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Walk the Talk: A Sample of Cases

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All of these cases were written by Jay Janney and/or Steve Gove, who gave us his written consent to post the case “the unethical aftermath of Bill”. Jay and Steve have collaborated on many cases and journal articles.

How to identify a topic for a Walk The Talk case:

The long running TV showed "Law and Order" often billed itself as "ripped from the wire", meaning they took cases in the news, and adopted them for the show. They changed names, they changed facts, they solved each case within 60 minutes. In some ways, their model is one for you to consider—look around you for examples of ethical dilemmas But remember to write it in your own words—that's what the folks at law and order always did. I like to make up firm names, so there is no risk of copyright infringement. If I quote someone, I cite it in the case.

Some common ethical concerns involve a lack of transparency, or not disclosing crucial information. Sometimes people can be injured (physically, mentally, or otherwise) even though the company makes a good faith effort not to injure people. People may be misled into not understanding the consequences of a decision they are making. Decisions may be legal but violate someone's values.

The key to a Walk The Talk case is a good dilemma, which should not have an "open and shut" solution. A good case features trade-offs, and balances the needs of various stakeholders. You'll note that in some of my cases, employees may get laid off, or children may not get adopted from horrendous living conditions, or companies may lose money and eventually close. A good solution is often "the lesser of two evils". It forces you to ask what are your values, and what you will accept. It ties to a course topic (e.g. Five Forces, International, etc.). Although I think government corruption is wrong, I made a decision to bribe government workers in order to get our daughter home (and into medical treatment) 6-8 weeks sooner. I judged her health to be more important than following the law. But it felt wrong to bribe the government workers.

Although I did not include it for copyright reasons, one of my favorite cases, Quinacrine, involves a low-cost birth control targeted at the poor women 3rd world countries—but it is a suspected (not proven) carcinogen. Quinacrine makes birth control economically ferasible for a billion women—but at a potentially great health cost. In those countries, childbirth is a riskier mortality than is cancer. And women do not necessarily understand the risks. Balancing all those concerns is a real challenge. I can assure you that there are many different values discussed in the Quinacrine case.

Finally, the dead economist (my favorite kind!) Bastiat wrote about "that which is seen and not seen", and that many costs occur for people that are not readily apparent. His work is often cited to note that higher minimum wage laws reduce the employment of teens. The benefits to those employed are very visible, but the jobs employers chose not to hie are not seen. Pay attention to those types of costs. As my friend, the late Jack Powellson (another dead economist) wrote about sweat shops—closing them often moves the children working there into prostitution, which is clearly worse for them.

The questions at the end of each case are fairly standard, but one typically identifies a decision-maker and asks the read to determine they ought to do.

Vertical Shelves—the Low-Cost Category killer?

HardWareDepot is a rapidly growing discount hardware mega-store. It features every day low prices, in a warehouse setting. HardWareDepot's business strategy is broad-low cost. They stress execution. Every single activity they perform is designed to lower costs. They buy in bulk in order to negotiate lower costs. They target smaller manufacturers, so they can "cram" price decreases upon them. They were the first hardware retailer use RFID. They are non-union, paying benefits to full-time employees (30 hours a week), but scheduling 75% of its employees for slightly less than 30 hours each week, to avoid paying costly benefits. They have no warehouse space—the sales-floor is the warehouse. Pallets are unloaded directly onto the sales floor, forklifted on the floor, stacked on giant shelves that can reach 20' in height. These are known as vertical shelves.

Hardware retailing can be profitable, requiring executing strategic plans with little margin of error. Porter's stressing of coherence is especially applicable in discount retailing. Getting stuck in the middle is a recipe for disaster. HardWareDepot has several major competitors, who pursue their own strategies, with varying degrees of success. TradingSpaces occupies a niche differentiated strategy, targeting female shoppers, with a greater emphasis on fashion. Caliente pursues a niche strategy, targeting Hispanic customers, featuring bi-lingual employees, and their own corporate credit card. It has higher prices than HardWareDepot. Madden's features small traditional stores, slightly higher prices, but excellent customer service. Snowe's is HardWareDepot's closest competitor in terms of strategy.

While vertical shelves are extremely cost effective at HardWareDepot, they have a serious problem—too often goods fall from the shelves, injuring customers below. This is a common problem across all retailers who use vertical shelves. Injuries are not cheap—Wal-Mart pays out $400 million annually to settle accident cases on its premises. death settlements typically cost low 7 figures, accident settlements range from mid 5 figures to 8 figures (more if it involves paralysis).

There are some solutions. HardWareDepot has implemented a procedure whereby whenever forklifts are loading/unloading goods from an aisle, the aisle is closed to all pedestrian traffic. The delays annoy customers, but it also lowers injuries/deaths. TradingSpaces has installed cargo nets on its upper shelves, to catch items that fall. Many retailers are shrinkwrapping pallets, (decreasing the likelihood of anything falling from the pallet, but increasing the seriousness of any accident when a pallet falls). Shrinkwrapping currently messes up RFID technology, but that should be resolved within 2-3 years. Falling items is rarely an issue at Madden's, which do not use vertical shelves. While cargo nets are cost effective for new stores (HardWareDepot opens 50-70 new ones annually), retrofitting 500+ existing stores would seriously impair profits, and would require closing over 100 marginal stores, laying off thousands of employees. Outfitting new stores but not retrofitting older stores will call attention to the problem as well.

Corporate HQ is considering various proposals regarding safety. Its employee safety record is among the best for the industry, but as it uses more vertical shelves, it has proportionally more injuries to customers than do its competitors. It has more customers because it better executes its low-cost strategy better than anyone else. Even factoring in the cost of accident/death settlements, it is one of the more profitable hardware retailers in the US.

Because settlements cost money, HardWareDepot actively investigates cause and potential solutions to accidents. Interestingly, enough. analysis of work-site issues reveals that customer error is the leading cause of customer accidents. As an example, despite an aisle being cordoned off, customers who are tired of waiting will climb over the barricade. Many deaths are the result of customers climbing onto the upper shelves to acquire very heavy items. They do so because of a perception that HardWareDepot doesn't have enough sales help, and won't notice if they climb up. Increasing staffing might lower injuries, but it will certainly increase costs. Every retailer who employs vertical shelving is frustrated at customers who create these accidents: "People should be aware they are in a working warehouse—you need to know what is going on around you, just like when you're driving a car"[1].

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[1] Information for this article comes from Davan Maharaj "Sky Shelves can be lethal for customers", Los Angeles Times, 16 August, 2000.

Discussion Questions

1. What do you see as the ethical dilemma of this case?
2. What values are considered in this case?
3. Please identify the various stakeholders of this case, and how this dilemma affects them.
4. What are the various solutions to the dilemma? How does each affect the various stakeholders. If there is an optimal solutions, who benefits the most/(least) from its implementation
5. Assuming you are the CEO of HardWareDepot, how do you plan to address this dilemma?

Author's note: The inspiration for this case came from reading an article in the newspaper (yeah, I'm old) about vertical shelves. The article thought vertical shelves were great if they could keep customers from climbing them. The case illustrates the challenge of strategic coherence, whereby all tactics optimize the firm's strategy. …

University of Dayton School of Business Administration
Center for the Integration of Faith and Work
Walk the Talk Program in Collaboration with Dayton Rotary
Case Analysis
The (Un)Ethical Aftermath of Bill
From the Perspective of Bob Johnson, Bill's Successor
Your predecessor in a marketing organization leaves behind information gathered by dubious means.

"What have I gotten myself into?" you ask yourself as you sign for the FedEx package. As a recent college graduate, today is your first day as Assistant Program Manager at Galileo Enterprises, a manufacturer of specialty sensors for the semiconductor industry. Your first day has been draining, beginning this morning when you ran into Nancy Olivaz, whom you were introduced to through a mutual friend at church, but have not seen in several years. She cautiously pulled you aside and advised you that Bill Martin, who's position you have filled, was suddenly and unexpectedly asked to resign from the company. Bill's name came up during the interview process. To your knowledge, he was a high performer who accepted a major promotion with a firm in a different industry. When you pushed your friend for details, she would say only that she had already said too much.

While at lunch with Sandra Day, your new boss, you casually weave Bill Martin's name into the conversation. Your boss is evasive and comments only that she had been strongly encouraged by the V.P. of Marketing to advise your predecessor to pursue opportunities outside of Galileo. Despite her reluctance, she eventually consented. You find her final comment on the matter resonating in your thoughts: "He really knew how to get the job done, but some here did not agree with his methods."

After an uneasy lunch you began the task of getting up to speed on project "Enterprise," the company's major new product initiative. Much of the company's future performance is riding on Enterprise, as is the career of your boss Sandra, who is the Program Manager. Enterprise will be your main assignment for the coming year, and you know that much of your future also depends on its success.

The files on Enterprise are thick. After familiarizing yourself with the project's target market, technical details, pro formas, and timelines, you notice a folder labeled "Competitors". It contains many documents. Several in particular catch your attention. One is titled "Marketing Strategy for Product Liberty," and is labeled "confidential and proprietary; Property of Magellan Corporation". Magellan is your main competitor whose recent announcement about their own new product, "Liberty," has received a great deal of attention in the press. Surprisingly, few specific details have been released about "Liberty" except that it will be unveiled to great anticipation at the yearly trade show in three months. On the document is a hand written note:

> Bill - I found this at Starbucks this morning. I noticed a guy at the next table with a Magellan logo on his shirt. When he went for a second latte I did some

'market intelligence'. Enjoy. PS – thanks again for the season tickets. Paul Mercury.

Your check of the company's phone directory revealed that Paul Mercury is not an employee of Galileo and you make a note to ask your boss. You put the report back into the file without reading it. You also found notes dated six months prior from an interview with Susan Fredericks, Galileo's Assistant Controller who had just been hired from Magellan. The notes contain detailed information about the organization of Magellan's engineering team, marketing plan and cost estimates, product specifications, as well as future production plans for Liberty.

You are concerned with the ethical aspects of much of the competitive intelligence gathering done to date on the Enterprise project. "What have I gotten myself into?" you ask yourself as you sign the Fed Ex package addressed to "Bill Martin – Assistant Program Manager". The sender, Dan Murray, is a name that you've run across in the file. Judging by the record of payments, Dan's firm was hired routinely by Bill for marketing research. You wonder if you should approach your boss about the copy of the Magellan report and the notes from the interview with Galileo's new Assistant Controller. These thoughts stop abruptly when you realize that the sole content of the Fed Ex envelope is a prototype of Magellan's project Liberty. You ask yourself again, "What have I gotten myself into?"

Put yourself in the place of Bob Johnson:

1. In one sentence, state the ethical dilemma described in the case.
2. What are the possible root causes?
3. What specific values are being challenged by the situation?
4. Who are the stakeholders in this situation and what is at stake for each of them?
5. What would constitute a fair and acceptable solution to majority of stakeholders?
    - Are any of them capable of retaliating if not satisfied?
6. What are some possible solutions?
    - Are any of them ethically questionable?
7. How will the solutions affect the different stakeholders?
    - Any ways of addressing those concerns?

How will you address this dilemma and for what reasons?

Adapted from: Sapia-Bosch, A. & Tancer, R. S. (1998) Navigating through the Legal/Ethical Gray Zone: What Would You Do? *CI Magazine*, 1(1): 1-1

Steve Gove

26 July 2007

A note about the author: Steve is a friend of mine, and was a colleague at UD for many years. As of August, 2014 he is now on the faculty at the University of Vermont. He wrote this case to illustrate concerns with the strategy topic of competitor analysis.

Benevolent Adoption Services: New Foreign Market Entry?

Benevolent Adoption Services (BAS) is a faith-based non-profit HQ'ed in the mid-west. Begun 30+ years ago by missionaries who adopted several orphans from their host country, they were asked by families who supported their missionary work if they could assist them in transacting an international adoption. The missionaries quickly recognized the biggest hassle of doing an international adoption is a lack of familiarity with foreign host country policies, laws and culture; skills their missionary experiences afforded them. They formed BAS, putting together a network of individuals willing to lead expeditions into various countries. Many of their employees have gone through the adoption process themselves, and truly believe in BAS' mission. Today BAS places 1000+ children annually from 8 countries. BAS likes to control the entire process, to ensure their ethical standards are met. Unlike BAS, many agencies use local agents in host countries. BAS enjoys a quality reputation as a result of their go-it-alone practices.

Typical families are in their 30s-40s, professionals, who can afford the expenses involved. Families typically choose an agency by first selecting a country from where they wish to adopt, then seek referrals among the agencies doing business in that country. Cost is a concern, but most families value a quicker adoption over a longer less expensive one. Successful agencies have developed a recognized expertise within a given country. This allows them to develop strong relationships with the host government, which provides earlier access to healthy children, as well as expedited government hearings, etc.

International adoptions have become a mainstream phenomenon, with many new agencies emerging to help fill the demand. But not all agencies have the same sense of mission and ethical values as BAS. Some less ethical agencies have even arranged adoptions of non-orphans: this is a major violation of international law. News of these abuses led many third world countries to re-examine their international adoption policies, limiting the number of adoptions that may occur. The end result is that agencies not already established within a country largely find themselves frozen out of that country. In addition, several countries, including China, have set limits on the overall number of adoptions they will permit. BAS is well positioned, as they have programs in 8 countries, their biggest program being Romania.

A recent governmental change in Romania has created a moratorium on all international adoptions. Word from inside the government is that the freeze, now in year two, will become permanent under this administration (could last for several years). BAS must now refund money to hundreds of families who had completed adoption dossiers (an amount in the millions), and risks losing many of them to other agencies, as their only other Eastern European program, Russia, is at capacity, with a 1+ year waiting list.

BAS' has learned a former Soviet state has 18,000 children in its orphanage system, and while interest is building in the country, no agency enjoys a reputation for expertise in this country--yet. The few agencies who have already come here all work through the same local "entrepreneur" in this country, who handles all local matters—for $15,000 cash per adoption. Lacking anyone on staff with expertise in this country, it will take BAS, or any other agency, years to build an effective program here—families would likely spend more time, & face greater frustrations if BAS tries to build their own program.

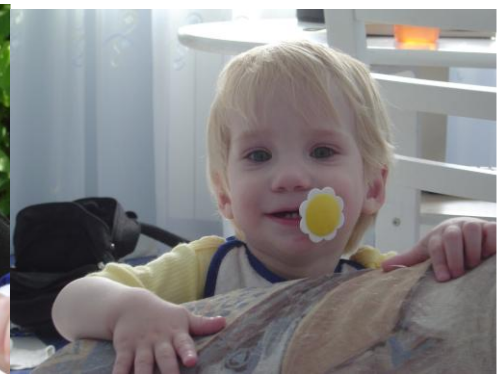
The entrepreneur has offered to partner with BAS to launch a program here. If BAS agrees, they benefit from the entrepreneur's expertise and relationships. The entrepreneur benefits from being affiliated with BAS' quality reputation. Together they can quickly build a program here, larger than BAS' Romanian program had been. If BAS refuses, some other agency will likely be offered the partnership. If they go it alone, it will take years to develop the program to the level the entrepreneur already possesses.

Orphanages in this country are funded by tax revenue—in a country with a large underground economy. As a result, orphanage do not meet Western standards or expectations, although orphanage directors do the very best they can with very limited resources. Children who are not adopted face a bleak future life, turned out onto the streets at age 14, with limited schooling or training.

Some potential questions to ask

1. Should BAS attempt to expand into this country?
2. If so, should they expand by dealing with the local "entrepreneur" or by building their own program?
3. What risks does BAS face if they build their own program? If they expand via the local "entrepreneur"?
4. Should they raise their costs of their program above the costs of other agencies by offering a payment to government to compensate for the foregone tax revenues? Why or why not?

Author's note: This case illustrates strategic topics involving foreign market entry. This case came from my own real life experiences of adopting my daughter from Ukraine in 2003. The issues described are very real. We spent nearly three years in queue for Romania, only to have our travel plans cancelled six weeks out. When our agency opened up Ukraine, we were their first set of parents going there. In this case I haven't given statistics on how bleak were the conditions, despite the best efforts of the staff. Our daughter was in the 90th percentile for height, but between 5-10th percentile for weight.

The Burger Wars

The fast-food marketplace is saturated, growth has slowed, and a growing public awareness surrounding obesity limits enthusiasm for fast food. Parents almost apologize for admitting they sometimes feed their families at a fast food restaurant. It is a crowded industry, and weaker rivals are being forced out.

Heart attack shack (HAS) is a "stuck in the middle" hamburger chain, the 4th largest in terms of sales, but in most years only marginally profitable. It lacks a consistent image and coherent strategy. Begun in the 1960s in the Southeast, new owners bought up a series of smaller chains (mostly weaker ones), converting the signage to a common name. It now had sufficient size to compete for economies of scale. But the new owners found the job of making all the new acquisitions similar in appearance and quality to be much harder than imagined, which limited growth and profits. They sold out to a smaller rival on the west coast who had similar dreams for growth. Because the majority of outlets are franchised owned by small business owners, a failed strategy will impact hundreds, if not thousands of people, many of whom have invested their life savings in their own outlet. They have limited say in the strategy decided by headquarters, but feel the effects when it goes poorly.

But where to go? The low-fat/low calorie niche has been long filled by an industry leader. The primary ethnic food categories are also all claimed as well. So burgers are where they remain. But even here, the choices are stark. The industry leader has carved out the child-friendly market, a second chain has laid claim to a "differentiated" hamburger, based on how it is prepared. Even so this chain has now slipped behind a third chain which provides a rotating set of "semi-gourmet" burgers, slightly higher priced, but differentiated in terms of taste and slightly larger size. The drive-though only niche is being hotly contested by three firms already (and this wouldn't fit the existing buildings owned by franchisees).

One bright spot in the industry has been the sale, contrary to health concerns, of premium burgers. Most chains have brought to market a new premium burger, larger hamburgers which buck the healthy choice trend, but which otherwise enjoy significantly higher operating margins. Restaurants do not make health information easily available on these products, so many consumers are unaware that one meal may exceed the FDA recommended intake of calories and fats. HAS had one of the first premium burgers, which broke the $6 fast food hamburger barrier. While small in absolute sales, they greatly improved profits. Now HAS thinks it has found a niche it can exploit—to be the premiere leader of big burgers. Their new "Hummer" burger is "two-thirds of a pound of beef, four bacon slices, three slices of cheese, mayo and "butter-flavored shortening," weighing in at 1,417 calories and 107 grams of fat". As one commentator notes, "The "shortening" here will be shortening of your lifespan -- the Food and Drug Administration recommends no more than 65 grams of fat per day, imagine almost twice that amount in a single sandwich. Doesn't HAS's want its customers to survive long enough to return and order again?"[2].

Who in their right mind would eat such a burger? HAS targets the 18-34 male crowd, and has chosen to differentiate itself through the use of "sex sells" advertising. No one else has used sex to sell hamburgers, and HAS thinks it can more clearly define its differentiation in doing so. While most ads use pictures of beautiful women, some dressed provocatively, HAS ads have been described as "porn on the internet". The advertising agency who produced the ads titles them with the nicknames of hard core pornographic sexual practices. Tellingly so, a "google search of the ad name for their more widely criticized ad leads to numerous paid porn sites"[3]. These ads a very disparaging of women, who are not the target customers.

HAS same stores sales are up 10% from a year ago, profits are nearly triple of two years ago.

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[2] Accessed January 11th, 2005. http://www.nfl.com/news/story/8066451, by Gregg Easterbrook.

[3] Accessed January 11th, 2005. http://www.slate.com/id/2111999. By Seth Stevenson

Discussion Questions

1. What do you see as the ethical dilemma of this case?
2. What values are considered in this case?
3. Please identify the various stakeholders of this case, and how this dilemma affects them.
4. What are the various solutions to the dilemma? How does each affect the various stakeholders. If there is an optimal solutions, who benefits the most/(least) from its implementation
5. Should firms encourage customers to overeat?
6. Assuming you are the CEO of HAS, how do you plan to address this dilemma?

Author's note: This case illustrates the "generic strategies" of Michael Porter, and firms who try to fund a profitable niche to enter. This case was written after a series of TV ads appeared featuring a celebrity noted for a "sex tape" as its spokesperson. The facts depicted in the case are largely real. I am sure you know which chain pioneered the oversized burger. Two years after writing this, a restaurant in Arizona opened called the 'Heart Attack grille", featuring 8-16-32-48oz burgers, known respectively as a "single bypass burger", "double-bypass burger", etc. The Quadruple Bypass burger has 9,982 calories, and features "four half-pound beef patties, twenty strips of bacon, eight slices of American cheese, a whole tomato and half an onion served in a bun coated with lard". It's motto is "food so bad for you it's shocking". A year after opening, one of their local (and grossly overweight) celebrities died from a heart attack while at the restaurant. Ironically the owner of the chain is "Diet center LLC"…

HillBilly Heroin

ABC Drugs is a multi-state retail drug store chain. Part of its strategy is to displace independent drug stores by setting up several new pharmacies into a community it wishes to serve. Pharmacies are both a growth market and a saturated market, as almost all new supermarkets and large discount retailers operate a pharmacy. Most drug stores earn tremendous profits from dispensing drugs. Non pharmacy items are designed to evoke impulse purchases, in order to increase the amount of sales that a customer will purchase. Customers who drop off prescriptions as opposed to making advanced arrangement are the most profitable, as they will mill around for 10-15 minutes, and often purchase multiple items while waiting.

In most every town one of the major chains (if not two or three) will designate one of its stores as an always open 24-7 store. These stores specialize in prescriptions that emerge from emergency room business. They also stock more depth of product than other stores; hence it is much less rare for customer to have to wait for a drug to be shipped from a warehouse. While there is limited late night business, the goal is to develop loyalty from these customers such that they continue to bring their business to store during regular hours. Because of the economics of the industry, it is a useful means for differentiation

Oxycontin is a prescription pain killer that is incredibly powerful and addictive. It delivers immediate relief to excruciating chronic pain. Recently a famed talk show host went to drug rehab to overcome his addiction to Oxycontin. It is more addictive than heroin, and users will stop at virtually nothing to obtain it. Oxycontin has been heavily prescribed in coal mining communities in West Virginia and Pennsylvania, earning it the nickname “Hillbilly heroin”.

Pharmacies do not control who prescribes Oxycontin. Neither does Purdue Pharma, the maker of Oxycontin. As a matter of fact, “off-label usage” represents, nearly half of all Oxycontin prescriptions. Off-label means the Doctor has prescribed the drug for a use not originally approved by the FDA. While not illegal, in a case such as Oxycontin, it means more people are at risk of addiction than those for whom it is an appropriate treatment. But Purdue Pharma cannot halt off-label prescribing.

One concern of always open stores is that they are increasingly more vulnerable to armed robberies by individuals demanding drugs. It is a dubious distinction, but Oxycontin is demanded by more armed robbers than any other drug. Always-open stores, even in day time hours typically are at a 3-5x greater risk of armed robbery than other stores. Typical operating procedures is for the pharmacist to provide any and all drugs requested by the robber, and to cooperate fully. But robberies are very traumatic for employees, often requiring treatment and counseling for several months. Customers present during a robbery are also traumatized, will go elsewhere, and often sue (4-5 figure settlements).

Because several of its always available stores have been hit by armed robberies in the past year, ABC Drugs is wondering what to do. If it closes its always open stores, it limits the robbery risk, but lowers profitability as well. Similarly, if they don’t stock oxycontin, those customers will go to a rival pharmacy for all their needs. Surveillance cameras and armed guards are expensive, and further erode the profits that are generated late night.

Discussion questions

1. What do you see as the ethical dilemma of this case?
2. What values are considered in this case?
3. Please identify the various stakeholders of this case, and how this dilemma affects them.
4. What are the various solutions to the dilemma? How does each affect the various stakeholders. If there is an optimal solutions, who benefits the most/(least) from its implementation
5. Assuming you are the CEO of ABC Drugs, how do you plan to address this dilemma?

Author's note: This case ties into strategic coherence: the 24-7 store drives traffic, but at what cost? It can also be used to discuss The generic Strategies, particularly risks to a niche strategy> My wife is an ethical drug-dealer, errrr, I mean, pharmacist. She used to work in a 24 hour store for a major retailer. One of her colleagues was robbed at gun-point for Oxycontin. We discussed it many times, and that prompted me to explore it in greater detail, and to write the case.