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Table of Contents

DR SOLAR CASE

Joette Wisnieski, Indiana University of PA

CASE DESCRIPTION

This case focuses on a young entrepreneur pondering whether or not to start his own business. This case is useful in an entrepreneurship class as it contains most parts of a business plan and allows students to work up the numbers and determine whether to proceed or not. In addition, this case could be used in a strategy class or a technology management class.

This case would be useful with junior level or senior level courses. The pertinent points can be easily covered in a one hour period and depending on how much emphasis the instructor wants to put on the numbers would require probably take 1-3 hours of outside class work preparation.

CASE SYNOPSIS

Students should find this case interesting. This case is set in spring 2013 as the US is faced with falling natural gas prices, gas fracking controversies and rising gasoline prices. A young man four years from college graduation is faced with a dilemma. He has an excellent well-paying job, but part of him would like to return home. There are no jobs with his current company in Pennsylvania so the young entrepreneur begins to think about starting his own business. He has no real mentors, but can't shake the idea that this maybe his ticket home.

CASE BODY

The electric power industry is a $298-billion-plus industry that provides the nation with the most common energy form known—electricity. It is also a very fragmented industry includes any company producing, selling, or distributing electricity. These energy market include the "traditional" electric utilities, such as shareholder-owned companies, electric cooperatives, and government-owned utilities.

Fossil fuels, uranium and water are the most common sources of energy that are converted into electricity About 66 percent of generation in the United States came from fossil fuel in 2013. Coal and natural gas are currently the dominant fossil fuels used by the industry. Nuclear contributes approximately 20 percent, while the contribution from conventional hydroelectric fluctuates between 6 and 8 percent.

Renewable energy sources—such as solar power, wind, geothermal, and biomass—produce minimal environmental impact and generally have low or no fuel costs. But there are issues with these as well. Many renewable sources are not available at all times or not readily available when electricity is required immediately. Renewable sources of energy also face their own environmental and siting concerns.

Solar energy is not as new as you may think. The first patent was applied for in 1816 by Robert Stirling applied for his economiser at the Chancery in Edinburgh, Scotland.

There are two main types of solar technology currently in use. Photovoltaic (PV), uses the photovoltaic effect to generate electricity by capturing the sun's rays via solar panels.

A polycrystalline solar panel module is made from a block of silicon that has multiple crystals. These panels are square in shape, and their surface resembles a mosaic due to all the different crystals that make up the module. Those made with silicon crystals may appear smooth and even and are called monocrystalline modules.

Monoscrystalline panels made from a single crystal are more efficient than polycrystalline solar modules but, polycrystalline panels are much simpler to produce, and cost far less to manufacture.

Dave wanted to return to his hometown of Pittsburgh, PA. So he began his research looking at that as an option. Pittsburg was sunny during the day 45% of the year and had clear skies 59 days throughout the year with an average amount of sunlight of 2021 hours. It appeared that Pittsburgh also had 3 companies specializing in installing solar power. They were Honeycomb Solar, LLC - Pittsburgh , Vox Energy Solutions - Allison Park , and West Penn Energy Solutions - Pittsburgh.

In doing his research, Dave found out some facts about who buys solar power. 84% of solar electric systems installed are for residential customers. While these systems are much smaller than commercial systems, they actually represent only 33% of grid-tied PV systems in megawatts.

There are two main business models available from the installers point of view. The installer has the option to sell the panels directly to the consumer or lease the panels and retain ownership.

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DINNER OR NO DINNER: A STUDENT LEADERSHIP DECISION

Turner White, Rockhurst University
Tony Tocco, Rockhurst University
Craig Sasse, Rockhurst University

CASE DESCRIPTION

The primary subject matter of this case concerns leadership, governance and the roles of board members and individual and institutional reputation. Secondary issues examined include stakeholder analysis; conflict management; and, decision analysis by the student leaders. The case has a difficulty level of two through five. The case is designed to be taught in 45-75 minutes and is expected to require 30-45 minutes of outside preparation by students.

CASE SYNOPSIS

This case portrays the mismatch between the requirements and expectations of a leadership position and the capabilities of the elected student leader to fulfill the role. The emotional tension that arises when peers don't measure up to expectations or organizational requirements leads to conflict and in this case the conflicts are acute requiring action to protect and enhance the reputations of individuals and a university school of management. The case dramatizes the challenges and choices of the organization's executive leadership board to intervene productively to change the situation, including removing the board president, and still achieve a positive outcome for a high profile event annually hosted by the organization for the entire university community. The stakes are high in this case because the student organization, a business fraternity, has undertaken an annually recurring, highly public event that carries reputation risk for the fraternity, the school of management that hosts the group and the alumni affairs function of the university. The case is a real-time drama of students evaluating a sensitive situation, seeking advice from their chapter faculty adviser, whose role is to facilitate and mentor the organization, developing options for action, and through Socratic questioning helped them select and implement a preferred option. The case offers students an opportunity to project themselves into situations common to student-led organizations that carry similarities to organizational leadership challenges in the professional world.

INTRODUCTION

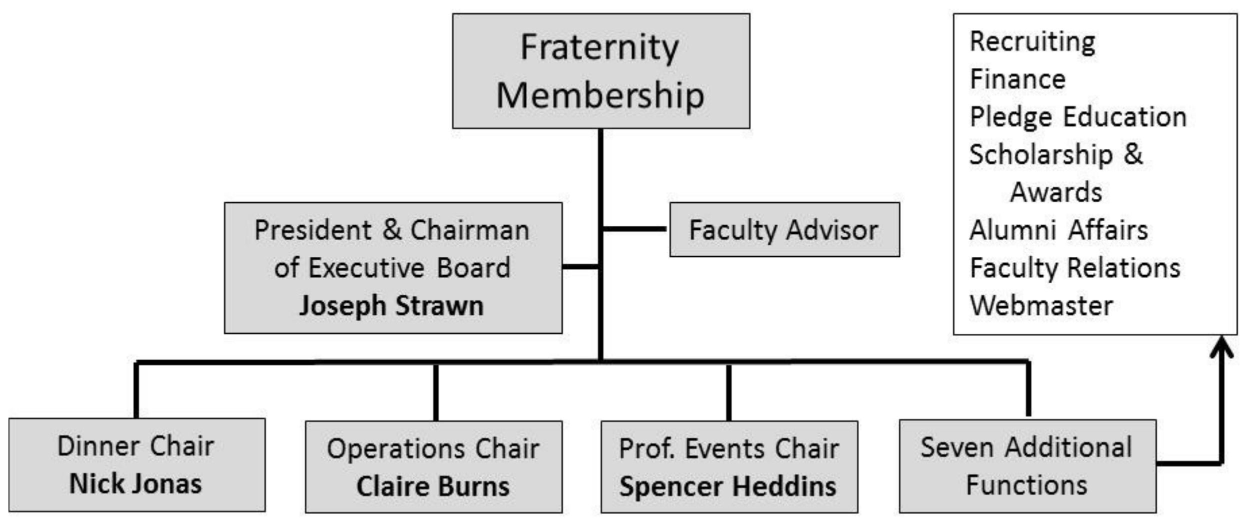
Claire Burns and Spencer Heddins walked out of the room angry and frustrated. As seniors, both of them were established leaders on the University campus and in the School of Management and both were long-standing members of the School's business fraternity. They had just left the executive board meeting in which the fraternity president, Joseph Strawn, had criticized everyone collectively and individually for lack of action on a major, upcoming event, *Dinner with the Industry*, an annual signature event of the business fraternity. While both knew there were problems regarding the event, they were taken aback by the President lashing out at the other fraternity leaders. Not only was it not helpful but they thought Strawn was as much the problem as anything else. But what should they do about it? It was the fall semester and the president had been elected in the prior semester. He had raised some concerns then about his interpersonal style and last-minute decision making pattern.

BACKGROUND

The co-educational, nationally affiliated business fraternity, chartered at the School of Management for ten years, had grown to an active membership of approximately 60 undergraduate students. As top students of the School, they represented all majors and concentrations in the business field. They engaged a wide range of professional events that they scheduled for the members' professional readiness and leadership experience. The focus on leadership aligned very well with the School of Management's overarching theme, "Learn, Lead and Serve." The fraternity frequently acted as the arms and legs of several of the School of Management's annual, signature programs such as Leadership and Ethics Day in the spring, an event that the Dean of the School of Management hosted on behalf of the University. The fraternity members acted as ambassadors, hosts and guides of the business leaders who came to campus to discuss current issues with students in the students' classes for the day.

The fraternity executive board of eleven annually elected members was the guidance system for the fraternity's activities during the year. The board developed a strategic plan, presented it to the chapter, and managed its execution throughout the school year. Rush, professional events, faculty relations, alumni affairs, the national chapter of excellence competition, and a dinner for industry professionals were among the major annual events of the organization. The structure of the executive board is depicted in Figure 1, with the principal student leaders identified in the boxes.

Figure 1. Business Fraternity Executive Board Structure



Strawn's leadership had created conflict in the past largely due to a combative style in which every detail had the potential to be an issue, regardless of its importance. In a number of encounters over the previous year, he had taken on members of the executive board over issues that resulted in bad feelings and little resolution of the issue on the table. He was well-spoken and had the image of being "in-charge" and assertive. At the same time, he maintained very close control over all of the information and expectations of the members, controlled communication left those responsible for the event in the dark. He had a noticeable habit of procrastination and last minute decision making that irritated many of his peers. In the fall, an important annual event that the fraternity organized and hosted was *Dinner with the Industry*.

DINNER WITH THE INDUSTRY

Dinner with the Industry had grown in its five-year life to a level of significant participation: an average of 50 community-based businesses and over 200 students from across the campus attended a dinner to meet and talk informally with principals in fields and businesses that the students felt they might be interested in pursuing professionally. The dinner had become a major event on campus that garnered significant allocation of funding support from the campus student activities board and had the support of influential alumni of the University. One alumnus, who was a well-known industry leader in the community and leader of a newly formed University alumni organization, wrote to the student organizer after the previous year's event, "Congratulations on a very successful event. Thanks for inviting me to participate." In addition to his leadership role in business, his role as president of the University Alumni Leadership Council made his note a particular compliment to the student organizers and the School and University leadership. "We should get the Leadership Council involved," he concluded. This impressed the vice president of advancement for the University and helped solidify the reputation of the student organization with the University and School of Management leadership.

The response of the leadership council president reflected the broad sentiment among the business community leadership. The response of the community's business leaders was the hope of the dinner organizers and the School of Management, whose leadership actively supported the students in promoting the event. The Dean commented, "The event is totally student driven from invitations, to arrangements, to program; it is an end-to-end student project." And, the Dean saw the event as a perfect learning laboratory for leadership.

Under the supervision of a management professor, John White, the fraternity's faculty adviser, and with the assistance of the University's Career Services department and other resources that the students secured, the event carried the "brand" of the School of Management and provided an excellent real-time experiential learning and leadership environment. "This is quite real for the students. The leadership in planning, programming, the emotions, pressure, tension of performance and execution are all on display. This is real and it is valuable as a leadership learning experience," the Dean of the School of Management stated. The Dinner had grown in prestige and visibility campus wide and a lot was riding on its execution.

EXECUTIVE MEETING POSTMORTEM

Following the meeting of the fraternity's executive board, Heddins and Burns walked toward the stairway leading to the foyer of the School of Management. "Can you believe Joe's attitude!" Burns said as they headed downstairs. "He just doesn't see the conflict and how frozen we all are. No one really knows who is doing what! Now, no one wants to act because nobody wants to step on anyone else's toes."

"You can't forget that Joe has got the broad support of the fraternity, but the executive board is losing patience. There's the willingness to help, but he is alienating everyone," Heddins said. "The most important immediate issue is the Dinner."

Heddins spoke bluntly about Strawn's approach, "He's got blinders on and is so bull headed. He just wants it his way. Nick [Jonas] has all of the capabilities to make the Dinner with the Industry work, but Joe just gets in the way. And, he is so abrupt with everyone." Heddins and Burns both acknowledged that Nick was not only well regarded in the fraternity but also in the School of Management and the whole campus.

"That's not the only thing either," Burns added. "There's that total train wreck that occurred at Harvesters when they didn't even know we were coming earlier this year. Joe was supposed to coordinate that. And, remember the pledge voting process? It was totally screwed up."

"And, we've got elections coming up and I'll bet that Joe wants to stand for re-election. It won't go so well for him, if the Dinner doesn't work," Burns added.

Burns asked Heddins if he had time to talk for a few minutes about the situation with Joe. "Do you think that there is anyone on the exec board who can stand up to Joe? He isn't that close to anyone on the board this year like it was last year when there were some close personal ties," Burns said. "We need a way to get Joe to back off and let Nick do his job, so Joe can concentrate on the other important stuff, like recruiting and professional events."

"There's also falling morale," Heddins added. "I don't want us to gang up on him, but we have to bring this out in the open. The Dinner is six weeks away and we need to get going on the plans while we're planning for spring rush and the professional events. Maybe we're doing too much? "

"We've basically got three things going on, don't we?" Burns said. "The dinner, the professional events on the calendar and planning for rush."

"And overall morale: I think confidence of the executive board and the fraternity is on the line, ultimately. It's our reputation," Heddins added.

What if we called Professor White and talked with him about the problem. I mean he might have some ideas," Burns speculated.

"He may have some ideas," Heddins said. "I agree, let's call him. Maybe he can meet with us now."

The phone rang in the office and Professor White answered to hear an urgent tone in Heddins voice with a request to talk. As the faculty adviser to the fraternity, he was aware of the tension around the dinner event. White said that he was free now and to come up. "What's the issue," White asked before he hung up?

"Kind of chaos in the leadership group," Heddins said. "And, it is affecting meeting the deadline for Dinner with the Industry and a bunch of other stuff. I'd like for Claire Burns to come also."

"That's fine," White said. "See you in a while."

GLOBAL TRAVEL, INC.

D. K. Smith, Baze University

ABSTRACT

Ms. Millicent Buhari and her good friend Ms. Ester Mgba are students at the University of Wurundi, in Africa. Last week Ms. Buhari's uncle in Houston, Texas invited the two young women to come and visit him in Houston, Texas; earlier this week, the uncle in Houston sent (by courier) a return ticket from Wurundi to Houston for Ms. Buhari. Regarding a Wurundi to Houston (return) ticket for Ms. Mgba: the uncle has given the details on his U.S. credit card to Ms. Buhari and urged her to use that credit card to purchase a ticket for Ms. Mgba from an online travel company called Global Travel Inc. (hence, GTI). When Ms. Buhari attempts to purchase a Wurundi to Houston (return) ticket for Ms. Mgba from GTI using her uncle's U.S. credit card, however, she encounters a series of problems and rejections. Ultimately, however, Ms. Buhari succeeds in getting GTI to accept her uncle's U.S. credit card and issue the Wurundi to Houston (return) ticket for Ms. Mgba. Additional data and information in the case include:

1) *Regarding the situation: Information on the series of problems and rejections which Ms. Buhari received from GTI is provided.*
2) *Regarding Online Travel Agencies (OTAs): Information is provided on the OTA industry.*
3) *Regarding the company: Information is provided on an online travel agency and its operations.*
4) *Regarding the online travel purchase-related behaviors of consumers: Information is provided.*

RADIO NIGERIA ENUGU NATIONAL STATION

D. K. Smith, Baze University
Christiana Akpunonu, Baze University

ABSTRACT

Ms. Christiana Akpunonu, Deputy Director in charge of news, marketing and programs at Radio Nigeria's Enugu National Station, has been charged by her Executive Director to develop a strategy to ensure that the Enugu National Station manages to compete successfully for audience and market share against new private radio stations which have emerged as a result of the August 1992 deregulation of the broadcast industry in Nigeria.

Additional data and information in the case include:

1) *For Nigeria, the Nigerian environment, and the Nigerian economy: Historical background plus selected statistics.*
2) *For the broadcast industry in Nigeria: Historical background plus selected data and statistics.*
3) *For the Enugu National Station of Radio Nigeria: Historical background plus selected data and statistics.*
4) *For Eastern Nigeria (that is, the markets served by the Enugu National Station of Radio Nigeria): Background information on the region, the inhabitants, and some of the characteristic attitudes and behaviors of those inhabitants.*

SCIENTIFIC GASES UNIT, INDURA ARGENTINA

D. K. Smith, Baze University
Carlos Aimar, University of San Isidro
Anibal Gervasoni, Indura Argentina

Mr. Anibal Gervasoni is the newly-appointed product manager of the Scientific Gases unit of Indura Argentina, the Argentine subsidiary of Indura S.A. Indura S.A. is a Chilean company; however, in 2012 Air Products, Inc. (a multinational company headquartered in Allentown, Pennsylvania, U.S.A) purchased a controlling interest in Indura S.A. At the time it was purchased (that is, in 2012) Indura S.A. was the largest independent industrial gases company in South America. While the Scientific Gases unit of Indura Argentina sells a variety of gases (welding, pure and liquid helium, specialty mixed gases, etc.) throughout Argentina, over the last couple of years, the total revenues of the unit have grown very slowly. Based on the recent history of slow growth, the top management of Indura S.A. has taken the position that no additional capital should be invested in Indura Argentina's Scientific Gases unit. Gervasoni, however, suspects that there is enormous potential for the Scientific Gases unit of Indura Argentina; more precisely, he suspects that the Specialty Gases unit should be able (if additional efforts and investments are made) to dramatically increase its 2014 revenues by the year 2018. Last week Gervasoni received an invitation to come to Air Products, Inc. headquarters in Pennsylvania to present to Air Products senior management his analysis of the opportunities available to Indura Argentina's Scientific Gases unit. To assist him in identifying and describing specific opportunities available to the unit, Gervasoni has invited Prof. Carlos Aimar (a business school professor at the University of San Isidro, in Buenos Aires) to develop (within the next 30 days) a set of suggestions as to how the 2013 revenues of $13,000,000 could be dramatically increased by the year 2018.
Information provided in this case study includes:

1. *Regarding Argentina: Historical overview, a sample of recent demographic statistics from the World Bank, (and for benchmarking purposes, comparable statistics for the United States), plus information on the economy of Argentina.*
2. *Regarding the company: Business model, current marketing strategy, current performance, and numerous factors impacting that performance.*
3. *Additional information: Information on customers, information about the competition and competitors, and information about the scientific gas industry in Argentina.*

UNUSED SERVICES AT GET FIT GYM

Dana Schwieger, Southeast Missouri State University
James Ricks, Southeast Missouri State University

CASE DESCRIPTION

The case describes the implementation and lack of member acceptance of virtually-led classes at a moderate sized fitness facility. The primary issue of the case is the lack of user acceptance and the steps that can be taken now to turn a struggling investment around and eventually into a competitive advantage. The case requires students to have an introductory level understanding of business strategy, marketing, and general business issues. The case is primarily designed for junior or senior-level undergraduate students majoring in marketing or management and has a difficulty level of three or higher.

CASE SYNOPSIS

The case tells the story of Get Fit Gym, a fitness facility in an area housing approximately 57,000 people. The facility implemented virtual fitness class programming to phase instructor led fitness classes out while continuing to provide similar services as their competition. The project was implemented under the direction of the facility manager in reaction to corporate budget cuts. The project was implemented with no input from affected stakeholders nor plan for helping customers to embrace the classes. Now that the investment has been made, the manager needs to start crafting a plan to prevent turn their virtual class programming into a competitive advantage and prevent similar situation from occurring in the future.

THE AMERICAN WHISKEY RENAISSANCE: CAN A HOT DRINK REMAIN COOL?

Charles A. Rarick, Purdue University
Claudia C. Mich, Purdue University

CASE DESCRIPTION

The primary subject matter of this case involves the rise of the American whiskey industry after decades of stagnation and the sustainability of the industry's popularity. Secondary issues examined include globalization and ethical concerns. The case has a difficulty level appropriate for junior level students. The case is designed to be taught in one class hour and is expected to require three hours of preparation by students.

CASE SYNOPSIS

American made whiskey is once again a hot product, especially in the premium priced segment of the market. Fueled in part by the popularity of American movies and television shows, along with changing tastes and preference and good product promotion, the American whiskey industry is experiencing a boom in sales. American whiskey is not only popular among drinkers in the United States, but international sales are exceeding all expectations. The case looks at the rebirth of this American industry and its prospects for the future.

INTRODUCTION

Whiskey making has a long history in the United States. Even President George Washington owned a whiskey distillery. In the early days of American whiskey making, many distillers were farmers who also produced and sold whiskey as a source of additional income. In 1791, the U.S. Secretary of the Treasury, Alexander Hamilton, placed a 25% tax on whiskey distillers in order to generate revenue for the young country. Most of these distillers were operating small production facilities and many were located in Pennsylvania. They greatly objected to a tax imposed by the federal government. By 1794 the hostility grew into a rebellion, called "The Whiskey Rebellion" which caused the federal government to send troops to enforce the tax. The result was the relocation of whiskey distillers to the West, most notably to Kentucky. Over time whiskey was being produced in a number of states, including Tennessee which produced the famous Jack Daniel's brand. The popularity of whiskey grew over the years and reached its heyday in the 1950s in the U.S., but soon the drink lost popularity and sales declined. During the past decade American whiskey has experienced a renaissance, both in the United States and internationally. Whiskey is once again a popular drink and that popularity is growing exponentially in foreign markets. Whiskey producers have expanded capacity and new entrants have entered the market. Whiskey distillers in the United States can now be found from Alaska to Florida, many producing popular small batch lines. The general feeling in the industry is that this popularity will continue, however, it is yet to be seen if this surge will be long-lasting or simply a fad.

WHISKEY, BOURBON, OR SCOTCH?

The word whiskey, or whisky, has a Gaelic origin meaning “water of life.” There is often some confusion about the differences among whiskey (or whisky), bourbon, and scotch. In the end they are all whiskey but their contents and location of production make them different products. They are all alcoholic drinks distilled with grain. While there are a number of nuances that make each different, the main differences can be briefly summarized. As far as the difference in spelling, the term “whiskey” is used for products produced in the United States and Ireland, and “whisky” is used for products produced in Canada and Scotland. Bourbon, by law, must be produced in the United States, and most of it is produced in the state of Kentucky. Since bourbon can only be made in the United States, the drink is sometimes referred to “America’s whiskey.” Bourbon must be produced from a mash of at least 51% corn, distilled at a level no higher than 160 proof, stored in new charred oak barrels, and aged for a minimum of two years (although most bourbon is aged longer). Tennessee Whiskey is not bourbon and has its own legal requirements. While similar to the requirements of bourbon, Tennessee Whiskey must be made in the state of Tennessee and be charcoaled filtered using sugar maple charcoal. Scotch is a whiskey produced in Scotland and malted barley as the main ingredient.

The preparation phase involves crushing and then cooking grain. The mashing process adds water to the crushed grain. Fermentation involves adding yeast, which converts to alcohol and through distillation, the alcohol is turned into a vapor. Water is added to the vapor runoff and stored in barrels for aging. After the whiskey has aged to the desired number of years it is then bottled and is ready for sale. Unlike some spirits, whiskey requires aging and therefore has a long lead time between production and availability for sale. A ten-year bottle of whiskey requires ten years of aging. While some blending of younger and older whiskey is not an uncommon practice, ramping up production still requires years until the product is ready for sale. The increased demand for whiskey has generated a number of companies selling spirits which contain the “moonshine” name. The product is sometimes labelled whiskey or “natural spirits.” While some “moonshine” is sold in impressive cantors, many are sold in Mason jars to enhance the rebel image of the product.

INCREASING DEMAND

Whiskey was a popular spirited drink in the 1950s and 1960s in the United States. Over time demand dropped as consumers began to perceive the product as something old – an old drink for old men. Other spirits like vodka and tequila gained in popularity, along with American beer and wine. During the late 1990s whiskey started to once again become popular, especially a brand with a strong image of heritage like Jack Daniel’s which advertised its unique history. Premium and super-premium branded whiskey was starting to grow even more in popularity. By the early 2000s whiskey sales were on a steep upward trend.

While sales of value-based whiskey (less expensive) account for the most volume, revenue from high-end whiskey far exceeds that of the value-based product. Image, uniqueness, and heritage appear to be very important in whiskey sales. Whiskey labelled reserve, single batch, or single barrel have a special appeal to modern consumers. The age of the whiskey and the story behind it also produce a premium price. What was once a shelf-sitter gathering dust can be almost impossible to buy now. For example, Papa Van Winkle 20-year-old bourbon can sell for over $100 a shot in a bar or restaurant, if you can even find it.

It would be easy to conclude that higher priced whiskey commands a higher price due to its superior quality. In a sense, it does, but only moderately. Age influences the quality of whiskey to a point, but could marketing, image, and product placement be more important in driving sales? In a study of quality versus price for five spirits (vodka, gin, tequila, rum, and whiskey), liquor experts blind taste tested various brands and rated them on a 100-point scale for quality. It would be expected that those priced high would be rated high However, this was mostly not the case. In fact, of the five liquors, only whiskey had even a "modest" correlation between quality and price. It appears that quality, even for whiskey, is not the entire story.

Not unlike the vodka industry, which uses premium packaging to sell its product, the image of quality portrayed through advertising and product placement appears to be driving price differentials in the whiskey industry. Product placement, also known as brand placement, is a specific form of marketing communication that embeds brands into entertainment media such as movies, T.V. shows, books, computer games, Broadway musicals, and even artwork. The advantage of product placement over advertising is its ability to interweave brands into compelling plots such that audiences do not feel "sold to." Since customers learn about brands through associations (colors, jingles, characters, etc.), a brand strategically placed in a film could be perceived as cool, evil, or innovative depending on the way it is integrated into the plot (i.e.; evil if used by a villain). Whiskey has crept into American movies and television shows such *as Mad Men*, *Breaking Bad*, *The Internship*, and others, increasing the image of a drink that is desirable. The globalization of entertainment media helps promote American products internationally. The image of something American has strong appeal abroad.

Regardless of high prices, the demand for premium American whiskey continues to rise, especially in foreign countries. Approximately half of the production of Jack Daniel's is exported to over 130 countries. Rival brand Jim Beam likewise exports heavily to over 100 countries. Master distillers from these and other companies appearing at promotional events abroad draw huge crowds seeking pictures and autographs of these "celebrities". The Distilled Spirits Council of the United States, which conducts whiskey promotional events around the world, is sponsored in part by federal funds used to promote American products. The Council also brings foreign journalists to tour popular distilleries in the United States. These activities, coupled with creative advertising and packaging, create the special status that seems to be driving foreign demand for whiskey. American whiskey sales have exploded internationally, not only in traditional international markets like Japan, Germany, and the U.K., but also in markets previously not considered very important. For example, from 2002 to 2013, sales of American whiskey increased over 6,500% in Mexico, over 13,000% in Colombia, over 10,000% in Estonia, and over 4,600% in Nigeria. American whiskey is part of a growing globalization trend with increasing numbers of consumers seeking universal products. While whiskey is produced in many countries, the American brands seem to be commanding most of the attention and sales.

WHAT'S DRIVING DEMAND AND WILL IT LAST?

The rise in demand for American whiskey, both domestically and abroad, doesn't seem to have one clear cause. Things American sell well abroad and declining tariffs and a weaker dollar help sell the product overseas. As developing economies continue to grow, their purchasing power increases and allows for the consumption of more expensive foreign products, including American whiskey. Additionally, innovation in flavored whiskey products has attracted drinking populations previously not targeted, including women. A very popular whiskey in 2013 was a whiskey called Fireball. This cinnamon flavored whiskey, with a sweeter taste, attracted a female following in a liquor segment that traditionally has been dominated by male consumers.

The ability of the industry to create an image of "coolness" associated with the product may be enduring, particularly if associated with a concrete occasion such as Champaign with celebrating. Therefore, it can be difficult to ascertain how long whiskey's popularity will last. On the one hand, the industry wants to be careful not to label an enduring trend a fad, as Schwinn did with mountain biking in the 1980s, resulting in huge losses. On the other hand, it can mean financial disaster to label a passing fad a trend. Marketing strategy recommends three essential questions to distinguish between trends and fads:

- *What is driving the behavior?* Trends suggest underlying lifestyle, technology, or demographic shifts, while fads are based on what is currently popular or in fashion.
- *Is it accessible to the mainstream market?* If the behavior requires major changes in habits or a substantial investment of either time or money, it is not accessible by the mainstream market and might be a fad.
- *Is the base broad in scope?* Can the behavior be expressed across industries or product categories? If so, we could be looking at an enduring trend, as with Eastern influence in food, health, medicine, etc.

Promoting an image that sells the brand is critical to keeping whiskey a strongly demanded product. Companies in other industries have succeeded in building strong brand communities around their products. Harley Davidson and Jeep have provided loyal consumers a place to connect and interact with other loyal consumers, deepening customer involvement with and loyalty to the brand. Whiskey producers may be similarly effective. Currently, different producers use different messages and motives in their promotional material. American whiskey distillers have recurring themes of authenticity, tradition, and quality in their advertisements. Not always, but generally the product has a story and a history to tell.

One problem with increasing demand of a product that takes years to make is the ability to supply that increased demand. With no way of speeding up the aging process, if demand continues to soar, prices will rise to allocate the scarce product. If the price rises too fast and too far, the mass appeal of the product will decline. While there are innovative ways of speeding up the aging process being considered, including placing barrels on moving ships in tropical climates to use temperature and the motion of the seas to age whiskey faster, no sure method has been accepted as practical. Besides, part of the appeal of a premium whiskey is the number of years it has been aged. A number of American distillers have begun huge expansion projects to meet future demand, however, this strategy assumes whiskey demand will continue to grow for years to come. If the popularity of American whiskey is a passing fad, these producers will once again be sitting on an asset they cannot sell.

Discussion Questions:

1. Do you think the demand for American-made whiskey will continue, or is it a fad that will soon be replaced by another spirited drink? Explain your answer.
2. What can be done to ensure that the American whiskey industry can sustain its growth pattern?
3. Do you think it is ethical for American distillers to heavily promote a product abroad that is potentially unhealthy? Explain your answer.

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RUNNING WITH THE BIG DOGS: A COMPETITIVE FORCES AND STRATEGIC ANALYSIS OF THE RUNNING SPECIALTY STORE INDUSTRY

Jennifer P. Pitts, Columbus State University
Robin L. Snipes, Columbus State University

CASE DESCRIPTION

The primary subject matter of this case is a competitive forces analysis of a specialty retail company. Secondary issues examined include choosing an appropriate competitive strategy and leveraging technology and social media to build customer relationships and deliver a unique value proposition to customer. Students should develop a more in-depth understanding of the impact of external factors and the underlying drivers that affect competitive control and profitability, and learn how to develop and "tweak" strategy in order to adjust to these external factors. The case has a difficulty level of three and up, making it appropriate for junior level courses in management information systems, marketing strategy or business strategy. The case is designed to be taught in one or two class sessions and should require approximately 2-3 hours of outside preparation for students, primarily reviewing the case and reading articles related to the competitive forces framework.

CASE SYNOPSIS

The Big Dog Running Company is a running specialty store operating in the highly competitive and growing running shoe and apparel retail industry. The company started in late 2010 in the middle of an economic recession and against formidable odds in an industry dominated by large retailers and price competitive Internet-based companies. In this case, students analyze the specialty running store industry using Porter's Competitive Forces framework and assess trends in the industry that affect profitability. Based on the analysis, students evaluate and select ~~a~~ one of Porter's generic strategies that will enable the company to gain sustainable competitive advantage in the industry. In the final section, students assess the company's strategies and tactics to identify and understand how the company leverages technology and customer relationship management to deliver a unique value proposition to their customers in each of two distinct market locations. Examining the structure of an industry and the competitive forces that influence profitability will help students develop an understanding of the impact of external factors and the underlying drivers that affect competitive control and profitability.

JUHEL NIGERIA, LTD.

Basil Okoli, Baze University

ABSTRACT

Dr. Ifeanyi Okoye is the founder and promoter of Juhel Nigeria, Ltd., a pharmaceutical manufacturer and marketer in Nigeria. At its inception, the company focused on manufacturing and selling pharmaceuticals in Eastern Nigeria; now, however, the company sells its pharmaceutical products not only in Eastern Nigeria but all across Nigeria. While the company is already believed to be one of the top five pharmaceutical manufacturers in Nigeria, Dr. Okoye is eager to dramatically increase the pharmaceuticals-related sales and revenues of the company.

Additional data and information in the case include:

1. *Regarding Nigeria: Historical overview, a sample of recent demographic statistics from the World Bank, (and for benchmarking purposes, comparable statistics for the United States), plus information on the economy of Nigeria.*
2. *Regarding the company: Business model, current marketing strategy, current performance, and numerous factors impacting that performance.*
3. *Additional information: Information on the pharmaceutical-related activities and behaviors of members of the market the company has targeted, information about competing products and companies, and information about the pharmaceutical industry in Nigeria.*

CENTER FOR THE ARTS: START UP PROBLEMS OF AN INTERGOVERNMENT BUSINESS VENTURE

Stephen L. Loy, Eastern Kentucky University
Kambiz Tabibzadeh, Eastern Kentucky University

ABSTRACT

This case concerns issues related to an inter-governmental joint venture comprised of a regional state university, a county government, and two city governments, in overseeing a jointly funded operation. The case describes the resulting ambiguous chain of command, failure to provide top management support, and power conflict. Secondary issues involve the failure to implement secure information processing procedures. After months of conflict, a compromise that smoothed over the organizational structure problem without resolving it was reached.

The case is suitable for graduate and advanced undergraduate business management and management information systems courses. The case has a difficulty level of four. Students should spend from eight to ten hours outside of class analyzing the case, depending on the breadth and depth of the analysis the instructor desires.

CASE SYNOPSIS

The Eastern Kentucky University (EKU) Center for the Arts had its grand opening in September 2011. The $32 million facility was a long-time dream come true for EKU and its surrounding communities that could enhance their national and international image and brand.

The Center for the Arts is a 2,016-seat facility with a Broadway-quality theater, a grand lobby suitable for multiple events, and a configurable "black box theater," with a capacity of 250 for small events. It is the largest performing arts center in central Kentucky. An experienced and regionally well-known arts administrator, was hired to be the Center's Executive Operations Director six months before the grand opening.

There were twenty-one performances the first season, and revenues exceeded expectations despite internal accusations that the Center was seriously mismanaged. After a six month long internal investigation, the EKU president publicly announced his intent to fire the executive director for:

> *"…fiscal misconduct and falsification of university records and documents. Violation of human-resources policies (e.g., improprieties such as submitting inappropriate meals and items on expense reports, and directing students to falsify time cards, creating a discourteous and unfriendly work environment,*

> *inappropriate behavior toward students (e.g., student workers, such as stagehands, ushers, and parking valets), improper handling of customers' credit card information, and the misleading of university officials …*" (Copley, 2013c).

The Center's executive director denied the accusations claiming she misunderstood, or was unaware of, the university policies. To avoid being fired, she submitted a letter of resignation to the Center's Community Operations Board which had recruited and hired her. Surprisingly, the Board rejected her resignation, and rejected the university president's claim of authority to fire the executive director without the Board's approval. Thus, the stage was set for a battle between the university and the Board over who has authority over the Center's executive director.

BACKGROUND

EKU is the fourth largest public university in Kentucky and located in the state's fastest growing county. In 2003, EKU adopted a strategy to reposition itself from a regional brand to a national and international brand, and a first-class performing arts center was seen as a way to enhance the status of EKU and its surrounding communities. In September 2011, Center for the Arts opened on the EKU campus. It is a 2,100-seat Broadway-capable, Broadway-quality theater with a "fly system" and a 60-foot by 24-foot stage proscenium, as well as a configurable "black-box" theater with seating up to 250.

The nearest performing arts center is the Singletary Center for the Fine Arts at the University of Kentucky in Lexington, 25 miles away. The Singletary Center was built in 1979 and has a seating capacity of about 1200. The next closest is the Norton Center at Centre College in Danville, 45 miles away. The Norton Center is an internationally acclaimed performing arts center with a seating capacity of 1470. The Norton Center hosts outstanding guest artists, touring productions, symphony orchestras, and hosted Vice Presidential Candidates debates in 2000 and 2012.

POOLING RESOURCES

From the beginning, EKU included local government officials in developing plans for the Center for the Performing Arts. EKU's share of the construction cost had to be appropriated through specific authorization by the state legislature. Since, the financial situation of the state was in poor shape at the time, with no likelihood for improvement in the foreseeable future, a strategy was developed to pool funding from two city governments (Richmond and Berea), one county government (Madison), and the state government via EKU. The state legislation authorized the creation of a 13-member Community Oversight Board for the Center with representatives of EKU, the cities of Richmond and Berea, and Madison County to oversee the design, construction and operations of the Center. The joint organization of the Center was the subject of a presentation at the fifth annual Best Practices in Building University/City Relations Conference, hosted by the International Town & Gown Association and Iowa State University. ("Center for the Performing Arts …," 2010)

EKU had two powerful allies in the state legislature, Harry Moberly and Ed Worley. Moberly was the EKU Vice President for Finance & Administration and Chairman of the House Appropriations Committee, and Worley, a Richmond native and EKU alumnus, was the minority leader in the state senate. Moberly and Worley, ushered the bill through the legislature. During the drafting of the bill, Moberly inserted a provision stating that oversight control of the Center would be jointly shared by a Community Operations Board comprised of representatives from Madison County, City of Richmond, City of Berea, and EKU, and that the Board would be responsible for hiring the Center's Executive Director.

After the bill was signed into law by the governor in the spring of 2009, a 13-member Community Operations Board was created to oversee construction of the Center and to hire an executive director. Composition of the Board is as follows ("EKU…," 2011):

- *Two members appointed by Mayor City of Richmond*
- *One member by Mayor City of Berea*
- *Four members appointed by Madison County Judge-Executive*
- *Six members appointed by EKU President*
- *One ex officio member representing EKU*

Construction of the Center began in the fall of 2009. Once construction was underway, a national search for the Executive Director was conducted which resulted in the hiring of Katherine Eckstrand. Eckstrand assumed the duties of Executive Director on January 1, 2010. She had eleven years of experience as executive director of the Clark State Community College Performing Arts Center in Springfield, Ohio and four years of experience as director of community development for the Ohio Arts Council (Mandell, 2009).

When the executive director position was created, the director was classified as a non-contract EKU employee for payroll purposes and depicted on the university's organization chart as subordinate to the university president despite, by state law, being hired by and reporting to the Board, which is independent of the university. As an EKU employee, the university administration demanded that she clear her decisions and actions through them, and to follow its complex set of accounting policies for expenditure approvals, expense documentation, and personnel management policies. The Board, on the other hand, was concerned about "big picture" issues like construction costs and construction progress.

In October 2011, Eckstrand resigned. Officially, the stated reason was to family health issues, but colleagues knew she was frustrated about with the university's confusing accounting and budgeting procedures by herself. She had expected the Board would hire a business operations director to handle accounting and budgeting tasks, but the Board had yet to hire one.

With Eskstrand's resignation, the Board acted quickly to hire a new executive director to make decisions about the Center's interior designs and furnishings, and to book acts for the first season that was scheduled to begin September 2012. After a month long search, the Board hired a new Executive Director. The new director started work on February 1, 2012 without a written contract. (Robinson, 2012)

The new director, Hoskins, had eighteen years of experience as the assistant director for the Norton Center for the Arts at Centre College. She had exceptional energy and initiative, and brought many extraordinary events to the Norton Center, but she had no experience in managing day-to-day business operations, such as payroll, processing ticket sales, budget management, etc. When the Norton Center executive director job became open in June 2011, she applied for the position but did not get it. After conducting a national search, Hoskins was not offered the Norton Center executive director position. Shortly afterward, she submitted her resignation. (Copley, 2010).

In an interview, she said she resigned because "Things feel like they are going in a different direction, and it felt like it was time to move on…If you are going to make a career change, you need to do it when you are still young and smart enough to make the right moves." (Copley, 2010)

THE GOOD AND THE BAD

The Center's first season was considered successful due to the high quality of acts that performed. More than 50,500 tickets were sold which generated more than $2 million in revenue. The first year operating loss was $486,000.

From the very first performance, business process problems were apparent. At the grand opening, a long line for tickets at the will-call window delayed the performance by nearly an hour. The executive director explained that the Center's online ticketing system hand not been set up yet, which meant all credit/debit card transactions had to be entered by authorized personnel. The executive director was only one at the Center authorized to access the university's credit/debit card transaction processing software.

Without an online order and payment system, patrons had to phone in their order, or buy their tickets in person at the Center. Those who purchased by phone had to provide their mailing address and credit/debit card numbers to a Center employee. The executive director often took these calls on a cell phone as she attend to various tasks around the building and recorded the ticket request and credit/debit card numbers on a notepad to be processed later. When other Center employees took phone calls, they wrote the card information on Post-it Notes for later entry by the executive director. Patrons, who did not want to give their card numbers over the phone, had to go to the Center in person to purchase tickets. Patrons had the option to have tickets mailed to them, or to pick them up at the Center in advance or at the will-call window.

As the first season progressed, the university administration received complaints about personnel and operational mismanagement of the ticket sales and other problems, which prompted the university president to authorize an investigation. The findings of the investigation were compiled in a 740-page report. The report listed several financial management problems. (Copley, 2013b)

After reading the report's findings, the university president sent a letter to the Center's director to notify her that her employment was being terminated and that she was to vacate her office immediately. In response, the director immediately submitted her letter of resignation to the Board. Surprisingly, the Board rejected her resignation and declared the university president did not have the authority to fire the Center director. Thus, the stage was set for a battle between the university president and the Board over the management control of the Center's director.

WHO'S IN CHARGE?

The Board based its claim for management control on the section in the state law that authorized the construction and partial funding of the Center. That section placed authority regarding personnel with the Board, not the university.

> *"… a majority of the center Board disagreed with the university's action, saying the Board had authority over personnel decisions at the center. Board member Harry Moberly cited state law regarding the center which states the Board "shall make all decisions regarding personnel." At the June 14 meeting, the Board voted 8-3 for a resolution to retain Hoskins. The resolution said the university did not have "authority to take unilateral personnel action" against employees at the center."* (Copley, 2012)

Reluctantly, after several contentious days, the Board accepted the director's resignation and appointed an interim director. Then, the university president and the Board began grappling over the wording of a formal agreement to clarify who has authority over the Center's director. Meanwhile, job availability announcements for the full-time director position were posted in newspapers and relevant trade publications. Eight months passed without a resolution of the conflict between the Board and the university president. The committee in charge of conducting the search for director candidates received about 90 applications. However, the selection of candidates to interview was put on hold until the Board and the university resolved their conflict, because the committee wanted to know to whom the new director would report before interviewing applicants. (Copley, 2013a)

Eventually, the EKU President agreed that the Center's executive director would report to the Board and perform duties in compliance with university accountability standards, regulations, policies and procedures. "We cannot let this go on another six months. University guidelines and policies can be adhered to within the parameters of the Board, and (we) trust that everybody will act in good faith." (Copley, 2013a)

ABC CONTRACTORS: A CURIOUS CASE OF OPTIONS

Sherrie Lewis, Saint Leo University

CASE DESCRIPTION

The primary subject matter of this case concerns entrepreneurship. Secondary issues examined include human resources, strategic planning, succession planning and leadership. The case has a difficulty level of two and is appropriate for junior or senior students. The case is designed to be taught in one hour and requires no outside preparation by students.

CASE SYNOPSIS

ABC Contractors was founded in 1983 as ABC Lawn & Garden Service. The company began as a home-based business and offered lawn care to residential customers. The owner Mr. Edwards, was a hybrid entrepreneur who wished to supplement his factory job income. When the factory closed, Mr. Edwards added landscaping to his thriving business and hired his first employee. ABC Lawn & Garden Service used its reputation with home owners and advertising to obtain its first commercial contracts. Mr. Edwards and his team added irrigation services, pesticide applications and a nursery to the company's growing list of services. The company soon changed its name to ABC Contractors. The staff grew to include a landscaping and maintenance teams, a salesman and an office staff. These additional services soon paved the way for government contracts, equipment sales and e-commerce. The needs of this evolving business require additional store hours, management and man power.

After more than 30 successful years in the business, the owner and his wife both face advancing age and health challenges. The couple's three children are engaged in other professions. Mr. Edwards is still responsible for day-to-day operations. The business has employed few assistant managers who did not remain with the business. None the less, ABC Contractors has grown to include one of the largest equipment sales businesses in the country. This case explores some of the options that the owners may take to ensure that his life's work will continue.

DESIGN PROTOTYPES INC. PROJECT MANAGEMENT (C): CRASHING THE PROJECT

Patricia A. Lapoint, McMurry University
Carrol R. Haggard, Fort Hays State University

CASE DESCRIPTION

The primary subject matter of this case concerns project management. A secondary issue examined is team politics. This case can be used in Project Management, Operations Management, or Quality Management courses. The case has a difficulty level of four. The case is designed to be taught in two class hours and is expected to require four hours of outside preparation by students.

CASE SYNOPSIS

After 10 years at Design Prototypes, Inc., Raef Conley is leading his first major project team. Raef has assembled a highly qualified, diverse yet cohesive team and has the full support of his boss on the project, the regional Electrical Engineering (EE) Director, Jonathon Wright. It has been almost 6 months since the Alpha C306 project was green lighted by top management. Raef and other members of the project team have met several times during those 6 months to track the progress of the project activities and from Raef's perspective the team works well together and is still highly motivated.

Initially, the project was envisioned as taking a year and a half (548 days) to complete. However, Raef and his team had developed a Work Breakdown Schedule (WBS) that projected completion in 515 days, giving the team 33 days of slack time. Developing a 515 day plan was a very fortunate decision, as at this point the project is in the concluding stage of activity K (product testing) and due to unforeseen delays the 33 days of slack time have been expended. Thus the team is using the 515 day WBS for the just under one year remaining to complete the project. Top management is requesting that the project be shorted by a month (480 day schedule) or preferably two months (450 day schedule). In addition, the VP of Engineering's son, Simon, has been added as a team member. Simon, who has been with the company only 2 years and lacks technical qualifications, is attempting to use the project as a way to demonstrate his value to upper management. Therefore, Simon's agenda is very different from that of the other team members, creating a source of conflict. The case revolves around the questions of: Can the team develop workable shortened time schedules for completing the project in 480 and 450 days? Are the added costs of reducing the schedule economically sound? How do Raef and the other team members cope with the late addition of a divisive, politically connected team member?

HEARTLAND PHARMACY: TOBACCO OR NOT TOBACCO

Rebecca Summary, Southeast Missouri State University
David A. Kunz, Southeast Missouri State University

CASE DESCRIPTION

The subject matter of this case concerns the primary objective of the corporation: shareholder wealth maximization. Case examines a situation where profits and "the right thing to do" conflict. The case requires students to have an introductory knowledge of accounting, finance and general business issues thus the case has a difficulty level of three (junior level) or higher. The case is designed to be taught in one class session of approximately 1.25 hours and is expected to require 2-3 hours of preparation time from the students.

CASE SYNOPSIS

At the most recent board meeting, Dr. Allen Springer, a board member of Heartland Pharmacy, suggested Heartland follow the lead of CVS Caremark and announce the removal of tobacco products from its stores by the end of 2014. Springer, a family practitioner, argued that selling tobacco products was inconsistent with the company's objective of improving customers' health care. Springer had not discussed the recommendation with John Wiley, Heartland's President and Chief Executive Officer (CEO), or Robert Davis, Heartland's Chief Financial Officer (CFO) prior to the meeting. Both Wiley and Davis were surprised with the unexpected suggestion. Wiley's initial thought was the proposal had merit, but Davis pointed out sales and profitability would suffer and that the primary objective of Heartland management and board is to increase the wealth of the shareholders. Springer said he expected sales and profits to decrease but that discontinuing tobacco products from their stores was the right thing to do. After a contentious debate, the board of directors of Heartland Pharmacy agreed to table the recommendation until further information and analysis could be obtained.

The learning objectives of the case include: 1) A review of the primary objective of a firm's management: shareholder wealth maximization 2) Identification of the different stakeholder groups of a corporation and how their interests enter into the wealth maximization objective, 3) An examination of the ethical issue regarding the sale of tobacco products, which are a known carcinogen and 4) A review of alternative ethical perspectives.

BACKGROUND

Heartland Pharmacy is a closely held corporation headquartered in Poplar Bluff, Missouri. Heartland serves a predominately rural, Midwestern market. It operates forty-three pharmacies in southern Missouri, southern Illinois, northern Arkansas, western Tennessee and western Kentucky. All pharmacies are located in small towns. An additional six stores are scheduled to open over the next two years and expansion into northern Mississippi and eastern Oklahoma is also being studied.

The company was started by John Wiley's grandfather, Sam Wiley, in 1948 with a single pharmacy in Poplar Bluff. Expansion was slow during the fifties and sixties but accelerated over the next three decades under the leadership of John Wiley's father James. John has been CEO since 2001 and has continued growing the business by expanding geographic coverage but maintained the company's strategy of focusing on serving small, rural, communities.

Company growth has been financed with internally generated funds and private equity sales to friends of the Wiley family. The external investors were needed when growth financing requirements exceeded family resources. There are seven major external investors, mostly friends and business associates of James Wiley, and all are members of the board. A number of Heartland's managers are also shareholders, but their holdings are relatively small. The Wiley family owns a controlling interest, but the non-family board members currently control close to forty percent of the outstanding shares.

CVS CAREMARK'S DECISION

In February of 2014, CVS Caremark, the nation's largest drugstore chain in terms of overall sales, announced that it would discontinue the sale of cigarettes, cigars and chewing tobacco at its more than 7,600 drugstores nationwide. According to CEO Larry Merlo, "We have about 26,000 pharmacists and nurse practitioners helping patients manage chronic problems like high cholesterol, high blood pressure and heart disease, all of which are linked to smoking. We came to the decision that cigarettes and providing health care just don't go together in the same setting." (Strom, 2014) It is estimated that this decision will cost the company about $2 billion in annual sales, less than two percent of overall sales of $123 billion in 2012.

In discussing the announcement, Dr. Troyen Brennan, a former professor of medicine at Harvard University, and current chief medical officer for CVS, noted that the decision to drop tobacco products will give his company a "competitive advantage" against other pharmacies because of the credibility it will give CVS when talking to physicians. This "credibility" may be related to participation in Accountable Care Organizations, in which health care providers are paid according to patient outcome, not procedures. Over the past few years, major drugstore chains have become more involved in the provision of health care, with walk-in clinics that treat common ailments and offer flu shots. According to Forbes, "if CVS can help save money or keep patients healthier, it might get a piece of the action." (Herper, 2014) This is one reason why CSV did not downgrade it earnings forecast for 2014. Some critics note that this attempt to appeal to physicians in order to increase CVS's business as a health care provider/partner is the real motive behind the decision.

The impact of CVS's decision upon the market for tobacco products is uncertain. According to Nik Modi, an investment analyst at BBS Capital Markets, CSV's decision will have little impact upon total tobacco sales, since convenience stores account for over 75 percent of cigarette sales (Strom, 2013). Walgreens and Rite-Aid, competitors of CVS, have made no move to halt the sale of tobacco products, although they did announce that they continue to "assess and review" their product mix. In an interesting turn, in 2013 Dollar General began selling tobacco products in an attempt to lure consumers into their stores. According to Forbes, this decision fueled a 39 percent boost in share value of the Goodlettsville, Tennessee chain for the year, and a 20 percent increase in the last six months of 2013 (Touryalai, 2013).

According to the most recent statistics available, more than 293 billion cigarettes were purchased in the United States in 2011, and $8.4 billion was spent on cigarette advertising and promotion. In that same year, approximately 124.6 million pounds of smokeless tobacco were purchased (Center for Disease Control and Prevention). Between 2009 and 2012, the estimated annual costs associated with smoking on the U.S. were more than $289 billion, including $133 billion for direct medical costs and $156 billion in lost productivity (Center for Disease Control and Prevention).

THE SITUATION

After the board meeting, John Wiley asked Davis to join him in his office to discuss how they were going to address the tobacco issue raised by Springer. Wiley did not think the board was likely to support a decision to remove tobacco products without adding a new revenue source and even then some members may be reluctant to sacrifice profits. Wiley valued Springer's long service and wanted to provide an objective analysis of his suggestion.

Davis stated that tobacco sales varied from store to store, but company-wide tobacco products contributed about ten percent of Heartland's annual revenue over the last four years. He also stated that the average gross profit margin on tobacco sales during that same period was close to twenty percent. Wiley instructed Davis to prepare a report that would quantify (dollars) the impact of removing tobacco products form their stores. Wiley suggested modifying the projected income statement for 2015 and, to keep the analysis simple, he suggested they reduce revenues (by 10% to reflect the removal of tobacco products) and remove gross profits from tobacco sales (using a tobacco sales gross margin of 20%) but make no adjustments to selling or administrative expenses and examine the results. In addition, Wiley asked Davis to begin thinking about non-quantitative reasons for continuing the sale of tobacco products other than shareholder wealth maximization.

Davis discussed the task with the company controller, August Sawyer. Sawyer did not think preparing the revised 2015 statements would be difficult particularly with key assumptions provided, but he expressed reservations with the non-quantitative analysis. Sawyer stated that a class in his graduate business program examined decision-making from a number of ethical perspectives and suggested this might be a basis for developing non-quantitative reasons to either support or oppose Springer's recommendation. Sawyer explained that teleological and deontological are the most common categories of ethical theories used to analyze the ethics of conduct; he also mentioned libertarian theory. Davis asked Sawyer to prepare a brief description of the various ethical theories and models and to explain where maximizing shareholder wealth fits into the decision-making process.

THE TASK

1) Review the justification of shareholder wealth maximization as an accepted basis for decision-making.
2) Identify the different stakeholder groups and their interests that should be considered when deciding whether to discontinue the sale of tobacco and tobacco related products. Explain how a firm reconciles the interests of the different stakeholder groups with the shareholder wealth maximization.
3) Using the financial statements provided prepare a report illustrating the impact of not selling tobacco products on the financial performance of Heartland. Use Wiley's suggestion regarding selling and administrative expenses.

4) Using ethical theories develop non-financial reasons why the company should continue to sell or discontinue selling tobacco products.
5) Using you answers to questions 1-4, prepare a recommended course of action with supporting analysis.

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TEACHING CASE: TIMBERLINE ENERGY INC.

Stephen C. Henry, SUNY Plattsburgh

ABSTRACT

Over the past few years, an increase in public awareness and concern over sustainability, combined with a sharp runup in energy prices, has made the development of renewable energy sources a top priority for many private- and public-sector entities. Energy companies are tempted by the prospect of profitable new markets, and policymakers are thrilled by the promise of creating "green" jobs for their constituents. Indeed, the potential economic and environmental benefits of such development are undeniable. However, when politics are injected into the financial decision-making process, less-than-desirable outcomes can occur.

The case of Timberline Energy is designed to encourage students to think about an investment decision in the context of value creation. Is the proposed wind-energy project a value-creating investment? Under what circumstances will it be a good investment? Who benefits? Who bears the costs? And what are the implications for public policy?

The case is aimed at advanced undergraduate students who are well-versed in the process of making capital investment decisions. The firms, individuals, and projects described are fictitious, though they are based upon a composite of real-world entities.

HYUNDAI CARD COMPANY: STRATEGIC CHANLLENGES IN CHANGING ENVIRONMENT

Boram Han, Ewha Womans University
Jeonghwan Lee, Myongji University
Seungho Choi, Ewha Womans University

ABSTRACT

Even though Hyundai Card entered the credit card market later than other competitors, Hyundai Card rapidly increased its market share and brand recognition. Hyundai Card successfully differentiated its services from competitors based on unique brand identity, innovative design, market segmentation, partnership with GE Capital, and strong leadership of Taeyoung Chung. However, Hyundai Card faces external environmental changes. Since the Korean government announced amendment bill on tax and credit card, the overall size of the Korean card industry shrinks and profits of card companies reduce. In addition, the profit margins of Hyundai card decreases due to operation inefficiency. Challenged by internal operational inefficiency and the regulatory environment changes, how would Hyundai Card secure its current market share and pursue further growth?

TOUGH CHOICES: ETHICAL DECISIONS IN WHISTLE BLOWING: A CASE STUDY

Amber Gray, University of Idaho
Jason Porter, University of South Dakota
Marla Kraut, University of Idaho

ABSTRACT

This case is a learning experience for the students to understand why a "trusted" employee would commit fraud. The case provides an opportunity for the students to learn about the Fraud Triangle (financial pressure, opportunity, and rationalization): how and why an employee is motivated to commit financial statement fraud and theft. The case also provide for a discussion of how the fraud can go undetected for years. Specifically, what were the "red flags" that the city of Small Town officials and auditors failed to notice the embezzlement of $53 million over a 20-year period? Why did the red flags not alert anyone of the financial statement fraud and massive embezzlement scheme? What audit procedures could have detected the fraud? And who is responsible for not discovering this elaborate scheme? What are the ethical decisions of an employee who suspects fraudulent behavior of a co-worker?

CASE SUMMARY

Cathy Clark, an accounting clerk, works for Kimberly Hedges, the Comptroller and Treasurer, for the city of Small Town, USA. Cathy's duties consist of receiving and recording cash receipts, preparing cash disbursements, preparing payroll, and filing official city financial records. Cathy enjoys her job and her friends are envious of her working for Kimberly Hedges. Cathy is allowed a flexible work schedule, any request for time off is always granted (even on Friday afternoons), and Kimberly is very generous with gifts to the city staff employed under her supervision.

Cathy often wonders how Kimberly affords her lavish lifestyle – she owns and operates a very successful quarter horse farm with 150 horses, located just outside Small Town, USA. Kimberly trains champion quarter horses and travels to several large horse shows each year. Cathy wonders about the horse farm operations and its expenses, but Kimberly is highly regarded having been a lifelong resident of Small Town and employs a large number of local residents at her horse farm.

Cathy substituting for Kimberly, who is taking emergency family leave, notices an unusual city account called RSDA (Reserve Sewer Development Account). She also notices that Kimberly is the sole signatory. Cathy acknowledges that Small Town has had to cut its budget and staff in recent years and that duties normally assigned to multiple individuals are now being performed by Kimberly. Kimberly also rarely takes vacation or even days off. Cathy also begins to question to herself about Kimberly's generosity and her ever-expanding quarter horse farm. Cathy shakes off her concern because the city was recently audited by one of the region's largest audit firms. However, now that Cathy really thinks about it, the auditor was from a local firm working under contract for the larger CPA firm. Cathy is facing a dilemma: should she investigate her concerns, should she voice her concerns to the mayor, should she talk to the authorities, should she stay quiet?

RE-ENERGIZING THE BRAND: SMITH & WESSON HOLDING CORPORATION

Paul J. Costanzo, Western New England University
Harlan Spotts, Western New England University

CASE DESCRIPTION

The primary subject matter of this case concerns marketing. Secondary issues examined include marketing management, promotional strategy, and marketing career preparation. The case has a difficulty level of three, appropriate for senior and first year graduate level. The case is designed to be taught in three class hours and is expected to require five hours of outside preparation by students.

CASE SYNOPSIS

Students who learn how to apply their marketing skill-set to a wide-range of markets will likely be a valued asset to most business organizations upon graduation. This case provides the reader with a behind-the-scenes perspective on how a newly appointed President/CEO was able to transfer his marketing skill-set to a completely different and seemingly unfamiliar industry. The reader will learn about the processes by which the President/CEO along with his newly appointed marketing manager and his team empowered themselves, and became successful applying their requisite knowledge of marketing.

Plagued by uncertainty in the marketplace spawned by strong controversial public opinion and legal regulation of their products, the case chronicles senior management's use of their marketing skills in the transformation of a one hundred and fifty year old company. They begin their task by engaging in brainstorming sessions to change their consumers and suppliers' images of their brand. The challenges for the marketing team soon become evident. How will they formalize business and marketing processes to help a company that was once an industry leader, regain market share and re-establish their brand.

This paper addresses the need for Marketing Educators to have access to a teaching case assignment where students learn how to apply their skill-sets to unfamiliar and politically charged market. Students will learn how to recognize, understand, and appreciate the marketability of their skill-sets and personal branding and how their ability relates to future employment opportunities.

INTRODUCTION

It is December 2004, Mr. Michael F. Golden, the newly appointed President and Chief Executive Officer, and Director of Smith & Wesson Holding Corporation has been on the job for two weeks. Mr. Golden is new to the firearms and security industry having served in executive positions for Kohler Company, Stanley Works Company, and Black & Decker Corporation. A closer look at Mr. Golden's resume reveals that he has a strong marketing background with little knowledge about the firearms industry. He holds an MBA from Emory University in Atlanta, Georgia, and a Bachelor of Science degree in Marketing from Pennsylvania State University (Bloomsburg BusinessWeek, 2014). Upon his arrival at Smith & Wesson, one of the initial tasks facing Mr. Golden is to re-energize the Smith & Wesson brand using his requisite knowledge of marketing and sales management.

As he pulled into the parking lot of Smith & Wesson, his thoughts turned to the morning meetings with Mr. Tom Taylor, Vice President of Marketing, and their marketing team. After spending the last several days reviewing research reports and company data, it was time to discuss market opportunities. Mr. Golden is grappling with the future of the company, which had remained relatively stagnant over the past decade. As stated in the 2004 Annual Report, Smith and Wesson is "…the largest manufacturer of handguns, which includes revolvers and pistols, in the United States and the largest U.S. exporter of handguns. We manufacture handguns and related products and accessories for sale primarily through our distribution network and to public safety and military agencies in the United States and throughout the World." In line with this statement, prior management had viewed Smith and Wesson's strategy as one of being a "big fish" in a small pond, suffering from classic signs of myopic market vision (Leavitt, 1960). Shortly after joining the company, Mr. Golden is quoted in a local Springfield newspaper "When I joined the company we did not have a dime of business with the federal government, which was amazing to me. But it is a huge opportunity for our company" (Blomberg, 2004). The company was under increasing pressure for a growth strategy given the low growth nature of the handgun market and an increasing number of international competitors.

COMPANY OVERVIEW

Smith & Wesson Corporation is located in Springfield, Massachusetts, a city having a long history with the firearms industry. The company was founded in 1852 by Horace Smith and Daniel B. Wesson and has experienced several changes in ownership over the years. After 21 years, Daniel B. Wesson purchased Horace Smith's share of the company. The Wesson family later sold Smith & Wesson Corp. to Bangor Punta Corporation in 1965. Bangor Punta Corporation purchased Forjas Taurus in 1971, another firearms manufacturer and at the time, the two companies shared propriety firearm design and manufacturing information. The relationship between these two companies ended in 1977 when Bangor Punta sold Forjas Taurus. The ownership of these two companies is relevant today because Taurus International Manufacturing Incorporated (known as Taurus USA), is a competitor of Smith & Wesson and has ties to Beretta a long-standing competitor and Rossi firearms. In 1984 Lear Siegler Corporation located in Greenwich Connecticut purchased Bangor Punta and assumed ownership of Smith & Wesson. Smith & Wesson Corporation changed ownership two more times before it was finally purchased and renamed Smith & Wesson Holding Corporation in February 2002 (Annual Report on Form 10−K For the Fiscal Year Ended April 30, 2004).

Smith & Wesson Corporation competes in international and domestic markets, with net sales revenue of $117 million, a 19.7 percent increase over 2003; operating income was $5.2 million (Smith & Wesson Form 10-K Annual Report, 2004). They are one of the world's largest manufacturers of handguns. Firearms account for approximately 87 percent of sales in 2004, with revolver sales about 47 percent of firearms revenue. The remaining company sales revenue was generated from non-firearms products and services (handcuffs, apparel, accessories and collectibles).

Smith & Wesson was a dominant player in the handgun market. This focus was clearly stated in their 2004 annual report: "We manufacture high-quality, center-fire revolvers and pistols with forged components. We have never manufactured or sold inexpensive concealable firearms, sometimes known as 'Saturday Night Specials,' and we do not produce 'assault weapons as defined in the Violent Crime Control and Law Enforcement Act of 1994. We offer a complete line of handguns to meet the needs of discriminating shooters. We currently offer more handgun models, in more calibers, for more applications than any other handgun manufacturer. We currently offer 73 different standard models of handguns with a wide variety of calibers, finishes, sizes, compositions, ammunition capacities, barrel lengths, grips, sights, actions, and other features. In order to enhance our competitive position we continually introduce new handgun models. We introduced five new revolver and four new pistol models in each of fiscal 2004 and 2003" (2004 Smith & Wesson Annual Report, pg. 1-2). Smith & Wesson maintains an overall 18 percent unit share in the Pistol and Revolver segments. As of 2003, they had a 35 percent share of revolvers and an 11 percent share in pistols.

INDUSTY OVERVIEW

The small firearms industry has seen moderate, at times stagnant growth since the mid 1990s. Market size in 2004 was $4 billion in revenue and 5.4 million units (SBI, 2007). It had experience double digit growth from 2002 to 2003, but only 4 percent from 2003 to 2004.

The emergence of the firearms industry in the United States dates back to the industrialized revolution. At that time, many U.S. businesses either started a new venture business producing firearms or converted existing businesses to firearms manufacturing facilities. The majority of the original businesses were in the Northeastern United States where they were in close proximity to numerous mill towns with iron-ore and skilled-labor resources. Many of the original firearm businesses that started at that time still exist today. The most notable companies in the New England states in alphabetical order include Colt Manufacturing Company, Remington Arms Company, LLC, Ithaca Gun Company, Sturm, Ruger & Company, Marlin Firearms, Savage Arms Company, Dan Wesson Firearms, Massachusetts Arms Company (founded by Arthur Savage, Horace Smith and Daniel Wesson), O.F. Mossberg & Sons, Smith & Wesson, Springfield Armory, Stevens Arms, and Winchester Repeating Arms Company.

A number of factors make competing in this industry very challenging. For many consumers firearms purchases come from discretionary spending, thus when the economy is good unit sales increase, when bad they decrease. A second factor is consumer feelings about security. If consumers generally feel safe, there is a reduced likelihood of purchasing firearms than when they are concerned for their safety. Finally, government actions directly affect industry performance. Military actions around the world such as in the Middle East deplete the domestic supply of firearms and firearms related products such as ammunition. Calls for increased laws and regulatory actions affect the availability of firearms and ease of purchase. Of interest at this time is the call for taxing firearms purchases to pay for social spending policies of the federal government. Politics plays an important role when consumers adjust their firearms purchases based on which party wins national elections, usually due to the fear of repeal of the 2nd Amendment.

There are three, broad user segments that include Civilian, Law Enforcement and Military/Government markets. Product segments include handguns (pistols and revolvers), long guns (rifles), shotguns and muzzle loading (black powder) guns. Handguns accounted for about one million of the 5.4 million units sold in 2004, which is about one-third of the domestic production of small firearms. It is estimated that the Civilian/consumer segment owns approximately 230 million firearms, with an additional 5 million guns purchased every year (Small Arms Survey, 2004). This segment consists of hunting, shooting and sports enthusiast, and personal protection markets. The incidence of gun ownership has declined over the years, with approximately 34 percent of people report having a gun in the home. The greatest demand is for pistols, rifles and shotguns. Hunters account for about 60 percent of firearms sales, target shooters another 25 percent and 15 percent goes to the personal protection segment. As noted above, Smith & Wesson has a dominant position in handguns, but does not compete in other segments such as rifles and shotguns.

Smith & Wesson has virtually no presence in the Military/Government sector. Their position in the Law Enforcement segment has precipitously declined from a dominant 95 percent share, to less than 10 percent. The foreign competitor, Glock has a dominant 65 percent share, mainly due to the acquiescence of Smith & Wesson. Glock is known for their lighter, high capacity pistol made from plastic materials, creating a lighter pistol with more fire power. When first introduced Smith & Wesson ignored the competitor thinking that police departments would not trade their trusted metal S&W revolvers for plastic Glocks. They were wrong, police preferred the lighter firearm when having to carry them around on a daily basis.

Smith & Wesson competes against other manufacturers of firearms, including domestic companies such as Colt, Sturm, Ruger and Springfield Armory. Foreign competitors included Beretta, Glock and Taurus. Foreign competitors had recently become a significant force in the small firearms sector, accounting for approximately 40 percent of handgun sales.

Sales of firearms to the Military and Law Enforcement segments are direct, B2B purchase relationships. The Civilian/Consumer segment must purchase firearms from licensed retailers, who are supplied by authorized and licensed wholesalers. Gun purchases are regulated and affected by governmental regulations related to waiting periods and background checks. While there are some large dealers, the firearms channels tend to be dominated by smaller retailers with less sophisticated marketing and merchandising capabilities. The number of firearms dealers has been declining over the last ten years. While it is difficult to predict the future, the market is expected to lag due to slow economic growth and a number of high profile lawsuits filed against gun manufacturers.

SCENARIO

The market data indicated that the Smith and Wesson Company was not taking full advantage of its strong brand equity built over 152 years of handgun manufacturing. Given the lackluster market growth and continued attack by forces outside of the handgun and firearms industry, the management team had to develop a turn-around strategy to not just grow revenues, but also revitalize the company.

Smith & Wesson decided to hire Mr. Golden because of his extensive brand management and marketing experience at Stanley Works and Kohler. Likewise, Tom Taylor joined the company in July 2004 after having held marketing positions at Coca-Cola and Frito Lay. Both were newcomers to the firearms industry. The two individuals found themselves in a very similar situation. Both were newly hired, both had extensive marketing experience from other industries, neither had extensive marketing experience in the industry where they now held senior-level marketing positions.

One of Tom's first decisions was to recount a fundamental marketing rule – informative decisions start with sound marketing data. Tom decided to collect market data he could use to analyze potential viable markets. What he found would be useful to help re-energize the brand. It was an exhilarating challenge that would require major changes to the corporate ideology and new marketing practices were about to be introduced to the Smith and Wesson sales personnel

ISSUES AND CHALLENGES

The issues and challenges faced by newly appointed President and CEO and his marketing team stem primarily from three areas. The first is this newly appointed President and CEO has held prior high-level marketing positions however, he is now in an unfamiliar industry. The challenge before him is simple, how does he apply his knowledge of marketing to an industry unlike any he has seen? Can his marketing skill-set be transferrable to this business? How can he use the marketing skills that he has learned in other industries? What basic marketing knowledge does he rely on to re-energize this brand? How does his newly appointed Vice President of Marketing use his marketing management skills to convince the sales force to engage in new, non-industry specific promotional tactics? How do the senior marketing managers initiate change to satisfy investor demands for higher profit margins in a volatile and highly competitive industry beset by uncontrollable factors?

ORACLE AND TECHNOLOGY ACQUSITIONS

Seungho choi, Ewha Womans University

ABSTRACT

Oracle has established an unrivaled reputation for providing all-Oracle stacks from application to database, systems, and storage by implementing vigorous acquisitions in multiple product stacks. Oracle's aggressive acquisition strategy has contributed to strengthening Oracle's core competencies in the IT industry and has been conducive in competing successfully with SAP SE and IBM, which are Oracle's closest competitors in terms of product offering, reach, and scale. In particular, the acquisition of Sun Microsystems in 2010 gave Oracle not only Java and Solaris, Oracle's most essential and valued software assets, but also hardware. It has committed Oracle to become one of the most exclusive groups of technology providers such as IBM and HP, offering integrated software and hardware to customers.

In the software industry, merger and acquisitions have been one attractive approach to accelerate technological innovation among software companies, since internal development of technology would otherwise require substantial capital investment with a high possibility of failure. Admittedly, under the hypercompetitive software market, furnishing a completed and full software stack has become increasingly critical for software companies in terms of differentiating their products by providing convenience and efficiency, favorably for customers' use. Merger and acquisitions has been an effective method in gaining competitiveness, and it has been visualized as "stack war" among major software companies. Oracle is the one company that has successfully exploited the opportunities and equipped itself with the most expanded stack compared to other software companies like Microsoft, IBM, and SAP SE.

Although Oracle succeeded in vertically expanding its product stack: the so called "Oracle's Red Stack", and gained outstanding financial performance for decades by means of strategic acquisitions, Oracle faced several difficulties in integrating all the components into one compatible system. The arising problems such as product compatibility and issues regarding security instability cast doubt on whether Oracle is sufficiently capitalizing on the benefits, which have been anticipated as substantial from acquiring IT vendors with specific functions that Oracle had required. Specifically, Siebel's existing customers could not use Oracle's CRM because Oracle failed to implement comprehensive product compatibility with acquired products. Also, impaired communication between Oracle engineers and Sun Microsystems engineers resulted in increased vulnerability of Java security for suspended security updates. These examples indicate a lack of coherence and integration skills by Oracle in managing over 100 acquired companies. Pitfalls in technology integration might damage Oracle's reputation since some unreliable product quality can be reflected in other Oracle products.

To manage its acquisitions effectively, Oracle is currently working on employee management to lessen the incongruence among employees from acquired companies

and guiding them to integrate themselves into Oracle's technology system, structure, and culture. How can Oracle resolve the associated complexity involved in technology integration and maximize its synergy that is expected from large-scaled aggressive acquisitions?

Fonterra's Consumers Care and Botulism Scare: A Case of Product Recalls

Suwichit (Sean) Chaidaroon, Nanyang Technological University

ABSTRACT

In 2013, a global recall of products sold by dairy producer Fonterra was announced after botulism-causing bacteria was found during safety tests. The contaminated whey products had been sold to third parties who used it to produce infant formula and sports drinks. Approximately 1,000 metric tons of consumer products were affected by the recall across seven countries, but no cases of sickened consumers have been reported so far. China, which imports most of its powdered milk from New Zealand, instituted a temporary ban on the import of the ingredient from New Zealand. The contamination was blamed on unsterilized pipes used to move the whey during production. It was later confirmed to be a false alarm when the bacteria were identified as a less harmful strain. This case illustrates the complicated situation of a product recall in relations to rebuilding reputation through marketing and corporate communication efforts of the organization.

UTILIZING CURRENCY SWAPS TO HEDGE RISK AT SLC

Benjamin Dow, Southeast Missouri State University
David Kunz, Southeast Missouri State University

ABSTRACT

The primary subject matter of this case is the utilization of currency swaps to reduce long-term currency exposure. Secondary issues examined include counter-party risk and exploiting a comparative advantage.

SLC is a regional chemical distributor, headquartered in St. Louis. SLC had previously entered into a joint venture with a German chemical distributor and as a result of the transaction, SLC will now have to make a decision whether to exercise the option to purchase the remaining 49% stake in the joint venture or keep the existing agreement in place. The financial analysis favored the conversion of the joint venture into a wholly owned subsidiary. However, one of the most prominent uncertainties in the analysis is the significant foreign currency exchange rate exposure that would be transferred to SLC. Future euro cash flows generated by the subsidiary would be remitted back to SLC and converted into US dollars at exchange rates that are not known today. If the euro strengthens in value from its current level, SLC will benefit from the higher conversion value and the return on investment increases. If the euro weakens in value from its current level, SLC will receive fewer dollars per euro and the return on investment decreases.

SLC will need to borrow the equivalent of about $135 million in order to raise the 100 million euros at the current exchange rate of $1.35/EUR. SLC can borrow $135 million in the US market at 5.9% but would need to pay 6.2% to borrow 100 million euros directly. Future euro cash flows from the subsidiary would likely be sufficient to cover the euro denominated coupon payments. In addition, this would significantly reduce the amount the euro cash flows remitted back to SLC and thus significantly reduce the exchange rate risk embedded in the deal.

SLC does not want to pay 20 basis points more on a loan equivalent to $135 million to reduce the exchange rate risk. A currency swap offer has been submitted to SLC that would allow for a reduction in financing costs and allow SLC to reduce their currency exposure.