimensions and motivation as they relate to attitudes and behavior at work in a multinational work environment.

CHINA AUTOMOTIVE SYSTEMS, INC. – THE CASE FOR REVERSE MERGERS

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CASE DESCRIPTION

This case concerns a" reverse merger" by which a Chinese corporation obtains publicly traded status in the United States. The objective is to familiarize students with this alternative to an initial public offering, the more widely known method by which a company can become publicly traded, and to sharpen their analytical and research capabilities as they access the SEC website and EDGAR database as well as websites that provide other financial information for the answers to specific questions.

This case is appropriate for use in an advanced corporate finance class, an entrepreneurship or new business formation class, or an international finance class. Some aspects of the case may also be of interest to a business law or securities class. The case has a difficulty level of four, and should take from one to two hours of class discussion. Students will require three to four hours of preparation time.

CASE SYNOPSIS

The "reverse merger" is an alternative to the initial public offering (IPO) method of "going public". This back-door SEC registration technique is relatively common in practice, but is entirely ignored in finance textbooks as well as the academic literature.

The case considers China Automotive Systems, Inc., formed when Visions-In-Glass, Inc., a US non-operating, public "shell" company, acquires Great Genesis Holdings Limited, a closely held Hong Kong company that indirectly owns joint venture interests in mainland China. After the merger, Great Genesis stockholders own most of the stock of Visions-In-Glass, Inc., thus controlling the corporation and Visions-In-Glass retains its publicly trading status. The privately traded Hong Kong company becomes a publicly traded U.S. company.

In addition to focusing on the process of the reverse merger and the financial returns to various investor groups, this case examines how recent SEC actions may affect future reverse mergers. These actions include the suspension of trading in 26 shell companies for delinquent reporting, and the promulgation of regulations adding reporting requirements for shell companies or reverse mergers. These actions may reduce the advantages of a reverse merger in the future. Students gather information and render an opinion as to whether the China Automotive reverse merger presents evidence of a fraudulent "pump and dump" scheme, as well as whether reverse mergers remain advisable in the future. A further unique aspect of this case involves restrictions on investment and/or currency exchange that a foreign country may impose on its residents. The *case demonstrates how transactions may avoid or circumvent such restrictions. Finally, the case illustrates the layering of funding common in a start-up business, and how firms use exemptions from SEC registration (for private placements and the Reg S exemption) in connection with funding.*

THE GALACTICA SUV

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CASE DESCRIPTION

The purpose of this case is to provide an intercultural/international negotiation exercise that tests the ability of students to overcome cultural obstacles and think outside the box in order to structure a creative deal. The case has a difficulty level of five to seven, depending upon the depth with which the instructor wishes to explore the case, as well as the comfort level of the instructor with respect to the various issues. The negotiation exercise is designed to take from one and a half to two class hours (including the debrief), although more time may be spent on it. The case also requires approximately thirty to forty-five minutes of in-class or outside preparation time by the students.

CASE SYNOPSIS

What do you suppose would happen if a space alien from a distant and different culture arrived on the lot of a futuristic planet earth spacecraft dealership to negotiate the purchase of a space vehicle? In order to find out, climb into a Galactica SUV spacecraft, buckle up, and enjoy the ride!

This case is designed for use as a role playing opportunity in an international negotiation class. The subject matter of the negotiation derives from an activity many students have already engaged in – the purchase of a vehicle (in this case, however, that vehicle is a futuristic spacecraft, i.e., the Galactica SUV). Each student is assigned a role, either that of space alien CN-319 (the buyer) or that of earthling Spacey Starr (the seller), and then given time to prepare. The student is instructed to stay in role for the duration of the negotiation. Moreover, the student must make use of the cultural characteristics provided for each assigned role.

In order to avoid the cultural stereotyping that occurs in most intercultural or international negotiation exercises, this case deftly finesses the issue by creating two fictional cultures. CN-319, the prospective buyer, is a Banatarian from the planet Banatar, and each student playing this role is given a confidential role sheet describing certain cultural characteristics of Banatarians. Spacey Starr, the seller, is an earthling. Unfortunately for Spacey Starr, however, earthlings often confuse Banatarians with Vanatarians (from the planet Vanatar). While Banatarians and Vanatarians share some common cultural characteristics, they are diametrically opposed on others. Spacey Starr, who mistakenly believes prospective buyer CN-319 is a Vanatarian, prepares for the negotiation by becoming acquainted with Vanatarian cultural characteristics, which are outlined in the confidential role sheet provided to those playing the role of Spacey Starr. Accordingly, the well-

intentioned (but ill-informed) Spacey Starr character inadvertently tends to commit cultural faux pas after cultural faux pas.

In addition to substantive lessons on conducting an integrative negotiation, the case also introduces a variety of cultural issues that often can and do occur in a real world intercultural or international negotiation. By having to contend with cultural confusion, the case tests the ability of students to deal with cultural errors, learn from mistakes, and overcome them. After the negotiation exercise has been completed, the instructor thoroughly debriefs the case to explore both the negotiation and cultural issues. Detailed instructions on how to conduct a debrief are included. Moreover, there is also a list of negotiation terms and definitions to assist those who are new to teaching negotiation.

NUNIVAK ISLAND MEKORYUK ALASKA (NIMA) CORPORATION: AN EXAMINATION OF A NATIVE VILLAGE CORPORATION'S STRATEGY DEVELOPMENT

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ABSTRACT

This case examines the evolution of native corporations under the Alaska Native Claims Settlement Act of 1971 and some of the challenges facing native corporations. The primary subject matter of this case concerns the development of strategy for a small native village corporation on Nunivak Island, with the added challenge of determining both strategic and operational issues solely by the corporation's board of directors. The core issues are the decisions to enter into three potential ventures which also incorporate the board of directors as the principal operational managers. This uncharacteristic approach to management is a result of a tumultuous history, cultural issues and a calculated attempt by the board of directors to make the case for hiring a full time general manager to the shareholders.

The student can be assigned a project to develop a strategy for NIMA to determine which ventures to accept with specific attention to determining the viability of entering various markets based on incomplete information and the lack of full time management as identified in the case.

The case has a difficulty level appropriate for the undergraduate level. The case is designated to be taught in 1.5 class hours and is expected to require 2-3 hours of outside preparation by students.

THE PURCHASE OF A BAGEL SHOP

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CASE DESCRIPTION

The primary subject matter of this case concerns the purchase of an established bagel business. The case focuses on the examination of financial situation facing the owner after the purchase of the business. The secondary issues deal with marketing strategies and locations decisions and how they can affect cash flow within the business. This case has a difficulty level congruent with entrepreneur majors with junior or senior status. In order for students to examine this case effectively they should have background knowledge in analyzing financial statements, and developing marketing strategy. The case is designed to be taught in one class session of approximately 1.25 hours and is expected to require four to six hours outside preparation time from the students.

CASE SYNOPSIS

The Bagel Shop was a small independent business with a great reputation in the community and a good customer base. The business was purchase in 2002 at a time when the economic environment was somewhat weak because of the 911 terrorist attacks, and the low-carb diet trend. However, the bagel shop offered what seemed like a quiet alterative to the fast pace of corporate life. Based on the financials provided before the purchase of the business, it looked like with a few adjustments in the store's operation, the new owner would be able to make a reasonable profit. However, after five months of running the business, the bagel shop proved to be far more challenging than he originally thought. There were large fluctuations in the monthly net income. Some months the business was profitable and other months cash flow was negative. A weekend manage was hired so that he did not have to work 7 days a week. This added to his current labor expenses. Although he loved the atmosphere of the shop and the feeling of being an entrepreneur, he was faced with some serious decisions if he is going to make the business profitable. Without much background in finance he needed some assistance in analyzing the figures to help him get a better understanding of the big picture. He could not see where expenses could be cut and he had already increased his expenditure on advertising with out getting much customer response. The case looks at the challenges that face the new owner of The Bagel Shop. His initial objectives were to increase efficiency in operations and to retain his current customer base while attracting new customers. Decisions about location and possible expansion of the business would need to be addresses after tackling the initial operational issues.

PUBLIC PERCEPTIONS OF BIOTECHNOLOGY: A CASE STUDY OF MOUNTAIN HOME, AR

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ABSTRACT

Biotechnology is the process of genetic transformation of organisms by way of DNA technology, which has become a subject of increasing commercial interest and controversy over the past decade as great advancements have taken place in the field. There is tremendous optimism in the scientific community for biotechnology, promising growth and advancements in its application, along with undoubted economic prosperity for many of those involved in its creation. Probable products include consumption goods, industrial intermediates and environmental products made from GMOs. However, acceptance of biotech for consumption goods has been tardy. There are concerns regarding the implications of altering the genetic codes of organisms. Along with these concerns are questions about the ability to segregate and contain GMOs in a controlled environment without their accidental introduction into the natural world with potentially disastrous environmental outcomes. This case study was based on research conducted with 3 focus groups of 8 willing individuals each randomly selected from a sample of 150 locals in the town of Mountain Home, AR, which is a summer holiday resort with a large retirement community, a campus of the Arkansas State University (ASU-MH), some small industries and a major biotech company (Baxter Pharmaceuticals) in the vicinity. Focus groups were drawn to represent the entire diversity of the location.

The fundamental research question centered on the attributes that determine acceptance or rejection of biotech products. Discussions with experts in business and academe led to the formation of the following 3 precepts: Acceptability is a function of remoteness; Perception is uniform over products in a group; endorsement by experts increases acceptance. The sectors with the highest positive attitude rating were forest / timber followed by medicinal uses and the lowest were dairy / poultry at 22 and use of bacteria. Over 80 percent of those surveyed accepted biotechnology either for themselves or others. Of those surveyed 70 percent said they would only purchase a genetically engineered product if costs the same or lower. Roughly 30 percent would purchase the product at a higher price if it had some direct benefit to them.

THE SEDUCTION OF ARTHUR THOMPSON: AN INSTRUCTIONAL CASE ON ETHICS IN THE ACCOUNTING WORKPLACE

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ABSTRACT

The myriad of news stories that have dominated the financial press at the outset of the 21st century have demonstrated, more than ever, the need for higher ethical standards among professional accountants. Unfortunately, teaching ethics in the classroom does not always translate into higher ethics among graduates. Barriers to adopting classroom ethics in the marketplace center on two facts: 1) that real-world pressures influence ethical decisions; and 2) that most ethical dilemmas involve the gradual "graying" of standards rather than the radical overthrow of such standards.

This case is a portrayal of a real-world situation where the main character was subjected to a series of ever-increasing ethical choices, while faced with severe financial consequences. Although the names and setting have been changed, the presented events mirror the challenges faced by the main character: Arthur Thompson. The case allows students to place themselves in the position of the main character, to make decisions, and to weigh the consequences of their actions. Each of the three ethical dilemmas faced by the main character is followed by instructional notes that help the students identify the differences between legal and ethical issues, create a framework for making ethical decisions, and recognize the impact of competing motivations. The case is followed by instructional notes that describe how the main character personally handled the ethical dilemmas and the consequences of his choices.

GREEN ENTERPRISES, INC.

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CASE DESCRIPTION

The primary subject matter of this case concerns strategic planning. Secondary issues include financing, working capital analysis, cash flow estimation, and break-even analysis. In this field-researched case, Toppy Green, the CEO of Green Enterprises is faced with resolving some key questions about the direction of his company's strategy and turning around the company's operation. The company distributes good quality food products and makes profits, but is faced with negative working capital and cash flow difficulties. As the case closes, his advisors have asked him to address several key strategic questions. The case has a difficulty level appropriate for the firs-year graduate level. The case is designed to be taught in 1.5 class hours and is expected to require 4 hours of outside preparation by students.

CASE SYNOPSIS

The case centers on an entrepreneur by the name of Toppy Green, whose business has grown from a single truck food distribution operation into a $6 million food distribution business in the State of North Carolina. After 23 years, the company faces significant growth hurdles in order to achieve nominal profitability with few cash flow difficulties. The company focused on distributing food products such as sandwiches to convenient stores mainly in North Carolina. Toppy's primary goals, in the context of this case, are to achieve better profitability, build a strong balance sheet, and to build the brand name on a limited budget. This case communicates the challenges experienced by an entrepreneur, and provides students with the opportunity to simulate the creation of strategy and implementation in the context of this case.

INTRODUCTION

On a warm and humid day in May of 2004, Toppy Green, the founder, CEO, and principal owner of Green Enterprises, had been reviewing recent company data to help him determine the direction that Green Enterprises should pursue. The financial statements reported that although the company enjoyed a better profit in the first quarter, the quarterly revenue had decreased by about 13.2% in 2004. "Right now our most serious problem is cash flow," said Toppy. "We could have sold more products if we had had more capital. We're often cash-poor because some of our customers pay too slowly. One of our biggest chain customers had recent organizational changes and is paying us slowly. We don't want to push them too much, because we might loose them to our competitors."

Green Enterprises, with revenues of more than $6 million in 2003, was a privately held corporation offering a full line of sandwiches, meats, and desserts. The company relied on food manufacturers for his products. A direct store delivery system (DSDS) composed of 12 route people and one branch office delivered food to over 800 customers serving consumers in its primary trade area of North Carolina.

Competing against old established companies in the sandwich category was a challenge. Toppy knew that to be successful he had to be better than the competition, which had advantages of economies of scale, advertising campaigns, and brand name. The company's abilities to satisfy the regional taste preferences of consumers and to move quickly were strengths of the firm.

COMPANY BACKGROUND

Toppy prided himself on the fact that he worked about ten years for Jubilee Salads, a food distribution firm, and performed well. In 1981, Jubilee Salads was about to go out of business as a result of losing core accounts to its competitors. Jubilee Salads offered each of its 30 salespeople the opportunity to take complete control of their individual routes and trucks. Toppy decided to accept this offer, and without a business plan, he opened his own venture of Green Enterprises. As a result of his work ethic, Toppy was the only salesperson who was successful in maintaining and growing his venture. Within six months, he took over routes for Jubilee Salads to comprise one complete route. "My strengths include salesmanship, professionalism, and excellent communication skills," said Toppy, "And my passion is to sell, and stay afloat. My main weakness is my inability to read and completely understand financial statements and know where every dollar is going."

In 1992, he expanded his business operations by adding one additional route to make a total of two routes. In 1993, he acquired contracts with NC State University and UNC-Chapel-Hill and added one additional truck to the company. As he acquired more business accounts, he added more trucks and routes to the operation. Since 1994, the company had grown rapidly. Riding the tidal wave of growth in the wholesale food distribution industry, Green Enterprises had expanded its operations in four States, from the entire state of North Carolina, to the top third of South Carolina, the bottom third of Virginia, and the Bluefield, West Virginia, corridor. Between 1994 and 1999, the business had grown dramatically fielding a fleet of 26 trucks and routes. Driven primarily by passion for profit, however, the company suffered from a lack of consistency, poor control, and low gross profit margin. By the end of 2000, the company had reached an annualized sales rate in excess of $7,900,000 but was losing nearly $1 million in sales. As a result of the cash flow problem in 2001, Toppy decided to reduce the number of trucks and routes from 26 to 14. Since 2003, the company remained operating with 12 trucks.

THE MARKET AND COMPETITION

The market area that Green Enterprises covered still included the entire State of North Carolina, the top third of South Carolina, the bottom third of Virginia, and the Bluefield, West Virginia, corridor. "Any convenience store in the market area is a potential customer," said Toppy. "In our market area, there are more than 5,000 convenience stores, out of which we serve fewer than

800." In addition to convenience stores, Toppy had diversified into the market for the small grocery stores and family owned grills and restaurants.

The market for the company's products was highly competitive. It faced a variety of local and regional competitors. Two of the company's competitors were larger than Green Enterprises and had substantially greater financial resources. Green Enterprises was the third largest local food distributor in its market area. The largest competitor was Sunburst Foods, which had a strong financial resource, was well known with over 65 years in business with its own brand name, and an older management team. Sunburst's market area included the entire State of North Carolina with distribution facilities located in Goldsboro, Salisbury, Vanceboro, and Wilmington. The company's second largest competitor, Fisher-Rex, had a younger management team and implemented many new innovative ideas. "Competition in the industry is intense and is mainly based on price," said Toppy. "To survive in this industry, you have to know your competition—their strengths and weaknesses."

The company competed on the basis of quality products and services offerings, price, and ongoing customer service and support. Toppy responded to competitive pressures by exploiting his company's agility. "What differentiates me from other competitors in the food distribution industry is my customer service. I don't just deliver the products to my customers. I place them on their shelves and in their refrigerators," he said. "Superior service is our niche in the marketplace; we respond quicker and faster than our competitors when customers need us."

Toppy thought that quality was the equivalent of brand name, and his products had better quality than that of his major competitors, Fisher-Rex and Sunburst Foods. "My company was created by my competitors because they were failing to service customers with high quality products. I think the difference in product is the difference between Green Enterprises and my competitors," he said.

Even so, Toppy was especially worried about the price-cutting war. "I've always priced to value," said Toppy. "My customers have always been willing to pay a premium for the excellent service I give. They want fast, reliable, dependable service, and they know I have staked my reputation on giving such service. Our service is exceptional and distinctive compared to our competitors.

MARKETING

Over the years, Green Enterprises relied almost exclusively on sandwiches, desserts, meats, and salad sales. Toppy felt that the company was offering a more diversified product line than its competitors to meet and exceed customer expectations.

Green Enterprises was not dependent on any one supplier and maintained back-up suppliers for major products. Further, it utilized competitive pricing among its suppliers to obtain the best value for the customer's dollar. The company carried products from approximately twenty different suppliers with their own brand names. Green Enterprises' sales literature listed over 90 varieties of sandwiches.

Toppy was planning to add its own name brand products, "Granny Green," into the market beginning in July of 2004. The new items would include seven new sandwiches with 20% more meat and higher quality ingredients than its competitors' products. The company's gross profit margin on its own private-label was expected to be around 35 percent.

The route system was divided into 12 geographical areas, all supported by the main office and warehouses in Hillsborough. The building is owned by Toppy Green and rented to Green Enterprises. This organization was partly dictated by existing store chain needs. Salespeople with low route sales felt that the system did not favor them as commission was based on sales. Although the gas price was going up, some salespeople also felt that their routes were long and time consuming, and several accounts required multiple visits a week. Each route salesperson was provided with a hand-held inventory tracking device to keep track of inventory on a daily basis.

Toppy did not discount. He priced products on a par with two direct competitors, Sunburst Foods, and Fisher-Rex, because he thought that his quality was better and he could beat them with services.

Green Enterprises continued to acquire new accounts through existing customer referrals. According to Toppy, the best way to acquire new customers was strictly by word of mouth. Toppy also picked a specific geographic area twice a week and made a cold call visit to some convenience stores in order to earn new accounts.

ORGANIZATION AND CULTURE

As of March, 2004, Green Enterprises had 19 employees. The company considered its current employee relations to be satisfactory. The company had no organizational chart. As chairman and president, Toppy managed all route designs, sales, marketing, purchasing, controlling inventory, and day-to-day operations as well as all financial and accounting work. His area manager, Craig Hales, had about 11 years of on and off service with Green Enterprises.

There was no daily or weekly meeting with salespeople to focus on their performance or exchange ideas. Indeed, Toppy did not believe that setting short-term measurable goals for each salesperson was a good idea. "There are no sales quotas set for the sales force. That strategy does not apply to this kind of business," Toppy said.

Toppy believed that recruiting a salesperson was not a difficult task. Having a clear driving record was a must, while education and sales experience were added advantages. The job called for a person who was physically strong, hard-working, a self-starter, honest, and eager to make some money. There was an on-the-job induction upon a salesperson joining the company. Usually Toppy or Craig would accompany such a new hire on the route for about three weeks before letting him run the route on his own. The company had a high turnover rate for salespeople. Within 2003, the company had over thirty new salespeople on its payroll in different periods. Only two salespeople had been with the company over a year.

RECENT COMPANY PERFORMANCE

In 2003, the company had experienced a tough year. Although the business was contributing positively to overhead and profit, sales revenue had declined and resulted in a negative cash flow. Key vendors and the employees were being paid on time, but some suppliers were being asked to accept payments beyond their terms. During the year of 2003, Toppy was barely able to keep afloat. After meeting his bank obligations, he was able to pay some of his accounts payable. Out of the $377,913 accounts payable balance at the end of March, 2004, about $220,000 was payable to only three suppliers and was more than one year old. The company was purchasing about $3,000,000 a year from those three suppliers. Toppy was paying about $5,000 a month on his old accounts payable. As the bank officer had said in early 2004, "Toppy, I'm concerned about your cash position. You have reached your credit limit, and we know cash doesn't grow on trees. You need to restructure your accounts payable."

During the first three months of 2004, Toppy had made some progress on the cash position of the company. When the company was short and needed cash to make payroll or buy supplies, the bank loaned the money to the company. The company had, in the past, been able to raise additional cash when cash was needed. Toppy knew that was not possible anymore in light of the poor performance of the company's operation, and because most of the company's assets were already encumbered by bank debt. While the company still had some cash on its balance sheet, unless performance improved, that cash would soon run out.

POTENTIAL DIRECTIONS FOR THE COMPANY

Toppy's main ambition for Green Enterprises was to turn it around to a positive equity. He was fully convinced that his organization had to change in terms of moving toward a continuous improvement paradigm. To realize his ambition, he planned to rely heavily on his team of professional advisors. "I have never doubted my ability and courage to turn the company around," said Toppy. "We must now grow in an orderly way. That's why I need sound, expert advice."

Toppy's first approach in trying to address marketing and sales concerns was to have a company meeting involving his salespeople and hammer out a consensus as to the major issues facing the company and how to address them. Some of the more pertinent problems identified were: (1) high salespeople turnover; (2) insufficient familiarity with customers; (3) lack of training systems; (4) no "process" for improvement; (5) lack of communication; and (6) lack of motivation. Toppy pondered a strategy to solve these problems with his advisors. Together they brainstormed the following questions:

- Should we reevaluate the market, the company's strengths and resources, and the competitive industry and develop a new vision?
- What competencies and resources can we depend on to survive and grow in our increasingly competitive environment?
- What should be the company's geographic focus? Should we continue to aggressively expand our geographic coverage, or should we be more selective about where our products are sold and our routes are built?

- Finally, what are the possible ways to improve our gross profit margin and cash flow?

"These are tough decisions," Toppy thought to himself. "It is a good thing we have strong advisors to help us make the decisions."

SPECIALTY SHOES & DIABETIC SUPPLIES, INC.

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ABSTRACT

Specialty Shoes & Diabetic Supplies, Inc., is a half-million dollar company located in Beaumont, Texas, and serves the needs of diabetics in Southeast Texas. The company was founded in 1981 by Rodger Christopher to supply specialty footwear crafted for diabetics. Since its founding, the firm has broadened in product lines and sought to become a full-service supply center for diabetic needs. Rodger Christopher is the only licensed pedorthist in Southeast Texas. A certified pedorthist is a person qualified to design, manufacture, modify and/or fit footwear, including shoes, orthoses and foot devices, to prevent or alleviate foot problems caused by disease, congenital defect, overuse or injury.

The case reviews the strategic position of the firm, examines its current position with regard to its competitors, internal operations, financial position, etc., and focuses especially on the external environment of the firm. Recent changes in federal healthcare regulations have created significant new challenges. Medicare changes, proposed Medicaid cuts, and the mandates of the federal Health Insurance Portability and Accountability Act (HIPPA) effective April 2003, have materially affected operational practices and the business climate faced by the firm. The increased paperwork requirements and the patient rights provisions are only some of the administratively demanding elements of the HIPPA.

Additionally, new rules effective October 2003 regarding the utilization of one's medicare supplier number have placed additional constraints on the development of the firm and restricted its ability to expand. Any supplier who provides, sells, or rents durable medical equipment, prosthetics, orthotics, or supplies must have a medical suppler number in order to serve medicare clients. The suppliers must have at least one supplier number for each location. The federal government has no frozen the issuance of additional numbers, thereby restricting the creation of additional service locations. The restrictions also forbid the expansion of existing facilities operating under an already-issued number.

The strategic issues facing Rodger Christopher and Specialty Shoes & Diabetic Supplies are: 1) How does the firm absorb the operational requirements imposed by new federal regulations, and 2) how does the firm continue to grow and prosper in the face of significant constraints imposed by the freeze on the issuance of new medical supply numbers?

UNIVERSITY PLACE

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ABSTRACT

The University of Idaho (UI) offers 146 degree programs, from agribusiness to zoology, including bachelor's, master's and doctoral degrees. Eleven thousand students attend UI's main campus is in Moscow, Idaho in northern Idaho. UI, as Idaho's land grant university, has an obligation under federal law to provide outreach and extension programs throughout the state. As an example, the UI has extension staff and faculty located in 42 of Idaho's 44 counties. The UI has been offering programs in Boise since 1907. Currently students attend programs in Boise, Coeur d'Alene, Idaho Falls, and Twin Falls.

The UI has been named one of America's Top 50 universities by Kiplinger's "Personal Finance" magazine. The ranking was based on the quality and affordability of education. The UI was also named the "most wired" public institution in the West by "Yahoo Internet" magazine. Unfortunately, recently its status has been compromised by financial challenges, which focus on difficulties surrounding the financing of a major construction project in Boise.

Given the rapid growth of the Boise area and the increasing demand for higher education services, the UI and the UI Foundation (UIF), as well as Idaho State University (ISU), decided in 1998 to convert leased space into an owned, newly constructed facility, known as University Place. The size and scope of the project was large; an anticipated $136 million for a three building complex located in the heart of downtown Boise. The first and primary building, the Idaho Water Center (IWC), was to house the UI's water resource program, the water research programs of the U.S. Forest Service and the Idaho Department of Water Resources, as well as a space to deliver several UI programs, including architecture, education, engineering, law, and natural resources. A second building was to be the ISU Health Professions Center to deliver graduate nursing, pharmacy and other health profession discipline programs. The third building was to have been the Learning Center, a building for the UI to house various programs consistent with UI's land grant mission.

In 1999, the University of Idaho Foundation's (UIF) Board of Directors responded positively to President Hoover's request for support of University Place. UIF agreed to provide an initial investment of $1.9 million needed to purchase land for the project. Over three years, the pre-construction investment increased to $28 million for development expenses. To pay the $28 million, the UIF borrowed $10 million from the UI and $14 million from the UI's Consolidation Investment Trust. This trust is a pooled endowment fund managed by the UIF, for the benefit of the University of Idaho (i.e, scholarships, research, performing arts programs). The UIF Board of Directors was assured by UI officials that when bonds were issued, all funds advanced would be reimbursed to the UIF. But due to increased projected construction costs, the Idaho State Building Authority (ISBA)

decided not to reimburse the UIF for the development expenditures at issuance of the bond in December 2002. This left UI with a $44M bond for the Water Center, when estimated total costs were $72M.

On April 16, 2003 President Hoover resigned. This was t he same day a financial audit of the development was released, revealing inadequate planning, conflicts of interest, management override, poor communication and flaws in the management of loans made to the UIF for the University Place project. Other changes in administration included the termination of the Vice President of Finance and Administration and the reassignment of the Director of Internal Audit. The Provost served as acting President until August 22, 2003 when the State Board of Education (SBOE) appointed Gary Michael as Interim President.

Michael said the SBOE and Governor Kempthorne asked him to do two things: fill in the financial holes in the university's budget, and fix problems in the structure of UI administration. For example, UI's Vice President of Finance and Administration was also the Treasurer of the UIF. The new Interim President inherited an estimated $14 million deficit. The debt had been accumulated from legislative cuts and loans made to the UI Foundation for the construction of University Place. Also the UI's future financial obligations for the University Place seemed daunting: cost of leasing and operating expenses for University Place estimated at $1.6 million annually, upfront tenant improvements estimated at $2.9 million, and loss of the annual $1.9 million reimbursement for advancement operations.

This case is designed for a senior or graduate strategic management course or a capstone accounting course. The case has been developed to provide exposure to one entity's experience with problems in capital projects, problems with internal controls, and issues regarding the alignment of capital projects with the entity's mission. The case also requires the development of a new strategic plan.

SANDS CREEK WINERY

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CASE DESCRIPTION

The primary focus of this case concerns the strategic direction of a small, family-owned winery. Secondary issues relate to the conflict amongst family members in a family-owned business and succession planning. This case has a difficulty level of three, appropriate for a junior-level course in entrepreneurship or organizational behavior. The case is designed to be taught in one class period and is expected to require three hours of outside preparation.

CASE SYNOPSIS

Sands Creek Winery is a family-owned business located in the hill country of central Texas. As is the case with many small wineries, Sands Creek faces an uncertain future given the intense domestic and foreign competition in the wine markets. The firm has faced several challenges: the aging and ill-health of the owner/founder and his wife, disease of the vineyard, rising costs, and over capacity in its storage facility. Several family members are directly or indirectly involved in the business' operations which has lead to interpersonal conflict amongst family members over the future direction of the business. The owner's son, a practicing physician, is not fully invested in the family business, but has a distinct interest in the winery's survival; other family members are engaged in the business in a variety of ways and depend upon the firm's future success.

CASE BACKGROUND

Ted and Diane Flynn established Sands Creek Winery in 1983. Ted's previous venture, Diamond View Company, was a multi-million dollar offshore oil drilling company with accounts globally. During his many years of travel, he had acquired a taste for good wines. As a result, he became very interested in the many facets of the wine making process. While in Chile, members of the Chilean wine industry suggested Mr. Flynn enter into the industry in Chile, but he chose to retire in Texas; with him came the desire to produce good wines. After researching vineyard growth in the Texas Hill Country, the Flynns purchased a site near the Stonewall community near Sands Creek.

Initial criteria for a vineyard were good acidic soil conditions, accessible ground water, cool nights and warm days along with high visibility from a major U.S. highway. Over the next several years, Ted cultivated 17 of the 100 acres he had acquired with vines and produced his first wine in 1987. Over the next 10 years, Sands Creek Winery developed award-winning wines. In the beginning, Ted retained the expertise of a horticulturist to maintain the vineyard and a wine maker to aid in the art of wine development. Although he no longer has the horticulturist, he still consults with the winemaker, Dr. Enrique Salemo, Ph.D. Dr. Salemo is a third generation Italian wine maker, holding a doctorate in Viticulture and Enology. He arrives from California once a month to work with the development of the wines. His expertise has contributed to the great success of the vineyard.

In 1994, sections of the vineyard began to suffer and ultimately died. Two devastating diseases to vineyard growth are Cotton Root Rot and Pierce's disease. Constant attention to the soil helps monitor conditions (i.e., high alkaline and mold). Initially, samples were sent off to Texas A&M Agricultural Department in seeking answers to the problem. Mr. Flynn received notice that he had possibly high alkaline content in the soil. After prolonged treatment without success, he employed a private laboratory in Ohio, which confirmed the vineyard had Pierce's Disease. This bacterium is transmitted by insects as they feed on the vine. The insects usually inhabit low-lying areas such as creeks. By this time, a good part of the vineyard was lost with little hope for the remainder. They began the uprooting of the seventeen acres, section by section. The 1993 Cabernet Sauvignon is the last of the "estate bottle" wine, (grown and produced on the estate).

Mr. Flynn recently reorganized his operation and began to search out new avenues for his grape resources. On the average, newly planted vines take five years to mature before harvesting. Economically, he has found that buying the grapes versus estate grown grapes is basically an even trade. The upkeep of a vineyard is year-around maintenance that encompasses winter cultivation and pruning, constant soil conditioning, insect control and harvesting. The disadvantage to buying grapes is nailing down a good reliable source. Most vineyards in the State of Texas are only thirty plus acres and can not always follow through on demand forecasts; therefore, Mr. Flynn has gone through many vendors in order to meet his production goals for the year. He also has made many modifications in his production plans due to the quality and quantity of the grapes received.

Sands Creek Winery is considered a boutique winery producing five thousand cases a year on the average. Ted's philosophy is to maintain a debt free organization, with centralized control. Over the course of the business cycle, Ted and Diane have virtually hands-on control, with Ted in production and Diane in marketing and sales. Due to Diane's failing health, she has recently stepped down from participation in direct management activities. Their son, Leyton, entered into the corporation in 1989, where he consults with Ted weekly on laboratory wine production and testing while maintaining a medical practice in the Hill Country area. Leyton's wife, Anne, has been involved in the business off and on. She produces wine and herb vinegar to retain in the testing room. She grows the herbs on the estate where she creates her blends. Sands Creek Winery contracted with a Fredericksburg Company to make jelly from their estate-grown peaches and berries. Currently, they distribute the jelly to various markets under the Sands Creek Winery label without the utilization of their own fruit. Both of Leyton's daughters and Mr. Flynn's granddaughters work in the wine tasting room periodically.

Like any family business, there has been disagreement in the operation of the winery. The elder Flynn has definite ideas about how he perceives the business for the future and how he wants the business to operate. For example, Ted is very comfortable with serving only the Texas market. Leyton, on the other hand, would like to expand the business through e-commerce which would enable the company to reach markets outside the Texas region. While attending a medical conference in Copenhagen, he spent part of his free time visiting small, boutique wine shops and learning that the shop owners were having some difficulty with their current suppliers. The source of their concerns seemed to center around delivery reliability, and the fact that the European grape growers were no longer interested in serving the smaller customers. Also, because the boutique wine shops carry a variety of other wine-related products, the European suppliers did not want to bother with these items as well. Since production of specialized jellies and other fruit-related condiments are a distinctive competence of Sands Creek Winery, a competence for which the company's reputation is well-known in the Texas region, Leyton believes that a differentiated focused marketing strategy will enable the company to gain a foothold into global markets. In consultation with a family friend (who also happens to be a small business consultant), Leyton was encouraged to evaluate the business' strategic options according to the following framework.

Table 1
Strategic Analysis Grid

Column 1	Column 2	Column 3
High Pressure to Expand Globally	Dodge rivals by shifting to a new Business model or market niche	Compete on a global level
Low Pressure to Expand Globally	Defend by using 'home-field advantages	Transfer company expertise to cross-border markets
	Resources and competitive capability tailored to home market	Resources and capabilities transferable to other countries

However, with such differences between Leyton and his father, negotiating any changes seems to be difficult at this time.

Sands Creek Winery only employs eight people because of its size and type of business. Employees consist of a tasting room manager, several part-time retailers, an assistant wine maker and a few groundskeepers that care for the estate. They receive above average pay for the year and are guaranteed consistent hours, contrary to the industry average, which usually hires seasonally. During the slow cycle in mid-winter, many are laid off, but Mr. Flynn keeps his employees on the payroll year-round. With Mrs. Flynn's illness, total management is done by Mr. Flynn, which he does with great efficiency. He stays on top of every aspect of the business and for a man his age, his physical capability as well as his mental agility are amazing.

From the introduction of Sands Creek wines through today, concentration of sales has primarily been on premises constituting 65 percent of sales. The remainder is sold directly to specialty food and wine outlets in the Texas region. In some cases, Ted and Diane personally deliver to their long time customers in the surrounding area. The use of wholesale distributors is not an option with Ted as it is with most boutique wineries. The cost of production on a small scale does not allow for a distributor's price increase in order to remain competitive in the market. The economy of scale lies within larger scale production. Another deterrent in this industry is the compliance to legal requirements of alcohol production and sales. There are narrow parameters for wine sales and stringent accounting procedures. Tracking systems are set up from the time the grapes enter the facilities, whether they have been purchased from suppliers or grown on the premises. Every gallon must be accounted for by federal and state law, semi-monthly. The report entails a combination of gallons on hand, less total wine sales and usage (tasters) to determine the amount of taxes to be assessed for the period. The retail manager does assist in the information of quantity sold, but Mr. Flynn writes the actual reports.

The only costs directly assigned to the different wines' production are those costs that can actually be traced to that wine, (i.e., grapes, additives, bottles, corks, labels and boxes). Labor, volume less rework costs along with manufacturing overhead, selling and marketing and plant assets are carried over to the end of the production year. These allocated costs are equally divided among all products and direct costs are added to determine individual product cost.

In the areas of marketing, Mr. Flynn has not used media advertisement, but instead uses a method of marketing much like that of Robert Mondavi. The principle is to educate the public about wines by conducting tours and wine tasting. They also hold cultural events and participate in key wine and food societies. The goal is to build faithful wine clientele who communicate to friends and retailers about the quality of wine (i.e., word of mouth). This practice was quite successful in the early stages of development with the entire family involved, but has become quite difficult for Mr. Flynn to maintain while managing day-to-day operations.

As of 2002, while taking inventory of his assets, capabilities and limitations, Mr. Flynn reevaluated his business plan. His storage capacity is maximized. The production and storage area is approximately 1000 sq. ft. He utilizes this area with the greatest efficiency. There are five stainless steel fermentation tanks ranging from 550 gallons to 2500 gallons. The recent purchase of new equipment include an Italian bottling and corking machine that can easily process eight cases per hour and a new grape de-stemmer and crusher. Mr. Flynn also purchased thirty new American oak barrels for the aging of wines, which are stored in the wine cellar beneath the wine tasting room. The remainder of the warehouse is fully stocked with finished product. The investment of new equipment has shown an increase in production but also caused storage deficiency. In 2001 a reported lag in sales also contributed to excess inventory.

Facts from the Texas Wine Marketing Research Institute at Texas Tech University about retail outlets show a decline in on-premises sales from1996 to 2002; they project that this trend is likely to continue for the next ten years. Both on-premise sales and tasting room sales are currently down 4 percent, while supermarkets and liquor stores had each gained 4 percent statewide (Texas Wine Marketing Research Institute, 2002). Mr. Flynn realizes he has lost market share with his on-premise sales, but he thinks it is because of the loss of his vineyard. He believes that the aesthetic view from the highway was a mechanism to attract customers. This may very well be true, but these facts from the Texas Tech survey show a statewide decline of on-premise sales industry-wide.

An analysis of the business reveals that Sands Creek Winery has many attributes to remain competitive. They have a solid financial backing, no debt, state-of-the-art equipment and hands-on management. They are well established in a growing industry with an excellent location. Weaker areas that need attention are: 1)top-down communication is in need of improvement. Although there is disagreement within the top-level management on strategic direction, a strategic business plan is in place and followed by the executive level; but the lack of communicating the strategy to the functional and operation level seems to be inadequate. It is not clear as to what responsibilities were given to the operational and functional employees, however. The effect of key employees' unawareness as to strategy and their knowledge of Ted's and Leyton's strategic differences foster an air of confusion, discontent and lack of commitment; 2) production is unclear. Sands Creek is on the threshold of leaving the boutique market. They show the potential of increasing market share with the 1998 equipment purchases. They now have the capability to increase production and cut per unit costs, but the plant and storage capacity can not handle the increase. The warehouse facility either needs to be enlarged for storage or more distribution centers need to be contracted; 3) stagnate market philosophy: the philosophy is more reactive and less proactive. With competition moving in daily, contemporary marketing techniques are advantageous to remain competitive. There is a need to penetrate existing markets or look at opening new areas of distribution; 4) loss of vineyard acreage has made it more difficult to maintain consistency within the product line. As each year passes, Mr. Flynn increases the number of reliable sources, but does not believe in contractual commitments. This leaves the winery with an element of risk.

With threats of more competition entering the market arena and gradual market growth, opportunities to enter new geographical market areas and serve additional customer groups could be an alternative. In order to maintain sales without the use of additional retail outlets, it may be necessary to reinstate some of the original marketing tactics. Some of these tactics include: keep in contact with the loyal customer base by a newsletter or mail out; create excitement about new additional wines that have been made and when they will be available; include more cultural events at the winery when planning for the new year; and take advantage of festive times by creating wine to accompany the event. Would the formation of a global joint venture be a viable part of Sands Creek future business and a way for the company to continue to innovate and develop its acclaimed wines?

As the family business faces a new century in a highly competitive market, the family members are concerned about the winery's survivability, and how they should move forward.

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HOSPITAL MANAGEMENT AND BOARD GOVERNANCE

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CASE DESCRIPTION

The primary subject matter of this case involves issues relating to the management of a community hospital and the proper relationship of the hospital's Board of Trustees with the hospital's administration and the physicians who perform services for the hospital. It covers concepts of operations, management, and interpersonal and organizational communication. It fits well in junior-level management, organizational behavior, and communications courses. It can be covered in approximately 1.5-2 hours. Little outside preparation is necessary.

CASE SYNOPSIS

The Hospital Board of Trustees had for some time been receiving complaints from physicians about the hospital administration's unwillingness to listen and their apparent lack of appreciation for the physicians' contributions. Physicians were also concerned about several operational issues within the hospital, including operating room turnover time and nursing competence in some sections of the hospital.

Hospital administration explained to the board that only a few physicians complain, but they complain loudly and often enough to make the board feel there is more dissatisfaction than really exists. The administration claimed that physicians were very demanding, did not like to be told no, and showed little awareness of the costs involved in the procedures they performed at the hospital. The administration also maintained that they did try to communicate with physicians, but physicians were difficult to reach because of gatekeepers and would often not return messages left by administrators.

The board, facing increased pressures to insure management accountability of the hospital, asked a consulting group to assess physician satisfaction with a broad range of issues concerning hospital operations as well as working relationships and communication among the board members, physicians, and administration.

THE HOSPITAL ASSESSMENT PROJECT

The assessment was accomplished in several phases and through three main data-gathering methods. The first phase involved discussions with hospital stakeholders concerning organizational, leadership, and communication issues to be explored through a research study and the goals the study would accomplish. With the major goals of the project agreed upon, the research team proposed using a three-pronged approach of interviews, focus groups, and a survey. Participants in the interviews and focus groups were to include hospital administrators, board members, and physicians. The survey was to be completed by physicians only.

Names of prospective interviewees and focus group participants were elicited from a physician relations committee of the Board. The committee membership included physicians, administrators, and trustees. As input was being gathered in the interviews, the consulting team began creating the survey instrument. Focus groups were subsequently used to pilot test the survey and to modify it when necessary.

The resulting survey contained 60 questions, grouped into four major sections, plus a few demographic items concerning physician specialty, age, and length of service in the local area. The majority of the questions were Likert Scale questions with responses ranging from 1-5. In the first section of the survey (hospital administration), the instructions to physicians were as follows: "Compare your image of the quality of service provided by [hospital] on each of the following items against the level you believe ***a hospital <u>should</u> deliver***, as follows:

1 = Much worse than I would expect from a hospital
2 = Slightly worse than I would expect from a hospital
3 = Just as I would expect from a hospital
4 = Slightly better than I would expect from a hospital
5 = Much Better than I would expect from a hospital"

The first section of the survey covered satisfaction with the hospital administration, the Board of Trustees, the nursing staff, and the ancillary (non-nursing) staff. The second section of the survey covered satisfaction with different operational areas (such as operating room turnover time). The third section covered physician empowerment, and the last section included demographic questions and questions regarding communication preferences. Open-ended questions involving relationships, operations, and preferred communication channels were also included.

In an attempt to generate a response rate sufficient to engender confidence in the survey results, before the survey packet was mailed, a letter was sent out by the chair of the physician relations committee alerting physicians that the survey was about to arrive at their offices. The letter reminded the physicians about the project, emphasized the board's desire to hear from physicians, and encouraged them to participate. Another method designed to highlight the importance of the project and of physician participation in the survey was a signed cover letter in the survey packet from the Chief of Medical Staff at the hospital. His letter mentioned the project and stressed the importance of physician participation.

To minimize concerns physicians might have about the confidentiality of their responses, the research team rented a personal mailbox in town for the express purpose of receiving the survey responses. The packets sent to physicians by members of the hospital's staff contained a copy of the survey, a stamped return envelope addressed to the team's personal mailbox, and the letter from the Chief of Medical Staff.

A post card reminder subsequently sent out by the research team to physicians who did not respond to the initial mailout perhaps generated 10-15 additional responses. The total number of responses was 94, for a response rate of around 30%. (Normally, mail-in surveys generate a response rate of between 2 and 10%). Given the diversity of the respondents and the relatively high response rate of the survey, the consultants felt confident in the representativeness of the sample. Therefore, the sample was deemed representative and large enough to allow the researchers to make inferences about the entire hospital physician group.

SURVEY FINDINGS

Survey results suggested a more widespread dissatisfaction among the physicians than the administration had assumed. In what could be categorized as the "interpersonal dimension," physicians reported that the administration showed little concern for physicians' contributions to the hospital, did not give adequate individual attention to physicians, and did not listen to nor respond promptly to physicians' needs or concerns. To one open-ended question asking physicians to recommend a change at the hospital, nearly 10 percent of the respondents stated there should be a change in administrative personnel. In addition, physicians reported some dissatisfaction with specific areas of the hospital such as operating room turnover times and nursing competency on some floors of the hospital.

Positive findings involved several areas of hospital operations, including the nursing and ancillary staff, record keeping, records availability, and records ease of use. Physicians also generally believed that the hospital enjoyed a favorable reputation in the community and that relationships with the administration and the Board were important to foster.

CONSULTANT RECOMMENDATIONS

A. Strengthen the Physician Relations Committee and use it to develop a method of better communication among physicians, administration, and Board members. While survey data indicate that direct mail and newsletter are the top two preferred methods of communication, more personalized (face-to-face and staff meetings) methods would also be appreciated: many respondents indicated a desire for more personalized contacts.

B. Assess the operating room scheduling system. The current system is viewed as potentially discriminatory and a source of discomfort. Perhaps a more automated (on-line) approach would help alleviate some of the perceived inefficiencies and help clarify scheduling priorities.

C. Focus on enhancing interpersonal relations through team building, listening, and conflict resolution methodologies.

D. Capitalize on the physicians' desire to foster a good working relationship with the administration and Board.

E. Assess the factors responsible for some physician specialties reporting significantly different satisfaction levels with some areas of the hospital.

The consultants also made some observations about the manner in which some of the key personnel responded during the course of the study. For instance, after the Chief of Medical Staff had taken two weeks to draft a letter that was to accompany the survey packet, the consultants inquired about the delay. Because the physician's assistant stated that the physician had not had enough time to draft the letter, the consultants volunteered to draft it. The draft was composed and faxed to the physician's office. After several days elapsed, the consultants contacted the physician's office to get a status report. The fax had been misplaced, or something, so a new one was needed. (The physician does not use e-mail.) The consultants faxed another copy of the letter. Several days later, a copy of the letter, typed on the physician's letterhead, arrived in the mail. It was two pages long, but the consultants had sent a one-page draft and requested that the letter fit on one page.

In another example, the Chair of the Physicians' Relations Committee of the Board of Trustees received from the consultants a draft of a letter that was to precede the survey packet. It was intended to alert the physicians who were about to receive the survey that the packet would reach their offices within a few days. Since the letter from the Chief of Staff had not yet arrived, and consequently the packets had yet to be sent, the consultants requested the Chair to wait before sending his letter. The consultants also requested the Chair to inform them when the letter was about to be sent. While the consultants were assembling the packets to be mailed, they discovered by chance that the Chair's letter had been mailed about three weeks previously.

CASE QUESTIONS

1. What are the proper roles of a hospital's Board of Trustees, physicians, and administration in operating a community hospital?
2. In what ways can the "interpersonal dimension" affect the operations of an organization such as a hospital?
3. What changes could improve the interpersonal dimension? hospital operations?
4. Comment on the methodology used to assess physician satisfaction with the hospital. What could have been done differently?

INSTRUCTOR NOTES

Question 1: Many organizations today are facing pressures from stakeholders to become more accountable. More than most other organizations, hospitals must attempt to satisfy diverse constituencies with sometimes competing interests, in what is often a very high-stakes business. Physicians more than ever are concerned with the business aspects of their professions. Medical costs are rising. Vast numbers of Americans lack health insurance. Health maintenance organizations are attempting to control costs. Physicians and hospital administrators often disagree on how patients are to be served, and at what cost. Increasingly, boards of trustees are being asked to play a more active role in the governance of hospitals.

In this case, however, the administration has made it clear that it intends to run the hospital and that the board should stay out of the way. It has also stated that only a few physicians are disgruntled, so the Board should stop worrying. What the Board members are concerned about is the “fiduciary” responsibility of the hospital to the community it serves, an area over which they believe their authority rightfully extends. The Board members would probably not be involved to the extent they are in the day-to-day operations of the hospital, except that physicians keep coming to them seeking their assistance. In some scenarios, the Board members have considered removing the CEO of the hospital because much of the controversy seems to involve him, primarily because of the interpersonal dimension discussed below.

Question 2: The interpersonal dimension involves a host of issues including management style, listening competence, response to conflict, and numerous other personality characteristics. One of the most interesting parts of the interpersonal dimension of the case involves the role of perceptions. The hospital administration maintains, for example, that its communication channels are open and that it constantly seeks to connect with physicians. The physicians, on the other hand, for the most part believe that the administration does not listen, does not respond, and does not appreciate the work the physicians do. In that context, and after hearing complaints from physicians for a long time, the Board of Trustees decided to get an outside group to assess the current state. An outside viewpoint is essential in situations where perceptions differ so markedly about what is or is not happening. The outside group presumably has “clean hands” and is more apt to be believed than insiders.

In conflict-resolution terms, the issues have devolved into more affective than cognitive domains, meaning that emotions and personalities are playing prominent roles in framing issues and making decisions. The issues themselves are often complex enough, but emotions make them much more difficult to resolve. In addition, several of the physicians and the top administrators are known for their penchant for wanting what they want and when they want it, so personality clashes occur.

Question 3: Communications researchers can offer numerous methods to help improve the interpersonal issues apparent from the survey as well as from the interviews and focus groups. Some of these involve developing effective listening skills and the ability to give feedback. Others involve team-building and conflict-resolution methods. See Fisher’s, *Communication in Organizations,* for helpful information about these skills. DuFrene and Lehman’s *Building High-Performance Teams* has several good activities to help build teams and develop group productivity. The International Listening Association (www.listen.org) has useful information and numerous worthwhile links involving listening skills.

As for hospital operations, the major complaint the physicians have involves the operating room scheduling and turnover times. Apparently, some favoritism has been shown to certain “insider” physicians, and others have decided on their own that the operating room is theirs to schedule for their own convenience. These perceptions have made the “outsider” physicians uncomfortable. Also, turnover times become problematic when surgeons must wait sometimes hours between the surgeries they perform. For these surgeons, downtime can cost them enormous sums, so they are not happy. The consultants recommended a more automated, perhaps online, system that could help alleviate the downtime and overcome the perception that some physicians were being treated inequitably in the OR scheduling.

Question 4: Going into the project, the consultants had been made aware that the administration would probably resist any critical findings, especially since the administrators believed only a few physicians were complaining. It was also apparent that the physicians were probably going to be suspicious of insiders conducting the study. In an effort to portray a balanced approach, the consultants spent a considerable amount of time and effort interviewing and conducting focus groups with physicians, Board members, and administrators. These steps also allowed the consultants to be certain that the major stakeholder groups had a chance to give input to the process. The focus groups also functioned well to pilot test the physician survey.

The main disadvantage of the methodology was that it took so much time to arrange and conduct the interviews and focus groups. The time factor began to wear somewhat on the physicians, administrators, and Board members since they were anxious to see survey results. Some began to wonder whether too much time was being spent on developing the survey. After all, the hospital had been using a canned survey for several years. As the hospital's CEO said, "I can get you a survey." The problem with the canned surveys, however, was that they told the stakeholders very little about the major issues discovered in the "custom-built" survey developed by the consultants.

DIXON'S FAMOUS CHILI: A WOMAN-OWNED, FOURTH GENERATION, FAMILY BUSINESS CASE STUDY

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ABSTRACT

Dixon's Famous Chili is the oldest, continuously operating, family owned restaurant in Kansas City, Missouri. From Dixon's beginning in the early 1900's, women have played pivotal roles, including owners in three out of four generations. The societal pressures and life events that impacted these women and their families are presented to exemplify the struggles women have faced when operating a small business. The case begins and ends in the present day with the current owner facing divorce, raising three school aged children, and having no means of support except the failing family restaurant. Teaching note and references reviewed.

PROBLEMS IN MID-CITY: THE MID-CITY CONVENTION AND VISITOR'S BUREAU (CVB)

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CASE DESCRIPTION

This case can be used to illustrate concepts of leading an organization with multiple issues and priorities. Secondary considerations include the need for long-range planning and the effective utilization of resources, the need for partnering with other groups and organizations to achieve desired results, and, in this case, the ability to read the political climate to reach desired goals. The case has a difficulty level of two to three and is designed to be taught in one to two class hours. Depending on the depth of detail the instructor intends to pursue, preparation time for the students will take from one to three hours.

CASE SYNOPSIS

The Mid-City Convention and Visitor's Bureau (CVB) is faced with low employee morale, relatively fixed current funding, a lethargic, patronage-style board of directors, an uninformed public, and the requirement to deal with a state legislature and disgruntled voters to increase its revenue. The President of the CVB believes additional revenue is necessary to increase marketing efforts in order to bring in more conventions and tourists. To increase revenue, the President of the CVB would like to raise the current room tax, which is the CVB's primary source of revenue, or institute a restaurant tax. Both the room tax increase and restaurant tax plans are opposed by associations that represent hotel/motel and restaurant owners and operators. In addition, passage of either of the taxes will require significant political maneuvering to implement. The President of the Mid-City CVB is faced with a catch-22 situation: CVB revenue cannot increase without conventions and tourists, yet current funding levels will apparently not allow additional marketing to the conventions and tourists they are attempting to reach.

THE MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

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CASE OVERVIEW

This case challenges students to consider how David Seamon (newly-appointed Director for Business Development & Trade of the Missouri Department of Economic Development) can double (within three years) the annual number of firms from elsewhere in the United States and/or overseas who actively consider the State of Missouri as a place to open a new factory or a new office. From a measurement perspective, the case indicates that any firm making a written and/or electronic (web-based, telephone, etc.) inquiry to the Missouri Department of Economic Development will be counted as having "actively considered" the State of Missouri as a potential new location. The case is based on discussions conducted by the author with David Seamon. The case is appropriate for senior-level undergraduates as well as students in MBA and Executive Development programs. It is designed to be taught in a class session of 1.5 hours, and is likely to require a couple of hours of preparation by students.

This case can be used to stimulate discussion on at least four interesting and important issues: 1) How can managers grow and/or turnaround a business or an organization which is not doing well; 2) Are the same models and/or conceptual frameworks and/or data analysis tools which would be applied to this situation within a private sector (that is, business) context useful within the public sector context as well; 3) What sort of efforts are public sector entities (for example, states, regions, and/or countries) making to promote their economic growth and development; and 4) Will the model or conceptual framework or data analysis tool utilized by the analyst affect the data on which decision makers focus their attention and/or the alternatives they are likely to consider? Data in the case include: 1) Description of the challenge faced by David Seamon; 2) Descriptive information on the Missouri Department of Economic Development and its various units; and 3) Recent statistics indicating the number of contacts, the in-bound investments, and the trade investments generated by each of the State of Missouri's overseas trade development offices. The costs of operating each office are also provided.

TO COMMUTE OR TELECOMMUTE: THAT IS THE QUESTION

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ABSTRACT

The primary subject matter of this case is the impact of shifting work tasks from a company headquarters in a large city to a virtual office environment in rural areas. Secondary issues involve advantages and disadvantages of telecommuting, supervising telecommuters, telecommuting partnerships with higher education, creating an effective home office for telecommuting, career advancement for telecommuters, providing technical support for virtual office environments, creating a virtual corporate culture, characteristics of successful telecommuters, telecommuter management of expectations from the "physical office," and computer-based monitoring of work tasks. This case has a difficulty level of four, appropriate for senior level, or five, appropriate for first year graduate level. The case is designed to be taught in two hours and is expected to require three hours of outside preparation by students. Upon request, the case may be accompanied by a film clip which introduces the concept of telecommuting and provides interviews with a telecommuter supervisor and several telecommuters.

CASE SYNOPSIS

Telecommuting is an idea whose time should have already come. Corporations save money on physical facilities and gain a more productive and more flexible work force. The reduction in driving has obvious environment impacts. Telecommuters may experience an improved quality of life and reduced work-related costs. Post 9-11-2002, telecommuters may be a critical component of disaster recovery and/or prevention. Why has telecommuting not become a more common practice and fail to grow at the predicted rates? Technology is no longer the obstacle.

This case was developed from a two year field study of a telecommuting venture which was implemented a decade ago and now provides over 600 jobs in rural areas as well as part-time work for college students. Case topics include the history of this virtual office venture, the tasks performed, the technical support provided, implementation of training on new tasks, and supervision of telecommuters. Then, interviews with a telecommuter supervisor and four telecommuters are provided.

The case situation involves a supplemental health care insurance company, Southern Cross, which is considering telecommuting for claims processing. With the permission of Prudential Investments, they have sent Alisa Hawthorne, Manager of Claims Processing, on a fact-finding mission. Ms. Hawthorne has signed a confidentiality agreement. Her overall assignment is to recommend whether Southern Cross should further pursue a telecommuting strategy, and if so, what issues must be addressed.

Ms. Hawthorne is given the rare opportunity to speak privately with telecommuters and with their supervisor. She finds that the corporate office personnel sometimes resent their virtual office counterparts and express that resentment through negative ratings. She finds that the day-to-day work life of a telecommuter has very little to do with "bunny slippers" and a great deal to do with remote work task monitoring. Perhaps she is most impressed with new management methods such as the "virtual water fountain" and the "virtual beginning-of-shift greeting."

REIT VALUATION: THE CASE OF EQUITY OFFICE PROPERTIES

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ABSTRACT

This case will require the student to value the equity of Equity Office Properties, Incorporated (NYSE: EOP) and make a buy or sell recommendation as an independent analyst. The data given should be examined to determine whether or not the company's stock is valued above or below the market price in order for investors to make a buy or sell decision. The student must assess the real estate industry environment using Porter's five-force model of competitive strategy and the DuPont identity. Valuation techniques employed include the capital asset pricing model, the two-stage dividend-discount model, the P/E valuation approach, and the Gordon model.

The student is placed in the role of an equity analyst and asked to prepare a buy or sell recommendation for Equity Office Property (NYSE: EOP) stock. EOP is the nation's largest office building owner and manager, as well as the largest real estate investment trust (REIT) in the United States. The student must assess the competitive environment of EOP using the DuPont identity and Porter's five force model of competitive strategy as well as estimate the value of EOP stock. All information in the case is publicly available.

MOUNTAIN SKIN CARE

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CASE DESCRIPTION

The primary subject matter of this case is entrepreneurship, including the topics of industry analysis, legal structure, patents, raw material suppliers, and growth strategies. The case has a difficulty level of three, appropriate for junior-level courses. The case is designed to be taught in one class hour and is expected to require three hours of outside preparation by students.

CASE SYNOPSIS

The case focuses on a business, Mountain Skin Care, which was launched in 2002 for producing and marketing hand creams and lip balms. The case begins by discussing how Judy, the owner, is able to start the business for under $1,000. Start-up costs are low because family labor, space and equipment were used.

Other topics introduced in the case are how Judy developed her hand cream recipe and how she identified customer needs. An industry analysis is also covered, including: barriers to entry, rivalry among existing competitors, substitute products, complementors, supplier power, and buyer power. One key industry analysis issue is how Judy can develop a competitive advantage by building on her strengths. Another topic explored is the relationship Judy develops with a supplier. The case concludes with a presentation of three growth strategies Judy is considering: expanding the firm's current operation by hiring additional personnel to perform production and marketing activities, contracting with a wholesaler to perform marketing activities, and licensing both the production and marketing functions to another firm.

Mountain Skin Care is a comprehensive case. Students completing the case explore several issues that an entrepreneur faces when starting a firm with high growth potential.

WARBELOW'S AIR VENTURES, INCORPORATED: THE TANANA CHIEFS CONFERENCE AIR AMBULANCE PROPOSAL

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ABSTRACT

The primary subject matter of this case concerns air ambulance services in the Interior Region of Alaska and a related decision of entering a contract with a health care organization. Integral aspects of the case include financial data summarization and analysis. Often a significant problem in real world situations has to do with dealing with inadequate information mixed with unnecessary information. The student must identify missing data and make assumptions, while identifying unnecessary data and discarding it. Fixed and variable costs must be identified and modeled. Timing differences between the cash flow statement and the income statement are highlighted with respect to depreciation, engine (specified fixed asset) reserves, accounts receivable, accounts payable, etc. Students are asked to categorize usefulness of information offered in the case and challenge the assumptions made by the company's management.

The student can be assigned a project to develop a parameter driven cash flow and income statement based on the information provided in the case using an electronic spreadsheet. The student learns to separate the relevant data from the general description of the business, and separate the relevant date into a list of parameters to drive a model. One of the aims of the case is to develop a set of pro forma financial statements that can be applied to any entrepreneurial situation, in the context of a specific actual business situation.

The case has a difficulty level appropriate for the undergraduate level. The case is designated to be taught in 1.5 class hours and is expected to require 2-3 hours of outside preparation by students.

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