Volume 19, Number 1 **ISSN 1948-3198**

Allied Academies International Conference

New Orleans, Louisiana
April 4-7, 2012

International Academy for Case Studies

PROCEEDINGS

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CLOSING THE GAP TO PUT PROJECT MANAGEMENT PROCESS IN PLACE: A CASE STUDY OF INFORMATION TECHNOLOGY PROJECT

Kuan-Chou Chen, Purdue University Calumet
Keh-Wen "Carin" Chuang, Purdue University North Central

CASE DESCRIPTION

The primary subject matter of this case concerns how project management process lead to the successful of university information technology projects, and investigates how the use of systems development life cycle in project management can help projects be more successful. This case is designed to be taught in three class hours and is expected to require three hours of outside preparation by students.

CASE SYNOPSIS

The Project Management process when coupled with Information System creates a conclusive environment and end product that has a greater chance of success. The initial use of Digital Signage at Purdue University Calumet was not deployed with the overall strategic goals of the university. This forced the leadership to stop further installation and use. The Leadership Team wanted the creation of a project group to develop and implement a policy for the standardization of procurement, use, location, ownership, and integration with the existing Information System infrastructure. A project team was framed using a matrix organization plan. The group consisted of constituents from information system, audio/visual, marketing, and project management. This multifunctional group brought diversity of thought and expertise. The project group incorporated the SDLC process into the five project management group process of initiating, planning, executing, monitoring and control, and closeout. The end result was a standardization policy that covered the required needs of the university stakeholders through the Information System project management.

TIME FOR A CHANGE? A HUMAN RESOURCE EDUCATION PROGRAM IN FLUX

LeAnne Coder, Western Kentucky University

ABSTRACT

The focus of this case is a university department head's dilemma as he decides whether or not to invest time and other resources to change an academic program that has a solid performance history but has seen has a recent decline in enrollment. He is challenged by limited resources, demands on the program curriculum from an outside professional group, and a faculty that has many outside interests and demands on their time. Secondary issues presented in this case include leadership techniques, team dynamics, resource allocation, and organizational politics. Although this case is set in a university environment, the types of challenges portrayed in this case are faced by managers in all types of settings. This case has a difficulty level of three and above (appropriate for juniors, seniors, and graduate level). This case does not require the use of statistical analysis so it is accessible to students at all levels. This case is designed to be taught in two or three class hours in a management, education, or curriculum development course and is expected to require one to two hours of outside preparation for students.

A CASE STUDY OF MERGERS IN THE INFORMATION TECHNOLGY INDUSTRY

Charlene A Dykman, University of St. Thomas
Charles K. Davis, University of St. Thomas
Andrew Lamb, Hewlett-Packard Corporation

ABSTRACT

This case study deals with significant mergers within the Information Technology industry. The focus is on the processes involved in integrating the merged companies after the financial merger had taken place. The mergers involved are the 1997 merger of Compaq Computer Company with Tandem Computers with the former being the name of the company going forward. A subsequent merger was between Compaq Computer Company and Digital Equipment Company (DEC) in 1998. Once again, the combined company was known as Compaq Computer Company. And finally, in-depth attention is given to the merger of Compaq Computer Company with Hewlett-Packard Corporation, being finalized in May, 2002. This final merger resulted in Hewlett-Packard Corporation as the name going forward.

A BIT OF HISTORY

Compaq Computer Corporation was founded in Houston Texas in 1982 by three former Texas Instrument Engineers, Rod Canion, Jim Harris, and Bill Murto. Their primary focus was on building a portable personal computer that would work with IBM software. This was a very new concept in the industry at the time. Personal computers were a new development at the time and were mostly found in offices rather than in homes. The Internet was essentially a tool developed and used by the federal government and not available for public use.

Compaq grew very quickly and was named the youngest company to be included in the Fortune 500 in 1986. However, the company's focus was quite limited and founder, CEO Rod Canion, was replaced by Eckhard Pfeiffer, a German in 1991. Pfeiffer's interests were in expanding Compaq's product line and its presence in Europe and his strategy was to acquire companies that were already successful in those areas in which Compaq lacked sufficient presence.

Tandem Computers was also founded by a Houstonian, Jim Treybig, in 1974. The product line of computers specialized in fault tolerant, redundant processor architectures. Tandem Computers were highly valued in the banking industry where fault tolerance was a clear advantage. Tandem was known for its laid back atmosphere with a distinctively relaxed culture which employees enjoyed. Tandem was purchased by and merged with Compaq in 1997. Compaq was attracted to the particular computing architecture that Tandem had developed. The merger of these two relatively young companies went quite smoothly. They were both relatively

young companies and they shared a similar type of internal culture with quick decision-making, high energy, innovation being a prized attribute and that familiar laid-back atmosphere.

Digital Equipment Corporation (DEC) was a very different kind of company, one with a long and storied history. DEC was founded just outside of Boston in 1957 by two MIT Lincoln Lab engineers. DEC's product line was minicomputers and they invented the concept of distributed computing through the use of networks, speech recognition capabilities and many other important innovations. DEC had a very successful multi-vendor services business. This meant that DEC was able to provide consultants, engineers, and other support personnel to assist clients with computing issues on many different types and brands of computing systems.

DEC's organizational climate was always very engineering-focused and they employed a highly professional work force. In 1992 CEO Ken Olsen, one of the founders, was replaced by Robert Palmer who brought a more autocratic and top-down approach to the company. Compaq sought a merger with DEC in order to acquire their European market as well as their multi-vendor services business. The merger was finalized in 1998. Compaq was now one of the world's largest information technology companies with a much broader spectrum of products and services following the mergers with Tandem and Digital Equipment Corporation.

However, this was not an easy marriage and people down in the ranks were not very pleased with the results. Both Tandem and DEC employees felt that they had been swallowed up by Compaq. There were clearly lingering and important emotional negatives within the combined Compaq/Tandem/Dec employee ranks. Compaq's management was determined to force the company's operating policies and procedures on the new European marketing divisions. It seemed, and rightly so, that there was little planning for the integration of these three companies following the mergers. Compaq really did not understand the products or the services that they had acquired through the merger and yet, they insisted on the newly acquired companies following their procedures. There was little recognition that each unit had particular types of local support and skilled knowledge that could not easily be replicated.

Additionally, the differences in the cultures of these three companies made trust difficult to achieve and decision-making difficult to manage. There seemed to be no real road-map in mind for life after the mergers. Organizational structures were constantly changing as Compaq was trying to determine the appropriate arrangements for controlling all of the new operations. In many ways, Compaq, Tandem, and Digital Equipment Corporation were still three separate companies trying to connect.

Meanwhile, Compaq was trying to determine its direction going forward in the midst of a very chaotic information technology industry. The intensity and the rate of change in the computing industry at the time was escalating and becoming more and more competitive. In 1999, Pfeiffer, Compaq's German CEO was replaced by Michael Capellas, who had joined Compaq as Chief Information Officer in 1998. Compaq was struggling with a stock that was taking a beating at the same time as they were trying to absorb these two new companies and all of the relationships that the companies brought with them through these mergers. It was at this point, in 2001, that Compaq CEO Capellas was approached by Carleton Fiorina, CEO of Hewlett-Packard, to discuss opportunities of mutual benefit.

Hewlett-Packard is also a company with a long and storied history. The company was started in the dark days of the Great Depression, in Palo Alto, California by two electrical engineers who were graduates of Stanford University. David Packard and Bill Hewlett started their company in Packard's one-car garage in 1939. They went public in 1957, just as Digital Equipment Corporation was getting its start on the far-away East coast of the US. Hewlett and Packard built a family-like culture where new products were created and employees were rewarded with respect and a share in company profits. Leadership continued to come from within as two engineers, John Young in 1978 and Lew Platt in 1999, eventually moved up the ranks to the CEO position. Carleton (Carly) Fiorina took over as President and CEO in 1999. Fiorina was the first leader from outside the Hewlett-Packard organization.

Fiorina immediately addressed the culture of Hewlett-Packard after she observed that the company operated more like a loose group of entities rather than a strongly connected company with a share vision. She quickly began to reorganize things and centralize the company structurally. There were layoffs and consolidation of many functions. At the same time all of this was happening, the computer industry entered a serious sales slump in 2001. Fiorina called in consultants to help determine strategies for dealing with this chaotic environment in the computer industry. The result of this analysis was Fiorina's initiative to Capellas, CEO of Compaq, seeking a discussion about possible strategic alliances.

Capellas and Fiorina decided that the best option would be a merger of their two companies to create a strongly competitive company with a broad product and marketing base. This merger, the largest in IT history, was announced on September 3, 2001. The result was an $87 billion company. The merger would double the size on HP's professional services and sales forces. Research and development would be greatly enhanced. The news was received with great praise in the financial new media.

However, all was not well internally. HP stockholders did not like this. There was serious opposition from the teacher's pension funds which were heavily invested in HP stock. There was resistance from Walter Hewlett, on behalf of the William and Flora Hewlett Foundation which owned 18% of the stock at the time. The old-time Hewlett Packard employee family was very concerned about absorbing this new and energetic company with such a radically different internal culture and product lines. Walter Hewlett feared that the merger would kill the HP culture as a result of layoffs and by turning HP into a commodity-like PC business. There was a lengthy and nasty fight, much of which was played out in the press at the time. HP shareholders finally approved the merger, by a narrow margin, on March 2, 2002. The final approval was granted by the Federal Trade Commission on March 6, 2002.

A major focus of this case study is the unique approach taking to planning for the post-merger integration of Hewlett-Packard and Compaq, which was still struggling with its own previous mergers with Tandem and DEC. The eight months between the announcement of the proposed HP and Compaq merger and the final approval of the merger was filled with serious work with the goal of creating what Fiorina called "The New HP". Following the advice of Accenture, whom Fiorina had contracted with to help with the merger process, subject matter experts from HP and Compaq were brought together in an office called "The Clean Room" to figure out the path forward.

The Clean Room eventually involved 2,500 employees. One expert from each company was chosen to work with the expert from the same function in the other company. It was rather like Noah's Ark. The best and the brightest in areas of expertise from each company were brought together to determine how their functions would work after the merger. Each of the chosen employees signed an agreement acknowledging that they would not be able to return to their previous position after the merger was finalized. Often they were strangers until the day they met. It was all a very "cloak and dagger" type of operation.

The rules were simple. Those chosen were to talk to no one outside of the Clean Room about what was happening inside the Clean Room. The two experts were to lay out the particular details of how things were done in their areas of expertise in each of their home companies. A decision was to be made as to which of the approaches was best for the firm moving forward. There were to be no hybrid or combinations of processes. There were to be no new sets of procedures for a particular function. The choice was limited to either the HP way or the Compaq way of accomplishing a particular process or managing a particular function. Additionally, the decisions that would be made were irreversible. There was to be no going back a month later and reconsidering the choice that had been made. All of this was happening while the battles were happening between the large stockholders and the board. Those in the Clean Room could not even be certain that the merger would be approved by the shareholders or subsequently by the Federal Trade Commission.

This case study presents a scenario where a long-time Hewlett-Packard employee has been asked to evaluate this approach to the post-merger integration of these two companies. The analyst is asked to consider things other than the financial issues which are often used to assess the level of success of a merger. The goal is to consider the histories that have been given, how these relate to the approach that was taken in the Hewlett-Packard merger with Compaq and to think about the strengths and weakness of this unique approach to planning for the integration of these two huge computer companies after the financial merger has taken place. Suggestions for classroom use and recommended questions for discussion are included in the Instructor's notes for the case study.

PARK STERLING BANK: THE JOURNEY BEGINS

Michael D. Evans, Winthrop University

CASE DESCRIPTION

The purpose of this case is to highlight the challenges faced in growing a community bank and the risks and potential rewards for investors. This case, based on the formation of Park Sterling Bank in Charlotte, NC, is intended for junior level courses in corporate finance, management, money and banking, or investments. The case can be discussed in 1 - 2 class periods and will require 3 hours of outside preparation by students. Specifically, students will assess the operating results of Park Sterling Bank, including the impact of the souring economy and the declining real estate market. They will also examine the role of management and bank directors in providing strategic direction while avoiding potential conflicts of interest that arose.

CASE SYNOPSIS

Park Sterling Bank commenced operations in 2006 in Charlotte, North Carolina. The organizers raised $45 million in start-up capital. This was the largest capital raise for a North Carolina community bank. The bank experienced rapid growth, largely based on its niche of real estate lending. It had attracted an experienced team of bankers. Each brought a substantial book of business to the bank. The volume of loans grew at a dizzying pace as did the bank's stock price. When the economy declined and real estate values fell, the bank was faced with an increasing amount of bad loans. A change in strategy was required to ensure the bank's future health. The Cherry Group, a group of former Wachovia Bank executives, presented a partnership proposal to the management of Park Sterling. If accepted, the Cherry Group would raise additional capital that would provide a cushion against bad loans and provide the ability to acquire other banks seeking to be acquired or merged. The acceptance of this proposal would require the resignation of all but two of the current board members so that members of the Cherry Group could take their place. The Board of Directors of Park Sterling Bank faced a monumental decision.

INTRODUCTION

Park Sterling Bank began operations in 2006 in Charlotte, North Carolina after the Organizers completed a capital raise of $45 million. This was the largest capital raise in North Carolina history for a community bank. The bank experienced rapid growth and its prospects appeared quite attractive. Accordingly, investors bid up the price of the stock from the initial $10 per share to $18.75 in the first year of operations. The bank's growth was fueled by real estate lending. When the economy soured and real estate prices declined, the bank faced significant challenges managing its loan portfolio. Management felt that a change in strategy was required. A group of former Wachovia executives presented a proposal to partner with Park

Sterling. The acceptance of this proposal offered the opportunity to raise additional capital which would provide a cushion against the souring loan portfolio and provide cash that could be used to acquire weaker banking franchises. The Board of Directors of Park Sterling Bank faced a monumental decision. Accepting the proposal would bring much needed capital. However, it would also significantly change the character of the bank. Should the Board continue on its current path or should it accept the proposal? An immediate decision was required.

PARK STERLING BANK

The bank was led by Bryan Kennedy and Frank Ix. Bryan most recently served as President of the North Carolina market for Regions Bank. Frank most recently served in an executive position with RBC Bank. Each possessed a wealth of banking experience, strong ties to the Charlotte community and contacts throughout the state. Larry Carroll, a nationally recognized financial planner, served as Chair of the Board of Directors.

Table 1 – Committees of the Board of Directors

Executive	Loan	Audit
Larry Carroll, Chair	Averill Harkey, Chair	David Bishop, Chair
Tom Henson	Bailey Patrick	Mike Evans
Wil Webb	Chip Mark	Anne Leggett
Steve Luquire	Hooper Hardison	Shawn Quillan
Bryan Kennedy	Carl Showater	
Frank Ix		

A charter that delineated the responsibilities of each committee was written and approved by each committee and adopted by the full Board of Directors (see Table 1).
Park Sterling Bank began operations in October 2006. A calendar year was adopted. Accordingly, the first reporting period was for a short year. The bank had total assets of $68 million at year-end. Total assets increased to $246.7 million at December 31 of the following year which was its first full year of operation.

Shares of Park Sterling Bank were issued at $10. Investors noted the rapid growth of the bank. Further, there was a sense in the Charlotte community that Park Sterling Bank was in the enviable position of having sufficient capital to fuel growth, a strong management team and a strong Board of Directors. Accordingly, the shares were bid up in price. It should be noted that there was not a lot of float and there were only two market makers in the stock. Accordingly, one trade could move the stock price significantly. This was particularly true if a market order as opposed to a limit order was placed.

Within a year of commencing operations, shares traded at $18.75. It was a great time to be a part of Park Sterling Bank. The bank was growing like crazy. Future prospects looked fantastic and the stock price had taken off. This was particularly exciting to the board members and management and staff because this represented a significant gain on their initial investment. The board members and senior staff had each invested a minimum of $100,000 as part of the initial capitalization of the bank. Further, all owned options to purchase additional shares at the

initial $10 stock price. What a potential windfall! Unfortunately, the stock price began a steady decline from its high water mark. This did not cause any consternation among the Park Sterling team. It was felt that the stock had been subjected to irrational exuberance and was due to come back to earth.

STRATEGY

The bank's initial strategy was to market "comfortable banking" (i.e., high touch, fast decision making, long-term relationships) to professionals, small business owners and real estate developers. The real estate market in Charlotte was "sizzling" at the time of the bank's opening. New projects were being announced and started all over the Charlotte region. Park Sterling had cash from its capital raise to leverage. Generally, each dollar of capital could support $10 of assets. Thus, $45 million of capital was deemed sufficient to grow into a bank with approximately $450 million in assets.

The bankers hired by Park Sterling were quite successful in bringing business (i.e. loans and deposits) with them. Further, these individuals had worked in the Charlotte market for years so it was relatively easy to attract new business to the bank. Borrowers were attracted to the fact that all decision making was local. Further, decisions could be made in a timely fashion.

Loans made by a bank must be funded in some way. Initially, some of the bank's original capital was utilized to fund loans. Deposits are another source of funding. Deposits come in two broad categories: core deposits and wholesale deposits. Core deposits are those obtained in the bank's local market(s). Core deposits (i.e. monies deposited locally in checking, savings and money market accounts and certificates of deposit) are valued more because they are more likely to remain with the bank for longer periods of time irrespective of changes in interest rates. Wholesale deposits are those acquired through brokers. Depositors are typically looking for the highest rate of interest they can receive. Accordingly, these deposits are sometimes referred to as "hot money" because the depositor has no loyalty to the bank. The depositor will move the money to another bank whenever a more attractive rate of interest can be obtained. There was tremendous competition for core deposits in the Charlotte market after Park Sterling Bank commenced operations.

Financial Position and Operating Results

At the end of 2008, the second full year of operations, the Bank's assets totaled $428 million. A profit of $1.546 million was reported. This amount included a one-time gain ($1.514 million) for the recognition of a tax-deferred asset. The Bank became "cash positive" relatively quickly in its existence and became profitable in its 7th full quarter of operations.

CHANGE IN THE ECONOMY

Banks were beginning to experience a deterioration in the quality of their loan portfolio. Loan defaults were increasing and declines in the value of real estate were experienced. Further,

interest rates had declined significantly since Park Sterling began operations. Since most loans carry a variable interest rate, a decline in interest rates led to a decline in interest income. A key metric was to maintain an attractive net interest margin and to continuously perform gap analysis.

THE NEED FOR CAPITAL

As stated previously, the Board of Directors of Park Sterling Bank recognized that additional capital was required if the bank were to continue growing. Initially, two alternatives were considered.

- Issue additional shares of stock
- Issue debt securities

The Board did not view the issuance of new shares of stock favorably. The stock price had declined significantly in value. Shares now traded below the $10 initial price and below book value per share. Issuing new shares ran the risk of dilution which would lead to further declines in the price of the stock. Accordingly, the Board focused on issuing debt securities.

The Board approved the issuance of subordinated debentures. The securities carried a coupon rate of 11%. Interest was paid quarterly. They matured in 10 years. However, the bank had the right to redeem the debt after 5 years of issuance at par. The minimum investment was $50,000.

A total of $6.9 million was raised. The Board had hoped to raise $10 million. However, this amount provided sufficient capital for growth for an additional 2-3 years. The capital raise also increased the Bank's risk-based capital ratio to approximately 13.5%, well above the 10% threshold required to be considered "well-capitalized." It was clear that this was a short-term solution. It was hoped that another capital raise could be conducted once the economy improved and the banking sector returned to favor among the investment community.

CHANGE IN STRATEGY

The strategy that fueled Park Sterling's growth began to show cracks during 2009. First, regulators changed their stance toward wholesale funding. They encouraged banks to reduce their reliance on such funding by emphasizing core deposits. The initial business plan adopted by Park Sterling allowed for wholesale funding to comprise up to 70% of total deposits. This was clearly unacceptable in the current banking environment. The decision was made to curtail the use of wholesale funding. Further, a concerted effort was made to de-emphasize real estate lending. At the end of the 2008, real estate loans comprised 88% of the total loan portfolio. Commercial loans comprised 10% of the total. The goal was to correct this imbalance.

The Charlotte region had lagged the country in feeling the adverse effects of the declining real estate market. For a while, it was felt that "our neck of the woods" was immune from such woes. It turned out that the problems experienced by banks elsewhere eventually surfaced here.

THIRD FULL YEAR OF OPERATIONS

At the end of 2009, the 3rd full year of operations, assets totaled $473 million, an increase of 10.5% over the prior year. Real estate loans comprised 87.8% of the total loan portfolio. Commercial real estate loans as a percent of total loans fell from 68.42% at the end of 2007 to 63.74%. Net income for the year was $577,000. While this amount was substantially lower than the previous year, one must be reminded that 2008 net income included a substantial one-time gain.

Community banks were under tremendous pressure. Two North Carolina banks, Cape Fear and Cooperative, failed. Both were based in Wilmington. Others were fighting for survival. Most community banks had relied heavily on real estate loans for growth. Now that such loans were souring, a number of banks faced the daunting challenge of needing to raise additional capital at a time when the banking sector was out of favor.

PARTNERSHIP PROPOSAL

During the 1st quarter of 2010, senior management received a proposal from the Cherry Group to partner together to create an $8 to $10 billion banking franchise with operations in the Carolinas and Virginia. The Cherry Group was led by Jim Cherry. Jim possessed over 30 years of banking experience. He served as CEO of Mid-Atlantic Banking and Regional Executive/President of Virginia Banking for Wachovia Bank. Initially, the Cherry Group proposed to raise $400 million in capital by issuing new shares of stock. It was estimated that new shares could be issued at a price of $9 - $11 per share. Shares were currently trading in the $6.50 range. So the capital raise would give an immediate lift to the price of Park Sterling's stock. Armed with fresh capital, the new management team would seek to make acquisitions in markets that they knew well. Further, the goal was to avoid banks that were at or near failure. FDIC assisted deals would not be a primary focus. Instead, the focus would be on banks that lacked depth of management, limited access to capital, with "tired directors" and those in attractive markets seeking merger/buyout opportunities.

Bryan Kennedy, President of Park Sterling, advocated for the Board to accept the proposal. He felt that this was an attractive opportunity to enhance the wealth of our shareholders over the long-term. The additional capital would clearly allow Park Sterling to address the problems in its loan portfolio (i.e. provide defensive capital). The bank would also be armed with plenty of offensive capital to be used for bank acquisition and organic growth (i.e. growing by adding branches/loan production offices in new markets and adding new products).

After considerable discussion, the Board decided to pursue the partnership proposal. Keefe, Bruyette & Woods was engaged as the lead manager and sole book runner. Sandler O'Neill + Partners, L.P., Morgan Keegan & Company and Scott & Stringfellow were selected to serve as co-managers. The proposed new top management team conducted presentations across the country to explain the proposed strategy and to sell potential investors on the potential of the "new Park Sterling." Upon completion of the road show, the board learned that the targeted

capital raise and pricing might be overly optimistic. The investment banker advised that the amount that could be raised would approximate $230 million at a price in the $7 - $9 range. The Board was informed of the date that the deal would be priced. The group was instructed that they would have 30 minutes to accept or reject the deal. Given the limited time to make a decision, the Board appointed a "Pricing Committee" to receive the call from the investment banker, assess the proposed deal terms, and provide an accept/reject answer to the investment banker.

The call arrived at the appointed hour. The investment banker informed the Pricing Committee that some of the potential investors had backed out. The proposed stock offering would only raise $150 million at $6.50 per share. This was disappointing news to say the least. Some of the Pricing Committee members posed questions. Others vented their frustration at the investment bankers. While none of the Pricing Committee members was pleased with the turn of events, the clock was ticking and a decision was required.

ARE MOROCCO'S PHOSPHATE PRICES FIZZING OUT OF CONTROL?

Charles A. Rarick, Purdue University Calumet
Gideon Falk, Purdue University Calumet
Casimir C. Barczyk, Purdue University Calumet

CASE DESCRIPTION

This case explores the geopolitical and human rights issues involved in the phosphate industry in Morocco. With an increasing global demand for phosphate, and the growing concentration of the industry in favor of Morocco, concerns over who controls the disputed territory of Western Sahara and how much power Morocco has over global sourcing have arisen. A secondary issue examined in this case is the ethical question as to whether a country has the right to maximize its prosperity at the expense of other nations. The case is written at a difficulty level of three, appropriate for junior level courses. It is designed to be taught in one class hour and is expected to require 2-3 hours of outside preparation by students.

CASE SYNOPSIS

Morocco is frequently envisioned as a mysterious and colorful place situated south of Spain on the African continent. It is a land rich in colors, cuisine, and culture – viewed by many Western tourists as a destination glimmering with sun and sand. The case examines another side of Morocco, which is capitalizing on the global demand for phosphate, an increasingly valuable natural resource. Approximately 35% of the world's phosphate reserves are found around Morocco, with much of it in Western Sahara, an occupied territory directly to its south. Also, 45% of world export is exported by Morocco. Morocco claims Western Sahara as its own, exerting dominance and control over this small impoverished no-mans-land. This case examines the economic, political, and ethical dimensions of the world's demand for phosphate.

INTRODUCTION

When many people think of Morocco they envision an enchanted land of unique colors, cuisine, architecture, and perhaps mystery. A popular tourist destination for Europeans seeking sun and sand, Morocco is viewed as a quick and unique escape from the ordinary lives of many Westerners. Morocco has another side – one that has recently caught the attention of both the business community and various human rights groups. A leading export for Morocco is phosphate, which is mined both in Morocco and in the disputed territory of Western Sahara. With increasing global demand for phosphate and much of the resource located in the disputed territory, calls for the independence of Western Sahara are becoming increasingly resonant.

Equally loud are the calls for a reduction of Morocco's market position power in phosphate production. Phosphate mining has been very beneficial for the Moroccan economy. Through the progressive social and economic policies of its monarch, Morocco has advanced its economic standing and human development. This development, however, may have come at the cost of the people who live in Western Sahara, a territory held by Morocco against the decisions made by the United Nations (U.N.).

MOROCCO AND WESTERN SAHARA

The Kingdom of Morocco is located in the extreme Northwest corner of the African continent, a short distance across the Strait of Gibraltar from Spain (Figure 1). Morocco has an estimated population of 34 million people with a per capita GDP of approximately $4,500 (PPP). The government is a constitutional monarchy headed by King Mohammed VI, who is chief of state and exercises much power over the country, including management of its natural resources. He has led a successful campaign to improve the standard of living of his people and is generally well-liked by the people of Morocco, even though his lavish lifestyle and multiple palaces may seem incongruent with the poverty that exists throughout his country. Recent unrest in the Middle East and North Africa over the legitimacy of some rulers has touched Morocco, but the protests have been moderate. The king's strategy to increase phosphate prices in an effort to provide Morocco with a higher standard of living may be having the desirable effect of enhancing the image of the regime in the eyes of the Moroccan people.

Morocco is a sovereign state, but like many African countries has a history of foreign influence. In the early 1800s Morocco was a French protectorate with Spain playing a role in the northern and southern areas of the country. Morocco became independent in 1956 but Spain continued to occupy the territory adjacent to its southern border known as Western Sahara till the mid-seventies. In 1975 the International Court of Justice ruled against the Moroccan claim to the territory. In response, Morocco sent 350,000 of its people into Western Sahara to stake its claim. This *Green March* changed the demographic mix of Western Sahara and was the beginning of Moroccan dominance over the territory. Morocco's claim over Western Sahara continues to be a point of conflict within the international community and at the U.N.

In 2010 riots broke out in Western Sahara over poor living conditions and a lack of job opportunities for the native people, the Sahrawi. The Polisario Front, a separatist movement, has been waging a war against Morocco, seeking independence for the native people of Western Sahara who occupy the land they call the Sahrawi Arab Democratic Republic. Tension between Morocco's government and the Sahrawi people is strong, even though Morocco has provided economic development to Western Sahara. Morocco agreed to a vote on self-determination but debate over who would be eligible to vote has repeatedly delayed an election. There is also concern that neighboring Algeria, which supports Sahrawian independence, would eventually seize control over Western Sahara. At the moment, Western Sahara is considered an *occupied territory* by the United Nations. The UN has called for its independence and has maintained a small peacekeeping force in the area. Morocco has agreed to an arrangement for Western

Saharan autonomy, but that proposal has been rejected by the Polisario. The issue of complete independence and control over the territory's natural resources is a major point of conflict.

PHOSPHATE – A PRECIOUS ROCK

Phosphate and its Importance

Phosphate is a non-metallic mineral containing the element phosphorous, which is a vital commodity in the production of food and in many industrial applications. In combination with calcium, phosphorus is essential to human life. It is needed in many stages of human development – in utero, in childhood, in puberty, and in later life to maintain bone mass. Phosphate is also an essential nutrient for animal life. Over 90% of rock phosphate is used to produce fertilizers. There is no substitute for phosphate in fertilizers.

Phosphate is derived from a natural resource called phosphate rock. While phosphate rock is mined in several countries throughout the globe, Morocco currently supplies approximately 45% of the world's phosphate demand. Significant reserves still exist in China and other countries according to the U.S. Geological Survey. However, a troubling report by the International Fertilizer Development Center (IFDC) concerning its geological survey reveals that Morocco may possess 85% of the world's phosphate reserves, much of which is found in Western Sahara. If it were not for an increasingly valuable natural resource, the issue of independence and human rights for the people of Western Sahara would not attract much attention.

Uses

Many industries use phosphate in their manufacturing processes. It is a critical element in the production of fertilizer and most of the world's supply is used for that purpose. It is also used in detergents and cleaning products. In addition, it is used for various industrial and technical applications such as paints and coatings, ceramics, and as a food nutrient. Phosphate is a key ingredient in the production of food. Industries that produce baked goods, beverages, dairy products, egg products, canned fruit and vegetables, pasta, pet foods, poultry products and seafood all require phosphate. In addition, phosphates are used to manufacture many pharmaceutical and personal care products. Phosphate is also needed for the production of lithium-ion batteries, including those used in electric vehicles.

Demand

As the production of electric vehicles grows, it is expected that demand for phosphate will grow as well. Global phosphate demand and use has risen significantly since 1995 and this growth is projected to continue in the future. With supplies of phosphate decreasing rapidly in many countries, the Moroccan supply remains stable, thus enhancing the country's market position. Phosphate supplies are expected to be exhausted in the United States in the next 40

years while Morocco, with its control over Western Sahara, has at least a 300 year supply. As a result of the shifting power of Morocco and its desire to control market prices, the cost of a ton of phosphate has gone from its decades-long price of $40 to, at times, over $500 a ton. Morocco's state-owned monopoly, the Office Cherifien des Phosphates (OCP), has pushed for higher prices in order to support the King's ambitious social and economic development plans.

Adding to the power of the OCP is the fact that phosphate has no substitutes. While other monopolies and cartels may have substitute products to ease market dominance, no viable substitute for phosphate has been developed. Without phosphate, global food production would decrease, leading to possible mass starvation in poorer countries. While phosphate may not attract the media and political attention of other commodities such as oil, it is a precious commodity for the health and welfare of humans.

In August 2001 the price for a metric ton of phosphates was $41. From August 2001 to April 2007 prices per ton gradually increased to $45.50. Prices jumped to $54 in May 2007 and to $80 by November 2007. The prices rose to $135 in December 2007, $190 in early 2008, $323 in March 2008, and $367 in April. They reached a peak of $430 in August 2008. Prices declined to $414 in October 2008, $250 in November, $265 in January 2009 and $90 in July 2009. The price of phosphate eventually stabilized at $197.5 per metric ton in July 2011.

DIFFICULT QUESTIONS

There are a number of difficult questions concerning Morocco's political and economic involvement in the world's phosphate market. Among the chief concerns is the situation in Western Sahara. Morocco's occupation of this disputed territory since 1975 has resulted in many Sahrawi living in refugee camps in Algeria. There have been allegations of an extreme police-like state in Laayoune, a major city in Western Sahara. The government of Morocco has been accused of engaging in human rights abuses against the people of Western Sahara and ethnic cleansing.

Observers have pointed out the apparent irony in the United States' support of the Moroccan government, which is essentially an occupying country, resulting in the suppression of the right of Western Sahara's people to self-determination and its desire to become an independent republic. Morocco and the United States have a strong political and economic relationship, one that goes back to the American Revolutionary War. Morocco was the first country to request diplomatic relations in 1777 with the young government of the United States. Morocco and the United States enjoy the benefits of a bilateral free trade agreement, and the U.S. considers it an important ally in its war on terror. Morocco has at least two assets that are important to the U.S. One is the phosphate mined in the country. The second is a friendly Muslim country in a part of the world where friends for the United States are in short supply. The United States government tracks statistics on the amount of phosphate mined in Western Sahara, but does not release the data to the public, most likely for political reasons.

In August 2010, BHP Billiton, a US-Australian conglomerate, planned to acquire PotashCorp (PCS), a Canadian fertilizer firm based in Saskatoon, Saskatchewan. PCS imports phosphate from Morocco and Western Sahara, which it processes at its Canadian facilities. PCS

is currently the largest fertilizer producer and the third largest phosphate producer in the world. After three months of negotiations, BPH Billiton withdrew its planned takeover of PCS, a move precipitated by the Canadian government's blockage of the acquisition because of its opposition to the Moroccan occupation of Western Sahara.

To date, no state or international organization recognizes Morocco's sovereignty over Western Sahara. The U.N. is working to decolonize Western Sahara, the last colony in Africa. In addition, the U.N. has repeatedly stated that Morocco's illegal occupation must end. Because PCS is the largest buyer of phosphates mined in Morocco and Western Sahara, its purchases support the continued Moroccan occupation. Further, PCS's business activities run counter to the U.N.'s initiatives to resolve the Western Saharan conflict.

Also of concern is Morocco's current position in the world phosphate market. Questions can be raised that an effort to drive prices as high as possible will adversely affect world food production and cause great hardship for poor nations. Morocco hopes to leverage its large phosphate reserves and its proximity to Europe to develop its economy. It has recently liberalized its economic structure and encouraged entrepreneurship among its people. Morocco is attracting foreign investment and attempting to develop competitive positions in tourism, textiles, agriculture, electronics, and aeronautical components. At the same time, there is concern over how this economic development will be funded.

DISCUSSION QUESTIONS

1. Does a country, rich or poor, have the right to maximize its prosperity at the expense of other nations? Explain your answer.
2. What is the relationship between politics and international trade?
3. Human rights groups in some countries have proposed a ban on the import of Moroccan phosphate because of the political and human rights situation in Western Sahara. Do you feel your country should do business with a country that is in conflict with the rulings of both the United Nations and the International Court of Justice? Explain.
4. If you were an executive in either PotashCorp or the American-Australian-owned BHP Billiton, would you continue purchasing Moroccan/Western Saharan phosphates, which seems to ignore the plight of the Sahrawi people? What alternatives do you have?

REFERENCES AVAILABLE UPON REQUEST

MEASURING WORKING-CAPITAL EFFICIENCIES AT BEST BUY

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

CASE DESCRIPTION

The primary subject matter of this case is the introduction of a new metric that can be used to gauge the degree to which retailers have achieved working-capital efficiencies. Financial-statement data for Best Buy is used to illustrate how this metric provides insight into the multiple ways in which powerful retailers use clout with suppliers to reduce funds tied up in working capital. This case has a difficulty level of two; the case is appropriate for Principles of Financial Accounting, Introduction to Financial Management, Marketing Principles, and Intermediate Accounting courses. This case can be taught in 30 to 45 minutes of class time and is expected to require 30 to 45 minutes of outside preparation by students.

CASE SYNOPSIS

Financial-statement data for Best Buy is used to acquaint students with the calculation and usefulness of Excess Days, a relatively new metric that focuses on the relationship between a firm's days' sales in inventory and its days' purchases in accounts payable (Gosman & Kelly, 2003). Students learn how to recognize the multiple strategies that Best Buy implemented to achieve working-capital efficiencies. In addition, they discover how to calculate the reduction in working capital that Best Buy achieved by simultaneously decreasing its days' sales in inventory and increasing its days' purchases in accounts payable.

INTRODUCTION

Retail sales have become much more concentrated since the early 1990s. By 2010, the top ten U.S. retailers (including Best Buy) sold $810 billion of merchandise in the U.S., representing 25.8% of overall U.S. non-auto retail sales for that year (Stores Magazine, 2011 and U.S. Census Bureau, 2012). As sales become more concentrated, the top retailers account for a greater proportion of their suppliers' sales and, as a result, increase their ability to exert clout over their suppliers. This clout could enable large retailers to (1) transfer inventory risk by holding fewer of the suppliers' goods in their stores and distribution centers and (2) take longer to pay for purchases. Because the metric Excess Days addresses the relationship between a firm's days' sales in inventory and its days' purchases in accounts payable, it can provide insight into the degree to which large retailers have achieved working-capital efficiencies.

EXCESS DAYS

Excess funds tied up in working capital can be unproductive and costly. It has been widely recognized for decades that most firms have achieved working-capital efficiencies by holding less inventory. However, only more recently have the efficiencies possible from taking longer to pay for merchandise purchases (accounts-payable stretching) been considered (Gosman, Kelly, Olsson, & Warfield, 2004). A focus on *both* inventory and accounts payable levels is appropriate because increases in current liabilities can reduce firms' working-capital investments just as effectively as decreases in current assets. When these changes occur *simultaneously*, firms can achieve even greater reductions in the funds tied up in working capital. Excess Days measures the extent to which firms have reduced their investment in inventory and/or slowed their payment of accounts payables. It is calculated as follows:

Days' sales in inventory (average inventory ÷ average daily cost of goods sold)
Less: Days' purchases in accounts payable (average accounts payable ÷ average daily purchases) = Excess Days

Days' sales in inventory (DSI) measures the days that merchandise remains on the retailer's shelves before being sold. Days' purchases in accounts payable measures the time that passes between the date goods are acquired from the supplier and the date the supplier is paid for the merchandise. Each measure can be calculated directly as shown above or indirectly by dividing a turnover measurement into 365; for example, 365 ÷ inventory turnover = days' sales in inventory.

With the Excess Days metric, as with golf scores and bad cholesterol, a LOWER number is better. Retailers that are able to reduce their Excess Days by decreasing DSI and/or increasing DPAP will improve their working-capital management, by shortening the time period between when they need to pay the supplier for the merchandise and when they subsequently sell the goods. Should this metric come to be zero or negative, it would signify that the firm sold its merchandise *before* having to pay for it. In those instances where the retailer books few receivables (because its customers charge using a generic or co-branded national credit card or the firm's own card administered by a third-party bank), the situation is even more favorable. Here zero or negative excess days would indicate that the firm's customers, in effect, were paying its suppliers, since the retailer under this scenario would receive cash from the sale of the merchandise at the time of sale, *before* having to pay for it. The implications for cash flows and working-capital management are very favorable.

MEASURING WORKING-CAPITAL EFFICIENCIES

Working-capital efficiencies achieved over a period of time can be measured by examining changes that have occurred in a firm's DSI and DPAP. Actual working capital for a given retailer would be compared to pro-forma working capital, the investment that would have been needed if the firm's DSI and DPAP had not improved. Given the retailer's current cost of

goods sold and purchases, how much more inventory would have been stocked if the firm had not lowered its DSI and how many fewer accounts payable would have been carried if the firm had not increased its DPAP?

In the discussion questions that follow, students reflect upon the multiple strategies that Best Buy implemented to achieve working-capital efficiencies. In addition, they consider the dollar reduction in working capital that Best Buy achieved through these actions.

QUESTIONS FOR DISCUSSION

1. Financial-statement data pertaining to Best Buy's Excess Days for 1994 and 2010 are presented in Table 1. Which two actions did Best Buy take to improve its working-capital efficiency during the 1994-2010 period? Which action produced the greater improvement? Explain why a sole focus on days' sales in inventory would have been too limited.

Table 1: Excess Days for Best Buy, 1994 and 2010

	1994	2010
Average inventory	$772,813,500	$5,691,500,000
÷ Average daily cost of goods sold	$12,018,872	$103,106,884
= Days' sales in inventory (DSI)	64.3	55.2
Average accounts payable	$350,371,000	$5,085,000,000
÷ Average daily purchases	$12,787,263	$104,200,820
= Days' purchases in accounts payable (DPAP)	27.4	48.8
Excess Days (DSI - DPAP)	36.9	6.4

2.. In Table 2, Best Buy's Excess-Days data for 2010 (shown in Table 1) are adjusted (pro-forma) to illustrate how much higher the firm's average working-capital balance would have been if it had not achieved supply-chain economies over the 1994-2010 period. Calculate the dollar amount by which Best Buy was able to reduce its working capital for 2010 as a result of reducing its DSI and increasing its DPAP from their 1994 levels.

Table 2: Best Buy's Reduction in Working Capital from Supply-Chain Economies

	2010 Pro Forma	2010 Actual	WC Efficiencies	Ave. WC Balance
Actual Working Capital, 2010				$1,699,000,000
Average daily cost of goods sold	$103,106,884	$103,106,884		
X DSI	64.3	55.2		
= Average inventory	$6,629,772,641	$5,691,500,000	$938,272,641	
Average daily purchases	$104,200,820	$104,200,820		
X DPAP	27.4	48.8		
= Average accounts payable	$2,855,102,468	$5,085,000,000	$2,229,897,532	$3,168,170,173
Pro-Forma Working Capital, 2010				$4,867,170,173

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THE MOST DANGEROUS WOMAN IN AMERICA: PAULA DEEN'S ETHICAL ISSUES

Phyllis G. Holland, Valdosta State University

ABSTRACT

On January 17, 2012, Paula Deen, famous for high calorie Southern cooking, went public with what amounted to an open secret: She had been diagnosed three years earlier with Type 2 Diabetes. During that three year period, she had continued to promote the type of foods that most people view as causing or at least contributing to diabetes. It appeared that people were lining up to sneer at her, AND to question her judgment as well as her ethics. There is an often quoted test for judging the ethics of a decision: Imagine yourself explaining your decision on TV. The Food Network celebrity found herself in this situation as she explained her decision to keep her diagnosis of Type 2 diabetes a secret for three years. She timed her announcement to coincide with the announcement of her endorsement and contract with a diabetes drug manufacturer.

While diet is a risk factor for diabetes, it is far from the only risk factor. Other factors include age, activity level, and family history. Diabetes is a serious disease and can lead to other conditions which are life-threatening. Approximately 23 million Americans have the condition and because early symptoms are mild or nonexistent, they may not be aware of it. Students should realize, however, that food is not the only cause and that people may not eat everything that they see on television.

Paula Deen Enterprises' holdings and interests go well beyond food and are estimated to be worth approximately $10 million annually. The case requires students to review the ethical and financial implications of her decision. What is the responsibility of a personality such as Paula Deen to her fans? How should this responsibility affect her business decisions in the future? What steps should be taken to control damage to the Paula Deen brand?

LANDSLIDE DEVELOPMENT CORPORATION: A CASE STUDY

Kevin R. Howell, Appalachian State University
Scott Crockett, Keiger Printing Company

CASE DESCRIPTION

The primary subject matter of this case is a family owned media agency that has found itself in a business relationship that has soured. Secondary issues include ethical dilemmas with a family owned business. This case was designed for use in a Senior Level Leadership in Technical Settings course. The case is also appropriate for use in a undergraduate business ethics course or management course. The case is designed to be taught in one class hour and is expected to require approximately 2 hours of outside preparation by students.

CASE SYNOPSIS

This case has a myriad of issues involved. It focuses on the management of a real estate development company. The company is growing and is presented with an opportunity to move their operation to the next level. A media company that understands utilizing a specific data mining technique to provide can't miss contact information to the development company to rent out their properties. Marital infidelity causes one member of the development company to sabotage the whole operation. The media company has invested heavily in the project. They expect a large return on their investment and instead find themselves as an unwitting 3rd member of relationship triangle.

INTRODUCTION

Jim Benson sat staring at his telephone. He couldn't believe the call he had just received. He had just celebrated his 50th birthday and no one had ever spoken to him that way. The call was from Richard Williams. Williams and his wife Josephine ran Misty Glen Development. MGD as it has become known is in Big Bear Lake, California. It is a beautiful setting in the middle of the San Bernardino National Forest. The location seemed ideal, almost midway between Los Angeles and Las Vegas. Who would have known that it could have gone this poorly?

Jim had plans on this being the big one for his company. He was the CEO of the Champion Brothers Agency. The agency specialized in digital printing and web development services. Specifically, they specialized in the analytics of sorting through databases to find just the right people for a given activity. The technique was held in highest secrecy by the agency. They had subscriptions to numerous mailing lists. All of the lists had specific information about individuals. The analysts employed here, combed through multiple mailing lists to find the same

people on multiple lists that had the correct interests. He had matched up numerous groups before. The last successful match was for a golf resort that wanted to increase their occupancy rates. Champion Brothers had promised the resort 30 guaranteed bookings per week. The resort had decided that was all of the new business they could handle. The resort didn't realize that Champion Brothers could have given them 500 per week if they could handle the traffic.

MGD had needed only 15 leads per week. Jim had been working with Williams and his wife Josephine for almost a year now. Even though the process of providing leads for cabins would seem similar to that of the golf resort, it actually required very different information. As it turned out, the "leads" that would almost always book rooms, were dominated by church and family groups on outings. The church group data sets were something Champion Brothers had never invested in. This would be a serious new cost for the agency. Benson looked at this investment as the foundation of a new market that Champion Brothers would soon dominate. There were markets across the country exactly the same as Big Bear. Soon Champion Brothers would duplicate the campaign with similar locations in Branson, Jackson Hole, Hot Springs and more places than he could count. This was the big one that he had been waiting for.

MISTY GLEN DEVELOPMENT

Misty Glen Development had two operations. Richard ran the construction group and Josephine managed the rentals. Business had been good but not great. The cabins ranged from 800 square foot 2 bedroom cabins to 10,000 square foot 7 bedroom behemoths. The finishes used in the different floor plans varied widely. This resulted in a huge range of prices for ownership in the cabins. The bare bones model could be purchased for less than $300,000. The most expensive model sold so far for just under 3 million. Richard knew that he needed to keep building units to keep the revenue stream strong. The biggest selling point was that the units would stay rented, thus providing the owners with a steady profit on their investment. Richard and Josephine worked closely on finding new renters to keep occupancy rates up.

Out of the blue, some guy called Josephine and introduced himself as the CEO of some agency that was making big promises about new clients. Richard was skeptical. Benson had showed up with a very polished presentation about some golf resort that was doing gangbuster business. The occupancy rates had gone from just under 50% to just over 90%. Williams was doing the math in his head about the money to be made if all of the cabins he was building were full all of the time.

Josephine wanted to know about the process and what her role would be in booking the cabins. Richard had questions of his own. Jim flew to Big Bear to make a formal presentation to all of the managers at Misty Glen. After everyone involved signed a non-disclosure agreement. He described his goals for their campaign and all of the details of the process for gathering the "hot leads" for the rental system. Normally, he would book the reservations in house at Champion Brothers. Since that would basically eliminate Josephine's role, Jim adjusted the system to provide Josephine's office with all of the contact information. The staff of the rental group would make cold calls or answer incoming calls from direct mail solicitations and book the rooms. Richard asked about the feasibility of generating actual customers. Jim pulled out a

list that the staff had already generated and asked Richard to pick a name from the list. He looked amused but selected one half-way down the list. Jim pulled out his phone and dialed the number. A woman answered the phone. Jim worked through the prepared script like a pro. Richard could tell the prospect was excited about the offer. She said that her Woman's Club was looking for a location for an upcoming retreat and Misty Glen sounded perfect. She asked for a number to call him back after she talked to the officers of the club. Jim gave her the callback number and directed her to the website for more specific information. After they hung up, he looked at Richard and said there is your first client in our new program. Richard was still skeptical. He said that it couldn't be that easy. Jim explained that his system gathered information from many sources and only selected people that really wanted to hear about the offer. He explained that it was like reading peoples minds about their needs. Jim looked at Josephine and said imagine you were out of bananas. You were getting your coat on to go to the market and buy a fresh bunch. All of a sudden there is a knock on the door and there is a person on your porch selling bananas. How great would that be? Every name I give you is looking to rent a cabin in the vicinity of Big Bear California. All you need to do is get to them before your competition does. Jim answered a series of other questions about technical things and expectations.

Richard said that he and Josephine needed to think for a couple of days and then make a decision.

THE WILLIAMS SITUATION

Josephine and Richard had been having some marital problems. She was loosing trust in him. There were all kinds of signs that didn't look good. He seemed to be coming home later and later. There were all of these trips to trade shows and vendor meetings. She finally got up the courage to confront him about it. He denied it and a huge argument ensued. After the name calling subsided, they went to separate bedrooms and called it a night. Josephine decided that she needed some proof before confronting him again.

Josephine called a few of her friends to go out and talk about her suspicions over drinks. Her friends happily met her at the Brigantine, a local bar and grill. She told them the whole story. They talked for several hours about her suspicions. They decided to have some of their other friends to perform some detective work. Her friends were afraid of being spotted, so they talked to a private investigator. For a couple of hundred dollars he would do a quick analysis of the situation and if he thought something was actually going on, recommend the proper course of action.

Wes Chamberlin had been in the private investigation business for 15 years. He had seen a lot in his time, some very sneaky polished cheaters and some others that were oblivious to anyone seeing their transgressions. Richard Williams fell into the latter category. In the first hour, Wes observed Williams meeting a brunette at a local restaurant. He left the eatery and went to an apartment complex and disappeared inside. An hour later he emerged and went back to work. Three other days that week, Wes observed similar conduct. That was all he needed to hand proof to Josephine of Richard's affair.

Josephine was stunned with the proof of her suspicions. Armed with a packet of photographs, times and locations, she decided to confront Richard with the facts. The argument was epic. Lots of loud voices, accusations, tears ensued, followed by admissions. Richard was hesitant to admit his wrongdoing. Faced with the facts, he told the whole truth. He told Josephine that he really didn't want to be married to her anymore and she could leave with the clothes on her back and nothing else. She protested and told him at he was in the wrong and she would get everything. Richard explained that all of the business components were in his name. As were the house, cars, beach house and motorcycles. He asked Josephine to think about the prenuptial agreement she signed. He reminded her that if they were to divorce, they would leave with their own individual assets. Since everything was in his name, there was nothing for her to take. As for the affair, he was happy with the arrangement and it would continue. If she wanted to leave then she should leave. If she wanted to stay that was fine too. He was very clear about his future actions.

REVENGE

Josephine read and reread the contract. How could she have signed such a thing? How could she have let Richard put everything in his name? She consulted a lawyer later in the day, who gave her a glimmer of hope, but only a slight one. She could fight it out in court and maybe win only to have him appeal the decision. He could win, which would lead to an appeal of her own. No matter which route she took, any closure would be, at best, years away. It was then that she decided what her plan would be. The great life with the big house and lots of money was getting ready to go away. Her husband would continue on without her. She was going to sabotage the business, hopefully to the point that it would go under and take Richard with it.

She immediately stopped renting cabins. She let the phones ring when she thought a potential customer was on the line. Voicemails were routinely disregarded and deleted. The only cabins that were rented were to walk up customers. Those customers got very low prices for their rentals. Richard came by frequently and asked why the cabins were empty. Her standard answer was always the same, "Jim hasn't sent us any contacts". As a few weeks passed, the cabins started to sit vacant, potential buyers started asking Richard why the existing cabins were empty. Sales ground to a halt almost immediately. Richard asked Josephine to call Benson about the lack of contacts. Josephine said she would and continued on with her day. Later when Richard checked in she told him that Jim was checking on it. The same discussion played out the same way for 3 more days. Josephine never called Benson. The next day Richard was as the end of his rope with Champion Brothers. He called Jim Benson himself to get to the bottom of things. He started the call with an accusation that Champion Brothers had ruined his business. The banks were threatening to foreclose on several of his properties, next week would be the last week they could meet payroll and without workers, MGD was in serious trouble. Benson replied that Champion Brothers had provided MGD with 150 contacts over the past 10 weeks, just as their contract had specified. Williams called him a liar, said his lawyer would be in contact and slammed down the phone.

Benson called his IT manager and asked about the contacts. Shelly, the IT Manager said

everything was perfect on the data side of the house. The issue seems to be that no one at MGD was retrieving the names. Jim couldn't believe what he was hearing. They had trained Josephine on the system and she was consistently logging in. Why was she not using the contacts? Benson decided to go in person to MGD to get to the bottom of things.

SHOWDOWN AT MGD

When Benson arrived, the situation was nothing like he had seen earlier. The cabins were empty. There were probably 4 cabins under construction with no activity around them. The place was a ghost town. He started toward the rental office and stopped. Should he have brought some security with him? He pressed on. Richard and Josephine were the only ones in the office. Both had aged considerably since he had seen them last. Richard started toward Jim and asked why he was there? Jim said that he wanted to know why MGD wasn't using any of the contacts he had provided to them. Richard screamed that there were not any contacts. He said that Josephine hadn't had a contact in more than 2 months. Jim said that wasn't true and started walking toward Josephine's computer. Josephine didn't want to get out of her seat. She said the system didn't work and there were no names. Jim asked to see her screen. Reluctantly, she did give up her seat. Benson wiggled the mouse and the screen jumped to life. He clicked on the Champion Brothers icon and in a few seconds there were screen after screen of contact information. Benson said that his company has invested more than $200,000.00 in the system. It was his turn to be upset. What is going on here? It looks like you want the place to go under. You have all these names that want to come here and you never contact them? Do you want to go broke? It was at that moment, it hit Williams what had happened. He looked at Josephine and said you did this on purpose! She replied calmly but firmly, you were going to leave me with nothing. Now we are equal. She rose and walked out the door without speaking.

Benson was beside himself. Williams stood with his mouth open not knowing what to say. Benson walked out the door into the beautiful California Mountains to see Josephine's car disappearing in the distance. He got in his own car and drove in silence the 5 hours back to his office. What was he going to do? MGD was done. His company was down 200K. He called a meeting with his brother and the management at Champion Brothers. They had some serious decisions to make. Should they fold up the operation with MGD? The cabins were still there. Even though they were empty, they were in fact rentable. Champion Brothers knew the correct formula to put people in the cabins. Is there any hope of reconciliation with MGD? Knowing how much money was already invested, could they devise a plan to salvage the whole project?

BUT THEY DIDN'T TEACH ME THAT IN ACCOUNTING: THE PERILS OF PAULINE

Kurt R. Jesswein, Sam Houston State University

CASE DESCRIPTION

The case examines how specific accounting principles affect the analysis of a company's financial statements. The student takes the perspective of a highly-skilled recent graduate who is being "tested" by her new employer to ascertain how well she can perform with "real-world" financial data. The difficulty level of the case makes it appropriate for seniors or first year graduate students with sufficient accounting background, by either recently having completed intermediate accounting courses or for which adequate classroom review can be prepared for the task by the instructor. The case should take a maximum of two hours of class time and three hours of student preparation outside of class.

CASE SYNOPSIS

An excellent student with a stellar background, double-majoring in finance and accounting from a well-respected regional university, is attempting to make a favorable impression on her new employer. Her accounting courses provided her with an understanding of accounting and reporting rules, while her finance courses helped her develop key analytical skills. As a "test" of her abilities, her new employer has asked her to evaluate and analyze a set of financial statements. Although she has two very complementary skill sets, she finds that meshing the two can be very difficult as she struggles with the task, realizing how specific accounting principles need to be reinterpreted in light of their actual use in "the real world."

Most of the case involves the calculation and interpretation of a variety of specified financial ratios. Although appearing to be a straightforward application of simple metrics for evaluating the firm in question, she learns that nothing is necessarily as straightforward as it may have appeared in the sterile classroom environment.

In the case the students take the perspective of this newly hired bank analyst. They are asked to calculate and evaluate a specific set of ratios based on various data presented in the balance sheet and income statement of the firm, as well as selected accompanying footnotes. Many of the calculations involve first having to restate or reclassify different elements of the financial statements to incorporate information provided in the footnotes. Five distinct areas are examined in the case, namely the presence of operating leases, the expensing of research and development costs, the use of the LIFO inventory costing method, the capitalization of interest expenses, and the inclusion of depreciation expenses as a component of the cost of producing inventory for sale. Through the exercise the students become aware of how the impact of various accounting rules must be understood in the analysis of financial statements.

CULTURE DEVELOPMENT IN A SMALL OFFICE SUPPLY COMPANY

David Jones, Southern Wesleyan University

CASE DESCRIPTION

The principal focus of this case involves culture development within an office supply company. The difficulty level of this case would be a three, suitable for upper level, and graduate courses in management, human resources management, organizational development, and organizational behavior. The case is intended to be taught in 1, 75 minute session and is estimated to necessitate 2 hours of preparation by students outside of the classroom.

CASE SYNOPSIS

This case centers on the tactical and strategic management concerns faced by a family owned office supply company. The case specifically examines leadership implementation strategies within a single unit firm. What are the strategic decisions essential to successfully implementing corporate culture? What are the tactical questions to consider prior to organizational change?

[NOTE: This case is a real-life situation that has been fictionalized. Identifying information, to include names and locations, have been altered to safeguard identities. The germane circumstance is factual to the actual case.]

1 STOP OFFICE SUPPLIES

The general purpose of this case study on servant leadership is to examine the potential value of becoming a servant led organization and to highlight its positive implications within an office supply company that is family owned and operated. A further goal of the case study is to show the motivation behind transitioning a firm toward developing a servant leadership culture and how the community, employee, and company may all receive mutual benefit and increased value to each entity.

1 Stop Office Supplies is a family owned small business with retail, wholesale, and internet operations operating in the Carolina's. The company employs several after school students and a few outside sales representatives. Company culture is important to the owners and the thought of Lynne, the president, and Craig, the VP, is to keep all stakeholders in mind while a corporate framework of policies and procedures can be developed and implemented that will help to encourage and stimulate the organization and its servant leadership focus while aiding in achieving the goals of the organization. This will be accomplished through developing a servant leadership culture by means of a Charter for 1 Stop Office Supplies.

General theories of leadership that have been considered by management include ideas developed by Fiedler (1967), Burns (1978), Bass (1985), as well as Hersey and Blanchard (1993), will only be loosely tied to the anticipated and expected outcomes; whereas, the leadership model advanced by Greenleaf (1977) on servant leadership is the primary purpose of this case study. There are numerous reasons as to why an individual or a company might be motivated to become servant leaders; however, the greatest motivating factor of applying leadership development theory that will be addressed in relation to 1 Stop Office Supplies is indeed profit driven, as well as a belief that it is simply the best leadership model to address meeting the needs of the employee (internal customer). There is a hope that the demonstration of genuine servant leadership in 1 Stop Office Supplies will lead to employee growth.

There are several intrinsic and extrinsic reasons as to why Lynne and Craig are motivated to become servant leaders with the primary reason being a belief that it is simply the right thing to do for the greater good of mankind. Craig believes that another popular reason to practice servant leadership may be because it limits and reduces a risk exposure of an organization due to the fact that policies and procedures will be in place that will help an individual as opposed to policies that may create an adversarial relationship with the employee.

For many organizations, servant leadership might include being a form of marketing which potentially could lead to much greater sales which generally leads to greater profit; however, it is the development of the employee and attracting the right type of employee that is of importance to 1 Stop Office Supplies. The effort and cost associated with implementing servant leadership at Stop Office Supplies on virtually any level could be enormous; thereby, creating a need for determining the goal of the practice as well as the risk versus reward scenario. Lynne has made it clear that the reward must far exceed the risk and cost to consider implementing and subsequently continuing the practice.

Leadership Development

Many individuals might not view leadership development as a tool to be used with a profit driven corporation outside of the obvious employee issues relating to increased performance levels for the achievement of organizational goals and objectives. Lynne and Craig of 1 Stop Office Supplies are under the belief that having the ability to understand what inspires others can lead to corporate policies that may in fact result in greater profits for the organization as well as substantial growth of the follower. At 1 Stop Office Supplies, we believe that if profits are larger, then the opportunity to provide enhanced service to the follower and to the organization is improved. Lynne stated in a staff meeting that “a company that is in decline probably does not have the same ability to serve the follower in the same fashion as the ones that are growing profitably”. Craig agreed in principal with Lynne, however, added that “this does not mean that every dollar of profit will come back into the employee specifically; however, the potential is there for greater development of the employee to take place through training, or enhanced benefits, in a larger and perhaps more frequent manner”.

Training & Development

The owners of 1 Stop Office Supplies, as well as is the case with many organizations, are in fact the ones that take substantial risks to begin, and ultimately try and sustain an organization through the decisions they make. Many seem to assume that increasing shareholder wealth is the only meaningful reason to be in business and that most shareholders do not have a servant bone in their body, which is somewhat contrary to the goals and ideals of servant leadership. This may create a genuine problem for an organization in that the culture of the organization may have to be adjusted throughout the organization as a whole. 1Stop Office Supplies certainly has a need for profits, but Lynne told Craig that "we need to be a catalyst for positive change with our company".

Employees & Recruitment

Employees are an exceptionally integral aspect of 1 Stop Office Supplies and as such, it is very important in the mind of this business owner that employee buy-in become a necessary ingredient in order for servant leadership to meet its objectives. The overall goals and objectives of servant leadership may change periodically; however, the focus will always remain on improving the lives of the follower.

Community Example

Organizations are physically located in a particular geographical area; however, all organizations are certainly comprised of individuals that overall will make up a community. 1 Stop Office Supplies will adopt a business strategy and policy that is completely inclusive of many concerns of its employees which may include advancing their local communities.

Benefits

Policies and procedures will also be developed that will ensure that benefit issues are consistently addressed from a servant leader perspective. Vendors of benefit services will be utilized that offer the best value for the money and not firms that minimize benefits through exclusions and limitations.

DISCUSSION

As demonstrated in this case study, the motivations to participate in servant leadership may vary to some degree depending upon the organization, and some are yet quite unique reasons for developing a servant leader style of management. While generating profit may not be the underlying reason for developing a servant leader organization, an organization certainly

needs to examine the costs of a program versus the potential benefits of adopting and implementing any change.

The conclusions drawn in this case study show the many faces of servant leadership and in the opinion of this writer, the need for an organization to become servant first. The return on investment appears to be significant when a firm clearly demonstrates that it is engaged in servant leadership for the sake of positive results brought about by its efforts. The growth and development of the follower, coupled with the improvement in the lives of others, show this business owner and researcher the tremendous value of transitioning to becoming a servant leader organization.

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ECAMPUS.COM: SITTING IN THE CATBIRD SEAT

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

CASE DESCRIPTION

The primary subject matter of this case concerns the current trends in the college rental textbook market. After studying this case, students should be able to (1) understand the competitive dynamics and emerging trends of the college textbook rental market, evaluate the competitive position of Ecampus and (3) assess the options facing Ecampus and recommend a course of action.

This case is suitable for graduate and undergraduate strategy classes and has a difficulty level of four. It is suitable for classes in management information systems and management strategy. Students should spend from six to twelve hours outside of class analyzing the case, depending on the breadth and depth of the analysis the instructor desires.

CASE SYNOPSIS

This case presents an overview of the college textbook rental market in which Ecampus competes. It presents a brief history of Ecampus and descriptions of its competitors. The case portrays the company as being in an enviable position in its industry and the company president thinking about the future of the company.

Ecampus.com was created during the "dot com bubble" by investors who hoped to grow it into an IPO. The plan was to "get big, fast" strategy and measure success by brand strength instead of earnings. In its first six months, Ecampus spent $40M for commercials on three cable television networks. These ads created 87% brand name awareness, but only $2M in sales.

Two events forced Ecampus into bankruptcy in 2000. First, the "dot com" bubble burst in March 2000 and venture capital and IPO markets dried up. Second, suppliers and potential investors were scared off by the personal bankruptcy of the CEO.

A Book Company, LLC purchased Ecampus for $2.5M at a federal district court auction in 2001. The new owners employed a traditional business-driven strategy focused on internal efficiency, strict cost controls, highly targeted marketing, and internal financing for expansion. By 2007, Ecampus broke even and profits have steadily increased since.

Ecampus began renting textbooks in 2007. Since then, several new companies, financed by Silicon Valley venture capital companies and employing aggressive business models, have entered the rental market and grown rapidly. These rental companies are dependent on Ecampus' large supply of used books for their rental business. The president is now thinking about the future. How should Ecampus prepare itself for expansion into the e-textbook market? Could it use acquisitions and alliances? Should Ecampus continue using only internal financing for expansion?

INTRODUCTION

"Textbook rental business is booming. We started doing textbook rentals four years ago. Today, it makes up 30% of our revenue. We rank second in the textbook rentals and second in used textbook buy-back volume. Our rental books come from our stock of used books. We make no distinction between a rental book and a used book in the warehouse," states Matt Montgomery, President of Ecampus.com. "If we rent a book twice, we cover our costs. After that, we make a profit. Some textbooks, such as chemistry books, can be rented for ten to twelve times because editions come out only come out about every five years. However, the books that have a new edition every two years, we can only rent them about four times," he explains.

"Our competitors are very price-aggressive," Matt states. "Amazon, Barnes & Noble, Chegg, once e-textbooks become more popular." CampusBookRentals, and BookRenter are well-capitalized companies that spend much more on advertising than we do. We spend about $2 million annually on advertising while each of our competitors spend more than $20 million. We survive because we have the most efficient operations center, order fulfillment, and best buy-back operation in the industry. We also have a highly efficient marketing program. Our core competencies are our distribution center, customer service. Additionally, we have excellent relationships with the textbook publishing companies because our management and staff have publishing industry experience. That experience gives us a better understanding of the textbook market. We operate as an extended arm of the publishing companies."

"We have self-financed our growth, while our competitors use venture capital firms and by becoming public corporations. The venture capital market has rebounded in the last few years, and is funding Silicon Valley startups, such as Chegg, CampusBookRentals, and BookRenter. We're holding our own right now. We're not feeling much pressure because we supply most of the used books that our competitors rent, and those rental books come back to us at the end of the rental period. The more books our competitors rent, the more revenue we make for fulfilling their orders and shipping textbooks to their customers. We are sitting in the catbird seat right now, but we do need to think about the future direction of Ecampus.

BACKGROUND

Ecampus.com went online in July1999, just eight months before the "dot.com bubble" bust. It was created as an independent virtual retail store for Wallace's Book Company (WBC), a wholesale textbook distribution company. The force behind the creation of Ecampus was Wallace Wilkinson, the founder and owner of WBC, and former Governor of Kentucky. Using his personal influence and reputation as a successful executive, he persuaded John Y. Brown (Kentucky Fried Chicken founder), Dave Thomas (Wendy's founder) and several other wealthy friends and business associates to invest $50M to create Ecampus and to fund its "get big fast" strategy. This strategy rested on gaining first-mover advantage through technological leadership provided by WBC's state-of-the-art warehouse and by a newly constructed e-commerce Web site. The competitive strategy was to position Ecampus as a low price/high-added value vendor

in the industry (Bowman and Faulkner, 1997). A high-quality and expensive marketing campaign was designed to give Ecampus a dominant share of college textbook retail market

Success came quickly for the new company due to the highly creative commercials that ran on three cable TV networks in August and September of 1999. By mid-August, the Ecampus Web site quickly became 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 huge success. In October 1999, an additional of $49 million was contributed by Ecampus investors for the purchase the WBC warehouse and inventory, and for the upcoming December-January marketing campaign.

The initial success was short lived, however. The "dot.com" bubble burst in March 2000 and two months later, it was revealed that Wilkinson was more than $400M in debt and had used Ecampus investors' money personal uses. Immediately, Ecampus suppliers demanded payment of outstanding balances and advance payment for new orders. Unable to meet the demands of suppliers, Ecampus filed for Chapter 11 bankruptcy in June 2000. The federal district court allowed Ecampus to continue operating until sold by the court at public auction in June 2001. The new owners, A Book Company (ABC), implemented a traditional business strategy based on operating and marketing efficiency. While the process of reviving the company was been a slow and bumpy process, the company stabilized and grown over the last ten years.

Since 2008, price competition has intensified from companies selling low-cost imported textbooks, electronic textbook publishers and textbook rental companies. Moreover, federal and state governments are pressuring higher education institutions and publishing companies to find ways to lower textbook costs for students. Consumer groups have organized to provide low-cost and even free textbooks to students in some states. A company named Flat World Knowledge was created to disintermediate the textbook distribute channels and to streamlining publishing processes. The newest competitors, such as Chegg, focus on renting textbooks. These companies employ innovative uses of technology, flexible pricing and social network platforms, are disrupting the retail textbook industry.

It is four o'clock in the afternoon and Matt Montgomery is sitting in his office overlooking the Ecampus warehouse floor. He thinks about the challenges and opportunities confronting Ecampus. This is his baby. He has been with Ecampus since it was born, nursed back to health when it was sick, and nurtured into a healthy company. However, markets and technology change, and companies have to change as well. Matt thinks about Ecampus' competition and the company's next stage of growth.

Amazon is big, aggressive, but poses little threat top Ecampus because textbooks are minor component of the company and over half of Ecampus' rentals and sales are come through Amazon. B&N is a low threat in the textbook rental market and is focused on the e-book market with a large offering of e-book titles and the Nook reader. Chegg, CampusBookRentals, and BookRenter have grown rapidly, but pose a low-level threat to Ecampus. In fact, Ecampus supplies textbooks and order fulfillment service to all three competitors, So, Ecampus profits from the success of its competitors. Finally, Neebo is similar to Ecampus in that it is a textbook wholesale distributor with its own order fulfillment operations, a solid customer base in the K-12 and community college markets and a large inventory of used textbooks. Unlike Ecampus,

Neebo operates many brick-and-mortar stores on college campuses. Neebo is not viewed as a threat to Ecampus.

Ecampus has positioned itself very nicely in its industry as a supplier of rental text books to students and to its direct competitors. Its new and used textbook sales and textbook rentals are the company's current strength, and e-textbooks are its primary future growth area. The big questions are how long will be before the hardcopy textbook rental market starts to decline, and what can Ecampus do to position itself to grow into the e-textbook market? The owners of Ecampus do not want to use venture capital companies to finance a move into the e-textbook market, because they do not want to give up control to outsiders. Matt also has no desire to sell Ecampus. However, if someone made the right offer, the A Book Company owner would give it due consider. Not being president of Ecampus might give Matt time to sharpen his golf game.

Then, he remembers. "Oh! Golf! I promised the guys I'd be there at 4:30 to play 18 today before it gets dark. I better get going."

REFERENCES AVAILABLE ON REQUEST.

WORKPLACE HOMICIDES: WHY THE SOUTH LEADS THE WAY

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

CASE DESCRIPTION

The primary subject matter of this case is workplace homicides in the South. Other issues include variations of work-related homicides by region, examples of workplace homicides, reasons why the Southern states have the most homicides, a profile of the Southern workplace killer, and how employers can prevent or mitigate workplace violence. The case has a difficulty level of being appropriate for senior level or first year graduate classes. The case is prepared for two hours of instruction and discussion. The students should receive the case earlier and be prepared to discuss the ramifications of the case together with the instructor.

CASE SYNOPSIS

Workplace violence resulting in homicides continues to be a major concern for companies. While most companies have their Violence Prevention and Management Plan policies in place, it is still one of the most feared management nightmares. Of particular interest is a comparison of workplace homicides in the different regions in the United States. When comparing these regions for a thirteen (13) year period from 1997-2009, (representing the most recent available data), the South easily leads the country in both workplace homicides and violent acts of employees. Of the total 8127 workplace homicides during this period, the South had 3784, representing 46.6% of the total, followed by the West with 1639 or 20.2%, the Midwest with 1491 or 18.3%, and the Northeast with 1212 or 14.9% of the total. There are a number of potential reasons as to why the South has such a profound lead for violence in the workplace. In particular, Southern culture, employee behaviors, the work environment, and the current high unemployment rate are discussed. Actual examples of workplace homicides are provided.

INTRODUCTION

The most dangerous place in America is how the U.S. Justice Department describes the workplace. Virtually unheard of a half century ago, workplace homicide is now the second leading cause of fatal occupational injury in the United States. Workplace homicides can and does happen anywhere, at anytime, in large cities, in small towns, in large businesses or industries, in "mom and pop" operations, in hospitals, and yes, even on college campuses. The impact of each incident is overwhelming. It is often compared to an airplane crash because when

something happens, it receives several days' worth of national coverage and creates a fear mentality that disrupts feeling of safety for some time to come.

Recent incidents involving the office shootings in Orlando, FL., in November 2009, the shootings at the University of Alabama in Huntsville in February 2010, the shootings at a manufacturing plant in Albuquerque, N.M., in July 2010, and the January, 2012 triple homicide at McBride's Lumber Company in Star, North Carolina, along with other examples, will be discussed in detail later in this paper. It is interesting to note that three of the above four recent examples occurred in the South. This brings us to one of the focus points of this research regarding the reasons for the Southern states leading the way in incidents of workplace homicides and violence in general.

VARIATIONS BY REGION

The South is significantly more prone to workplace violence resulting in homicides when compared to the other regions of the United States. The Southern states averaged 221 homicides, or 46.6%, of all workplace homicides during the studied period from 1997 through 2009. This is quite remarkable when compared to the remaining three major regions consisting of the Northeast which averaged 135 homicides per state, or 14.9% of the total; the Midwest which averaged 124 homicides per state, or 18.3% of the total; and the West which averaged 126 homicides per state, or 20.2% of the total homicides during these 13 years.

EXAMPLES OF SOUTHERN WORKPLACE HOMICIDES

Workplace homicide examples in the South, or in the United States as a whole, cannot be studied without a review of the U.S. postal incident in Edmond, OK some eight years later in 1986. The actions of a postal employee named Patrick Henry Sherrill brought the issue of violence in the workplace into the spotlight of the media more than any other individual. Sherrill, age 44, was an angry and surly employee, as described by co-workers. He had been reprimanded by his supervisor and told to expect a poor performance review. The next morning Sherrill put on his postal service uniform and packed his mail bag with two Colt .45 caliber pistols, a .22 caliber handgun and hundreds of rounds of ammunition. With a weapon in each hand and without speaking to anyone, he walked up to two supervisors and shot them dead. According to the account of one surviving witness, "Sherrill didn't have any preference about who he was shooting. Women and men, black and white were shot. He shot anything that moved." He continued looking for other victims shooting some at their work stations, others as they walked down a hall. His last victim was himself. He left 14 dead, excluding himself, and six wounded. It was the third worst mass murder by a single gunman in US history, surpassed only by the massacre at a McDonald's restaurant in San Ysidro, CA, in 1984, in which 21 persons were killed, and the 16 persons killed in 1966 by a sniper from a tower at the University of Texas in Austin (Baron, 1993).

While much has been written about workplace homicides in the South, few attempts, if any, have been made at explaining the reasons why the Southern states clearly lead in these

incidents. The remainder of this study will focus on these reasons as provided by research data and as observed throughout my 35 year career in Human Resources.

WORK AND SELF-ESTEEM

More than any other region of the country that I have lived, employees in the South tie their personal self-worth directly to their work. Job lost is a traumatic blow to their pride and self-esteem. Prior to the 1980's, employees had satisfaction in knowing there was job security and they could go perform their work each day without the fear of losing their job. Major layoffs, terminations, early retirements, acquisitions, sales, mergers, takeovers, and corporate restructuring have all been a very real source of fear during the last 30 years and there is no end in sight now. The constant fear of losing jobs, and increased resentment toward corporations, have led to what is known as "excessive anxiety" or the feeling that you have no control over what is happening to you. This type of fear makes employees feel powerless as they face life-shattering changes. Many employees go into a state of denial or resistance to change, worry, and become nervous, jerky with behavior that is often extreme and frequently inconsistent. These people become psychologically battered, looking for potential coercion, malicious in their wishes and are often described in the following ways:

Narcissistic: "I'm watching out for number one."
Paranoid: "I think everyone's out to get me"
Territorial: "I'm grabbing my turf and surrounding it with barbed wire."
Rigid: "I'm hanging on to what I know."
Cynical: "I'll believe it when I see it."
Political: "I'm keeping my eyes open" (Bardwick, 1991).

Many of the above descriptions are consistent with the psychological state of Patrick Henry Sherrill prior to the shootings in Oklahoma. Sherrill could easily be described as narcissistic, paranoid, territorial and rigid when he complained to his union official that his supervisors were picking on him and said "I gotta do something now, right now." The next morning he began killing co-workers, not strangers, and then finally himself.

SOUTHERN CULTURE AND GUNS

In the South, there is an easy access to guns. Guns can be easily purchased not only at regular gun shops and gun exhibits but also at trade shows, craft and collection gatherings, and parking lot swap meets. At the informal gatherings, no identification is necessary nor is a registration made of the gun transfer. In the South, there is a 'macho' image attached to owning guns and weapons. The South has a high acceptance and tolerance of guns. In the rural areas, guns are used for protection and hunting. Women have guns and know how to use them. This is acceptable behavior. Children are taught to use guns as they grew up around them. Children are given guns at an early age, with many boys receiving b-b guns or pellet rifles when they are as

young as 7 or 8. There is a tolerance of violence (as protection of the ‘old way’ of life). In addition, for many people there is a tolerance and/or appreciation of the KKK, Alabama Militia and other organizations such as these. Lastly, people take pride in the ownership of their guns, showing them off to their friends and fellow workers. An example, in our immediate area was a terminated worker who came in with a shot gun and killed his boss. All the witnesses told police that they thought he was showing off his new gun so no one attempted to stop him.

INFATUATION WITH WEAPONS AND VIOLENCE

During my 35 year Human Resource career, I was amazed at the infatuation with guns, and violence in general, at my Southern plant assignments. I can give numerous examples of required discipline at assignments in Alabama, Tennessee, and Texas involving guns, knives, and physical violence in general. From the above described homicide of a spouse at the Alabama plant; to a gun that was brought into the Tennessee plant in an employee’s lunch kit who stated he needed protection from the demons in the janitor’s closet (no, he didn’t test positive to drugs to everyone’s surprise); to the employee at a Texas plant who threatened to “stick a (co-employee) with a knife and watch him bleed to death”; guns and violence were simply part of the Southern culture.

JUDGMENTAL OF OTHERS

Another lesson learned during my career in Human Resources is that, unfortunately, the people in the “Bible Belt” (South) are simply more judgmental of other individuals. This, along with Biblical teaching heard throughout their lives, often leads to another infatuation – with death. It is most interesting to note that the great majority of workplace homicides end with the shooter turning the gun on himself in the end. Again, look at the above examples. Almost all ended with the killers taking their own lives. Could this be their way of spiritual justice for taking the lives of others in cold blood? I’m certainly of that opinion.

SOUTHERN ENTITLEMENT MENTALITY

Another unfortunate observation as a Human Resource Manager is that employees in the South have more of an entitlement mentality than in other regions of the United States. While we strongly feel that all individuals should have a good job and a rewarding career, we must stop short of saying this is an “entitlement”. Entitlement is an attitude, a way of looking at life. Employees who have this attitude believe that they do not have to earn what they get. They feel that they should get something because they are owed it, or entitled to it. Entitlement is running rampant in most occupations today. We have people not really contributing but still expecting to get their raise and their scheduled promotion. The entitlement attitude was created when employers stopped requiring performance as a condition for keeping a job or getting a raise. Simply put, entitlement destroys motivation in individuals and in the long run crushes self-esteem. Beginning in the 1980’s, corporations that rarely laid off or terminated employees began

to do so. Later in the decade the rate of reductions increased, with 1989 and 1990 seeing more cutbacks than ever. This trend has continued at an even more alarming pace in the 21st century with the recession of 2003 and the great recession beginning in 2008 and continuing to the present.

UNEMPLOYMENT RATES

Another factor that can be linked to work and self-esteem is regional unemployment rates. While past studies have been inconsistent, social scientists generally agree that persistent, long-term unemployment leads to higher crime rates. In their study of the effect of annual changes in unemployment on changes in the crime rate, David Cantor and Kenneth C. Land find significant effects related to negative opportunity for homicide, robbery, and burglary, and a significant positive motivation for robbery and burglary. Other studies, however, have identified relationships between unemployment and involvement in a crime, suggesting that the decrease in income and potential earnings associated with involuntary unemployment increases the relative returns of illegal activity (Janicak, 2003).

PROFILE OF THE SOUTHERN WORKPLACE KILLER

Based upon our studies in the above areas, a profile of the typical workplace killer in the Southern states would possess the following characteristics:

- Is a middle-aged Caucasian male
- is profoundly narcissistic, holds himself out to be superior
- exhibits an entitlement mentality
- is inclined to feeling powerless when rejected resulting in violence
- feels he is a victim of injustice while being judgmental of others
- is controlling and demanding, making co-workers uncomfortable
- is prone to multiple gun ownership with a fascination for weapons and violence
- is task-oriented rather than people-oriented, insensitive to co-workers
- subject to excessive drinking or drug abuse
- suddenly becomes unemployed due to layoff or employment termination
- finds self-esteem and identity through his job
- blames others for his problems
- has sudden changes in behavior (particularly appearance or attitude)
- has a history of depression or paranoia
- files numerous grievances and makes “mountains out of molehills”

CONCLUSION

Experts are predicting that workplace violence will increase even more in the next five to 10 years as teenagers not respectful of authority enter the workforce (Slage, 1997). This is evident based upon the bullying epidemic our nation is currently encountering, along with the overall unruly and disrespectful behavior of many of our youth.

Because employees need unlimited access to the workplace and to their co-workers, employee violence is difficult to control. Interpersonal relationships are supposed to develop more in a team atmosphere which is frequently found today. The need for the average worker to depend on his or her co-worker puts strain on that relationship and can often lead to violence.
As this study shows workplace violence leading to homicides is not distributed evenly across our nation. As the U.S. economy continues to shift toward the Southern states and service sectors, potential workplace violence and homicides will be an increasingly important issue that must be properly identified and addressed by employers.

WORKER CLASSIFICATION: RISK AND OPPORTUNITIES OF BEING AN IC

Stan Newton, Jacksonville State University
Patricia C. Borstorff, Jacksonville State University

CASE DESCRIPTION

The principle focus of this case is the analysis of economic opportunity and work rule differences of individuals who work for firms as employees and those who work as independent contractors. Legalities, personal preferences, and job characteristics are analyzed in relations to the pros and cons of both categories. Job condition scenarios are investigated to determine which choice is better for the individual worker. Special consideration is given to specific personal situations and how the advantages and disadvantages of both options will likely affect the quality of life for our specific character. The areas to consider include: tax liabilities, freedom to choose the hours and methods of work completion, work-related equipment issues (i.e., transportation and office equipment), benefits options, and the impact of immediate supervision. This case is given a difficulty evaluation appropriate for higher management: level four.

CASE SYNOPSIS

This case deals with an individual as he tries to make his way through the maze of today's work place in route to becoming a self-sufficient and productive citizen. Specifically, the case involves a person choosing a worker category, employee or independent contractor, in relation to one's own self interest. While not every job is suited to the flexibility associated with the status of independent contractor, neither is each individual. As our character comes to life, we will see how he appraises this option as it relates to career choices and the work-life balance in his life. Jimmy is a skilled tradesman currently working as an employee of long standing with a reputable company but has become interested in an opportunity with a competitive firm as an independent contractor. Students find themselves personally involved in sorting through the pros and cons of either choice. And, like Jimmy, they are asked to make decisions.

THE SENARIO/CHARACTERS

It was approaching 3:00 pm Thursday afternoon as Jimmy Simms pulled his company-owned pick-up onto the grounds of the construction site. He couldn't help but notice again workers from another company loading up their gear and equipment. Soon it would be Friday and they were headed for a long weekend. As he could see no official company supervisor in the group, he wondered just how they got away with doing this every week. Jimmy was at work as

usual on Friday, but as the afternoon wore on, he couldn't help but think of his peers in the construction trades as they made their way to the beach while he continued to labor.

Next Monday everyone was back at work and gathering up courage, he finally asked one of the guys working for ABC Construction how it was they were able to, as he put it , "pull this trick every week". Their story became very interesting as he heard the tale of how these guys were working under a different employment classification; that of independent contractor (IC). It seems their employer was interested in one thing from them and one thing only; results. If they could attain the desired results, as stipulated by their contract, they were free to come and go as they pleased. "How about pay" Jimmy asked? He almost couldn't conceive their stories to be true as their reported take home pay was an unbelievable 75-90 percent more than his.

Wow! Jimmy's mind was racing. Here he was a single guy with what seemed like never enough cash in his pocket and he had just met construction tradesmen who were younger than he, taking home significantly more money and with more freedom!! He had every intention of solving this puzzle. He continued to work during the week but his mind always came back to the tantalizing stories from his new found friends.

Come Monday morning, his pals were back at work and telling the stories of the great time they had over the last 3 days. Again his curiosity got the better of him and he asked if ABC was hiring as this arrangement sounded like an improvement over the one he had. His new friends answered "you bet they are", and said the owner would be coming out to the job site this afternoon.

Billy Brant had been the construction business for 20 plus years and was always looking for good people. When asked about an interview for a possible job, Brant agreed to meet with Jimmy that Monday afternoon. Jimmy made sure he was off the clock before sitting down to do personal business; however, he couldn't help but notice how ABC's employees seem to come and go without such restrictions. And he had been baffled by his perception that the ABC guys seem to work at a faster pace than Buell Construction's, his current employer. "Go figure" he had thought. But now, just maybe, it made sense. In his interview with Mr. Brant, he was eager to inquire about the details of independent contractor status.

Jimmy felt the interview was going well enough and it seemed like a win-win situation as he was a skilled electrician and ABC Incorporated was in particular need of just such a person. After the preliminaries, Jimmy got to the question that had prompted this inquiry to start with: the details of being an independent contractor.

Mr. Brant, as it turned out, was well versed in the history and legal technicalities of this employment classification. This was pretty obvious as he explained IC's are people who contract to perform services for others but do not have the legal status of employees. An individual may be classified as an IC if the employer has the right to determine the quality of the work but not the means or method of accomplishing the work. The IC often works on an irregular basis, is paid upon task completion, and is not subject to an employer's direction and control. The IC provides his or her own tools and equipment, purchases his or her own benefits, pays taxes independently from their employer, and is responsible for personal training and development. The IC has no office space or space to call his own.

Mr. Brant first discussed the IC status as it applied to the employer. The classification allowed him to have qualified people under contract to do specific jobs when the need arose and did not require him to keep this staff on hand year round, just in case they would be needed. Further Brant had no administrative burden of filing employee payroll withholding taxes, nor did he furnish benefits for his independent contractors.

Billy also explained the parameters of such an arrangement from an employee perspective. As payroll deductions were not withheld from an individual salary and benefits were not included in the agreement, it was possible for the employer to provide individuals employed as contractors with anywhere from 60 to 80 percent more take home pay than competition would allow under the normal employer-employee arrangement. He went on to say IC's have a level of independence as their contract only gives broad parameters within which the work is to be done, allowing employees considerable freedom as to how they go about it. For example, within certain parameters, employees may be allowed to set their own hours, with the only stipulation being that they get the job done.

As Billy explained it, another IC advantage was that, unlike regular employees, they can deduct the cost of fulfilling their contract from their taxable income creating another wage advantage. This deduction allowed normal work related expenses currently being incurred to be subtracted from an IC's taxable income and could amount to considerable savings. The amount of savings is determined by the amount spent and the individual's tax rate. For example, if Jimmy should spend $6,000 next year on allowable deductions, with his tax rate being 31% (5% state, 17% federal, 9% payroll withholdings) his tax liability would be decreased by 31% of the six thousand dollars: $1,860. Billy allowed that the savings from this aspect would probably be somewhat negated as IC's are required to furnish their own tools.

Jimmy was quite enamored with these details but was brought back to earth a little bit by Mr. Brant's answer to his inquiry about job security and dependability of year-round employment. Mr. Brant had just smiled and said, "Now Jimmy you need to understand that I love my independent contractors and I pay them well, but I only use them on an as-needed basis". He went on to say that the independent contractor work arrangement was not for everyone. Specifically, that the often present supervisor in normal employer-employee relations was missing as independent contractors were expected to be knowledgeable and capable of completing assignments without supervisor assistance. In addition, Billy had asked, "Jimmy, do you consider yourself to be a self starter?" As in the absence of a supervisor, this was thought to be essential.

Mr. Brant had concluded the conversation by saying, "Jimmy, think it over and if you are interested in coming to work as an independent contractor come by my office next week and we can get all the forms completed and get you on our team." Jimmy thanked Mr. Brant for the offer and over the weekend took time to analyze what he determined the conditions of working as an independent contractor to be.

THE FACTS

As Mr. Brant had explained, Jimmy saw the pro's and con's from a worker's stand point to stack up something like this:

<u>The Pro's</u>

Independent contractor had an opportunity to receive more of their remuneration in take home pay.
They could deduct their working expenses from their taxable income.
IC's had a level of independence not found in the ranks of regular employees. allowing among other things, flexibility in work hours.
IC's didn't have to contend with the constant nagging of an immediate supervisor.

<u>The Con's</u>

Independent Contractors do not receive benefits as part of their compensation.
They must furnish their own tools.
ICs have very little job security.
IC's do not have an immediate supervisor to make decisions, leaving the IC responsible for what would normally be management concerns.
IC's are responsible for filing and paying their own state and federal taxes which is required by law and normally done by the employer.
IC could be held responsible for any unpaid taxes, to include penalties and in cases determined to be of knowing and willful neglect, possibility even criminal charges.

THE DILEMMA

Now, Jimmy felt he had enough facts to assess his own personal situation and make a decision. Although he had strong desires and there was an emotional aspect to this decision, he decided to be rational and evaluate it analytically from an economic stand point first.

Payroll tax deductions and take home pay - At his current wage of twenty-five dollars an hour under Mr. Brant's IC program, his gross salary (take home) would be increased by a considerable amount. Given the $25 per hour rate Jimmy weekly gross income was $1,000 (40 x $25). However his take home pay was only $690 (at 22% combined federal and state income tax rate and 9% Federal withholding taxes-total 31%). While he knew his personal taxes would have to be paid at some point, he was of the opinion that submitting them quarterly as required for independent contractors as verses weekly by employee payroll deduction would put a little more cash in his pocket, albeit temporally.

Benefits and take home pay - Given that his research had revealed that normally employees receive 20-40 percent of their total compensation in benefits, he deduced that by eliminating benefits alone he could increase his take-home cash by $200 to $300 per week.

Deductable work related expenses and take home pay - he calculated he was spending about $100 per week in work related miscellaneous and transportation cost, currently being paid out of his after tax take home pay and as an independent contractor it would be tax deductable. This would produce a take home pay increase of $31 per week ($100 x .31%). Given he already owned the applicable tools, he was confident tool expense would be negligible.

Discretion in working hours - while hesitant to place a dollar amount on the idea, he felt confident if he so desired he could use this flexibility to create an outside source of revenue using his electrical expertise in part-time contracting opportunities. He estimated this potential at a minimum of $100 a week ($69 net after taxes).

Ok, he thought, while quite pleased with his analyses so far, with the economic facts on the table, it was time to consider the emotional issues. After all, pursuing what we really want out of life is known to be a very big motivator and a producer of personal satisfaction. It really came down to which he considered the most valuable to him personally: job and personal security (benefits) or more cash in his pocket. And at what point was he willing to give up one for the other. He had just turned 26 and had been with the Buell Company for 8 years. While it was nice to have benefits and job security it seemed that, at this stage of his life, more take home pay and more independence were very important to him personally. He was also intrigued by the idea that his working harder and more efficiently would contribute to the time he was required to spend on the job, leaving more time for him to pursue other interests, be they economic or personal.

And, there was room in this analysis for a hunch. His research had established that, when given applicable situations, employers were trending toward use of the IC classification more and more. Indeed, according to the U.S. Bureau of Labor Statistics the use of independent contractors is definitely on the rise with at least 60 percent of all businesses using them and over 8 million IC's currently in the workforce. As he saw it, that trend itself provided "some" level of job security for those craftsman who could and would produce. He definitely saw himself as a producer. He was intrigued by what he had learned but could not quite believe that this decision was turning out to be so complicated.

EXECUTIVE EXPRESS

Michael J. Pesch, St. Cloud State University
Larry A. Logeman, Executive Express

CASE DESCRIPTION

The primary subject matter of this case concerns how focusing on excellence in customer service can drive success and profits. But success in a service business does not stem from a lot of "feel-good" exhortations about serving customers. It happens because of leadership experience and vision, understanding customer needs, hiring and training the right employees, technology investments that enhance communication and streamline non-value-added activities, and quality metrics that drive continuous improvement. Executive Express is an airport shuttle company that provides passenger ground transportation services to the Minneapolis/St. Paul International Airport (MSP). The case discusses how Larry Logeman became the new owner of Executive Express and turned a poorly managed, inwardly-focused company into the dominant provider of airport transportation in Central Minnesota by building a customer-focused organization. The case has a difficulty level of three or four, appropriate for junior and senior level students, and is designed to be taught in a one-hour class period, with two hours of outside preparation by students.

CASE SYNOPSIS

Imagine you are Larry Logeman, the owner and CEO of Executive Express, an airport shuttle company based in St. Cloud, Minnesota that you've owned for seven years. You have been successful at building a company that is focused on delivering service excellence to customers who need transportation to the Minneapolis/St.Paul International Airport, located 75 miles away. Meeting your customers' needs was at the core in making technology decisions, hiring and training employees, and tracking performance measures for quality improvement. Although Executive Express has been successful with this business strategy, it now faces a new threat from the City of St. Cloud's efforts to recruit an airline to reestablish air service at the St. Cloud airport. You need to decide whether to implement an aggressive competitive response to this threat by increasing the number of roundtrips per day to attract new customers who are currently driving themselves to the airport, and to contend with a potential new airline by maintaining your position as Central Minnesota's most convenient and reliable airport transportation option. What do you do?

IS RIGHT NOW THE RIGHT TIME TO CHOOSE INDIA AS A BUSINESS LOCATION?

Narayan R. Sithemsetti, Jacksonville State University
Patricia C. Borstorff, Jacksonville State University

CASE DESCRIPTION

The primary subject matter of this case is a market assessment and analysis of India as a possible location to manufacture or set up operations. The methodology used is that of a quasi-SWOT analysis aimed at identifying strengths, weaknesses, opportunities and threats. This case centers on India's political, legal, financial, and economic issues. The financial and economic stability are evaluated. This case has a difficulty level of four and five and is suitable for a senior or graduate level international business course. It can be taught in a 90 minute class with two hours of student preparation outside of class. The current trend of outsourcing and moving to international locations to achieve cost advantages gives this case a practical focus.

CASE SYNOPSIS

Companies are stepping up their efforts to be present in foreign markets. This case centers upon deciding if India is the right place right now as a potential market and manufacturing site. Historically, India has suffered from a negative reputation of heavy government regulations, oppressive taxation, rampant corruption, vigorous terrorism, and massive, unchecked population growth. In its pursuit to match or surpass China's meteoric rise as a world economic powerhouse, India has reinvented itself. Beginning in 1991 with new Industrial Policy laws, India has reduced regulations and taxes and dealt with corruption and terrorism. Has it been enough? The government has opened India's borders to international investment; however outside terrorist influences has kept India in the headlines. This case concerns the current state of doing business with India by investigating financial, economic, legal, and political factors. The demographics of India are also addressed. The student will need to decide if India is the right place right now. Both tangible and intangible factors connected to investing in India are mentioned. Areas that advise caution are also considered.

BACKGROUND

More companies have stepped up efforts to be present in international markets. When the firm considers conducting business across international borders, it must conduct a market assessment and analysis. So a company must investigate the economy, political, legal, and financial state of a potential location. The international business environment has features that are not found domestically. For example, a company must be concerned about per capita income (income resulting from the nation's production of goods and services divided by the total

population) in the country where it wishes to export or manufacture. Other areas of interest are the target country's infrastructure, markets, exchange rates, inflation, interest rates, and economic growth. The legal and political environment must be evaluated also. This would include the political system in operation, political risk, political instability, and laws and regulations.

INTRODUCTION

Companies go international to increase sales and profits or to access resources. Today, due to the demands of globalization and the sophistication of technology in communication and transportation, companies can find themselves researching almost every location on earth as a potential market or as a site for business operations. Invariably, companies look at one or all of the BRIC countries: Brazil, Russian Federation, India, and China. Our focus is India.

I n the past decade, media coverage of India has emphasized changes in business, especially outsourcing. The changes that have taken place are due to the liberalization of the Indian economy by the government in 1991 with the new Industrial Policy. This led to the government's progressive liberalization focusing on a market-based economy which attracted global business.

A quick profile of India shows an area of 3, 287,263 sq km, a population of 1.19billion and continuing to grow rapidly at a rate of 1.34%.The official national language is Hindi, spoken by 41% of the population, but there are 13 other major languages and a number of smaller languages spoken by 5% of the population. The gross domestic product (GDP) real growth rate is 10.4% (2010) and GDP/capita is $3703 PPP, making it a lower-middle income economy (IMF, 129th in the world.) The economy of India is the ninth largest in the world by nominal GDP and the third largest by purchasing power parity (PPP). The country is one of the G-20 major economies. The rupee is trading at Rs 49.67 to one US Dollar, which is higher than its all-time low of Rs 52.70 as this paper is written.

INDIA TODAY

The Indian economy after WWII was influenced by the economy of the Soviet Union with socialist practices, large public sectors, high import duties and lesser private participation which led to massive inefficiencies and widespread corruption. By 1990, India adopted free market principles and liberalized its economy to international trade. These strong economic reforms resulted in the country's rapid economic growth and substantive increases in the incomes of people.

India is one of the fastest-growing economies in the world, after having very high growth rates in the mid-2000s. The growth was the result of a huge increase in the size of the middle class consumer, a large labor force and considerable foreign investments. India is the seventeenth largest exporter and eleventh largest importer in the world. Economic growth rates are projected at around 8.0 - 8.5% for the financial year 2012-2013.

The choice of investing in India for many MNCs is influenced by the comparative advantages that India holds as well as the symbiotic effect it has on the investing MNCs. It makes excellent business sense, since India has the combination of solid economic growth and unlimited strength of human resources. Taken in concert, these two represent short and long-term growth and profit opportunities that few multinational corporations and investors can find in other markets. India's growth has largely been unaffected by the global economic recession in the last three years except for a six month slump starting in 2008 largely because of strong domestic consumption. Industrial production has been rising steadily with most economic forecasters expecting its gross domestic product to continue to grow by over 8 percent (CIA Factbook, 2012).

INDIA'S ECONOMIC PROFILE

India has evolved from being a closed economy to an open one since the beginning of economic reforms in the country in 1991. From the 1950s until 1991, India's centrally planned economy had closed trading, heavy state intervention, and an industrial policy that emphasized import substitution. In 1991, faced with a balance of payments crisis, India instituted economic reforms which resulted in trade reform and a flexible exchange rate system. The average tariff on imports has decreased from 100% to 7%-10% and all quota restrictions on trade have been lifted. There has been limited success in the areas of fiscal policy, privatization, small scale industry, agriculture, and labor law (Varshney, 2009). Today, the Indian economy is characterized by a liberalized foreign investment and trade policy, led by the private sector and accentuated by deregulation. India is now a trillion dollar economy with a self sufficient agricultural sector, a diversified industrial base, and a steady financial and services sector.

Consumer Markets in India

A strong domestic consumption market fueled by increasing urbanization has ushered in a year over year growth in consumption patterns. With high consumer demand for better products and services makes the domestic consumer market very attractive for leading American multinational corporations who already have the sophistication that the market demands. Thus the Indian consumer market which is characterized by a burgeoning middle class with rising disposable income coupled with a younger population presents a potent blend of demographic and geographic diversity into a readymade demand for goods and services.

Financial Markets in India

India has a robust, transparent and stable credit market which prior to liberalization was highly controlled. India's financial market boasts a growth of 17.1% in bank credit to the private sector according to the Reserve Bank of India's (RBI) report on trend and progress of banking in India 2010. The foreign exchange market exhibited greater flexibility in 2010. According to "The Hindu" business line edition the average daily turnover is around USD 36 billion.

Information Technology

The Indian Information Technology industry has been the greatest IT success story in the world. According to the Annual Report 2010-11 issued by the Department of Information Technology, the Indian IT-BPO Industry has witnessed a robust recovery in 2010-11. The revenue aggregate of IT-BPO industry is expected to grow by 19.2 per cent and reach US $ 88.1 billion in 2010-11 as compared to US $ 73.9 billion in 2009-10. The IT services exports is estimated to be US $ 33.5 billion in 2010-11 as compared to US $ 27.3 billion in 2009-10, showing a growth of 22.7 per cent. A Task Force set up in 2009 projected that the demand for electronics hardware in the country is projected to increase from the present US$ 45 billion in 2009 to US$ 400 billion by 2020 including exports of US$ 80 billion (Annual Report, 2011). Again this is definitely a big opportunity for multinational corporations to tap into.

Real Estate

FDI up to 100% is permitted under the automatic route in Housing & Townships & Infrastructure development projects, Hotels and tourist sites, Industrial parks, SEZs (Special Economic Zones), Construction and Engineering services. Foreign Real estate investors can mitigate foreign direct investment risk in real estate by hiring local employees, borrowing local funds which would reduce exchange rate fluctuation risk because less money will be transferred back to the parent company (Gill, 2010).

FOREX Controls

The Indian Rupee is fully convertible for current account transactions and foreign exchange can be freely purchased for trading except certain restrictions needing RBI approval (DIPP, 2011). Capital account transactions are permitted only under certain prescribed conditions underlined and specifically allowed (DIPP 2011) which include remittance of interest, dividends, service fees, royalties, repayment of overseas loans etc.

Regional Free Trade Agreements

Greater trade liberalization is happening due to various bilateral and regional trading agreements signed by India. These agreements offer preferential tariff rates and economic cooperation (Trade Agreements, 2011). These regional free trade agreements have the potential of opening up additional markets for a multinational firm setting up shop in India.

Capital Market

After the different options have been evaluated and the best option selected, the task of financing an Indian operation can happen by means of Equity, Debt and borrowing from banks

and special financial institutions. Issuing equity happens to be the conventional means of financing the Indian operations. Equity capital is allowed for repatriation only when liquidation happens or during transferring shares (Business Financing, 2011). Issuing preferential share capital is another way of financing Indian operations which are treated as FDI for the foreign investment thru convertible preferential shares. Another commonly used method is by raising debt both foreign and local. Foreign debt is treated as FDI. Equity capital is also raised thru ADRs/GDRs/FCCBs for those companies that qualify and can increase the investment limits of FDI based on approvals from the FIPB (Business Financing, 2011).

How to Repatriate Profits from the Indian Business

Repatriation of foreign capital is allowed along with capital appreciation after due taxes. Payment of Royalty is allowed up to 2% for exports and 1% from sale proceeds in domestic market. The branch offices may remit outside India profit of the branch, net of applicable Indian taxes and subject to RBI guidelines.

Corruption

Concern has been expressed over the impact that corruption has on the state of business (Mechanical Engineering Journal, 2011). According to Tata, corruption influences license approvals, contract awards, and terms of contractual obligations. A 2005 study done by Transparency International (TI) in India found that 55% of the people had firsthand experience of paying bribe or peddling influence to get a job done in a public office. TI estimated that truckers driving across state borders paid over $1 trillion in bribes (Transparency International. www.transparencyinternational.com, Retrieved February 1, 2012.)

Terrorism

Terrorism is a concern to international employees as they have seen and read reports about the Mumbai and New Delhi bombings and Islamic terrorism which is mostly funded from overseas. The three major terrorist trouble areas are home grown insurgents: Communist Terrorism (Maoist version), Islamic Terrorism and the Kashmir Problem. Again, almost all is funded by overseas groups and Pakistan in particular. More needs to be done by the government in India to prevent terrorist attacks by using effective crisis management and preventive diplomacy, since most of the terrorism against India is instigated from overseas (Riedel, 2009). Terrorism can interfere with MNCs operation for many days.

YOUR ASSIGNMENT

You are to conduct a market analysis and assessment, using a SWOT (strengths, weaknesses, opportunities, and threats) analysis to reach your decision for a possible international venture. Consider political, legal, financial, cultural, labor, and cost implications.

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FAMILY FEUD AT JOHN BLAINE TRUCKING COMPANY, INC.

Leslie A. Toombs, The University of Texas of the Permian Basin
Linda Autry, University of Houston – Victoria

CASE DESCRIPTION

The primary subject matter of this case concerns family business estate and succession planning for a small oilfield trucking company. Secondary issues examined include sibling rivalry, conflict management, and the integration of family counseling theory into family business counseling. This case is appropriate for senior and first year graduate students. It is designed to be taught in three class hours and is expected to require three hours of outside preparation by students.

CASE SYNOPSIS

Carolyn Blaine is the recently widowed owner of John Blaine Trucking Company, LLC. She and her deceased husband, Trevor, have five children and two grandchildren between the two of them. The company was founded in 1961 by Trevor's parents and is currently being managed by the third generation son-in-law. Sibling rivalry has been a significant issue since the two married (a second marriage for both of them). The case opens with Carolyn expressing both anger and heartbreak caused by Trevor's death. In a dream sequence Carolyn shows how Trevor's failure to adequately address estate and succession planning, even though he knew he had cancer and was not going to recover, has left her a nightmare situation to deal with. Trevor's mother, one of the original founders of the company, is suing his widow (Carolyn) for an undocumented debt. Carolyn's daughter, Diana, is trying to take control of her and the company and block the other siblings from sharing in any of the financial aspects of the company. More attorneys and accountants have been hired to help straighten out the mess. As the case ends, one of the grandchildren has been seeing a professional counselor and other family members are also seeking these services. Diana has separated from her husband Brad, who is managing the company, and is trying to get Carolyn to remove him from the company. The two grandchildren are also experiencing problems and Diana is relying heavily on Carolyn for help with Nora. Carolyn is overwhelmed with the business and personal issues she is facing and is contemplating taking the family dog and running away.

A DEVELOPMENTAL UNIVERSITY FOR AFRICA: A NIGERIAN CASE STUDY

Jelena Zivkovic, American University of Nigeria

CASE OVERVIEW

The case challenges students to solve the pressing social and economic problems presently confronting the AUN community, given its turbulent past. Students are expected to draft a strategic plan that will enable AUN to create a strong foothold in the community as a developmental university. The case draws insights from the AUN Strategic Plan 2011-2012, scholarly contributions, and trends in the field of social entrepreneurship. Additionally, students are expected to research this subject and devote some hours outside of class to gaining a grasp of social entrepreneurship and contribute to class discussion. The class is aimed at upper undergraduate students; each class will last 90 minutes.

CASE SYNOPSIS

The case will encourage students to think about the characteristics of a developmental university in general and how AUN in particular can be positioned as such a university that will benefit its local community in Adamawa state, the national community in Nigeria, and the international community in Africa and worldwide.

OVERVIEW

Only six years since its inception, AUN is a young and vibrant institution. The Strategic Plan 2010-2011, which presents a fresh, pragmatic vision for AUN's future, received strong support at the highest university administrative level. The plan describes the fundamental academic principles governing AUN and provides a solid foundation for designing a course of action to overcome the developmental problems facing the community. Furthermore, this document will enable students to make critical assessments about the economic, political, and social problems confronting Nigeria.

Presently, the number one goal for AUN is to establish the university as an institution that promotes development in Africa and particularly Nigeria. This goal encourages AUN faculty members, administrative staff, and students to strive for excellence. The new AUN president who took over the reins in early July 2010 is committed to establishing AUN as an institution that provides holistic education and works toward the uplift, progress, and betterment of humankind. The youth of today will shape the future of the country; they are expected to assume leadership roles and be drivers of change in the community.

Development in the community entails analysing daily processes and transferring knowledge and experience to radically transform the lives of those in the poorer sections of

society. One step in this direction would be applying western countries' approaches to solving developmental issues in Africa. Social entrepreneurs contend that the economic, political, and social factors at play are largely universal. However, since learning environments, resources, and culture vary from country to country, the outcomes also vary. There is also an opinion that western science and technology could benefit from indigenous knowledge.

With its strong emphasis on teaching and research, AUN attracts students from all over Nigeria and across the globe. It draws on the experience and expertise of its faculty members as well as its students' sense of duty, service, and commitment to the welfare of their community and country. This course focuses on the philosophies and practices of social entrepreneurship. Students are expected to refer to the research on developmental theories and to take a critical and analytical approach to solving development issues in the community.

THE SITUATION

To tackle the pressing economic and social reform needs confronting Nigeria, West Africa, and the entire African continent, AUN must attract superior talent who will embrace this goal for our faculty positions. AUN must also hone their potential and nurture them so that they can excel as teachers and scholars. Furthermore, the university must attract students who have leadership qualities and are passionate about serving the community and implementing social reforms. We also need to equip our instructional programs with the latest technology and continue to develop our campus. Last but not the least is garnering more funding to develop the university and to stabilize and strengthen its financial position.

To achieve these goals, we have to overcome several financial and operational constraints. In U.S. terms, the university spends $50,000 per student for a year of education and charges the student only $20,000 a year for tuition and fees. The factors contributing to this gap include high faculty salaries, both ex-pat and local, fringe benefits for faculty such as housing, transport, payments toward utility bills and other subsidiary expenses, and management and maintenance costs incurred for off-campus housing.

To overcome these financial constraints, to the university must have transparent and accurate financial information that states the nature and scope of the problem. To achieve this, we must have a comprehensive set of financial statements, including balance sheets, income statements, sources and uses of funds, cash flow analysis, cash budgets, and capital budget statements. The university has already begun to streamline and formalize its financial management systems. We have to formalize our fund-raising campaigns with both traditional and non-traditional methods, mostly as unrestricted funds. To make this campaign successful, we have to create awareness and enhance the image of AUN as a high quality institution that can contribute to the future development of Nigeria and the African continent. Overcoming financial constraints would enable us to attract faculty and students of a high calibre, which in turn would help us raise funds for tuition. It would also enable us to realize our goals.

The harsh environment in Nigeria, poor construction in some buildings on the main campus, and lack of proper maintenance for the past few years had made the need for significant repairs rather urgent. As the university continues to expand, it will also require more classrooms

and dormitories and proper accommodations for faculty members. Presently, faculty reside quite far from the main university campus. Given the current transportation system in Yola, Nigeria, it would be preferable to house the faculty close to the main campus. This would reduce expenses for off-campus housing and foster better teacher-student interactions and a stronger sense of belonging to the local community.

A SNAPSHOT OF NIGERIA

Located in the western part of Africa, Nigeria is the most populated country in the African continent. The country gained independence from the British on October 1, 1960. Presently, the government follows the presidential system with executive, legislative, and judiciary branches. A new constitution was adopted in 1999. The current president and the vice president of the Republic of Nigeria are His Excellency Goodluck Ebele Jonathan and His Excellency Namadi Sambo, respectively. In 2004, the population of Nigeria was estimated at 137,253,133 spread over 500,000 square miles, which is roughly two and a half times the size of California. Nigeria has 36 states, with Abuja as her federal capital. Nigeria is very diverse, with more than 250 ethnic groups and 4,000 dialects. The country has approximately 25 federal, 22 private, and 24 state government universities. More than 18 million students are studying in schools at various levels. Since 1982, Nigeria has followed a 6-3-3-4 education system: six years of primary (elementary) education, a two-tier (three year junior, three year senior) secondary education, and four years of university education.

Nigeria is often called 'The Giant of Africa'. It is a land of dichotomy: Nigerians have been reported to be the happiest people on Earth, but since its independence, the country has endured a major civil war and a series of brutal military dictatorships. It is the second largest oil producer in Africa, but 70 percent of its population lives below the poverty line.

For the past 11 years, the country has tried to establish democracy, but ethnic violence between Muslims and Christians has proved to be a major challenge. Moreover, ongoing conflict and violence in the Niger Delta, which is the oil-producing region, causes concern.

The affluent people of Nigeria have amassed a lot of wealth, mostly through corrupt practices. Abuja became the capital of the country in 1991, and it is an ideal city of Nigeria, serving as a model for other cities. However, many areas have poor infrastructure, bad roads, and inadequate health-care and education systems. Since the 1970s, the country has become more dependent on oil for income, but that money does not percolate down to the population, the majority of whom are poor and downtrodden. Many Nigerians do not care about the development of their country; they only want to make a living.

There are hardly any social services in Nigeria. There are no welfare and civic departments, and pension plans for retirees are limited to government employees. Presently, the minimum average wage per person is 8000 Naira a month (approximately $54 US). For many male Nigerians, the most lucrative jobs are in government political departments, in which salaries are high and comparable to those paid to civil servants in the developed world. Nigeria is a male-dominated country, and women are barely eligible for any jobs. Women make a living through home-based microbusinesses such as cooking or selling goods and groceries as street

vendors. Some women venture into home-based beautician businesses, but this opportunity is only available to those who can afford to set such businesses up. Women entrepreneurs could in fact help Nigeria out of poverty and propel the economy toward growth and development. This could also reduce the country's dependency on oil, and the region could generate income from other untapped resources.

A SNAPSHOT OF ADAMAWA STATE

Yola is the capital city of Adamawa state, which was known as Gongola state until 1991. Yola was founded by Modibbo Adama, a foremost Muslim cleric. The current governor of Adamawa is Murtala Nyako, elected in 2007. The prominent ethnic groups are Chamba, Hggi, Longuda, Bwatiye, and Fulani. Other groups are the Marghi, Kilba, Bura Fali, Kanakuru, Yungur, and Mbula. Yola is a peaceful and beautiful port city on the Benue River in the northeastern part of Nigeria. The climate is characterised by alternating hot rainy seasons and cool dry seasons. The population in 2004 was estimated at 88,500. Yola is the administrative centre of Adamawa, and the traditional township is the Lamido's domain. Yola forms part of the 'twin' cities of the traditional Yola township and the cosmopolitan Jimeta metropolis. The city is largely agrarian; people earn their livelihoods through farming, fishing, poultry farming, and trading.

The natives of Yola peacefully co-exist with the academic community in the city. Yola offers access to sophisticated, modern infrastructure and advanced technology. The university campus provides wireless connectivity via the largest wireless network in Nigeria.

A SNAPSHOT OF THE AMERICAN UNIVERSITY OF NIGERIA

The American University of Nigeria (AUN) opened its doors in 2005. AUN was founded by the former Vice President of Nigeria, His Excellency Atiku Abubakar, with the assistance of influential Nigerian officials and administrators at the American University (AU) in Washington, DC. AUN is situated in Yola, near the vice president's hometown. Having been exposed to the American system of education as a young man, Abubakar sought to offer this style of instruction, which emphasizes critical thinking, small classes, student participation, problem-solving, a U.S.-style general education program, and American-trained instructors, to qualified youth from Nigeria and across the globe. AUN was initially named the ABTI American University of Nigeria, but the name was changed to conform to the practices of other AU affiliates such as the American University of Beirut and the American University of Paris.

AUN now joins AU of Cairo in offering high-quality American-style education on the African continent. AUN currently enrols approximately 1,400 students and has 85 faculty members. It has graduated two classes of students. The university is comprised of three schools: Arts and Sciences, Business and Entrepreneurship, and Information Technology and Communications.

Every year, thousands of West African families send their children to study abroad, especially to the United States. However, many students would prefer to study in their home

country if they were offered a high quality Western-style education. AUN now offers students education in Nigeria that is comparable to that offered at American universities. Most of the faculty on campus are American, and the facilities are state-of-the-art. The academic programs are consistent with U.S. accreditation standards. AUN focuses on career progression to train students in the skills required by the job market in Nigeria and abroad. Moreover, all students are trained in the practical application of information technology and the fundamentals of entrepreneurship so they can attain leadership positions and contribute to the country's growth and development.

AUN prides itself on being the only 24-hour wireless campus in the country, thanks to its high-tech satellite connection, but this service has not been used to its fullest capacity. The university needs adequate technology management to use the connection efficiently for research, learning, and teaching, and to curtail excess expenditure on IT services.

SOCIAL ENTREPRENEURSHIP

Academic programs at AUN are designed to address global challenges, and all are accredited by the National Universities Commission. Social entrepreneurship is a new field that is rapidly spreading worldwide. Professor Martin Burt, renowned internationally for his contributions to this field, will be conducting the course at AUN. President Ensign believes that AUN must train its students to become productive, innovative, and dutiful citizens of a democratic and modern Nigeria. With this in mind, the new Centre for International Development and Social Entrepreneurship (CIDSE) was unveiled at AUN to impart social entrepreneurial skills to students and give them the tools and skills to tackle social problems such as unemployment, poverty, disease, and illiteracy in Nigeria.

AUN INITIATIVES

AUN takes it role as a developmental university for Nigeria seriously. At a developmental university, the faculty apply their expertise to solve prevalent social and economic problems. The social, cultural, economic, technological, ethical, environmental, and political problems confronting Nigeria and Africa are complex and interrelated. Increasingly, leading universities are realizing that traditional methods of teaching are not suitable for educating young people. For example, it is expected that an economist or a politician should know something about ecology, culture, and other disciplines. Lack of an interdisciplinary approach to education limits thought processes and approaches to complex problems. However, implementing this approach in Nigeria can be very challenging. AUN is ready to tackle this challenge of offering holistic education to students.

A developmental university actively works with local entrepreneurs, who are change agents, to understand the economic, social, cultural, and political environment of the country so that they can together find creative solutions to nagging problems. AUN as a developmental university locates some of these change agents in the community, so students can learn from these leaders and contribute to the local community. The land-grant colleges established in the

United States in the 1860s are role models for institutions in Nigeria that aspire to be developmental universities. The mission of the land-grant colleges was to conduct research in agriculture, science, and engineering to address the real and immediate needs of agriculture. Researchers at these land-grant colleges not only developed new understandings about biology and agriculture, but also invented new products and production methods. Moreover, they developed new methods of irrigation and land cultivation and introduced these concepts to farmers. Those who went out into the community to work with farmers were called 'extension agents' because they extended the knowledge, research, and solutions from the universities to the people who needed them most.

As a developmental university of Nigeria, AUN aims to become a change agent, extension agent, and problem-solver for Yola, Nigeria, Africa, and the whole world.

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LOOKING DOWN TO THE GROUND FOR ANSWERS: THE CASE OF DECAGON

J. K. Osiri, Washington State University-Pullman and Institute for the Advancement of Developing Economies
Farid Askerov, Washington State University
Derek Held, Washington State University

CASE DESCRIPTION

The primary subject of this case concerns a new venture creation. Issues highlighted include how a company faces the challenge of maintaining an organizational culture were people treated as family, while expanding their workforce to meet global demands. The case has a difficulty level for a university junior or senior and is appropriate for students in other disciplines who are interested in the study of entrepreneurship. The case is designed to be taught in one class hour and is expected to require less than one hour of class preparation by students.

CASE SYNOPSIS

Decagon designs, manufactures, and sells scientific testing instruments. Their applied research division focuses on developing devices that measure water content, light properties, and heat energy within the soil-plant-atmosphere continuum. The company was founded in 1983 by a Washington State University soil scientist, Dr. Gaylon Campbell. Over the years, he gained the reputation of an "old-school" physicist, which means that "if he wanted to measure something, he built an instrument to measure it." He kept building and accumulating rare but functional water measuring devices, which was soon noticed by users who then placed orders and voluntarily referred Dr. Campbell's work to other potential users. It wasn't too long before he could no longer keep up with the orders as they poured in nonstop, so Dr. Campbell decided it was time he had started a company. Today, Decagon has expanded to food science with AquaLab, a line of products which focuses on building devices that measures water properties in various foods for the food industry. AquaLab's and other Decagon's products are used throughout the world - in universities, research and testing laboratories, government agencies, vineyards, farms, and industrial settings. This case study explores how the founder's "old school" strategy and the company's family-run history have greatly influenced the company and continues to keep the company very healthy.

TELESTREAM

J. K. Osiri, Washington State University-Pullman and Institute for the Advancement of Developing Economies
Justin Rastelli, Washington State University
Douglass Miller, Washington State University

CASE DESCRIPTION

The primary subject of this case concerns entrepreneurship. Issues highlighted include ethical and personal decisions which help determine the structure of an organization and the potential outcomes that follow the start-up phase. The case study is at an appropriate level for a university junior, and can be utilized for any university major who are interested in the study of entrepreneurship. The case is designed to be taught in one class hour and is expected to require less than one hour of class preparation by students.

CASE SYNOPSIS

Officially founded in 1998, Telestream is headquartered in Nevada City, California, with locations in Europe and the United States. Telestream customers include some of the world's largest media and entertainment companies, including CBS, BBC, CNN, Fox, CBC, Comcast, DirecTV, Time Warner, MTV, Discovery, Lifetime, and many more. More than 80 percent of the top broadcast station groups, media companies, and Fortune 100 companies use a Telestream service or product. What does Telestream do? The company makes products that allow for the easy use of video content, regardless of how the video, is created, distributed, or viewed. With so many video formats, and cross-platform compatibility issues, Telestream creates a variety of software, which allows their customers to overcome these issues. Even more intriguing than their products are the Telestream people. This case study takes the reader through the journey of a founder of humble beginnings that built a successful, high-growth company where people are put first, then products, and then profits.

COMPANY AND CURRENT SITUATION:

Telestream is a company, which specializes in products that allow for the easy use of video content, regardless of how the video, is created, distributed, or viewed. With so many video formats, and cross-platform compatibility issues Telestream creates software, which allow their customers to overcome these issues. Telestream products include desktop components, cross-platform applications, fully automated enterprise-class digital media transcoding, workflow systems, and everything in between.

Officially founded in 1998, Telestream is headquartered in Nevada City, California with locations in France, Germany, Sweden, UK and US. Telestream customers include some of the

world's largest media and entertainment companies including, CBS, BBC, CNN, Fox, CBC, Comcast, DirecTV, Time Warner, MTV, Discovery, Lifetime, and many more. More than 80 percent of the top broadcast citation groups, media companies, and fortune 100 companies use a Telestream service or product. For the majority of the company's history, it has been privately held but has recently been acquired by Thoma Bravo, LLC - a leading private equity investment firm. Dan Castles will stay on as Chief Executive Office (CEO) through and after the acquisition. The company currently consists of 160 employees worldwide. It has been profitable since 2001 with double-digit revenue growth every year. Over the years they have self-funded the acquisition of three companies. Starting with ClipMail Pro, Telestreams product line has grown tenfold to include several various video related products and services.

Dan Castles and his partners officially co-founded Telestream in 1998 after Castles left Tektronix in 1996. He left Tektronix because they wanted to relocate him to Vietnam, which would not have been ideal for him as a married man with young children. Telestream's first product was ClipMail Pro which provided high-quality media exchange over Internet Protocol (IP) networks. From there, their offerings have grown to a wide variety of cross-platform video solutions. Every year since founding, they have achieved double digit profits. Since 2006, they have self-funded acquisitions of three separate companies. The company has achieved double-digit revenue growth every year, even through the recession. This is remarkable for any company, especially start-ups. This performance has allowed Telestream to become the leading video solution company propelling it past its competition with a product suite that allows them to meet their customers' needs.

BEFORE THE ACQUISITION

When Dan Castles was faced with the decision of relocating his family from California on behalf of his former employer Tektronix, he chose to leave his employer instead for the sake of his family. He had young daughters who were only 3 and 5 at the time. "We had lived there for fifteen years and were excited about remaining in northern California. So looking for a job within Tektronix was not an option. I was willing to consider," said Castles, who also president of Tektronix at that time. His wife agreed with his assessment and supported his decision to leave his employer. Castles took a long break from working. According to him, it was a nine-month break, which he used to reassess his life. When he left Tektronix he had no idea what his next career opportunity would be. Over these nine months, he created the idea of a business and began forming his team. When he started Telestream, they did not have an actual product ready for market but had made a high level architectural design of the potential product. He also met with eleven potential employees who joined the project once they had found funding. By contacting various venture capitalist and angel investors, Castles managed to find the funding to start Telestream. He and his eleven-person staff used the funding to create their first product and a company that would drive the video encoding and delivery industry.

Every year for past 14 years of the company's existence, it has grown - a point of pride for Castles. "We really focused on not spending ahead of the revenue curve...We were very realistic about our revenue expectations, but there was not one particular event that made it

possible." Their breakeven year coincided with the 9-11 World Trade Center attacks, which dramatically impacted their business. The fact they managed to remain profitable irrespective of the dramatic impact the attack had on their industry is a testament to Telestream's strength.

Castles lamented over one point in the company's history (in 2000) when they broke their policy of not spending ahead of the revenue curve. "We really saw the writing on the wall that we were going to run out of cash if we didn't do something quickly. We met with employees and collectively decided to not lay anyone off, but to implement a six-month salary reduction program; 25% reduction for management and 10% for everyone else. It was actually a defining moment in our culture in terms of bringing everyone together to problem solve a very serious and delicate situation." Since then, they never spent ahead of their revenue which meant they never spent money they were only guessing they would receive. The company had a major break when ABC News approached them with a project that requires them to build a sophisticated custom design. The deal was a win-win: ABC News' problem was solved and Telestream got paid and ended up with a new product line. ABC News chose Telestream because they had earned their trust and had faith they would be able to deliver the product to the scope of what ABC News needed. Along with ABC News, Telestream landed several other partnerships with CBS, NBC, Discovery, DG/Fast Channel and BBC, all which have become significant customers. "They chose our products over our competitors due to the innovation inherent in our products and our ability to provide excellent customer support as well," said Castles. Telestream illustrates that designing strong software isn't the whole picture but also providing good customer support helps a great deal.

It is important to note that Telestream may be the market leader but that there are several competitors rivaling them. Rhozet, Digital Rapids, Amberfin, Elemental Technologies are Telestream's major competitors. When asked how Telestream stands out from its competitors Castle's explained, "We have focused on bringing complete workflow solutions to the market versus narrowly defined "point solutions" which are easier to design and what all of our competitors have chosen to do; easy and cheap, but not necessarily effective." By providing unique whole solutions, broadcast companies choose Telestream in order to ensure the production is supportive throughout the process.

Telestream had also acquired smaller companies through the years. These acquisitions resulted in the company becoming a global company. "The only offices we have established overseas came to us by way of acquisitions we made. When we acquired a company in 2006 in Stockholm, there were twenty employees, so you basically "had" to set up an office or else tell them all to work out of their homes, which would have been a disaster." Throughout the entire company's growth, Castles has had some very proud moments. His company has been consistently profitable for 14 years, revolutionized and led the industry, and changed the lives of many employees. But what he is most proud of is how he has positioned the company. He is most proud about how the company's culture and the employee manager accessibility, has attracted the "right" employees with integrity, talent, and spirit to the company. As a CEO, he is prouder of his employees and the organizational culture they have created than the high profit margins.

Before Telestream was acquired by Thoma Bravo, another company was on the verge of acquiring them, when Castles canceled deal after late in the discussion. It was only a few weeks before he would sign away Telestream when Castles realized the company was in it solely for the money. “They made it clear that money would dominate their decision making and if it happened to impact our employees, so be it. It was expressed in a very harsh and uncaring way that told me they would not be compassionate whatsoever if we ever hit a bump in the road.” His compassion for his employees made this an unacceptable situation and he canceled the deal. On the contrary, Thoma Bravo was more understanding towards the employees.

INSTRUCTORS NOTES

Case Description

The primary subject of this case concerns entrepreneurship. Issues highlighted include ethical and personal decisions which help determine the structure of an organization and the potential outcomes that follow the start-up phase. The case study is at an appropriate level for a university junior, and can be utilized for any university major who are interested in the study of entrepreneurship. The case is designed to be taught in one class hour and is expected to require less than one hour of class preparation by students**.**

Case Synopsis

Officially founded in 1998, Telestream is headquartered in Nevada City, California, with locations in Europe and the United States. Telestream customers include some of the world’s largest media and entertainment companies, including CBS, BBC, CNN, Fox, CBC, Comcast, DirecTV, Time Warner, MTV, Discovery, Lifetime, and many more. More than 80 percent of the top broadcast station groups, media companies, and Fortune 100 companies use a Telestream service or product. What does Telestream do? The company makes products that allow for the easy use of video content, regardless of how the video, is created, distributed, or viewed. With so many video formats, and cross-platform compatibility issues, Telestream creates a variety of software, which allows their customers to overcome these issues. Even more intriguing than their products are the Telestream people. This case study takes the reader through the journey of a founder of humble beginnings that built a successful, high-growth company where people are put first, then products, and then profits.

Recommendations for Teaching this Case

Instructors should ask students to read the case and to complete the case assignments before class. It should take less than one hour to prepare for this case. In the classroom, the instructor should aim at encouraging student participation. To achieve this, the instructor should ask the students to pair up and take about 5 to 10 minutes to discuss and answer the case questions in the class. Students should jot down their answers in their notebooks. After this time

has lapsed, the instructor should use the case questions to guide the class discussion. The instructor is strongly encouraged to write student responses on the white board during the discussion session. The entire discussion should last about 40 to 45 minutes.

Case Questions

1. Who founded the Telestream? Narrate the founder's journey from his former employer to the founding Telestream.
2. What drove the Castles to create his own company?
3. How has Telestream been able to achieve success thus far?
4. Do you believe that it was a smart decision to reject the initial investment offer, even if it was for far more money?
5. What should Telestream do now?

Answers to Questions

1. Dan Castles and his partners officially cofounded Telestream in 1998 after taking a nine-month break. He was formerly employed at Tektronix as president.
2. There could be more than one answer. He could have felt like starting Telestream was his calling.
3. There can be more than one answer. The idea of putting employees first and being a reputable company has created customer and employee loyalty. Their innovativeness has also allowed them to establish high profit margins and out-perform their competitors.
4. The answer to this question can be "Yes" or "No." Students should defend their position.
5. This is an open-ended question and students should defend their position.