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IN-TRAY EXERCISE FOR A MANAGERIAL POSITION IN REAL ESTATE, UNITED ARAB EMIRATES

Budoor Al Amoudi, American University of Sharjah
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CASE DESCRIPTION

This case is a complete in-tray exercise, like those included in the assessment centers for managerial positions. In the case, participant will take the seat of an US Chief Commercial Officer of a real estate company called Dubai Skyline, in the United Arab Emirates. The primary objective of this case is to prepare graduate students for the assessment centers and selection tests for management positions and give them the opportunity to go through a complete in-tray exercise in class. The secondary objective is to discuss with them the characteristics, advantages and disadvantages of work samples in the selection process.

The case has a difficulty level of four to six: it is appropriate for HRM courses (HRM, International HRM, staffing, Strategic HRM), from senior level to MSc / MBA level). This case is especially adequate for Selection/ Staffing courses, or International HRM. The case is designed to be taught in one class of 2 to 3 hours. The students are not expected to prepare anything at home for this case.

CASE SYNOPSIS

Students/participants will have the opportunity to go through a special selection test: the in-tray exercise, an individual exercise that is usually included in managerial assessment centers.

In-tray exercises are the most common exercises found in assessment centers. In-tray exercises are designed to simulate important aspects of management positions, and focus on testing organizing, prioritizing, decision making and analytical skills. In this case, participants will take the seat of a US Chief Commercial Officer, at a real estate company called Dubai Skyline, in the United Arab Emirates. Participants are given a collection of 17 documents, including letters, mails, memos, reports, collected in the in-basket of the simulated job that they are to take over, and are required to take appropriate action. After reading and analyzing the 17 documents carefully, they have to (1) efficiently organize their agenda (answer sheet 1), and (2), note, for each document, the actions/measures they will take, their evaluation of the importance of the document, and mention any detail/issue that seems relevant/worrying/interesting for the company (answer sheet 2) . They have 60 minutes to complete this exercise.

Students usually highly appreciate taking such a selection test in class, because it prepares them for their next assessment centre and because it gives them an experiential understanding of work sample tests. The professor can give this case study after having discussed the selection tests, work samples, assessment centers, their characteristics, their advantages and disadvantages in class.

THE ANATOMY OF AN OFFICE LEASE

Jonathan Breazeale, Sam Houston State University

CASE DESCRIPTION

The primary subject matter of this case concerns the leasing (investment) decision of an office Real Estate Investment Trust (REIT). The purpose of the case is to instruct students on how a real estate owner decides - economically - whether or not to agree to a lease deal. The 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 a two eighty minute class sessions with approximately 6 hours of outside preparation by students.

CASE SYNOPSIS

You are an asset manager of City View Office, a publicly traded Real Estate Investment Trust (REIT) with a focus on commercial office properties. Your leasing agent has just brought you a request for proposal (RFP) from a potential credit-worthy tenant who wants to lease office space in your property. Your task is to determine whether or not your firm - the landlord - should enter into the lease.

REAL ESTATE INVESTMENT TRUSTS (REITs)

To avoid corporate income taxes, REITs payout at least 90% of their otherwise taxable earnings to their shareholders. Historically, and due to these high payouts, REITs have been considered an investment vehicle of "widows and orphans," but they really are designed to provide a way for all small retail investors to access a very capital intensive sector of the economy in which they would otherwise be prohibited from participating.

Office REITs - like other non-REIT office owners - purchase single-tenant and multi-tenant office properties. Office REITs generate a return for their shareholders by purchasing a property and selling it some years later at a higher price. Not only do REITs recognize the capital gain from the purchase and sale, they also receive the cash flows generated by the operation of the property. In other words, the success or failure of the leasing effort has an impact on all three types of cash flows. If the building is purchased at 100% occupancy with high existing rental rates, the purchase price will be high. If the building is sold at 50% occupancy with low rates, the seller will not received what they otherwise could. The cash flows received during the years of ownership are similarly influenced by leasing. Commercial office real estate owners are subject to the same old adage - maximize revenues and minimize costs.

LEASING

Leasing is to landlords as sales are to industrial firms. It is their life's blood - their revenue stream. The typical office lease involves a variety of cash flows to consider in determining whether of not the proposed deal is a good one for the landlord. Of course, every detail of a lease is negotiable but the basics are pretty uniform.

First, the landlord agrees to incur some capital expenditures (cap ex) in order to pay the brokers (both the tenant's and the landlord's) and create the office space that suits the tenant's needs. The broker's commission is always negotiable but market rates do tend to prevail. In other words, the commissions that landlords pay in Atlanta will not be the same as the commissions they expect to pay in Houston. The amount needed to configure the space for the tenant is called tenant improvements (TI) or the work letter. The amount of the work letter depends on two things: (1) the condition of the existing space relative to the layout that fits the tenant's needs, and (2) the tenant's "taste" for upgraded finishes - plush carpet, granite countertops, stained base boards and mouldings, etc. In rare instances (in tenant friendly markets), the landlord might also offer a moving allowance or some other cap ex incentive to move into the property.

Next, the tenant most often agrees (especially on a new deal) to produce a security deposit to reduce the probability that they will not default on the terms of the lease. The landlord has put money at risk to pay the brokers and configure the space, so the security deposit reduces the tenant's incentive to pay rent late or move out of the space in the middle of the night.

The tenant pays rent on a monthly basis. Rent is due by the 1st of the month, and it is considered late if not received by the 5th. A late fee of 5% of the overdue amount plus interest is customary if rent is not received on time. While these late charges are very substantial and landlords collect them, they are not typically modeled in the lease valuation process. In other words, landlords do not expect late fee cash flows.

Rent in most markets is referred to as gross rent. This means that the operating expenses of the property are to be paid by the landlord. Landlord operating expenses include contracted services (such as janitorial and security), repairs and maintenance, utilities, personnel expenses, management fees, office and administrative, insurance, ad valorem taxes, and other non-pass through items such as advertising a legal fees. These are referred to as "non-pass through" because the gross rent only covers the cost of expenses during the first year of the tenant's lease. After the first year, tenants are also billed for any proportional increases in the allowable pass through expenses. This protects the landlord from the costs of inflation; however, landlords of multitenant office buildings always have an incentive to keep costs down since a percentage of their property will be expiring each year.

THE DEAL

The deal you've just been brought is for a property located in the Westchase corridor of Houston, Texas. Your broker, whom you pay a 2% commission on the day the tenant moves into the space, has presented a deal with a credit worthy tenant looking to establish a new 5,000 square foot office on the west side of town. The tenant's broker is asking for a 4% commission to put his client into your building. The last three leases that you signed at the property were at rental rates of \$16, \$16.50 and \$16.25 per square foot per year. Annual operating expenses at the property are

$8.80 per square foot, and $4.00 of that are fixed costs. The tenant requires $10 per foot for construction, which is expected to take two months to complete.

You would certainly try to push rates to $16.75, and City View's cost of capital is currently 9.0%. Your largest concern is that the tenant only wants to sign a three year lease because current market conditions do not allow for a cancellation option on a longer term deal. The tenant does not require any signage or roof access for an antenna, so you don't expect any additional revenue other than rent. The current market will not allow you to charge for parking. You will require two months' security deposit.

WAL-MART: GETTING BACK TO GROWTH

Herbert Brotspies, Nova Southeastern University
Robert J. Sellani, Nova Southeastern University

CASE DESCRIPTION

The primary subject of the case is the development of a marketing strategy for Wal-Mart to improve "same store" U.S. sales growth during 2006-07. Wal-Mart must identify new growth opportunities and develop strategies to attract those consumer groups to Wal-Mart. Complications arise when Wal-Mart goes outside the retail industry for its marketing talent, resulting in a clash of values. There are conflicting managerial views of strategy implementation. The proposed strategy of upgraded merchandise and value pricing is resisted by the "old guard" strategy of selling large quantities of average merchandise at low everyday pricing. In addition, continual negative press presents additional marketing challenges to overcome.

The case has a difficulty level of undergraduate seniors in marketing strategy, retailing, market research, and master's level course in managerial marketing or business strategy. The case is designed to be taught in one class and can be taught in one of two ways. Students can be divided into teams of four students to prepare a case analysis defining the problem, developing alternative solutions, and providing a recommended solution and course of action. A second method is to use the end questions as a springboard for the case class discussion. For either alternative, the case can be taught in one and a half hours. Student preparation time should be expected to be eight hours in total for the group, about two hours per student. On an individual basis, a student should be able to read the case and complete the case questions in three hours.

CASE SYNOPSIS

Wal-Mart has been successful in opening retail discount mass merchandising stores across the United States, mainly in smaller, rural cities, where limited competition exists from small mom and pop retailers. As part of growth plans, Wal-Mart began opening stores in larger, suburban and urban areas and now faced competition from Target and other specialty retailers. Soon, same stores sales growth slowed and growth from new stores was limited by many communities objecting to Wal-Mart locating stores in their town.

Management was concerned whether the low price strategy could sustain growth. Several managers were hired to craft a new strategy moving away from price into more stylish fashion and "value propositions." The fashion initiative failed and management brought in outside marketing people to select a new advertising agency to attract upper income shoppers to Wal-Mart, a difficult strategy given the current Wal-Mart customer was lower income. Conflicts soon arose within Wal-Mart on strategy changes with merchandising and marketing departments having different views on products and pricing. Complicating the problem was the fact new marketing people were culturally different than the old time Wal-Mart staff. Wal-Mart's negative imagine in the community presented additional marketing challenges. After conducting market research on current and *potential customers, management faced product, pricing, and customer target decisions in a new competitive environment.*

This case was prepared solely to provide material for class discussion. The authors did not intend to illustrate either effective or ineffective handling of a managerial situation.

INTRODUCTION

Carter Cast looked out of the window at the bleak February Arkansas sky. He reflected on his new assignment as head of business strategy and strategic planning for the 3,500 US Wal-Mart supercenters, discount stores, and neighborhood markets. He built Wal-Mart.com into a large, successful business in excess of $1 billion, but now was faced with a huge challenge of turning the US retail business back to growth (Hudson, 2007). He thought about the upcoming meeting with his new boss, Eduardo Castro-Wright, chief executive of US stores who was spearheading an effort to boost sales by tailoring merchandise to the taste of each store's clientele (Hudson, 2007).

Sales growth in existing stores open at least one year was a low 2% going out of 2006, the slowest pace in a decade, so Wal-Mart was increasingly reliant on opening new stores to gain growth (McWilliams, 2007). Key competitor Target was growing same store sales at double the Wal-Mart rate (Vranica & McWilliams, 2007). Wal-Mart opened a staggering 350 stores a year in the US alone, the equivalent of a national chain each year (Fishman, 2007). But new store openings were getting more and more difficult as communities, anti-Wal-Mart organizations, and local governments sought to block the company's entry into major markets, making a strategy for growth for existing stores a priority.

Core Strategy

Cast thought about what made Wal-Mart succeed in the past and why the original strategy was not working today. The company was built on a low-price strategy. In the early years of the company, stores were opened in rural locations with little competition (Hudson, 2006). This enabled Wal-Mart to establish a business without investing to fight other retailers. Smaller, local competitors, often mom and pop retailers, simply went out of business because they could not match Wal-Mart's selection and low pricing. Wal-Mart also placed extreme pressure on suppliers for low pricing, developed an efficient distribution system to move goods from warehouses to stores, and paid low wages, lower than competition (Bianco, 2006). These factors allowed Wal-Mart to offer lower prices and still make a profit.

As the company grew, sourcing of clothing and other goods sold directly by Wal-Mart and through its suppliers came under cost pressures. Wal-Mart was one of the early companies to recognize the low wages in China were an opportunity to shift production from the United States. By itself, in 2005 Wal-Mart was China's fifth largest trading partner, the largest single corporate trading partner, and accounted for about 11% of the US trade deficit with China in 2004 (Bianco, 2006). The low costs achieved in China put pricing pressure on its US suppliers and helped Wal-Mart maintain its low price strategy.

As Wal-Mart grew, it made a key strategic change and started to locate its stores in major metropolitan areas, urban markets often with higher incomes, dissimilar tastes, and different, stronger competition. Wal-Mart continued to focus on low-prices using the Smiley face icon from 1995 to 2006 in a variety of situations rolling back prices and extolling "always low prices" (Hudson & Zimmerman, 2006). But by late 2005, same store sales were slowing down and management began to wonder whether the low price strategy could sustain growth or an alternative strategy should be developed.

Cast left his office and walked down the hall to meet with John Fleming, the former head of marketing and now the new head of merchandising, to get an insider's view of the last year's changes. Fleming came to Wal-Mart after 19 years at Target as a senior merchandising executive (Birchall, 2007)

Shifts in Strategic Direction

Fleming got up and closed the door behind Cast and they both settled in at a long conference table. Fleming began the conversation by taking Cast back almost a year, to early 2005. He explained that before he got into the strategic issues, the company's public image needed explanation because he thought it might have an impact on a slow down in sales, but he wasn't quite sure.

Critics of Wal-Mart slammed the company for everything from alleged sex discrimination to poverty level wages with the AFL-CIO not trying to unionize. Exploitation of Wal-Mart's negative image served to drive business away (Bernstein, 2005). Four television documentaries aired in the last two years describing many of Wal-Mart's misdeeds. There were, battles with community activists, outsourcing to China, low wages, lack of healthcare programs, and pressure on suppliers (Featherstone, 2006). In November of 2005, a 400 plus coalition of national and local groups including the Service Employees International Union, the Sierra Club, the United Church of Christ, and Sprawl-Busters mounted a variety of actions to protest Wal-Mart's labor and environmental policies (Bernstein & Beucke, 2005).

Published research, some leaked from Wal-Mart, indicated the negative publicity could affect sales. Research from Wal-Mart found about 14% of U.S. consumers are "conscientious objectors' with little loyalty to Wal-Mart while an earlier study by a consulting firm reported Wal-Mart lost between 2% and 8% of its shoppers because of bad publicity (Kabel, 2007).

The company tried to counter with an economic conference extolling the contribution of Wal-Mart to the economy (Bernstein & Beucke, 2005). CEO Lee Scott tried to soften the Wal-Mart image of bullying local towns into allowing Wal-Mart stores to open (Bianco, 2006) through a public relations campaign. The image of Wal-Mart as a bully, insensitive to community needs, paying low wages, causing jobs to move off-shore, and pressuring suppliers on price may have had a negative impact on sales.

As 2006 began to unfold, Wal-Mart decided to increase its marketing department staff from 200 to 260 people, in an effort to jump-start its lagging sales (Zimmerman, 2006). Fleming, who headed the marketing department, recruited two high profile marketers, Julie Roehm, who previously managed marketing at Chrysler, and Stephen Quinn, a senior marketing executive from Frito-Lay (Hudson & Zimmerman, 2006). At Chrysler, Roehm developed a reputation for pushing the edge of advertising, particularly adding a strong dose of sex to Dodge truck commercials

(Fishman, 2007). At Chrysler, Roehm introduced return-on-investment techniques to Chrysler's advertising campaigns, requiring the ad agencies to develop hard measures of a campaigns success such as increases in awareness (McWilliams, Vranica, & Boudette, 2006). As the marketing department was beefed up, new departments were formed including brand management, a category marketing group, and an insight and customer strategy group (Zimmerman, 2006). Meanwhile, alternative advertising to the Smiley face low-price were campaign were being developed and executed.

First, the Smiley ads were demoted in favor of ads that showed well-priced products but with small Smileys in the background and then, in a radical departure to promote its new fashion line, Metro 7, the company ran a series ads in the high fashion magazine, Vogue, seemingly incompatible with Wal-Mart's cost conscious demographic (Hudson & Zimmerman, 2006). Wal-Mart also added more stylish merchandise, expensive television sets, and revamped stores in an effort to reach higher income customers. These sophisticated urban shoppers stay in the store longer and often buy more than just household staples and food (Elliott & Barbaro, 2006). Back-to-school advertising shied away from price and moved towards a value proposition. The company felt it owned the low price image and needed to move to value in products, services, and customer experience (Hudson & Zimmerman, 2006).

Critics of the new advertising say the move to fashion and away from price may unrealistically raise shoppers' expectations. The changes could be too much, too soon, and the remodeling of stores and roll-outs of the fashion lines are still work in progress (Hudson & Zimmerman, 2006). By the close of 2006, problems continued with Wal-Mart's home and clothing categories. Its core customers had not responded well to the Metro 7 clothing line introduction (Birchall, 2006) and store remodeling disrupted sales (Hudson, 2006).

Second, the Wal-Mart advertising account was put up for review. For the first time in 30 years Wal-Mart asked its incumbent advertising agencies Bernstein-Rein and GSD&M to pitch for the Wal-Mart $580 million account (Elliott & Barbaro, 2006). Fleming then set several broad goals for the agency review. He wanted the agencies to find ways to attract upper income shoppers to Wal-Mart, get a greater understanding of the customer, and finally, make sure all messages are consistent across the media Wal-Mart uses (Elliott & Barbaro, 2006).

The assignment in part was to develop test campaigns for the back to school season and consumer electronics (Helm, 2006). Julie Roehm, the recently hired senior vice-president for marketing communications was assigned to lead the agency review and recommendation process (Elliott & Barbaro, 2006).

This change in strategic direction was fraught with difficulties and uncertainties. Lee H. Scott, the CEO, called the efforts to appeal to higher-income customers without losing price sensitive loyalists "the most complex thing we've attempted. We don't want to lose our customer base but we want to create and have products that let people more fully shop our stores" (Vrancia & McWilliams, 2006). Industry consultants voiced a similar concern. The strategy of going after a "selective consumer" who shops at Wal-Mart 26 times a year versus a loyalist who shops 52 times, could make the lower and middle income Wal-Mart shoppers feel they are not at home anymore (Elliott & Barbaro, 2006).

Later, Fleming admitted the "selective shopper," as he labeled these customers, was limited and based on research that was not deep enough and Wal-Mart did not know exactly what motivated their clothing purchases (Barbaro, 2007b).

Competition

Fleming then turned the discussion to the competition. As Wal-Mart opened stores in urban areas, they encountered stiffer competition for prime store locations and shoppers who aren't always attracted by low prices (Hudson, 2006). This was quite different than their ability to dominate rural markets with little competition. Target's "cheap chic" was a prime competitor both for customers and as a Wall Street comparative.

Target offered low prices, but a better shopping experience, including in-house merchandise that rivals more expensive products in quality, but at a lower price (Cramer, 2006). Target was already established in urban areas with 83% of its stores in urban/suburban locations (Wal-Mart 55%) and 88% of its stores opened since October 2002 in more densely populated counties (Wal-Mart 76%) (Hudson, 2006). So Target was better established in areas Wal-Mart sought to enter.

Other retailers developed strategies to compete against Wal-Mart, moving the battleground from price to other dimensions including product assortment, quality, convenience, service, and perceived value. Retailers such as Publix, HEB, PetsMart, Best Buy, and Walgreens manage to coexist, if not thrive in the face of Wal-Mart (Rigby & Haas, 2004). In response to such competition, Fleming explained he sought to move Wal-Mart away from the "stack 'em high, sell 'em cheap" message and one size fits all to a more segmented approach. Consumer research would be needed to move customers to a place where price and image are not the only differentiators, but will be linked to assortments and customer experience (Birchall, 2007).

Julie Roehm and Agency Selection

Fleming looked uncomfortable as the conversation moved to the advertising campaign run during Christmas 2005 and the advertising agency selection led by Roehm. Under Roehm's direction, Wal-Mart began to test a variety of new advertising approaches, one with the title "Sexy" (Fishman, 2007). This was a television commercial run over Christmas showing a couple opening a Christmas gift box containing sexy lingerie in front of family members. Several complaints were received from consumers so Wal-Mart quickly pulled the ad (Berner, 2007). Roehm had some successes with a commercial for a flat screen television. The ad parodied a Best Buy salesperson spouting technical talk and ending on a Wal-Mart message of simply low price that resulted in strong sales (McWilliams et al ., 2006).

Roehm's style never really fit in with the Wal-Mart culture. She did not like the drab color of her office so she brought her own paint and stepladder and one evening painted her office chartreuse with chocolate brown trim. While on the road for over 100 days in the agency selection process, she missed critical staff meetings with the CEO, a Wal-Mart no-no (Berner, 2007). She never established a working relationship with Steve Quinn, who was charged with building consumer and marketing strategy departments, thus limiting her ability to refine her marketing messages (Berner, 2007).

Roehm was teamed with Sean Womack, from the advertising agency Saatchi and Saatchi, who was hired at the same time she was, to work together on the agency selection process (Fishman, 2007). They visited 30 or so advertising agencies over the summer of 2006 (Berner, 2007) and then the rumors started at headquarters that Roehm and Womack were more than colleagues (Fishman, 2007).

Roehm and Womack narrowed the agency search down to several agencies and then decided to recommend DraftFCB in Chicago. DraftFCB was headed by Howard Draft, an expert in direct marketing. The agency understood return on investment justification and had expertise in market and customer segmentation (Fishman, 2007). Roehm recommended DraftFCB because of the agency's focus on understanding who the customers are and how to target them directly. Their proposal was to reorient merchandise and ads, market by market, and perhaps store by store, and introduce the theme line, "A Life Well Spent" which might appeal to the selective Target shopper (Fishman, 2007). It also may have been Draft's view on performance accountability was similar to Roehm's.

It was clear the ability to gain consistency between merchandise, store layout, product and Wal-Mart positioning would be very difficult. Wal-Mart merchandising department was charged with the selection of merchandise and seemed to operate independently of Quinn and Roehm's strategies and customer insights and disregarded recommendations for back-to-school fashions (Fishman, 2007). This lack of coordination led to stores featuring prices while advertising featured style. Apparently the new approaches in the past were not fully embraced within Wal-Mart and the company would always seem to slip back to the old strategy that emphasized low prices (Vranica & McWilliams, 2006b).

In early November 2006, Wal-Mart announced DraftFCB would be its advertising agency. DraftFCB may have had the edge because of its direct marketing experience and data mining ability. Wal-Mart needed to identify and efficiently reach more affluent customers who would be willing to buy expensive televisions and clothing along with the basics of food, detergents, and underwear (Vrancia & McWilliams, 2006). DraftFCB started hiring 200 new staffers to service the Wal-Mart account (Barbaro & Elliott, 2006).

On November 30, Roehm and Womack were in a meeting with Draft in Chicago when they received a call from the Wal-Mart president Lee Scott. He requested they return immediately to the corporate headquarters in Bentonville to discuss the agency assignments; a corporate jet would pick them up (Fishman, 2007). When they arrived, Wal-Mart lawyers and security people questioned them about their personal relationship (Fishman, 2007). They were also accused of taking gifts in the form of drinks and meals in New York City with Howard Draft in direct violations of Wal-Mart policy(Barbaro & Elliott, 2006). Fleming stared at the ceiling and told Cast three days later Wal-Mart fired Roehm, Womack and the DraftFCB agency. While Wal-Mart would not provide specific reasons for the terminations, they suggested that the acceptance of gratuities was at the core of the dismissals (McWilliams, Vranica, & Boudette, 2006).

Observers of the termination fell into two different camps. Some speculated it was based on the continuing conflict in Wal-Mart with the old-time procure products at a low cost and sell at a low price against young marketers preaching brand building, strong advertising, and market segmentation (McWilliams et al ., 2006). Others put the blame more squarely on Roehm's inability to understand the Wal-Mart culture, particularly the fiefdoms and resistance to outsiders at the company (Berner, 2007).

Moving Forward after Roehm

Fleming explained the two major changes that took place following the departure of Roehm and the firing of DraftFCB. First, Fleming was promoted from Chief Marketing Officer to Chief Merchandising Officer with increased responsibilities for four core business divisions, grocery, apparel, entertainment, and home. Additionally, Fleming would also be responsible for two newly created organizations, one focused on the customer experience and the other focused on planning, pricing, and replenishment. Pharmacy and optical divisions would report to another executive (Wal-Mart announces, 2007). Stephen Quinn was named to succeed Fleming as Chief Marketing Officer as part of the reorganization that was intended to align merchants with key product areas, each with clearly defined customer segments (Wal-Mart announces, 2007). Two new advertising agencies were named to handle the Wal-Mart account, the Martin Agency, part of Interpublic Group Co.'s and Publicis Groupe SA's MediaVest to handle media buying (Vranica & McWilliams, 2007).

Fleming pulled a small flip chart presentation from his desk and told Cast he wanted to brief him on the final segmentation study and the new direction Wal-Mart would take starting in 2007. Fleming explained after a year of intense market research, Wal-Mart is seeing its current customers in three groups, "brand aspirationals" (people with low incomes who are obsessed with names like KitchenAid) "price sensitive affluents" (wealthier shoppers who love deals) and "value price shoppers" (who like low prices and cannot afford much more) with one thing in common, they want deals but do not want cheap products (Barbaro, 2007). Fleming detailed a new organizational structure within Wal-Mart. Product decision teams would be formed, each with a marketing executive and a merchandising executive to integrate the five product divisions of food, apparel, entertainment, home goods, and pharmacy with the three Wal-Mart customer segments in mind (Barbaro, 2007).

On paper the new strategy looked persuasive. But the upscale strategy had been tried and it did not work. There were people at Wal-Mart who were deeply invested in the low price strategy. The reality was the Metro 7 fashion line was now in only 1,000 stores versus 1,500 a year ago and remodeling the aging stores and fixing the merchandise mix was the biggest priority for 2007 (Barbaro, 2007).

Fleming said he was calling in Steve Quinn to ask him to assign the new agencies and begin the integrated marketing communications project using the three new customer target groups. He wanted to see how the new strategy would be executed. He considered two campaigns, one for back to school for August/September 2007 and an annual home entertainment campaign seeking to build the higher priced electronics business, but was open for suggestions.

Questions for Discussion

1. What were the critical factors that led to the early success and growth of Wal-Mart?
2. Why did Wal-Mart see the need to change strategy?

3. How has Wal-Mart's negative image affected the business? Should this be a concern for the marketing department or public relations department?
4. Wal-Mart attempted to attract higher income customers with its Metro 7 line, upgraded televisions, and adding more stylish merchandise. Do you agree with this change? What are the risks to current customers?
5. Describe Wal-Mart's relationship with its current suppliers. If Wal-Mart wants to upgrade its image by sourcing product from major name brands in fashion, what might Wal-Mart face in trying to do business with these suppliers?
6. How well did Roehm and Womack fit into the Wal-Mart culture? How did Wal-Mart culture and organizational structure influence marketing and merchandising decisions?
7. Describe how you might go about selecting a new ad agency. How would you have conducted the selection process? What was the rationale for selecting DraftFCB? Why might the "old guard" at Wal-Mart be resistant to Draft?
8. Going forward, what can Wal-Mart do to improve same store sales?

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RANDY DANDY: HAROLD'S DILEMMA

Steve Brown, Eastern Kentucky University
Peggy Brewer, Eastern Kentucky University
Seth Gakpo, Eastern Kentucky University

ABSTRACT

The primary subject matter of this case centers on the problems and anxiety that can be created by substituting trust for proper business practices. Secondary subject matter includes the boom and bust of the real estate market, family business issues, contracts, transparency of records, and ethics. The case has difficulty level of three (junior level). The case is designed to be taught in one class hour and is expected to require three hours of preparation.

CASE SYNOPSIS

This is the third case in a series about a start-up partnership in the housing industry. Randy Dandy and his father-in-law, Harold Butts, formed a general partnership for residential construction and flipping homes. The decisions they made have led to a great deal of anxiety on the part of Harold. They began with a partnership sealed with a hand shake and mutual confidence. The downturn in the housing market has led to losses and an erosion of trust. The losses incurred have caused Harold to rethink his retirement plans. He has never seen any financial records regarding the losses. He only has Randy's word. The case illustrates that deals made on faith instead of solid written legal agreements and the lack of proper records can strain both business and family relations.

Harold and Randy began by entering into a few small projects, but then decided to jump in with both feet to take advantage of the booming housing industry. Harold wanted to strike while the iron was hot. He felt that he could turn a quick profit and retire from teaching. Unfortunately, the housing market bubble burst, dashing Harold's plans for retirement. The money he had invested in the original ventures was gone, and he had to tap retirement funds to cover some of the costs.

Harold has been struggling with a dilemma for the past year. Should he continue to work and invest in projects with Randy or should he retire and forget about building houses? Looking back over the past two years, Harold holds himself responsible for the decisions he made but also is uneasy with the business relationship he has with Randy. Harold is beginning to get the feeling that he was helping to finance a lot more than he had bargained for. In the past two years he estimated that he had put approximately $100,000 into this venture and is still counting. He has never seen any financial records, and he is not sure he will ever recover his investments. For the past six months, he had begun to lose sleep over the situation.

ACCESSING INTERNATIONAL CAPITAL MARKETS AT SLC

Benjamin L. Dow III, Southeast Missouri State University
David Kunz, Southeast Missouri State University

ABSTRACT

The primary subject matter of this case is the cost of raising capital internationally. Secondary issues examined include assessing exchange rate exposure and computing the conditional cost of an international debt issue.

St. Louis Chemical (SLC) is a regional chemical distributor, headquartered in St. Louis. Don Williams, the President and primary owner, began SLC ten years ago after a successful career in chemical sales and marketing. The company reported small losses during it first two years of operation but has since reported eight consecutive years of increasing sales and profits. During the first week of 2009, Williams received a phone call from Ruth Odar, the president of RMO International, a division of a much larger conglomerate Heidelburg GmbH. RMO International is a regional chemical distributor located in Frankfurt, Germany. The phone call was a solicitation for a joint venture to buy a 51% stake in RMO International. Odar pointed out that Heidelburg had a strong relationship with one of Germany's largest banks, Zeutsche Bank. Zeutsche Bank had expressed a strong interest in helping finance the deal.

Williams spent the next few weeks performing due diligence on the potential investment and had concluded that a joint venture with RMO was a very attractive offer. After reviewing SLC's books, Williams decided that SLC would need to borrow the equivalent of about $50 million in order to finance the deal. Williams met with his investment bank and they assured him that SLC could conservatively raise about $50 million by issuing 8.25% semi-annual coupon bonds with a 5 year maturity. The bonds were expected to sell at face value and are subject to a 1.25% up-front fee.

Representatives from Zeutsche Bank were also aggressively negotiating with Williams and were confident they could arrange a €40 million 7.0% annual coupon Euro denominated Eurobond with a five year maturity. The Euro denominated Eurobonds were expected to sell at 101% of par value and are subject to a 0.90% up-front fee. However, Zeutsche Bank had proposed an alternative €40 million Euro/US dollar dual currency Eurobond. The dual currency bond would be a €40 million Euro fixed rate bond denominated in Euros, paying a 7.5% annual coupon in Euros, but repayment of principal at maturity would be $50 million. Zeutsche Bank was confident the dual currency bond would sell at 99% of par value and was also subject to a 0.90% up-front fee.

Williams needed help digesting all of these numbers, so he brought the three proposals to the office of James Thorton, a newly hired MBA currently working in the finance office. Williams explained to Thorton that he needed a complete analysis worked up by tomorrow and included a list of questions he needed Thorton to answer before he could make a decision. Thorton promised to look into the matter and prepare a report for Williams within 24 hours.

TRI STATE LODGING, INC. A CASE OF VALUATION

Mohammed Ashraful Haque, Texas A&M University - Texarkana

CASE DESCRIPTION

Tri State Lodging, Inc. is a privately held corporation doing business in Texas, Arkansas and Louisiana. The corporation operates several motels. One of the motels is a Super 8 Motel located in the suburbs of Dallas on Interstate 30. This motel was the focus of a dispute between the two shareholders, Arun Patel (deceased) and Aaron Patel. After the death of Arun Patel, his wife, Kiran Patel, not happy with current management, filed a motion in court to turn over the business to a third party receiver. Aaron Patel, who was running the management, contested and claimed that turning over to a receiver would mean losing the franchise and a decline in the value of the Super 8 Motel. Therefore, Aaron Patel had the burden to prove that turning over to a receiver would significantly lower the value of the Super 8 Motel. The law firm representing Aaron Patel contacted you to determine the impact on the valuation. The motel was purchased nine years ago for $1,500,000. The relevant data are given below. The primary concern here is the valuation of the Super 8 Motel and secondly what will be in the best interest of the current shareholders. The case will take about six hours of outside preparation by students and is meant for a beginning MBA finance course.

RELEVANT DATA

Aaron Patel gives you the following information:

1. The motel has 31 years remaining life based on 40 year depreciable life
2. Costs are fairly fixed regardless of revenue
3. Average tax rate of 36 percent for all shareholders
4. 20 percent of the reservations are made through the Super 8 reservation system
5. Franchise will be lost
6. The cost of the receiver will be about $3500 per month

Determine the value of the Super 8 Motel before turning over to a receiver and after turning over to a receiver based on average cash flow. First, determine the value without the cost of the receiver and also with the cost of the receiver.

CASE SYNOPSIS

If Super 8 Motel loses the franchise there will be a minimum of 20 percent decline in revenue. What impact will that have on valuation? Determining valuation of a privately held corporation. Turning it over to a receiver may significantly lower the valuation. Need to determine what is in the best interest of the current shareholders.

FINANCIAL DATA

Table 1 Average From 2000-2007 (8 Years)							
	Revenue	Net income	Cost	Depreciation	Assets	Debt	Equity
2000	517,572	122,313	395,259	44,407	1,384,920	1,167,264	217,656
2001	462,504	65,548	396,956	51,633	1,244,998	1,138,989	106,009
2002	450,590	61,539	389,051	51,674	1,199,103	1,105,607	93,496
2003	407,999	51,348	356,651	52,397	1,227,070	1,072,035	155,035
2004	375,092	22,661	352,431	44,175	1,196,025	1,039,642	156,383
2005	454,227	39,351	314,876	47,075	1,175,755	996,711	179,044
2006	438,148	32,000	406,148	49,215	1,090,549	954,279	136,270
2007	539,340	108,330	431,010	47,042	1,081,655	912,241	169,414
Total	3,645,472	503,090	3,042,382	387,618	9,600,075	8,386,768	1,213,307
Average	455,584	62,886	380,298	48,452	1,200,009	1,048,346	151,663
Average interest paid	80,867						
Average debt	1,048,346						
Average assets	1,200,009						
Average equity	151,663						

FEMSA 2007: THE FINANCIAL STATEMENT ANALYSIS IMPACT OF DIFFERENCES IN MEXICAN AND US GAAP

Kevin L. Kemerer, Barry University
Michael L. Tyler, Barry University

ABSTRACT

This case examines the impact of using a different set of generally accepted accounting principles on the financial statement analysis of an international company traded on the NYSE as an ADR. Students are asked to compute five financial statement ratios which represent factors such as liquidity, profitability and efficiency using the 2007 financial statements of FEMSA prepared using Mexican GAAP. The analysis is repeated using financial statements prepared in accordance with US GAAP. Utilizing the accompanying footnote on differences in US and Mexican GAAP students are asked to explain the differential GAAP that is most likely to explain the biggest difference in ratios calculated. After obtaining a variety of analyst research reports students then analyze the analyst reports to determine whether they utilize financial statement prepared in Mexican GAAP or US GAAP and whether the financial information reported on was in the form of pesos or US dollars. Students are required to determine in what form they would prefer analyst information and why.

eCAMPUS: SUCCESS! NOW WHAT?

Stephen L. Loy, Eastern Kentucky University
Steve Brown, Eastern Kentucky University

CASE DESCRIPTION

This case concerns the strategic management of an e-commerce business and its stages of growth. The case has a difficulty level of four, appropriate for senior level classes or higher. It can be taught in two hours of class time, with students spending six to twelve hours of outside preparation. At the request of the company, this case does not contain any detailed financial data or financial strategy.

CASE SYNOPSIS

eCampus.com is an Internet retailer of college textbooks that has resurrected itself from bankruptcy into a profitable business. The company was created near the end of the "dot.com bubble" using the typical dot com start-up business model of that time. Success came quickly for the new company due to a twenty million dollar media campaign, with its highly creative TV commercials that ran on three cable TV networks in August and September of 1999. By late August, the eCampus Web site was one of the twenty busiest sites on the Internet. More importantly, eCampus achieved a phenomenal visitor-to-buyer conversion rate of 14%. It looked like eCampus was going to be a big success.

The "dot.com" bubble burst in March 2000, and the personal financial problems of the majority investor resulted in the company being forced into bankruptcy in June 2000. The company continued operating under Chapter 11 bankruptcy until it was sold at public auction in 2003. The new owners undertook a competitive strategy based on operating and marketing efficiency. While the process of reviving the company has been a slow and bumpy process, the company has grown, stabilized and matured.

Now, the management is turning its attention to the new competitive threats from existing rivals such as Amozaon.com, Varsity, Follett, Barnes and Nobel, Wal-Mart, low-cost imported textbook and electronic textbook publishers. There are powerful forces from Congress and state legislatures, advocates for "free access" to textbooks, and innovations from companies like Flat World Knowledge and Chegg threatening to disrupt the current textbook industry. Students must decide how eCampus can address these threats in a highly competitive industry.

INTRODUCTION

Matt Montgomery, CEO eCampus.com, is proud of the accomplishments of his management team in taking a bankrupt dot.com company and turning it into a profitable business. "It took seven years to turn this company around. Now, we have the challenge to keep it going in the right direction. Yes, we're a success, but we face some tough new competitive threats that weren't there two years ago. The college textbook sales business will undergo some big changes in the next five years, and we will have to change to survive. This economic downturn will force our customers to seek lower cost textbooks than what we sell now. We have to provide them. But how will we do it?"

eCampus.com is a provider of new and used textbooks, trade books, college emblematic and Greek apparel for men and women, electronics, computers, gifts and other services associated with the college experience. The company offers the largest in-stock selections of new and used textbooks available online. The eCampus Internet storefront is integrated with its state-of-the-art distribution facility.

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OMEGA GEOPHYSICAL CORPORATION

Robert (Chip) Matthews, Sam Houston State University
Joe James, Sam Houston State University
James B. Bexley, Sam Houston State University

CASE DESCRIPTION

The OMEGA Geophysical Corporation (OMEGA) case was originally designed as a commercial lending case. It contains sufficiently complex decisions and concepts to challenge advanced graduate students but is flexible enough not to overwhelm junior and senior level undergraduate students if the faculty member directs the focus to the less complicated issues. Due to the nature of the material included, it can also be used in Human Resources Management courses as well as in Ethics courses at similar levels with the same limitations.

CASE SYNOPSIS

The gist of this case is centered around a loan request from OMEGA Geophysical Corporation (OMEGA) to Third National Bank of San Luis Obispo. Company representatives gave the funding needed to reorganize and relocate various company operations as a purpose for the loan request. In addition to the standard issues involved in commercial lending, there are production, marketing, human resources, and ethics issues that can be considered for focal points of study. There is flexibility built into the materials and the teaching notes to allow the faculty member to adapt the case to meet instructional needs either the undergraduate or graduate level and to focus on the specific discipline of the course in which the students are enrolled.

The faculty member can choose to include all or part of the material provided. Although the teaching notes will also include some possible areas of focus for each of the different disciplines, the case provides ample opportunity for faculty modification to meet individual styles and needs.

BODY OF THE CASE

OMEGA Geophysical Corporation (OMEGA) is a multi-national corporation headquartered in San Luis Obispo, California. OMEGA is an acronym representing the various products and service areas the company provides. These services and the current operating locations for each is as follows:

- Overland Imaging Systems - San Luis Obispo, CA; Chennai, Tamil Nadu, India; Porto Alegre, Rio Grande do Sul, Brasil
- Marine Imaging Systems - San Luis Obispo, CA; Chennai, Tamil Nadu, India; Porto Alegre, Rio Grande do Sul, Brasil

- Electronic Data Management, Communication, Analysis and Interpretation Systems - Amsterdam, Netherlands; San Luis Obispo, CA; Menlo Park, CA
- Geophone Sensors-Digital and Analog - Maastricht, Netherlands (digital); San Luis Obispo, CA (analog)
- Ancillary Geological and Geophysical Services - San Luis Obispo, CA

OMEGA was founded in 1860 to provide equipment and services to the academic community teaching and performing research in geology and geophysics. The company experienced moderate growth for its first 100 years of operation. In the 1960s and 1970s, OMEGA developed a major market in the oil and gas exploration industry, and today sales to commercial customers for oil and gas exploration applications account for 90% of the company's sales, with the remainder going to academic and research institutions.

The company established a 100%-owned Dutch subsidiary, now known as OMEGA Nederland, BV (OMEGA Nederland), in 1868, and European operations are conducted through OMEGA Nederland and its subsidiaries. This provides considerable tax advantages for operations in member countries of the European Union (EU), including oil and gas exploration operations in the North Sea.

OMEGA's initial entry into the oil and gas exploration market was through the manufacture of analog geophones, used as sensors in geological and geophysical (G&G) operations conducted by oil and gas exploration and production companies. In the early 1960s, the company expanded to include the manufacture of cable-based data acquisition systems for overland operations, and has subsequently diversified into the manufacture of a wide range of overland data acquisition systems and components.

In the 1970s, the company further expanded into the manufacture of marine data acquisition systems and components. During the 1980s, the company entered into cooperative research agreements with California Polytechnic Institute, San Luis Obispo, CA, and Vrije University, Amsterdam, Netherlands, in connection with which the company developed and implemented a number of computer-based solutions for communication, management, analysis, and interpretation of G&G data. One result of this activity was the 1990s development of digital geophone systems to augment the analog geophone product line by a subsidiary of OMEGA Netherlands.

In 1998 the company commenced operations in Chennai, India, consisting primarily of the manufacture and assembly of both overland and marine cable systems. In 2002, in order to take advantage of the rapidly expanding Brazilian energy exploration energy, OMEGA opened a Brazilian assembly plant in Porto Alegre, Rio Grande do Sul; the Brazilian facility has grown to serve the oil and gas industry in southern Africa as well.

Today the company is dealing with the following market conditions and threats:

- Declining energy exploration in the United States of America (USA) has reduced the company's domestic market
- Areas where the company is experiencing significant demand growth include Brazil, southern Africa, offshore in the Indian Ocean (including the Persian/Arabian Gulf), mainland China and India, Australia, and New Zealand.

- USA manufacturing operations have become less profitable, primarily due to higher labor costs and higher taxes.
- The company is experiencing significant price competition in the analog geophone market from Chinese suppliers, whose prices are lower but whose quality has not yet reached the level of the company's products; the company believes that it has been the victim of industrial espionage in this area, but at this point it believes that the Chinese have acquired illegally essentially all the technology involved in the analog geophone product line.
- The company's fastest-growing product line is digital geophones, which are more expensive than the analog geophones but deliver higher-quality results. The company is the acknowledged industry leader in quality digital geophones.

To respond to these conditions, the company has proposed the following strategic changes:

- Transfer the manufacture of analog geophones from the USA to the company's facilities at Porto Alegre, Brazil (serving western hemisphere) and Chennai, India (serving eastern hemisphere). This will enable the company to realize significant savings in cost of labor and taxes over the current US operations.
- Transfer the manufacturing operations for overland and marine cable and other data acquisition systems currently conducted in the USA to Porto Alegre, and similar manufacturing operations currently conducted in Maastricht, Netherlands, to Chennai; this will consolidate western hemisphere assembly operations in Porto Alegre, and eastern hemisphere assembly operations in Chennai.
- Convert the manufacturing capacity freed up at Maastricht, Netherlands, to the manufacture of the rapidly-growing digital geophone product line. The company has not yet experienced significant price competition in this product line, and at this point the company wishes to continue manufacturing this product line in a country where adequate legal protection is afforded to intellectual property.
- Convert the manufacturing capacity freed up at the company's San Luis Obispo, CA, campus to consolidate the data analysis and interpretation operations currently conducted at Menlo Park, CA (including the seismic data library repository) with those conducted at San Luis Obispo, to improve security for highly sensitive information and to create a dedicated research and development facility.

To enable the company to make these moves, it is requesting a loan of $55 million. Loan proceeds will be used as follows:

Upgrade Brazil facility	$10 million
Upgrade India facility	$10 million
Relocate analog geophone manufacturing	$10 million
Relocate cable manufacturing and assembly	$10 million
Convert San Luis Obispo campus to research/data repository facility	$8 million
Convert Maastricht facility totally to manufacture of digital geophones	$7 million
	----------------
Total Loan Proceeds	$55 million
	=========

Additional information about the company includes:

- During the years 2002-03 several members of the company's executive management team became involved in protracted disputes with several of the company's major shareholders, primarily regarding the decline in the company's profitability. These disputes ended with the firing or resignation of those executives who had been involved, and their replacement with a new management team that has been in place since early in 2004.
- In 2004 the company was found by its auditors to have a material weakness in its revenue recognition policies and procedures for the purposes of reporting on internal controls under the Sarbanes-Oxley Act. This resulted in a significant downward restatement of revenues for 2003 and prior years, on top of what were already declining financial results for the period 2001-03. The company's management has represented, and its auditors have concurred, that it has had no internal controls weaknesses that would be classified as material in years subsequent to 2004.
- In an attempt to lower the cost of goods produced in the US, the company attempted to employ a number of undocumented aliens during the period 2001-03. In 2003 the company's manufacturing facility at San Luis Obispo was raided by ICE agents. The company eventually paid a fine of $1 million for employing undocumented workers, and discontinued the practice. Since discontinuation, its US manufacturing costs have risen dramatically.

Financial Exhibits

Due to length restrictions, financial exhibits and teaching notes are not included in this submission which is intended to meet requirements for the Proceedings. However, a complete set will be included with the final submission of the case to be presented.

Sample Question

<u>Finance/Banking</u>

1. If you are OMEGA's banker, do you make the requested loan? Do you make the loan alone, or would you bring in participation partners? What about the possibility of participating partners in one of the countries to which operations are being moved (Brazil, India)? If you would not make the loan as requested, are there changes which could be made that would cause you to change your mind?

2. How do you as a banker achieve adequate collateral security for the repayment of the requested loan?

<u>Ethics</u>

1, What are the ethical considerations involved in the removal from the US of approximately 2,000 net jobs at a time when the US economy is constricting and US workers are experiencing high rates of unemployment? Is this mitigated in any way by the retention and small growth in relatively high-income research and technical positions at the consolidated San Luis Obispo campus?

2. If average wages for the company's workers in California are $20/hour, and average wages for your workers in Brazil and India are $3/day and $2/day, respectively, is the company taking unfair advantage of the Brazilian and Indian workers by paying them below-market wages? Is such action justified by the company's belief that it can no longer provide certain products and services at a competitive price given the cost of labor and taxes in the US (especially California)?

3. What were the ethical implications in the employment of undocumented aliens in US manufacturing operations?

DIVERSITY MANAGEMENT :HOW TO FACILITATE THE RECRUITMENT, SELECTION AND INTEGRATION OF DIVERSE EMPLOYEES IN A QUEBECER BANK ?

Alexandra-Joëlle Panaccio, HEC Montréal
Marie-France Waxin, American University of Sharjah

CASE DESCRIPTION

This case allows to illustrate and apply diversity management concepts related to the recruitment, selection and integration of diverse employees. In the case, participant will take the seat of a Canadian (Quebecer) HRM director in the banking sector, Francoise Roy, who intends to diversify the bank's work force. The primary objective of this case is to study/apply the concepts related to the design and implementation of a diversity management plan to facilitate the recruitment, selection and integration/retention of diverse employees. The second objective of the case is to study/apply change management concepts in a diversity management context.

The case has a difficulty level of four to six: it is appropriate for HRM courses (HRM, staffing, Strategic HRM), from senior to MSc / MBA level). The case is designed to be taught in one class of 3 hours, or three classes of 1 hour. The students are expected to prepare the case at home. The professor will debrief/discuss the case in class.

CASE SYNOPSIS

On this afternoon of February 27th, 2003, Françoise Roy had a good reason to celebrate: finally, the Quebec Human Rights Commission had approved her employment equity plan. She had only been HR Director at People's Bank of Quebec (PBQ) for a little over a year, but she wanted to change things. She knew that, in order to improve workforce representativeness and make discrimination a thing of the past, a lot would have to change in the minds of the people and in the organizational culture of that homogeneous Franco-Quebecer organization. Nevertheless, workplace diversity was one of her priorities, and she was determined to make it happen. But where to begin?

In this case, Students will have to criticise Francoise's diversity management plan. They will have to design and implement HRM practices to facilitate the recruitment, selection and integration of diverse employees. They also have to discuss/decide who will be responsible for the implementation and correct use of the practices/ policies, and choose indicators of these practices' implementation and effectiveness.

A DAY AT THE BEACH

Paul Baum, California State University Northridge
Leonard Rymsza, California State University, Northridge
Kurt Saunders, California State University Northridge
Richard Tontz, California State University Northridge

CASE ABSTRACT

Students are faced with a hypothetical factual setting that presents practical business issues. A young woman, having spent a relaxing day at the beach, heads for home. On the drive home a flip-flop she is wearing becomes lodged under the gas pedal of the vehicle she is driving. In attempting to dislodge the flip-flop, the vehicle she is driving drifts into the lane of oncoming traffic running head-on into another vehicle. The injured driver of the other vehicle contemplates filing a lawsuit against the young woman and the manufacturer of the flip-flops.

The case is divided into three parts. The first part of the case requires students to utilize their understanding of simple linear regression and its application in the analysis of survey data dealing with accident rates of flip-flop vs. non-flip-flop wearing drivers.

The second part of the case requires students to analyze a possible negligence claim against the flip-flop wearing driver and a strict product liability claim against the manufacturer of the flip-flops the driver was wearing when the accident occurred.

The third part of the case requires students to apply economics concepts in the calculation of damages for loss of future earnings.

The case has a difficulty of level three, appropriate for junior level courses. The case is designed to be taught in three class hours, including a class presentation by student teams. The case is expected to require a minimum of three hours of outside preparation by student teams that present a report. The case can be easily modified for use as an in-class or take-home assignment in an introductory business law course by eliminating the economics and statistics issues.

REVENUE RECOGNITION AND FINANCIAL STATEMENT DISCLOSURE FOR GIFT CARD ISSUERS

Janice L. Ammons, Quinnipiac University
Gary P. Schneider, Quinnipiac University
Aamer Sheikh, Quinnipiac University

CASE DESCRIPTION

The primary subject matter of this case concerns the appropriate accounting for and disclosure of gift card revenue on the financial statements. Secondary issues examined include materiality, the quality of reported earnings, and contingent liabilities. Underlying these specific issues is the general issue of accounting policy choice and its effect on the comparability of reported financial results across companies. The case requires students to find and review authoritative accounting literature (including appropriate professional standards) and relevant financial filings (for example, Forms 10-K) for several companies. This case has a difficulty level of three, four, or five. The case is designed to be taught in two class hours and is expected to require five hours of outside preparation by students.

CASE SYNOPSIS

Using example disclosures from Best Buy Co., Inc. and other retailers, students learn about the use of gift cards and identify issues that arise in accounting for their issuance and redemption. Students also learn how accountants apply financial statement disclosure rules to new business practices as they emerge.

INTRODUCTION

Retailers have sold gift certificates in one form or another for more than a hundred years (Waits 1993). In recent years, a specific form of gift certificate known as the gift card or shopping card has become very popular among consumers. The gift card has also become popular as an incentive, issued by retailers to frequent customers much as airlines use frequent flier mileage plans. Gift cards are also widely used by companies as small-denomination performance awards for employees and as "thank-you" gifts to vendors, partners, and others (Horne, 2007).

Recent estimates of U.S. sales of gift cards include $83 billion in 2006 and $97 billion in 2007 (Mitchell, 2008). Gift card sales outside the United States are growing rapidly, also (Horne, et al., 2005). Although gift card sales were down somewhat in the 2008 holiday shopping season, retailers expect them to begin increasing again when the economy recovers (Bohen, 2008; BusinessWeek, 2008).

REVENUE RECOGNITION ISSUES

Most of the profit that a retailer earns in a gift card transaction is the profit on the sale that occurs when the card recipient spends the stored value on the card. However, the retailer does earn other income from a gift card transaction. The retailer receives cash from the card purchaser at the time the card is sold. The retailer has the use of that money starting at that point in time. The effect is similar to a sale transaction in which a customer makes a cash deposit when placing an order for an item to be delivered later. The retailer must record the cash receipt, but has not made a sale yet.

A second source of revenue from a gift card transaction occurs because not all gift cards are redeemed. Even if the retailer does not impose a dormancy fee or enforce an expiration date on the card, at some point in time, the retailer will decide that the likelihood a gift card will be redeemed has dropped close to zero and the gift card should be written off. The revenue a retailer earns because some gift cards are never used (or because they expire or are consumed by dormancy fees) is called breakage, breakage revenue, or breakage income (Kile, 2007).

GAAP requires that revenue be recognized at the earliest point in the firm's operating cycle when it meets both of the following criteria: revenue is realized or realizable, and revenue is earned. If a firm receives cash in exchange for a promised future delivery of products or services, it records the increase in cash (an asset account) and the increase in unearned revenue (a liability account) as follows:

Cash	xx
Unearned revenue	xx

When the product is delivered or the service is provided, the firm recognizes revenue and reduces the liability, unearned revenue. The transaction is recorded as follows:

Unearned Revenue	yy
Revenue	yy

FINANCIAL STATEMENT DISCLOSURE ISSUES

Recent accounting literature on accounting for gift cards includes articles (Feinson, 2008; Kile, 2007; Kile and Wall, 2008) and a speech made by a Securities and Exchange Commission (SEC) staff member (Schlosser, 2005).

The relevant Statement on Financial Accounting Standards is Statement 140 (FASB, 2000). Although the basic premises of disclosure are not very complex for gift cards, the issue is perceived by the SEC staff (Schlosser, 2005) and by accounting academics (Marden and Forsyth, 2007) as one that is new and not particularly well settled. As new business practices are developed, accountants must apply their existing rules and interpretations to those new practices. An important disclosure issue for new practices is always how best to report the accounting information in a way that maintains the quality of earnings reported (Bellovary, et al. 2005).

One good way to learn how companies are reporting a new business practice is to search the financial disclosures filed by companies in the industry. One of the most useful financial disclosure filings is the Form 10-K, which is required by the SEC to be filed annually by U.S. companies whose shares are publicly traded. Forms 10-K are available on companies' Web sites or on the SEC Web site for its Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System (SEC, 2009).

QUESTIONS FOR DISCUSSION

1. Provide a broad definition of the term "liability" as it is used in accounting. When is a liability satisfied?

2. When does a closed-system gift card become a liability for the retailer who sells the gift card? Is it when the card is placed on a rack for sale in the store? When it is sold to a customer? Or is it when the holder of the card (either the original purchaser or the gift recipient) redeems the card for merchandise at the retailer's store or Web site?

3. Obtain the fiscal 2008 annual financial statements or Form 10-K for Best Buy, the consumer electronics retailer. Does the value on the unredeemed gift card liability account on the balance sheet ($531 million) represent the dollar value of the gift cards that Best Buy sold during that year? If not, describe what it does represent.

4. Continue to use the Best Buy financial statements or Form 10-K for fiscal 2008 for this question. Best Buy's unredeemed gift card liability increased from 2007 to 2008. Would you interpret this as favorable or unfavorable news for Best Buy?

5. Why would a retailer not record revenue when it receives cash for the sale of a gift card?

6. Prepare two journal entries, one for the sale of a gift card with a stored value of $75, and another for the subsequent partial redemption of that gift card for goods that have a selling price of $50 and a cost of $40.

7. In what way (if any) would the journal entries for recording the redemption of a gift card differ from the journal entries for recording the expiration of an unused gift card? Explain.

8. What is gift card breakage? Why and how does it occur?

9. Obtain the annual financial statements or the Form 10-K for a retailer other than Best Buy that issues gift cards and discloses information about gift cards. Compare the treatment of gift card liabilities and revenues (or earnings) in the two companies.

10. Does GAAP require firms to record any cost of goods sold as an expense when they record breakage as revenue? Explain how your answer to this question might affect an analysis of gross profit percentages over time or across firms.

11. Review the different choices described in Kile (2007) that various firms made about how to report unredeemed gift card liability. Critique these choices by considering the following questions: Which disclosure choice do you believe would best serve a financial statement user? Why? Which option(s) do you think could mislead a financial statement user? Explain.

12. Review Kile (2007) to identify the different choices that various firms made regarding how to report gift card breakage on their income statements. Which disclosure choice do you believe would provide the best information to a financial statement user? Why? Which option(s) do you believe are potentially misleading to a financial statement user? Explain.

13. Briefly define the term "quality of earnings." How might the accounting for and disclosure of gift card breakage affect the quality of earnings reported by a particular firm?

14. Does the breakage income that Best Buy (2008) reports, $34 million, represent a significant percentage of Best Buy's fiscal 2008 earnings?

15. Review Best Buy's (2008) financial statements or Form 10-K for fiscal 2008. Can you determine or estimate the amount that gift card sales contributed to that year's earnings? Was it more than $34 million? Approximately $34 million? Less than $34 million? Explain.

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THE WASHINGTON HALL CONFRONTATION : A SMALL ISSUE WITH LARGE IMPLICATIONS

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ABSTRACT

Dr. D. K. Smith is Dean of the School of Business and Entrepreneurship at American University of Nigeria. While working in his office, Dean Smith has been informed that one of his faculty members is refusing an order by a senior university administrator to vacate immediately the classroom in which he and 160 of his students are currently presenting end-of-semester business plans. Additional data and information in the case include:

1) Additional information on the confrontation which took place.
2) Background information on the institution where the confrontation occurred, that is, American University of Nigeria.
3) Background information on the individuals involved, both in the confrontation and in its resolution.
4) Background information on Nigeria and on the current state of university education in Nigeria.

PROCURING DESIRED EQUIPMENT & APPLIANCES WHEN MOVING ONESELF AND ONE'S FAMILY TO NIGERIA: A REAL (and challenging) CASE

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ABSTRACT

Dr. George Tassie has recently signed a contract to join the faculty of the School of Business and Entrepreneurship at American University of Nigeria. As indicated earlier, the university is located in a relatively small city in rural northeastern Nigeria, called Yola. Dr. Tassie knows that to maintain (in Nigeria) the quality of life to which he and his family have become accustomed, they will need(once he arrives in Nigeria) a number of personal effects including a car, a big-screen television, a stereo system, and a variety of other household appliances. The dilemma Dr. Tassie faces is that he is not sure which of the two approaches set forth below is the best way to ensure that when he and his family arrive in Yola, they will have with them the above items. The two alternatives appear to be:

1) He could sell the items he is now using in Kuwait, and simply purchase (new) the needed items in Nigeria, after he and the family arrive back in Nigeria.
2) He could take the items he already owns (and any additional items he needs to purchase) and ship them to Nigeria by oceangoing freighter.

Additional data and information in the case include:
1) for Nigeria and the Nigerian environment: a bit of background.
2) For the university: a bit of background.
3) the instructor's notes provide a decision process for Dr. Tassie and/or other expatriates facing the same challenge, to help them work through this dilemma and come up with a reasoned solution to this problem/opportunity.

THE THOMAS SHOP: A BOUTIQUE BUSINESS CASE STUDY

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CASE DESCRIPTION

This case is intended for use in undergraduate marketing, management, fashion merchandising, entrepreneurship, or retailing courses. The purpose of the case is to demonstrate how small boutique businesses can compete against large discounters and chains. Particularly, the concepts of key client management and customer delight are highlighted. Students are encouraged to evaluate the company's strategy, tactics and uncover areas of potential customer delight. Additionally, students should attempt to provide thoughts on other strategic and tactical activities the business should pursue considering the recent economic downturn. The case is designed for a one-hour class and should require two hours of outside preparation.

CASE SYNOPSIS

The Thomas Shop is a women's clothing boutique located in Effingham, Illinois. The business was started in 1936 and has since been handed down through the family with the second and third generations currently handling operations. Originally, the business offered approximately 2000 square feet of space, but was doubled in size in the early 1990's to accommodate shoes and other accessories. The store moved to its current location (owned by the business owners) with 4000 square feet of retail space located in the downtown shopping district of Effingham. The town's population is approximately 20,000 and is the main shopping district for the surrounding county of approximately 35,000 residents, and further, draws customers within a fifty-mile radius. The nearest major city, St. Louis, Missouri is 100 miles to the west.

The demographic breakdown of Effingham County (Table 1) shows that it is predominantly white, (98.7%) and has a fairly equal split between males and females. Additionally, the vast majority of residents have at least a high school education, (87.7%) and approximately 20% have at least a bachelor's degree. Finally, the income statistics reveal that while over 27% of families earn less than $35,000, 45% make more than $50,000 annually.

The store carries a full selection of merchandise for women from teens to seniors (approximately 75% of the female population). Product lines include slacks, blouses, jeans, dresses, lingerie, costume jewelry, hand bags, hats, jackets, and shoes (Table 2 gives a sales breakdown by line). The focus has always been to provide mid to upper level merchandise for the style conscious woman. In the words of Yves Saint Laurent, "Fashion fades, style is eternal." The style conscious woman wants to make her own unique style and looks for clothiers who can help her accomplish this *task. Therefore, The Thomas Shop provides brands and services to assist women in reaching this goal (Table 3 shows major brands by line).*

Staff includes the owner, (Kathy) who is also involved in the day-to-day operations, (including sales, displays, cleaning etc…) her daughter, (Stacia) and one part-time sales clerk, (Vickie). In addition to her daily duties at the store Kathy also does the daily bookkeeping, seasonal merchandise buying, payroll and taxes. She is assisted in the daily activities and merchandise buying by Stacia. Kathy has been involved in the business for nearly forty years, while Stacia has been with the store for approximately 15 years. When asked to describe a typical day Kathy responded that the reason she liked retailing so much was that there is no such thing as a typical day. She went on to explain that when customers are in the store her only concern is servicing their various needs. Slow times are opportunities to re-do window displays, (usually done once a week) change in-store displays, and take care of general maintenance.

Table 1: Effingham County Demographics

	N	Frequency (%)
Gender	34,264	100.00
Male	16,983	49.57
Female	17,281	50.43
Age	34,264	100.00
Under 18	9,800	28.60
18-24	2,810	8.20
25-44	9,662	28.20
45-64	7,230	21.10
65 and over	4,763	13.90
Race	34,264	100.00
White	33,819	98.70
Black	69	0.20
Asian	103	0.30
Hispanic	240	0.70
Other	34	0.10

Table 1: Effingham County Demographics		
	N	Frequency (%)
Education	22,265	100.00
High school or higher	19,526	87.70
Bachelor's degree or higher	4,542	20.40
Note: education stats include only 25 yrs. and older		
Family Income	9,207	100.00
Less than $20,000	657	7.14
$20,000 - $34,999	1,869	20.30
$35,000 - $49,999	2,061	22.39
$50,000 - $74,999	2,442	26.52
$75,000 - $99,999	979	10.63
$100,000 - $199,999	596	6.47
$200,000 or more	134	1.46
(Source: 2000 US Census)		

A major concern for any business is competition. The Thomas Shop is no exception. The owners have seen their share of other women's clothing stores come and go over the years. However, being in a small town the store has never had the direct competition of large department stores. Effingham residents must drive to St. Louis to shop at these stores. While some customers have done this in the past, Kathy and Stacia have prided themselves on their service and merchandising providing department store brands and styles for this rural community. Not only has The Thomas Shop kept more locals from driving to the "big city" to shop, but the shop has drawn a loyal following from other neighboring communities.

When Wal-Mart and other large discounters arrived in the early 1990's the proprietors were obviously concerned. Current competitors include Maurices, (direct completion for the youth market, but located in a run-down mall) and Kohls (a large chain that challenges The Thomas Shop for their lower tier clients). (Note: The remainder of this case study is devoted to the responses from the owners to a series of depth interviews regarding how The Thomas Shop is able to not only survive, but also prosper in the face of new competition.)

Table 2: Sales by Line	
	% of Sales
Slacks and Jeans	25
Blouses and Tops	40
Dresses	8
Shoes	10
Lingerie	12
Accessories	5
Note: Accessories include: handbags, jewelry, & hats. Lingerie includes mastectomy fittings.	

Table 3: Top Brands by Line	
Slacks, Jeans, Blouses, and Tops:	Windridge
	Tribal
	Joseph Ribikoff
	UBU
	600 West
Dresses:	Alyce
	Bella Formals
	Josh & Jazz
Shoes:	Mephisto
	Birkenstock
	Merrill
	Dansko
Lingerie:	Maidenform
Accessories:	Brighton

The atmosphere in downtown Effingham was bleak when Wal-Mart opened in the community. First, the hardware stores closed. Next, the pharmacies and small grocers disappeared; then other retail businesses ranging from pets to clothing left. The Thomas Shop owners watched as Wal-Mart steamrolled many long-standing local businesses, but unlike many of their peers The

Thomas Shop did not try to compete head-to-head on price. The owners realized they could never compete on price with an organization with such immense buying power. Instead the retail-clothing store would compete in the way they always had: superior service and merchandising.

They realized that a frontal assault would never work. Instead the store would focus on their strengths. Discounters do not (and cannot afford to) offer the same level of service as department stores and particularly the small boutiques. Kathy had always focused on offering personalized service and constantly looked for ways to better serve the needs of her customers. Rather than retreat from this strategy in the face of new competition, she embraced it ever more tightly. Building on past successes the store would attempt to provide the highest possible level of customer service.

Past service successes were many and quite innovative. For example, when Kathy noticed that more and more of her customers were having trouble with bras following mastectomies she investigated what she could do to help. She worked with suppliers (ie Maidenform) to became registered in providing mastectomy fittings. She enrolled in courses provided by Maidenform and after several intensive sessions was certified to provide the service. This allowed The Thomas Shop to be the only one in the area certified to offer this unique service. While mastectomy fittings are a very small part of the market, (4.8% of women in the U.S. will develop breast cancer in their lifetime, and 56% will have a mastectomy) the emotional response from friends and family of the cancer survivor was notable, and a service such as this stimulates emotional responses. Kathy's customers not only provided many mastectomy referrals, but also tended to become more loyal for other store merchandise. Additionally, they provided the ever-elusive positive word-of-mouth for the overall business.

Stacia is trained in color analysis which aids in providing customers with outfits that promote their best features. She attended an intensive training course in St. Louis to receive her certification as an image consultant. While this skill had faded from popularity during the late 90's, it has received increased attention recently as a means to offer superior customer service. Stacia can readily assess clients as either a spring, summer, fall or winter according to skin tone, hair color and other factors. This aids in finding colors that best promote their respective traits.

One additional service offered by the business deserves special attention. When Kathy goes to market to buy for the next season, she always keeps in mind her best customers. She knows what brands and styles each of these upper tier clients likes and she also knows what sizes they wear and what colors look best on them. With this information in hand, she tries to find one-off items (items that she may not want to carry an entire line of) that may be of interest to one of these special customers. The response from these purchases is overwhelming. Kathy cannot remember a time when she made a personal buy at market for a customer who did not in turn purchase that item. This personalized attention extends beyond the upper-tier customer to other regular good customers as well. The store personnel pride themselves on knowing these customers by name, and are regularly complimented on the personal attention they give. For example, sales personnel bring clothes to the dressing room so the customer can find the perfect size and style as conveniently as possible.

Kathy also stated that they don't forget about traditional advertising and promotion. They run weekly local newspaper and radio spots (paper circulation is approximately 12,000 reader/households daily and the radio reaches the entire county), participate in the annual downtown sidewalk sale, pay particular attention to regular (weekly) window display changes, and participate in the Chamber of Commerce and Rotary.

The sidewalk sale deserves additional explanation. It consists of all downtown businesses bringing racks of product out onto the downtown sidewalks and streets (the streets are closed to car traffic). This is a one day only (during June) sale and is always the store's biggest sales day of the year. This day provides an opportunity to clear out summer stock to make room for fall. Kathy is quick to point out that while these activities are important they do not help differentiate themselves.

Specialty promotions and skill development, such as the mastectomy fitting program are services that aid more in differentiation are promoted. Top tier clients receive regular mailings to let them know when new lines are arriving and information about upcoming sales. Additionally, biannual style shows at a local club draw 700 women per event and allows the store's products to be displayed in a fun forum. Top tier customers receive special consideration with reserved seats and first access to purchases. Kathy recruits high school students and other local women to act as models for the shows. The great diversity in age allows for demonstrations that meet all their targeted age groups. Some specialty style shows which focus on a theme, such as prom dresses are promoted. Additionally, Kathy is involved in local career programs for junior high students, which allows her to recruit potential future customers.

The Thomas Shop has thrived for over seventy years with superior service and merchandise adaptability. However, the recent downturn in the economy has Kathy worried. She is not that concerned about Wal-Mart because of the vast chasm of difference in target market and merchandise quality. Kohl's presents the biggest challenge due to their merchandise being closer in quality. Kathy worries that consumers will become more and more price conscious and may gravitate to Kohl's for price reductions, even though Kohl's merchandise quality is below that of The Thomas Shop.

SOCIAL NETWORKING AND THE EMPLOYMENT SCREENING AND EVALUATION PROCESSES

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CASE DESCRIPTION

The primary subject matter of this case is human resource management, more specifically the use of internet searches and information found on social networking sites during the employment screening and post employment employee evaluation processes. This case has a difficulty level of three intended for an upper division undergraduate course. This case is designed to be taught in one class hour, and is expected to require two to three hours of outside preparation by students.

CASE SYNOPSIS

This case begins with a historical overview of the development of the social networking phenomenon. That is followed by an examination of several actual employment situations in which the material on a social networking site caused an individual to be passed over for employment, denied a promotion, or even fired. Students are then required to discuss the appropriateness of employer use of social networking sites, as well as strategies that they can employ to ensure that their own social networking pages do not include material that may harm them in the future.

INTRODUCTION

According to Boyd and Ellison (2006), social networking sites are defined as: "web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system. The nature and nomenclature of these connections may vary from site to site". They go on to say that the first of these sites was Sixdegreees.com, which was available from 1996 through 2000, when the company failed. Several other early social networking sites were offered, although the phenomenon didn't really gain traction until 2003, when many special purpose sites, such as industry networking or charitable organization sites began to take off. (Boyd and Ellison, 2006). However, one of the sites that was set to change everything was MySpace. Started in 2003 for the purpose of promoting independent music and announcing social events (Raphael, 2007), this site quickly became one of the leaders in the social networking world, with over 250 million registered users (Alexa, 2009). In 2004, rival Facebook was founded, initially limited to college students, but later expanded to include other users aged 13 and up (Raphael, 2007, Alexa 2009). Currently Facebook boasts a number of registered users that is approaching that of MySpace (Alexa, 2009), although clearly there is significant overlap between those users. More recently, Yahoo has jumped into the social networking arena, with a service called Yahoo!360 (Raphael, 2007). These sites offer their users an amazing degree of social connectivity to friends all around the world. However, that connectivity can come with a price.

SOCIAL NETWORKING AND THE HUMAN RESOURCE DEPARTMENT

For some reason, it often seems that many Facebook, MySpace and other social networking site users forget that these sites are part of the internet, which is publically available to anyone with a computer and an internet connection. Add in the availability of internet search engines, like Google, Yahoo, Alta Vista, and many other similar sites, which allow users to search the entire internet using keywords, and it is far too likely that people other than your friends will eventually see your page. Most social networking sites allow users to limit who views pages to only those on their "friends" list, however many people, particularly young adults, don't realize the need to do so. Additionally, there is little to prevent a user's "friends" from copying material from their site and reposting it elsewhere or sharing it with others (MySpace is..., 2009). Mark W. Smith, assistant vice chancellor and director of the career center at Washington University in St. Louis explains it as follows "think students have the view that Facebook is their space and that the adult world doesn't know about it, But the adult world is starting to come in" (Dawson 2006). Several cases have arisen that we will now examine, in which content from an individual's social networking page has made its way to an employer and impacted the person's career.

EMPLOYMENT SCREENING

A Chicago-based consulting firm was searching to hire a summer intern for the summer of 2006. Their top candidate was a recent graduate from the University of Chicago. The firm checked his Facebook page, and found vivid descriptions of drug use, violence and sexual deviance. He described "smoking blunts, shooting people and obsessive sex". The firm decided not to hire the applicant, due to the "bad judgment" that his page reflected (Finder, 2006). His case is not unique. In a similar incident, a job candidate was not hired because his Facebook profile listed one of his hobbies as "lubbin' yo mama"(Bissonnette, 2009). A recent survey in England revealed that 32% of HR and business managers use the internet to screen their potential employees, including the use of Google searches, and social networking sites. Of the original group, 24% said they had not hired someone based on what they found on a social networking page (Lomas, 2009). In an even more high profile case, the Mayor of Arlington, Oregon was subjected to a recall election and voted out of office because of content on MySpace. Her page included photos of herself in black lace underwear, posing on a fire truck. The photos were taken and posted prior to her election, but were not noticed until 2008. Her opponents stated "it wasn't fitting for the mayor to be so depicted. They said they also disagreed with her on issues about water and the local golf course" (Voters Recall..., 2008). The latter half of the quote makes one wonder whether the pictures were really the reason the residents were upset, or just an excuse to eliminate a political rival.

EMPLOYEE EVALUATION AND/OR TERMINATION

Kimberly Swann was employed as an office administrator at Ivell Marketing & Logistics in Clacton, Essex, England. She had a Facebook page. In her comments section of her page, she happened to mention that her job was "boring". However, she didn't mention the employer by name or specify the exact nature of her job. None of this mattered. When the company happened across her Facebook page and saw that she found her job boring, she was terminated (Office Worker, 2009). In a similar case, several employees of the Farm Boy chain of food stores in Ottowa, Canada were fired for their participation in a Facebook group, called the "farmboy'd group". This group was intended as a place for current and former employees to sound off about the company. However, a few employees used it as a place to discuss employee theft and other topics relating to workplace dishonesty. The company used their posts, posted under their real names, to fire them (Czekaj, 2007).

The warning that all of the above send is that the internet is not private and you never know who will look at, copy, repost, distribute or even modify material that you post on the web about yourself.

DISCUSSION QUESTIONS

1) Is it appropriate for companies to use social networking sites and tools like Google to conduct background checks on applicants or check up on employees?
2) Should people limit what they post on their social networking pages, due to the potential that they will be used in such a manner, or should the law protect them from having their pages used in this manner?
3) Is it a violation of privacy rights for an employer to conduct online searches? Some have likened this practice to following the employee down to the pub to spy on their conversations.
4) Are you going to change the content of your own social networking page, now that you have read this case? Why/why not?
5) Are there potential pitfalls for employers who use social networking sites in the above manner? If you said yes, what are they?

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PERFORMANCE MANAGEMENT AT DUBAI CATERERS COMPANY

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CASE DESCRIPTION

In this case study, the participant will take the seat of Hussain, a local HRM manager working in a catering company in Dubai. The objective of this case is to apply HRM concepts related to performance evaluation and management.

Seen from an HRM perspective, students will have to examine the company's performance evaluation criteria, critique the performance evaluation system, and propose or design a new performance management system.

The case has a difficulty level of three to four: it is appropriate for HRM courses from junior to senior level (introduction to HRM courses). The case is designed to be discussed in one class of 1 or 2 hours. The students are expected to prepare the case before to coming to class.

CASE SYNOPSIS

In this case study, the participant will take the seat of Hussain, a local HRM manager working in a catering company in Dubai. The objective of this case is to apply HRM concepts related to performance evaluation and management.

Seen from an HRM perspective, students will have to examine the company's performance evaluation criteria, critique the performance evaluation system, and propose or design a new performance management system.

It is November 2008. Hussain started working as HRM director for Dubai Caterers Company six months ago. Since his arrival, many employees have complained about the performance management system. Hussain has collected data on the evaluation criteria along with the performance evaluation method used in the company. He has compiled the complaints he received from multiple employees. Finally, he has carried out his own survey. Hussain is totally dismayed by the findings. Asking around, he realises that only very few supervisors have ever attended a HRM course or seminar.

As HRM director, you would like to fix the situation quickly. In order to do so, you will prepare a plan before your own first performance evaluation, which is with the managing director next month, December.