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Case, Notes and Articles

A publication of the Western Casewriters Association

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For membership in the Western Casewriters Association, visit www.westerncasewriters.org

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Qualified instructors will be provided with peer-reviewed instructor's manuals for each case. To request an instructor's manual, please complete the request form at www.jcri.org, or write to the editor of the journal.

JCRI Journal of Case Research and Inquiry

Western Casewriters Association

The Western Casewriters Association (WCA) is the Western regional association of case study case researchers and casewriters. Its purpose is to train, develop and support case writing for research and pedagogical purposes. WCA organizes an annual conference for experienced and new casewriters and academics using cases for teaching. WCA also publishes the ***Journal of Case Research and Inquiry***. Visit WCA's website at www.westerncaswriters.org

JCRI Editorial Board Members and Reviewers

JCRI Journal of Case Research and Inquiry

JCRI Editorial Policy

Aim and Goals

The ***Journal of Case Research and Inquiry*** **(JCRI)** is a publication of the Western Casewriters Association, www.westerncasewriters.org. The ***Journal of Case Research and Inquiry*** publishes peer-reviewed teaching case studies and consulting case studies (cases) prepared from primary and secondary research, as well as pedagogical notes and scholarly articles concerned with case study research and teaching with cases. The journal publishes one issue per year, and if submissions so merit, may publish additional issues with editorial board approval. Cases, notes, and articles published in the journal are available online, full text, and free of charge at www.jcri.org. Instructor Manuals (IMs) are available free of charge to authorized faculty members.

Scope

The journal publishes cases that address significant contemporary and perennial issues faced by organizations and mangers in the areas of business and public administration, nonprofit management, social entrepreneurship, economics, education, and public policy. **Teaching cases** are necessarily accompanied by instructor manuals (IMs) that are not published but may be provided to instructors upon request. **Consulting cases** are accompanied by a detailed consulting report (consulting IMs). All cases, IMs, notes, exercises, and articles are double blind peer-reviewed by at least two reviewers. Cases may be derived from primary field research, secondary research, or a combination of both. JCRI does not accept fictional cases, nor cases, notes, or articles previously published elsewhere. Case authors are required to obtain release forms, when necessary, from the organizations studied.

Pedagogical notes that accompany a given case may also be published; notes may be summaries of industry characteristics and trends, or theoretical or legal analyses useful in the understanding of a case. **Exercises** for use in the classroom are also welcome, particularly if related to a specific case, note, or article. All notes and exercises are blind peer-reviewed by at least two reviewers.

Finally, the journal publishes scholarly **articles** addressing significant issues related to case research, case writing, teaching with cases, and related pedagogical issues. All articles are blind peer-reviewed by at least two reviewers.

JCRI Open-source Availability Policy

Cases, notes, and articles are available online at www.jcri.org at no cost to instructors and students at state and nonprofit educational institutions, who shall be granted the right to reproduce them for educational purposes. The journal shall encourage instructors to include in their course syllabi links to the JCRI website so that students can easily access cases, notes, and articles. For reproductions for commercial purposes in textbooks or elsewhere, authors shall retain all rights.

Submission of Manuscripts

Authors should submit manuscripts electronically to editor@jcri.org. All submissions must follow the JCRI submission guidelines available in detail at www.jcri.org. The minimum requirements for submission shall be:

When submitting manuscripts, authors should submit two WORD files, attached to a single email to editor@jcri.org. Each file sent to the journal should be saved with a name that clearly identifies the manuscript short title, type of manuscript, and date. At no place in any document except the Submission Form should authors be identified.

The first WORD file should contain the SUBMISSION FORM and the CASE SYNOPSIS (for cases) or ABSTRACT (for notes or articles). (See submission guidelines). This document contains the information required for contacting the author(s). It is used only by the editor and authorship is not revealed to reviewers. Please do not send PDF files to the journal.

The second WORD file should contain the CASE and INSTRUCTOR'S MANUAL (IM) for cases, or the NOTE or ARTICLE. (See submission guidelines).

In all documents submitted, use a size 12 Calibri font, 1 ½ spaced for text. Use a size 10 Calibri font, single spaced, for Exhibits, Tables, Appendices, Footnotes, Endnotes, Financial Statements, and References. Leave a one-inch margin on the top, bottom, and sides of all pages. Align text with the left except for major titles, and do not "justify" the text. Number (starting with 1) all pages of each document. Do not submit more than two files. Include any charts, graphs, figures, images, or photographs in the manuscript in the approximate place where it should be placed. While IMs, notes, and articles may be written in the present tense, by convention all cases should be written in the past tense (*e.g.*, "In 2023, Widgets-R-Us was the global leader in widget manufacturing.")

JCRI is an online publication. Case authors are encouraged to include photos, maps, links to websites, embedded videos and other features that take advantage of the internet.

Review Policy

At the editor's discretion, a submission to the journal may be rejected without a full review, particularly if the manuscript does not align well with the aim and scope of the journal.

Otherwise, all submissions shall be blind peer reviewed by at least two qualified reviewers. Authors shall receive the reviewers' comments, together with a decision (reject, revise and re-submit, conditionally accept, or accept) by the editor. Unless approved by the editorial board, no cases or papers shall be invited, and none published without undergoing the peer review process.

WCA Membership Requirement for Authors

There shall be no fees to publish in the journal, however the policy of the journal is that at least one author must be a WCA member for the year in which the case is published. To join WCA, please visit www.westerncasewriters.org.

WCA Conference Cases

Authors of cases presented at the WCA conference will be invited and encouraged to submit their work to the journal. However, all submissions (whether presented at a NACRA, WCA, or other conference) will undergo the peer review process. No paper - even a WCA award-winning case - shall be guaranteed publication in the journal.

Content of the Journal

Published manuscripts may include CASE STUDIES, NOTES, and ARTICLES, which will be duly identified in different parts of the journal:

- ***Teaching case studies*** - The main part of the journal shall contain peer reviewed teaching case studies (cases) by authors who conducted primary research, secondary research, or a combination of both. Cases shall be about real organizations or managers facing issues in business and public administration, nonprofit management, social entrepreneurship, economics, education, and public policy. Cases must be submitted together with complete instructor manuals (IMs). IMs shall not be published in the journal, but shall be peer reviewed together with the case.

- ***Consulting case studies*** provide a thorough review of an organization and the issue(s) it faces, based on both primary and secondary research. Consulting cases shall be about real organizations or managers facing issues in business and public administration, nonprofit management, social entrepreneurship, economics, education, and public policy. Cases must be submitted together with consulting instructor manuals (IMs) – in-depth analyses of the issues in the case such as a consultant would provide to a client. IMs shall not be published in the journal, but shall be peer reviewed together with the case.

- ***Notes and exercises* –** Peer reviewed notes can be summaries of the academic literature, theory, law, or industry descriptions designed to be assigned to students together with cases. Peer reviewed Exercises may be short case-like assignments that provide less context about the organization and its environment than do case studies, but permit some of the learning associated with the case method.

- ***Articles*** - The journal may include peer reviewed scholarly articles that address issues related to case research, teaching with cases, publishing case studies, in-class pedagogy, and other topics related to case research or related pedagogy.

Release Forms

The journal shall require that authors obtain signed release forms from the organizations studied when casewriters use primary research

Ownership and Distribution of Instructor Manuals

Instructor manuals (IMs) shall be archived by the journal for a period of at least three years after publication of a given case. IMs will be provided to educators who request them when such instructors are formally affiliated with a nonprofit or government College or University.

No fees shall be charged to instructors who receive IMs, nor is membership in the WCA required to receive an IM. Educators seeking an IM should complete a request form on the JCRI website. IMs will be sent by the journal editor to the requesting instructor. After the three-year period, inquiries for IMs should be made directly to the casewriter.

JCRI Journal of Case Research and Inquiry

JCRI Publication Ethics Policy

Approved by the **JCRI** Editorial Board, March 9, 2017

1. ***Board Accountability***. The **JCRI** Editorial Board shall be responsible for establishing and updating, as needed, the Publication Ethics Policy of the ***Journal of Case Research and Inquiry***.

2. ***Editor Responsibilities.*** The **JCRI** Editor shall be responsible for the content of the cases, notes, articles, and letters published in the journal. In consultation with the Editorial Board, the Editor shall endeavor to ensure that the content of the journal meets the standards of quality expected by the Western Casewriters Association (WCA) through the application of the blind peer-review process. The Editor shall also be responsible for ensuring that any non-peer reviewed content of the journal is clearly identifiable.

3. ***Records.*** The **JCRI** Editor shall keep accurate records of submissions to the journal, reviews, revisions, acceptances, and all other pertinent information to be able to inform the Editorial Board and WCA members of the status of the journal. The Editor shall also maintain a list of qualified reviewers for the journal that is updated based on reviewers' performance (availability, quality of review, and timeliness).

4. ***Continuous Improvement.*** The Editor shall strive for continuous improvement of the quality of the journal and the quality of the published cases, notes, and articles in each issue. The Editor shall seek the advice and input of Editorial Board and WCA members on ways to improve the quality, appeal, and usefulness of the journal.

5. ***Retractions and Corrections.*** The **JCRI** Editor shall be responsible for the publication of retractions, corrections, or clarification as needed, and shall keep the Editorial Board aware of any issues that might necessitate a retraction, correction, clarification, or apology.

6. ***Volunteer Basis.*** The **JCRI** Editor, Editorial Board members, and reviewers shall carry out their duties on a volunteer basis, and under no circumstances accept any payment for such duties. Under no circumstances shall potential authors be required to make any payments to the JCRI or its Editor, Editorial Board, or reviewers, nor shall any such payment be accepted.

7. ***Quality of the Review Process.*** The Editor, in consultation with Editorial Board, shall review and as needed update the journal's editorial policy and guidelines for reviewers in order to ensure thorough and timely reviews. The Editor shall also endeavor to ensure that the reviewers selected are qualified to review the submissions sent to them. The Editor shall apply the same review policies, procedures, and standards to submissions by WCA members, **JCRI** Editorial Board members, and non-WCA members. In addition, the **JCRI** Editor shall encourage reviewers to comment on the originality of submissions and be attentive to redundant publications or plagiarism. **JCRI** shall not accept fictional cases, nor cases, notes, or articles previously published elsewhere.

8. ***Decisions and Appeals.*** Decisions to accept or reject cases, notes, and articles shall be based on each paper's importance, originality, clarity, and pedagogical relevance as well as adherence to the submission requirements provided at www.jcri.org. Editorial decisions shall not be affected by the origins of the manuscript, including the institutional affiliation, nationality, ethnicity, political beliefs, race, gender, religion, or sexual orientation of authors. Authors whose submissions to **JCRI** have been rejected may appeal to the President of the Western Casewriters Association at www.westerncasewriters.org.

9. ***Support of the Scholarly Process.*** As appropriate, the Editor shall provide information to authors, reviewers, and institutions in order to support recognition of scholarly contributions.

10. ***Support for Authors' Rights.*** As per **JCRI** editorial policy, authors shall maintain full ownership and copyright for all papers published in the journal, with all the associated rights and obligations.

11. ***Case Release Permissions.*** Authors of cases shall be required to reveal the sources of information (primary, secondary or both) and to obtain release forms, when necessary, from the organizations studied, prior to publication of cases. Specifically, release forms shall be required when primary data have been used as source of information.

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CASE RESEARCH

By Yvette M. Bendeck

A few days before the country closed its borders due to COVID-19, Pedro Martinez, Chairman of the Board of Inversiones Istmo, S.A. and member of the Investment Committee, received the report he had commissioned from Rodriquez Consulting. Four years' prior, Istmo acquired a sugar mill, and while the exportation of sugar and its byproduct molasses was profitable, the molasses could alternatively be used as a key raw material to diversify into other business lines. Pedro was aware that the sugar mill industry had been interested in the production of ethanol, but competitors had been waiting for over a decade after the passage of the Honduran Law for the Production and Consumption of Biofuels for the National Congress to approve regulations that were expected to grant sugar mills government subsidies for ethanol production. Given the length of time that had transpired, the Investment Committee had no expectation that the law would be implemented. They believed that distillery operations should be evaluated to assess if the project met Istmo’s minimum ROE threshold of 25% without government support. The timing of the diversification had been in question, but now Pedro viewed the project through a different lens since the sugar mill was in Honduras - the only Latin American country without distiller operations. Upon review of the financial analysis, Pedro noticed irregularities that led him to believe the analysis was incorrect. Before Pedro could discuss the project with his partners, the capital budgeting analysis had to be recalculated. After updating the analysis, was the project worth undertaking?

Key Words: Finance, Acquisitions, Diversification, Honduras, Sugar, Molasses, Ethanol, Family Business.

C.A.S.A. - COURT APPOINTED SPECIAL ADVOCATES' RESPONSE TO THE COVID-19 PANDEMIC, p. 42

By Craig R. Seal, Patrick T. Flaherty, Krystal Miguel Rawls, Selina Sanchez, Di Fan and Maria Garcia Guzman

Cesar Navarrete was the Executive Director of the Court Appointed Special Advocates (C.A.S.A.) of San Bernardino County, a small, regional nonprofit that recruited, screened, and trained volunteers to serve as court appointed special advocates for youth living in foster care. At the onset of the COVID-19 pandemic in March, 2020, Cesar had to decide whether to move the organization fully online, develop a hybrid model, or establish that employees were essential workers who needed to continue to work onsite during the crisis. In addition, he needed to consider the potential adoption of flexible work arrangements. The decisions (about work and service model and adoption of flexible work arrangements) would involve individual, group and organizational level analyses to gain buy-in from the employees and the Board of Directors.

Key Words: Nonprofit, COVID-19, Foster Care, Service Model, Flexible Work, Organizational Behavior.

LENOVO EVOLVES DESPITE OBSTACLES, p. 61

By Arthur Kraft

Lenovo was a Chinese multinational computer technology company with headquarters in Beijing, China, and Morrisville, North Carolina, United States. It was founded in Beijing in 1984 as Legend and was incorporated in Hong Kong in 1988. Lenovo designed, developed, manufactured, and sold personal computers, tablet computers, smartphones, workstations, servers, electronic storage devices, IT management software and smart televisions. Lenovo had operations in more than 60 countries and sold its products in around 160 countries. Lenovo decided the best way to grow was through acquisitions. These acquisitions provided Lenovo with new products, new markets, technological know-how, and distribution networks. After the acquisitions, Lenovo focused on mobile devices, TVs, servers, and PCs. As a Chinese technology company, Lenovo was subject to scrutiny at various times based on national security concerns.

Lenovo acquired IBM's personal computer business in 2005. In 2011, NEC injected its struggling PC business into a joint venture with Lenovo which helped Lenovo gain a foothold in the Japanese market. Lenovo's growth continued with a series of acquisitions that included CCE, the Brazilian PC company, and Medion, the German PC distributor. In October of 2012, Lenovo announced it would start manufacturing PCs in North Carolina. In 2013, Lenovo became the third wheel in the smartphone market virtually dominated by the duopoly of Apple, Inc. and Samsung Electronics Co. Earlier in 2003, Lenovo overtook Hewlett- Packard Co. as the world's biggest PC maker. In January 2014, Lenovo acquired IBM's server business, expanding a product line-up dominated by PCs, tablets, and smartphones. In January 2014, Lenovo acquired Google's Motorola Mobility unit which shocked to the tech industry since the sale promised to scramble the playing field for mobile devices.

Key Words: International Business, Acquisition, China, Brazil, Growth, IBM, PC, Security, Servers, Smartphones, Technology, Trade.

RIPPLE MAKES WAVES, p. 91

By Franziska M. Renz and Julian U. N. Vogel

On December 22, 2020, the Security and Exchange Commission (SEC) sued Ripple over unlawful offer and distribution of securities. The SEC claimed that Ripple failed to register its digital asset XRP as a security. Not registering XRP as a security required much less disclosure and allowed Ripple to build an information monopoly. Ripple argued that XRP was not a security but rather a cryptocurrency, and referred to security regulators in the UK, Japan, and Singapore which did not classify XRP as a security.

The SEC and Ripple faced each other in this high-stakes case of an asset that many investors perceived to be a cryptocurrency. Uncertainty in the markets increased and the price for XRP dropped. You already hold some XRP. If Ripple were to win the lawsuit, now would be the perfect time to invest. However, if the SEC were to win, the value of XRP would likely slump. You have to make your decision quickly since Ripple announced an unexpected press conference. Every new piece of information will change the price and potentially the outcome of the lawsuit. What do you expect Ripple will announce? Will the court uphold the claims from the SEC or can Ripple successfully defend itself against the allegations? How are you going to update your investment portfolio?

Key Words: Finance, Cryptocurrency, Investments, SEC, Digital Asset.

HYTCH REWARDS: INCENTIVIZING SUSTAINABLE BEHAVIOR, p. 103

By Jeff Cohu

This case study focuses on an early-stage, technology-based social enterprise startup, Hytch Rewards. The case narrates the early-stage startup experiences of the company and its co-founder and CEO, Mark Cleveland. The case requires the reader to evaluate the next steps in scaling the startup. It describes the lean startup methodology and the use of behavioral incentives to address social goals.

Key Words: Social Enterprise, Entrepreneurship, Start-up, Lean Methodology, Behavioral Incentives, Go-to-market Growth Strategy.

COUPANG – AN E-COMMERCE DISRUPTOR NAVIGATES A VUCA WORLD, p. 118

By Sahrok Kim and K. Praveen Parboteeah

This case study profiles the South Korean company Coupang's history, milestones, and business model. Coupang became the fifth largest e-commerce firm in the world, and was called the *"Amazon of South Korea."*

The case explores factors that enabled Coupang to thrive in a turbulent market. It examines how Coupang created disruptive innovation through technology platforms such as data-driven Rocket Delivery, logistic networks, AI-based product management systems, and a novel approach to mobile e-commerce. Nonetheless, there remained issues for the company to work through, especially after a recent IPO on the NYSE. The company was known to have pursued the Silicon Valley growth strategy known as *"blitzscaling,"* which had resulted in operating losses. Finally, workforce protection and reliable e-commerce shopping experiences remained challenges for the company.

Key Words: Coupang, E-commerce, VUCA, Blitzscaling, Rocket Delivery, Disruptive Technology, Innovation.

PHENIX ENTERPRISES: WHAT IS THE BEST DIGITAL MARKETING STRATEGY TO TURN REGULATORY CHANGE INTO COMPETITIVE ADVANTAGE IN THE SMALL VAN INDUSTRY? , p. 137

By Elif Ozkaya and Hayri Erkan Ozkaya

For over 40 years, Rick Albertini and his father manufactured truck bodies at Phenix Enterprises in Pomona, California. A new regulation in the market brought about a significant potential source of competitive advantage. The company manufactured a van solution that satisfied regulatory compliance; the potential increase in demand would create an opportunity for Phenix to lead the market or at least gain a significant share. It motivated Rick Albertini and his management team to enter uncharted territory, growing into online channels. Albertini was confident that the new regulatory change would generate demand for a van solution that met compliance needs. Rick was already in the process of making product improvements and modifications, even before the regulatory change was introduced, because of increasing demand for temperature-controlled small vans. All were in favor of his vision; however, the company seriously lacked an online presence and experience. Furthermore, the company's competitive differentiation strategy needed to be formulated and communicated effectively to consumers.

Key Words: Innovation, Regulation, Vision, Strategy, Marketing Communication, Digital Marketing, Social-media Marketing, Search Engine Optimization, Trucks, Vans.

LeMOBA: SHOULD HR PRIORITIZE EMPLOYEE PROMOTIONS TO AVOID A RETENTION CRISIS? p. 154

By Farhan Shahzad, Luna Leoni, and Muhammad Muzamil Sattar

With a 60% market share, LeMoba Beverages, a Pakistan-based franchise of an international company, was facing a problem of employee turnover. A growing number of pending promotion decisions affecting around 142 employees – combined with sixty employees who left the company in the last six months – resulted in 30% turnover of low level of jobs, 10% of middle level of jobs, and 5% of top levels of management. Sabeen Fatima, the Managing Director, warned the HR Manager to settle the issue of high turnover as soon as possible. If the HR Director could not do so, then he might need to search for another opportunity somewhere else.

Key Words: Pakistan, Human Resource Management, Employee Turnover, Employee Promotion, Payroll Cost, Talent Acquisition and Development.

PACK HEALTH'S STRATEGIC CROSSROADS: A BIG DILEMMA FOR A SMALL ENTERPRISE, p. 176

By Mengying He, Mahshid Jessri, and Andre Avramchuk

Pack Health was a Birmingham, Alabama-based start-up set up to improve the lives of people with chronic health conditions via better patient engagement. It contracted with healthcare organizations to support their patients' nonclinical needs – often referred to as social determinants of health. In an environment where human contact and comprehensive care coordination were at a premium, Pack Health relied on its certified coaches to help patients achieve their health goals through personalized education and behavior change techniques.

Pack Health was on the brink of shutting down in the first half of 2017. Then its pilot project with a regional healthcare-payer company proved effective in improving health outcomes for diabetic patients, and the payer decided to invest in Pack Health. Another sizable investment followed with closing a Series A round of shares at a healthy revenue multiple. Over the next 15 months, Pack Health secured its first seven-figure, multi-year contract. In 2020, Pack Health received an additional round of investment, bringing the total to $11.5 million.

Then COVID-19 threatened to grind the world's business to a halt. Pack Health froze hiring and its corporate clients rushed to recalibrate their business models for delivering healthcare services. An unexpected opportunity arose helping food-insecure patients. Armed with recent investments, proven service capabilities, and facing "wild" new opportunities, Pack Health found itself at the crossroads of (a) renegotiating its commitments to the existing corporate partners now prioritizing COVID-19 patients, (b) conserving cash and paring down its operations while navigating the newly changed business landscape, or (c) pursuing an aggressive expansion capitalizing on the need of digital health services. Pack Health needed to assess its environment and opportunities in order to decide how to proceed.

Key Words: Health care management, Food insecurity, Strategy, Entrepreneurship.

CAN MARTÍN KEEP HIS HANDS CLEAN? A RIGHT VS. RIGHT ETHICAL DILEMMA, p. 190

By Subhashis Das, Gia DiGiacobbe, and Robert Maurice

Victoria and Martín were friends. They used to be co-workers, but their relationship grew into a personal friendship while working at GBS Bank until Victoria moved to a competitor as a Relationship Manager. Victoria was an effective communicator, had good relationship-building skills, and quickly became successful in that organization. Martín remained at GBS Bank and within a short period of time, was promoted to the Credit Manager role where he was responsible for complex credit transactions for the bank's largest clients in Southern California. After a few years, a Relationship Manager position became available at GBS Bank and Martín recommended his manager to hire Victoria to fill that role. Victoria was hired based on Martín's recommendation. Victoria applied the skills she learned at her previous firm and success followed. She was promoted to the Senior Relationship Manager role at GBS within a short period of time. Her success also translated into success for Martín since he was managing credit transactions for all new clients that Victoria was acquiring. Martín was generating a significant amount of revenue for GBS Bank and was soon recommended for a highly sought-after Senior Credit Manager ("SCM") role by the Credit Committee of the Bank. Martín recently became aware that part of Victoria's success was due to the fact that she was aggressively acquiring the clients of Nora, another Relationship Manager at GBS. Nora was recently divorced, which temporarily affected her job performance, and Victoria was taking advantage of Nora's distracted state. Martín recognized that Nora's continued under-performance could soon lead to her termination. Martín was faced with a dilemma – to maintain a working relationship with Victoria and enjoy the continued success together or confront Victoria for her behavior and report her to senior management?

Key Words: Management, Banking, Business ethics, Right vs. right decisions.

SPECIAL EDITION: CASES ON CONTEMPORATY ISSUES IN HIGHER EDUCATION

RETENTION RATES AT ESU: ASYMMETRY OF INFORMATION AND SCREENING DEVICES, p. 197

By Karla Borja

Eastern Sanders University (ESU) was a mid-sized private liberal arts college in the U.S. with outstanding credentials. Nonetheless, it reported a 71.8% first-year student retention rate - well below its peers and a threat to its long-term sustainability. ESU could make use of a *"screening device"* to improve its retention rate. Game theory predicts that in situations wherein one party has private information, the less informed party could use a *"screening device"* to access information. If effectively executed, the screening could assist ESU in recognizing students at risk of not completing their first year in college and provide support to these students early in the semester to improve their academic performance.

Key Words: Higher Education, Student Retention, Game theory, Economics, Screening Device, Rankings.

HOW FAR AM I AWAY FROM BEING AN AMERICAN? p. 213

By Yang Zhang and Franziska M. Renz

The COVID-19 pandemic brought a global recession. Although the U.S. economy outperformed many other economies during the pandemic, the U.S. job market - including the market for academic jobs - was severely hit. Caty Hsu finished her Ph.D. and found a tenure-track Assistant Professor position in the summer of 2021. One and a half weeks before her first semester started at the new school, Caty was told that she would not be able to teach. American Adjunct Professors would teach her courses until her work visa was approved. It was uncertain when Caty could officially begin her career in the new school – if at all. She was concerned about hate against immigrants (and Asians in particular) that had been fueled by former U.S. President Donald Trump, her professional future, and her visa situation. She was thinking about what to do.

Key Words: Higher Education, Recruitment and Staffing, International Staffing, Human Resource Management, Work Visas, International Students.

BULLYING AT HARBOR STATE UNIVERSITY: THE ROLE OF WORKPLACE PROTECTIONS, POLICY AND LAW, p. 225

By Caroline Chen, George Whaley, Benjamin Anderson and Craig Davis

Reed Billings, a tenured, senior faculty member in the School of Management at Harbor State University (HSU), filed an official grievance against Professor Frank Burns, the School of Management Assistant Director. Although Billings had not been the recipient of Burns' confrontational behavior, he believed that a recent outburst by Burns towards an untenured non-Ph.D. faculty member was enough to be considered workplace bullying. Billings felt that he needed to do something beyond informally talking with Burns about how his behavior. Yet the School of Management Director indicated he would not address Burns' behavior unless a grievance was filed. Junior faculty felt powerless to submit a grievance against Burns, so Billings felt that the task fell upon his shoulders. After clicking the "send" button, Billings reflected on his decision to submit the grievance and wondered whether the reasons supporting the grievance were solid.

Students are asked to analyze concepts related to the workplace environment, HSU policy, and state and federal laws at the time to assess whether the College Professional Ethics Committee should rule in favor of Billings' grievance, and assess the impact of the ruling on the School of Management's workplace environment.

Key Words: Higher Education, Bullying, Faculty, Grievances, Governance, Administration, Law, Policy, Human Resources, Organizational Behavior, Management.

LEADER ACADEMY, p. 237

By Dilyana Andreeva, Vanya Manova, Tsvetozar Hristov and Aleksandar Slanchev

Andrei Iliev, the CEO of Leader Academy, was on a phone call with Marian and Georgi, the other two founders of the organization. The co-founders were about to review the results from last year and to set goals for next year. Leader Academy had gone through its proof-of-concept challenge last year and it was time to evaluate the organization's performance. Leader Academy was a social enterprise launched 5 years prior in Bulgaria. The founders had designed the "Talent Pull" project and had been running it for the last year and a half to test its viability. They faced the challenge of preserving their initial mission as a social enterprise while creating a sustainable business model: Leader Academy was a for-profit organization with a social mission. The founders hoped they could scale up the business and significantly expand services and markets in the future.

Key Words: Higher Education, Leadership, Social Enterprise, Europe, Bulgaria.

ARTICLE

SELECTING INTERNATIONAL TALENT: WHOM TO HIRE? p. 252

By Ellen A. Drost

It is challenging to find talented managers willing and qualified to work outside their home countries in the global marketplace. Prospective managers need several critical characteristics to be successful in foreign operations. These characteristics are related to managerial competence, appropriate training, and adaptability to new situations. Because failure rates among expatriate managers are still high, this paper reviews critical selection characteristics. It introduces a scenario centered around selecting an international executive from a pool of candidates. The paper concludes with a discussion of and suggestions for practical applications.

Key Words: International Business, International Human Resource Management, Staffing.

Journal of Case Research and Inquiry

Letter from the Editor

This is the 7th issue of the ***Journal of Case Research and Inquiry***. So far, JCRI has published 62 peer-reviewed teaching case studies prepared from primary and secondary research by 148 casewriters. Each case has been thoroughly peer-reviewed and is accompanied by a peer-reviewed instructor's manual that is available to qualified instructors upon request. JCRI cases address diverse issues in administration and society. They include studies of for-profit, nonprofit, and governmental organizations in several countries around the world. While most of the cases are based in the U.S., JCRI publications include cases on truly global companies, as well as organizations operating in Argentina, Belgium, Brazil, Bulgaria, Canada, Chile, China, Colombia, Egypt, Honduras, India, Nepal, Niger, Pakistan, S. Korea, and Thailand.

In the volume, we publish 4 cases in our ***Special Edition on Cases in Contemporary Issues in Higher Education***. These cases deal with student retention at the university, the complexities of hiring international faculty members, leadership skills, and bullying of junior faculty members.

Volume 7 also includes 10 detailed teaching cases and one outstanding article on international hiring. Instructors will find cases that focus on everything from entrepreneurship and small business management to decisions made in huge multi-national organizations. Cases, notes, exercises, and articles published in the journal are available online, full text, and free of charge at www.jcri.org. Qualified instructors can receive detailed, peer-reviewed Instructor Manuals upon request to the JCRI editor. The editor is also available to write to authors' tenure and promotion committees.

JCRI is delighted to welcome to the team our new webmaster, Dr. Arun Aryal (California State University, Los Angeles), our new Associate Editor, Dr. Yang Zhang (Indiana State University Southeast), and a new Special Issue Editor – Finance and Accounting Cases, Dr. Julian Vogel (San Jose State University). The new team is energetic about moving the journal forward and making many improvements.

JCRI is the publication of the Western Casewriters Association (WCA). On the WCA website, http://www.westerncasewriters.org/, authors will find a call for cases for the WCA conference on March 9, 2023 in Reno, Nevada. The WCA conference is a unique opportunity to engage with other casewriters in a small group format to exchange feedback and polish-up a case, learn about teaching with cases, and enjoy presentations from leading case authors and educators. The WCA is held in association with the annual meeting of the Western Academy of Management. We are grateful to our authors for their submission and especially grateful to our reviewers for their detailed, insightful comments on the case submissions. We look forward to receiving well-written cases, notes, and article submissions in 2023.

Steve McGuire
Editor, ***Journal of Case Research and Inquiry***

JCRI Journal of Case Research and Inquiry

Special Thanks to Ludwig Slusky

Dr. Ludwig Slusky agreed to serve as JCRI's founding webmaster *pro bono* for its inauguration in 2015, and continued as webmaster until 2022. Without Ludwig, JCRI would not have been born. The Western Casewriters Association and the *Journal of Case Research and Inquiry* would like to express our profound gratitude to Ludwig.

Dr. Slusky is Professor Emeritus in the Department of Information Systems of the College of Business and Economics, the California State University, Los Angeles. He taught at Cal State LA for thirty-five years until he transitioned to the faculty early retirement program in 2020. Before joining Cal State LA, Dr. Slusky taught computer topics at the University of Northern Colorado. He also had an international academic experience as a Fulbright scholar.

Dr. Slusky has been an innovation-driven, outstanding faculty member with significant contributions to his Department, College, and University. His research interests parallel the areas of teaching: information security, databases, systems analysis, and design, and online instruction. His book *Practical Applications for Database Design* (Irwin Publishing) is well regarded, and his latest article, "*Cybersecurity of Online Proctoring Systems*" (*Journal of International Technology and Information Management, 29*), was downloaded 1,600+ times across the world. He has published 40-plus peer-reviewed papers in journals and conference proceedings.

In addition to his academic expertise, Dr. Slusky is a Certified Information Systems Security Professional (*CISSP* by the *International Information Systems Security Certification Consortium*) – the field of his extensive academic experience for many years.

Dr. Slusky's experience also includes international business consulting to two NGOs in Washington, DC: *Eurasia Foundation* and *Citizens Development Corps.* His business experience is based on 15 years of employment (including management positions) or consulting in various organizations and industries.

As a Professor Emeritus at Cal State LA, he intends to remain a loyal contributor to the university's success, be academically connected to the College, and assist when needed. He is proud to continue being a part of Cal State LA and be active in the fields of his studies. Of course, he remains a member of the Editorial Board of the *Journal of Case Research and Inquiry*.

Thank you, Ludwig.

JCRI Journal of Case Research and Inquiry

CASE RESEARCH

IS THE CONSULTANT'S ANALYSIS CORRECT? INVERSIONES ISTMO AND ITS CAPITAL INVESTMENT DECISION

YVETTE M. BENDECK
University of Houston-Clear Lake

A few days before the country closed its borders due to COVID-19, Pedro Martinez, Chairman of the Board of Inversiones Istmo S.A., and member of the Investment Committee, received the consultant's report he had commissioned from Rodriquez Consulting S.A. Four years' prior, Istmo acquired a sugar mill, and while the exportation of sugar and its byproduct molasses was profitable, the molasses could alternatively be used as the key raw material to diversify into other business lines. Pedro was aware that the sugar mill industry had been interested in the production of ethanol, but competitors had been waiting for over a decade after the passage of the Law for the Production and Consumption of Biofuels for the National Congress to approve the governmental regulations that were expected to grant sugars mills government subsidies for ethanol production. Given the length of time that had transpired, the Investment Committee had no expectations that the law would be implemented. The committee believed that the distillery operations should be evaluated to assess if the project met Istmo's minimum ROE threshold of 25% without government support.

The timing of the diversification had been in question, but Pedro viewed the project through a different lens since the sugar mill was in Honduras, the only Latin American country without distiller operations. Upon review of the financial analysis, Pedro noticed irregularities that led him to believe the analysis was incorrect. Before Pedro could discuss the project with his partners, the capital budgeting analysis had to be recalculated. After updating the analysis, was the project worth undertaking?

The author developed the case for class discussion rather than to illustrate either effective or ineffective handling of the situation. The case and its accompanying instructor's manual were anonymously peer reviewed and accepted by the ***Journal of Case Research and Inquiry, Vol. 7, 2022***, a publication of the Western Casewriters Association. Contact: Yvette Bendeck, University of Houston- Clear Lake, 2700 Bay Area Blvd, Houston, TX 77058, bendeck@uhcl.edu.

Pedro Martinez and Inversiones Istmo

Pedro Martinez earned a bachelor's degree in industrial engineering from Georgia Tech and an MBA from the Wharton School of Business. Pedro worked his entire career in the textile and in the cut and sew apparel business. Pedro was the Chief Operation Officer of a family-owned business where he focused on operational efficiencies to improve profit margins in a very competitive industry. From the beginning of his career, Pedro promoted employee welfare which resulted in company-sponsored onsite medical services offered to all employees and their families. As of 2021, with 4,000 employees, Pedro's family business ranked among the top 10 largest employers in Honduras.

In the early 2000s, Inversiones Istmo was formed after Pedro's family sought to further expand into textile manufacturing by partnering with investors experienced in the field. Pedro was named Chairman of the Board of Inversiones Istmo. Twelve years after the formation of Istmo, the company sought to expand its investment portfolio beyond textiles. As Pedro explained about their investment in the sugar mill, "Our expertise is in running a business in an industry in which one has to be a low-cost producer to be profitable. Not much different than in the commodities business."

The Economy

Measured by Gross Domestic Product (GDP), the Honduran economy was the third smallest in Central America with a GDP of USD $ 23.828 billion in 2020. Between 2017 and 2019 Honduras had the second fastest GDP growth with a GDP growth rate above the average for the region. The combined impact of COVID-19 pandemic, Hurricane Eta, and Hurricane Iota resulted in a decline in GDP of 9% in 2020 (The World Bank 2021). Refer to Exhibit 1 and 2 for the GDP and GDP growth rate in the Central American region.

Exhibit 1. GDP for Countries in the Central American Region (2011 – 2020)
Source: Created from the World Development Indicators GDP (current USD $) data series.

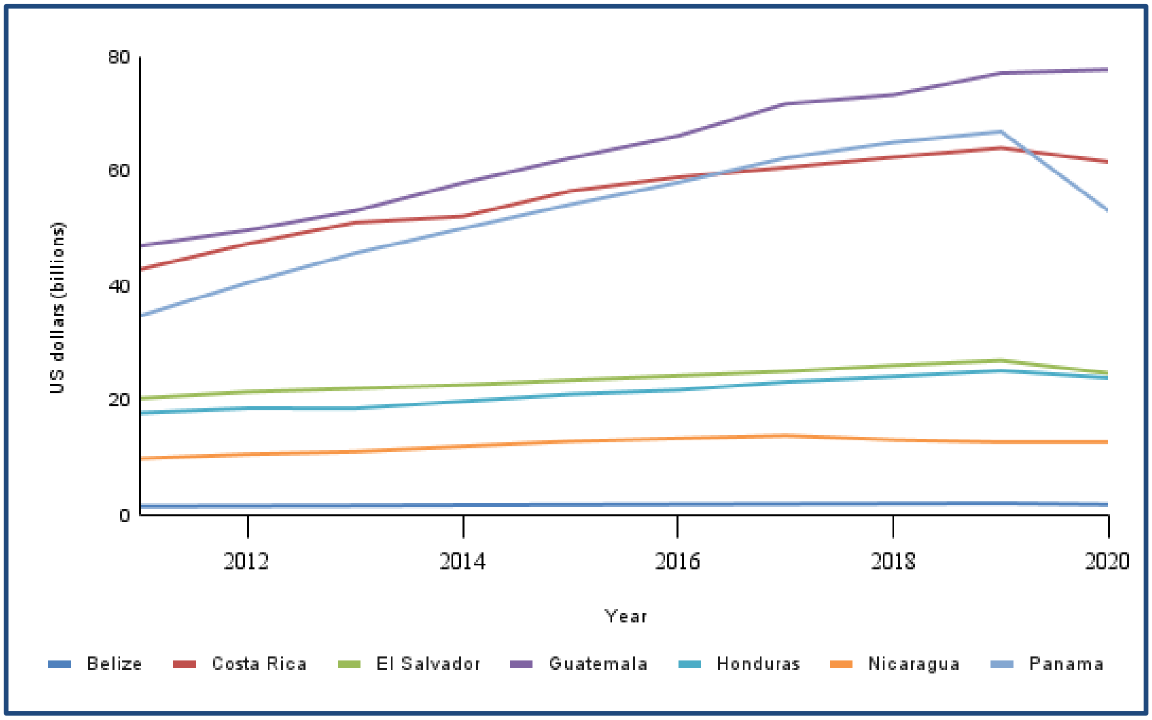
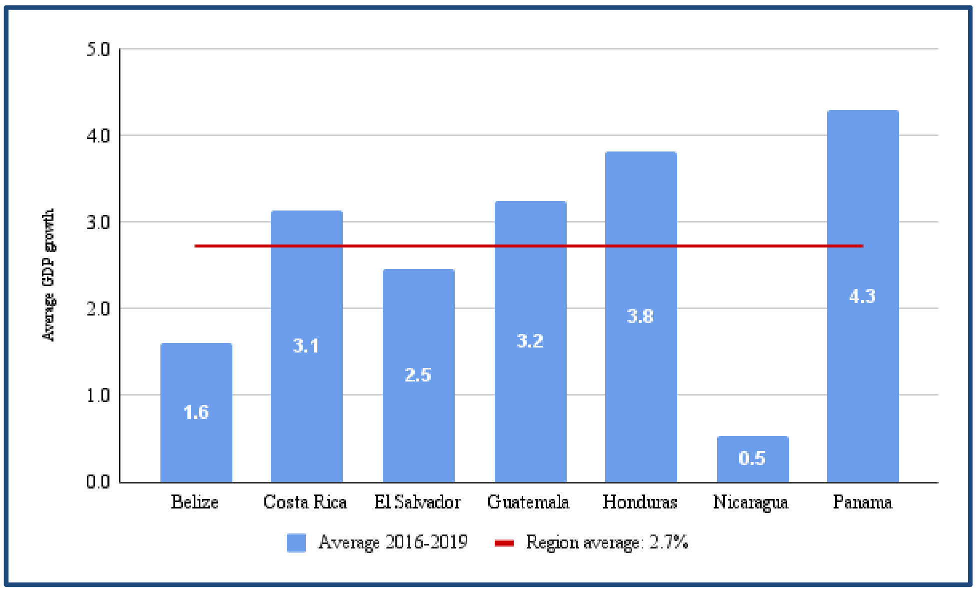


Exhibit 2. Average GDP Growth for Countries in Central America
Source: Created from the World Development Indicators GDP Growth (annual %)



Consequently, the unemployment and property rates in Honduras worsened during 2020. The unemployment rate almost doubled between 2019 and 2020. The percent of individuals who worked less than 36 hours but wished to work more (Visible Subemployment) increased 16.7 percentage points. During the same period, individuals who worked 36 hours or more but did not earn minimum wages (Invisible Subemployment) decreased by 6.7%. Overall, 81.6% of labor market participants were unemployed or underemployed (INE 2019: 6, INE 2020: 2). Refer to Exhibit 3 for Honduras employment indicators.

Exhibit 3. Employment Indicators

Source: INE's 2019 and 2020 Household Surveys

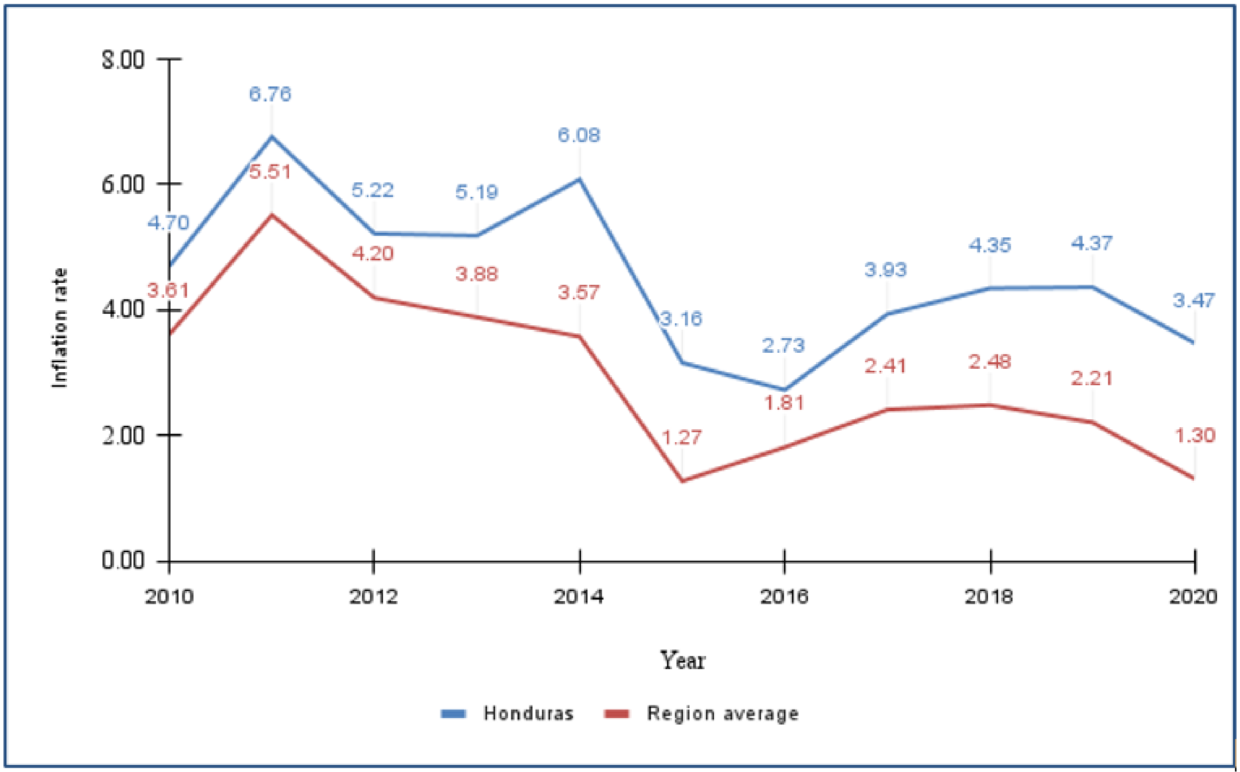
Indicators	2019	2020
Labor Market Participation Rate (15 years and older)	57.3%	59.5%
Unemployment Rate	5.7%	10.9%
Visible Subemployment Rate	10.6%	27.3%
Invisible Subemployment Rate	50%	43.4%
Sum of Unemployment, Visible and Invisible Subemployment	66.3%	81.6%

Honduras was the second poorest country in Latin America and the Caribbean region behind Haiti (CIA 2021a).[1] In 2019, the Honduran government estimated that close to 60% of households lived in poverty, while 36.7% of households lived under extreme poverty conditions. (INE 2019: 11). As unemployment and underemployment increased in 2020, the poverty rate rose to 70%. Extreme poverty was estimated at 53.4% (Universidad Autónoma de Honduras 2021: 1). With increased poverty, income inequality, which has been prevalent in Honduras for decades, was expected to widen. In 2018, Honduras was ranked as having the 10th largest income inequality in the world among 174 countries ranked (CIA 2021b). Honduras has had one of the highest inflation rates in Central America. Except for 2015, inflation in Honduras had been in the range of 3% to 6.7% per year. (World Economic Outlook Database 2021). Refer to Exhibit 4 for the Honduras inflation pattern compared to that of the region.

[1] The literacy rate for individuals 15 and older was 88.5% with an average of 8 years of schooling (INE 2019: 4).

Exhibit 4. Honduras Inflation Rate Versus the Average inflation for Central America

Source: Created from World Economic Outlook Inflation Data Series for Central American Countries



Politics and Corruption

For most of the 1960's and 1970's, Honduras was under military rule. Since ratification of a new constitution in 1982, Honduras has held free elections. Elected by simple majority of votes cast, presidents until 2017, were restricted to a single 4-year term. In 2009, President Manuel Zelaya, who had less than a year to complete his term in office, was removed from office after he engaged in a series of actions that led members of national congress and supreme court to believe that Zelaya's initiative was an "attempt to suspend the Honduran constitution and remain in office beyond his 4-year term". The president of the national congress, Roberto Micheletti, served out the remainder of President Zelaya's term after which the newly elected President Porfirio Lobo took office (government accountability office (GAO 2011: 4-5). Dissatisfaction with the 2015 Supreme Court's decision that invalidated the constitutional provision limiting presidents to one term in office resulted in increased political tensions (Bow

2015). Hence, in 2017, three political parties formed the Alliance Against the Dictatorship, a coalition that nominated a single candidate for the 2017 Presidential Election to defeat the incumbent President Juan Orlando Hernandez who was running for a second term (Salvador Nasralla 2017). The election was highly contested leading to claims of voter fraud that resulted in some violent mass protests when President Hernandez was declared the winner with 1.6% vote differential over the coalition candidate (El Gobierno de Honduras 2017).

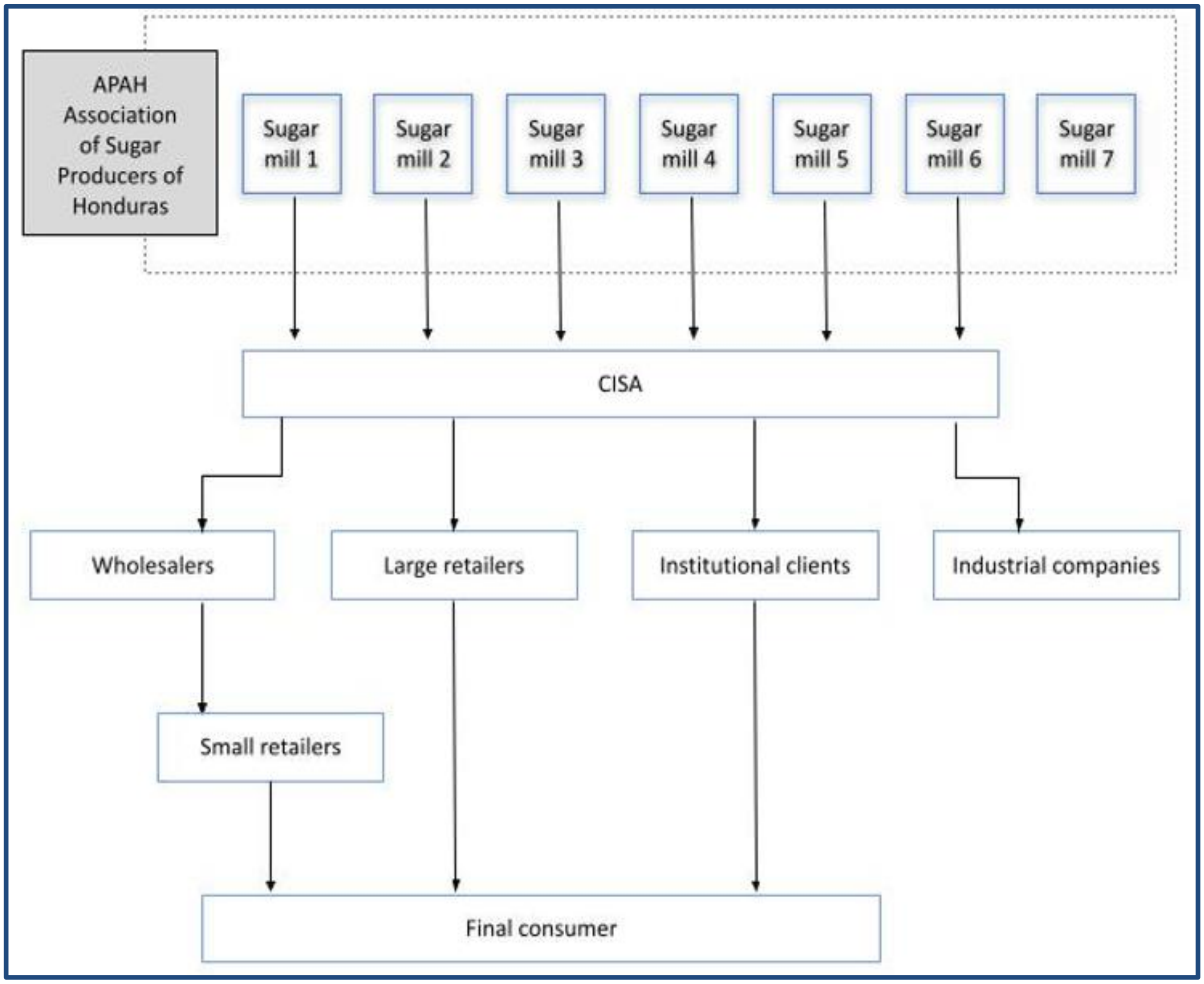
Corruption, defined as the intentional misuse of public resources for personal gain, was pervasive in Honduras. In 2020, Transparency International, which conducts corruption perception surveys, gave Honduras a transparency score of 24 out of 100. The ranking placed Honduras in the bottom 15% of the 180 countries surveyed. (Transparency International 2020). After the 2015 corruption scandal of the Honduran Institute of Social Security (IHSS) where government officials were accused of embezzling USD $300 million, the Government of Honduras entered into a collaborative agreement with Organization of American States (OAS) to combat corruption and impunity. The collaboration also focused on improving the credibility of authorities and the political system. During 2016–2019 The Mission in Support of the Fight Against Corruption and Impunity in Honduras (MACCIH) brought 11 cases and prosecuted 112 individuals. Seventy one percent of individuals prosecuted were elected officials, cabinet members, and politicians. (Myers 2020). As the agreement approached expiration, the National Congress in December of 2019 took a nonbinding vote against renewal (Rodriquez, 2019). However, a month earlier, a poll showed that 75% of the population supported the continued collaboration with the OAS (Un 75 porciento 2019). In January 2020, President Hernandez, announced that Honduras would not renew the collaborative agreement. Without OAS oversight, the courts dismissed several of the cases that the MACCIH was prosecuting, and the National Congress revised the penal code to reduce sentences for corruption and drug trafficking cases. (Sampong 2021).

The Sugar Mill Industry

Since 1976 Honduras has had seven sugar mills, one of which sold its entire production under contract to a single client. In 1980, the six sugar mills that sold their product in the open market formed Sugar Mill Central S.A. (CISA) for the purpose of commercialization and distribution of sugar nationally (CISA 2016). Exhibit 5 explains the industry's structure.

Exhibit 5. Sugar Mill Industry Structure

Source: Created from industry description provided by Pedro Martinez



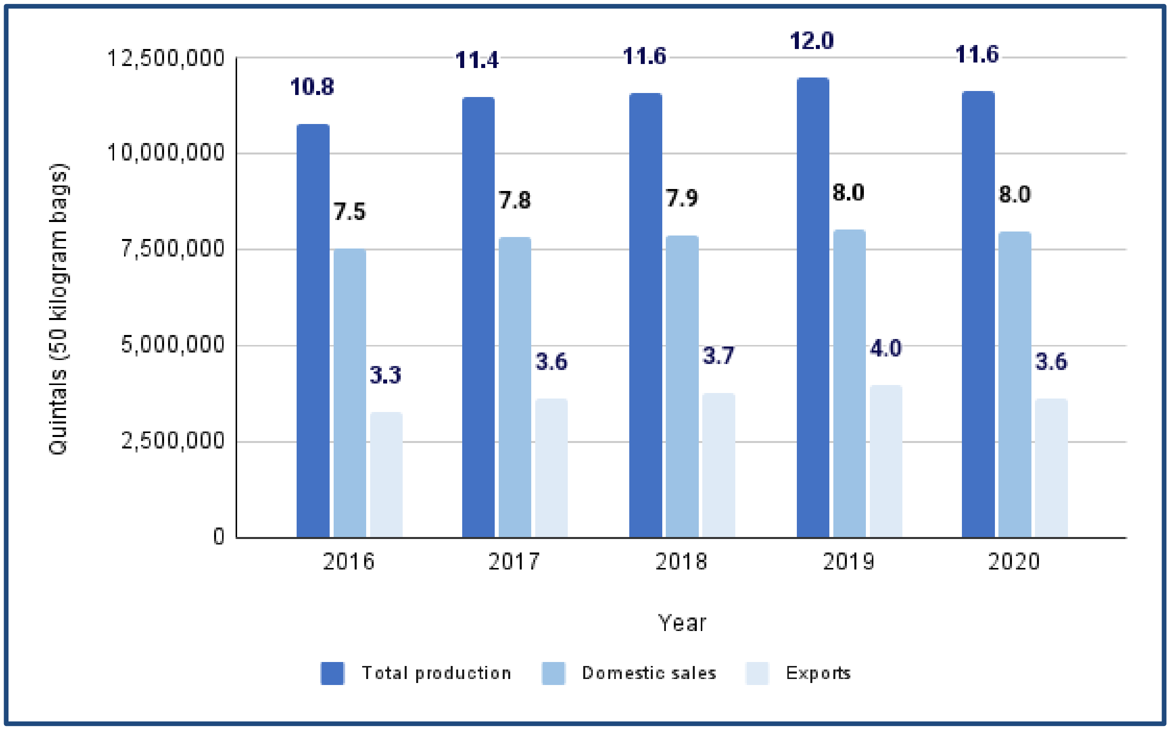
In 2011, after an examination of the industry's activities during 2006-2008 period, the Commission for the Defense and Promotion of Competition (CDPC), the enforcement organization for the legislation of the same name, fined the six sugar mills for price collusion. The CDPC found that despite the different cost structure, production capacity and other factors, all mills sold sugar to CISA at the same price for each type and quality grade of sugar. Mills were expected to take corrective actions to reestablish a competitive environment. The ruling made it clear that the sugar mills directly or indirectly through the CISA and the Association of Sugar Producers of Honduras (APAH) were not to be involved in any discussions with government agencies regarding endorsement of uniform sugar pricing policies for the sugar sold to CISA (Con 61 millones de lempiras 2011). In the aftermath of the ruling, sugar mills and CISA restored independent price negotiations. Since 2007, consumer prices for sugar and other products included in the Basic Food Basket have been monitored and controlled by the Secretariat of Economic Development (Decreto Ley No. 113-2007).

Between 2016-2020, approximately 70% of the yearly sugar production was sold domestically with the remainder sold under free trade agreements. The largest trading partners under these agreements were the United States and the European Union, which collectively purchased between 8% to 9% of the total annual sugar production and accounted for approximately 24% to 28% of the industry's exports. APAH placed the value of exports at approximately USD $70 million (APAH 2020a, 2020c). Exhibit 6 references domestic sales and export totals. [2]

According to the 2021 forecast, sugar production was expected to decline by 13% to around 4.76 million metric tons after adjusting for the impact of Hurricanes Eta and Iota, and COVID-19 (FAS 2021: 2). In 2019, the industry generated 1.2% of the country's USD $25.09 billion GDP or USD $301 million (APAH 2020a, World Bank 2021).

[2] Annex A of the Central American General Integration Treaty prohibits export and import activity of sugar within the region (Foreign Agricultural Services 2021: p. 6).

Exhibit 6. Sugar Mill Production and Sales Statistics
Source: Created from the Master Statistics Table APAH



Agrarian Reform and Its Impact on the Sugar Industry

Starting in 1962, the Honduran government passed a series of agrarian reforms designed to encourage the more equitable distribution of land among the population. The Agrarian Reform Law of 1974 established land tenancy limits for private landowners. The land ownership ceilings ranged from 100 to 2000 hectares with lower limits for land in areas considered fit for agriculture.[3] Government authorization was required to obtain additional land for agriculture and agroindustry activities not grandfathered at the time of passage. The law included a provision for the expropriation and redistribution of unused privately held land considered appropriate for farming (Decreto Ley No 170/74). According to FIAN International (2000, pp 1), *"Over three decades, a total of 409,000 hectares (the equivalent of 12.3% of the agricultural*

[3] One hectare is equivalent to 2.471 acres.

area of Honduras) were handed over to 60,000 peasant families (the equivalent of 13% of the rural population)."

In spring 2012, the National Agrarian Institute (INA), the agency in charge of the administration of the agrarian laws, served Azucarera del Norte, S.A. (AZUNOSA) and Compañía Azucarera Hondureña S.A. (CAHSA) expropriation notices "for failing to legally and duly apply for an extension of the landholding ceiling established under the Agrarian Reform Act". Although both companies had authorization to hold more land than the ceiling established by the law, their holdings exceeded the amount approved by a combined total of 6,613 hectares (Trucchi 2012). In December 2013, the Supreme Court of Justice ruled in favor of AZUNOSA, owned by the British firm SABMiller, citing a provision contained in the 1993 Agreement between Honduras and Great Britain and Northern Ireland that prohibited "the expropriation of invested capital unless the land was for public use" (Morales 2014).[4]

The restrictions on land tenancy affected mill operations. To operate at full capacity, mills were forced to rent land for planting, and to purchase sugar cane from independent producers. For the 2019-2020 season, the industry worked with 800 independent growers that accounted for approximately 32% of the planted sugar cane area in the country. The land tenancy restrictions propelled the industry to adopt new technology and sustainability measures to increase crop yields. Independent producers received technical support and assistance from mills they worked with (APAH 2020b; FAS 2021). In addition, the industry invested 82 million lempiras in social programs that benefited the communities where sugar mills are located. In total, the mills created 200,000 direct and indirect jobs that represented 40% of the economically active individuals in the locations were the mills operated (APAH 2020a). In 2018, with the advice of the World Wildlife Fund, the Honduran sugar cane industry become the first in Latin America to adopt the Guiding Principles of Sustainability (APAH 2020b).

[4] No public information was found for the resolution of the CAHSA case.

Motivated by the possibility of securing land rights, landless individuals sometimes occupied sugar mill land and prevented harvesting that resulted in lost crops (FAS 2021: 7). Losses due to invasions were sometimes sizable. I n 2012, CAHSA and AZUNOSA's lands were invaded after INA announced the issuance of expropriation notices. An estimated combined loss of USD $15.3 million was expected due to the invasion of 3,000 hectares of their land (La producción de azucareras 2012). Land eviction proceedings were managed by INA.

Industry Products

Sugar is considered the principal product generated from sugar cane processing with molasses, energy, pith, and alcohol being byproducts.[5] Exhibit 7 describes how the byproducts are obtained and reports the 2019-2020 harvest season output. Byproducts are listed in the order they are created in the sugar cane milling process.

Exhibit 7. Sugar Cane Byproducts Made in Honduras

Source: Derived from Product Description (APAH 2020c) and Honduras Sugar Industry (APAH 2020b)

Byproduct	Create From	Industry Output 2019-2020 Harvest
Clean Renewable Energy	Bagasse, the fibers that remain after crushing sugar cane to extract its juice.	340 MW generated for internal use and sale to the national electricity grid during harvesting season.
Pith	The organic residue that remains after filtration of the juices to separate liquids and solids.	- Used as manure to fertilize the fields. - When combined with bagasse ash, it is used to fuel the sugar mill boilers. For internal use. Volume unknown.
Molasses	Syrup, liquid formed in the crystallization process that produces sugar.	207,000 Metric Tons.

Sugar mills supplied about 10% of Honduras renewable energy at USD $0.09 per Kilowatt compared to $0.25 per Kilowatt form other sources purchased by the government-owned National Enterprise of Electric Energy (ENEE) (FAS 2021: 7). APAH estimated that the use of

[5] Due to low national demand, most of the molasses production is exported. Molasses is not subject to export quotas in any of the free trade agreements (Pedro Martinez interview).

renewal energy saved Honduras 2.583 billion lempiras in foreign currency during 2018 (APAH 2018: 17).

The Consultant's Report

With more than 20 years of experience in distillery operations, Spanish firm Rodriquez Consulting offered a complement of services that attracted Pedro. The consulting firm was capable of not only providing the technical specification, but also offered facilities construction, equipment installation and marketing services that were appealing to Pedro if Istmo moved forward with the project. Pedro was impressed with the list of Rodriquez's clients which spanned all over the globe.

The consultant's report included proposals to produce Ethanol (Alcohol 99.9%) and Extra Neutral Alcohol (Alcohol 96.3%). These products use molasses as its principal raw material. The percent reference indicates the percent of alcohol by volume the product contains. Hence, Ethanol has less than 1% water content by volume, with a high level of impurities. Ethanol is, therefore, used as an industrial solvent and in the production of fuel Ethanol. Extra Neutral Alcohol (ENA) has 3.7% water content by volume with no impurities. ENA requires more distillation cycles than ethanol to achieve its tasteless, odorless, and purity characteristics. Because it has no taste or smell, it is approved for human consumption and is used in the production of medicines, food, alcoholic beverages, and cosmetics.

The projects were classified as independent projects, but commonality in the equipment used in the production processes made the incremental investment for undertaking both relatively inexpensive, building in the flexibility of shifting production based on the prevailing market price in each of the respective market segments. Exhibit 8 contains the initial investment outlay for the individual projects, as well as the overall expenditures if both projects were implemented simultaneously, herein referred to as the global project. The focus of the Rodriquez Consulting analysis was on the implementation of the global project.

Exhibit 8. Initial Investment Outlay (U.S. Dollars)

Source: Rodriquez Consulting S. A. Report

	Stand-Alone Extra Neutral Alcohol	Stand-Alone Ethanol	Global
Shared Equipment	$9,250,000	$9,250,000	$9,250,000
Project-specific Equipment	$1,250,000	$1,000,000	$2,250,000
Total Cost	$10,500,000	$10,250,000	$11,500,000

The target markets for the two products were different. Based on the data provided by the consulting firm, the entire Extra Neutral Alcohol production was expected to be sold domestically as imported alcohol was meeting the nation's needs. The Ethanol production was designated for the European market where premiums are paid for sugarcane-based ethanol with International Sustainability and Carbon Certification. An added advantage of exporting Ethanol was that revenues from export products were not taxed as the country's tax system is based on the Principal of Territorial Income. Only income generated by corporations or individuals through in-country activities are taxed.

In addition to providing the technical specifications and the resource requirements for the project, Rodriquez Consulting's report contained an analysis of project profitability. Based on a quick review, Pedro initially thought the global project might not be advisable since the Internal Rate of Return (IRR) calculations for all Ethanol and two out of three sales price scenarios for ENA were below the firm's cost of capital. Exhibit 9 presents the summary of Net Present Value (NPV) and IRR sale price sensitivity analysis provided by the consulting firm.

Exhibit 9. Sale Price Sensitivity Analysis (U.S. Dollars)

Source: Rodriquez Consulting S. A. Report

Extra Neutral Alcohol			Ethanol		
Price	NPV	IRR	Price	NPV	IRR
$0.65	$13,733,249	10%	$0.60	$13,447,493	9%
$0.70	$23,878,724	16%	$0.62	$19,365,686	13%
$0.75	$34,024,198	21%	$0.64	$25,283,880	16%

Exhibits 10 and 11 report the worst-case scenario analysis included in the consulting report. The worst-case scenarios represent the return on investment associated with undertaking the global project while only producing one product throughout the life of the project. The worst-case scenarios were used to determine the NPV, and IRR calculations reported in Exhibit 9. Pedro noticed some irregularities in the evaluation approach during a more thorough review of the analysis presented in Exhibit 10 and 11. He was concerned about the Rodriquez Consulting's derivation of cash flows and bothered by discount rate selection. He wondered how the 2% inflation rate referenced in the exhibits was incorporated in the analysis. Inflation was of concern to Pedro as the country's inflation rate had fluctuated between 3% to 6.7% per year in the past decade and Pedro expected future production costs would be impacted by inflation.

After looking at yearly cash flow estimates for the project, Pedro wondered if the approach used in real estate valuation was being applied to the global project analysis as the cash flow estimates included items that are excluded in the business finance capital budgeting; however, even then, the valuation methodology was not right. The consultant's reply to his inquiry indicated that they had done just a quick and dirty analysis, but Pedro was at liberty to adjust the analysis to meet Istmo's preferred methodology and assumptions. Based on his research and additional discussions with Rodriquez Consulting, Pedro decided to expand the price sensitivity analysis beyond the price range provided by the consulting firm and reported in Exhibit 9. Exhibit 12 contains other information relevant to the analysis.

Exhibit 10. Global Project
100% Production in Extra Neutral Alcohol Each Year Through Project Life (U.S. Dollars)
Source: Rodriquez Consulting S. A. Report

Sale price per liter of alcohol	$0.65
Annual production	17,727,541 liters
Cost per liter of alcohol	$0.483 with molasses input cost at its estimated market to reflect the opportunity cost of not selling the molasses production.
Bank loan rate	4.50%
Loan term	10 years
Tax rate	30%
Inflation rate	2%
Discount rate	2%
CAPEX	$11,500,000
Equipment useful life	30 years
Equipment depreciable life	20 years
NPV	$13,733,249
IRR	10%

Yr.	Revenue	CAPEX + Loan Amortization	Production Costs	Cash Flow	After-tax Cash Flows	Present Value of Cash Flows
0	$0	$11,500,000	$0	-$11,500,000	-$11,500,000	-$11,500,000
1	$11,522,902	$1,390,772	$8,554,341	$1,577,789	$1,104,452	$1,082,796
2	$11,522,902	$1,390,772	$8,554,341	$1,577,789	$1,104,452	$1,061,565
3	$11,522,902	$1,390,772	$8,554,341	$1,577,789	$1,104,452	$1,040,750
4	$11,522,902	$1,390,772	$8,554,341	$1,577,789	$1,104,452	$1,020,343
5	$11,522,902	$1,390,772	$8,554,341	$1,577,789	$1,104,452	$1,000,336
6	$11,522,902	$1,390,772	$8,554,341	$1,577,789	$1,104,452	$980,722
7	$11,522,902	$1,390,772	$8,554,341	$1,577,789	$1,104,452	$961,492
8	$11,522,902	$1,390,772	$8,554,341	$1,577,789	$1,104,452	$942,639
9	$11,522,902	$1,390,772	$8,554,341	$1,577,789	$1,104,452	$924,156
10	$11,522,902	$1,390,772	$8,554,341	$1,577,789	$1,104,452	$906,036
11	$11,522,902	$0	$8,554,341	$2,968,561	$2,077,993	$1,671,253
12	$11,522,902	$0	$8,554,341	$2,968,561	$2,077,993	$1,638,483
13	$11,522,902	$0	$8,554,341	$2,968,561	$2,077,993	$1,606,356
14	$11,522,902	$0	$8,554,341	$2,968,561	$2,077,993	$1,574,859
15	$11,522,902	$0	$8,554,341	$2,968,561	$2,077,993	$1,543,979
16	$11,522,902	$0	$8,554,341	$2,968,561	$2,077,993	$1,513,705
17	$11,522,902	$0	$8,554,341	$2,968,561	$2,077,993	$1,484,024
18	$11,522,902	$0	$8,554,341	$2,968,561	$2,077,993	$1,454,926
19	$11,522,902	$0	$8,554,341	$2,968,561	$2,077,993	$1,426,398
20	$11,522,902	$0	$8,554,341	$2,968,561	$2,077,993	$1,398,429

Exhibit 11. Global Project
100% Production in Ethanol Each Year Through Project Life (U.S. Dollars)
Source: Rodriquez Consulting S. A. Report

Sale price per liter of alcohol	$0.60
Annual production	18,096,865 liters
Cost per liter of alcohol	$0.473 with molasses input cost at its estimated market price to reflect the opportunity cost of not selling the molasses production.
Bank loan rate	4.50%
Loan term	10 years
Tax rate	0%
Inflation rate	2%
Discount rate	2%
CAPEX	$11,500,000
Equipment useful life	30 years
Equipment depreciable life	20 years
NPV	$13,447,493
IRR	9%

Yr.	Revenue	CAPEX + Loan Amortization	Production Costs	Cash Flow	After-tax Cash Flows	Present Value of Cash Flows
0	$0	$11,500,000	$0	-$11,500,000	-$11,500,000	-$11,500,000
1	$10,858,119	$1,390,772	$8,568,398	$898,949	$898,949	$881,323
2	$10,858,119	$1,390,772	$8,568,398	$898,949	$898,949	$864,042
3	$10,858,119	$1,390,772	$8,568,398	$898,949	$898,949	$847,100
4	$10,858,119	$1,390,772	$8,568,398	$898,949	$898,949	$830,490
5	$10,858,119	$1,390,772	$8,568,398	$898,949	$898,949	$814,206
6	$10,858,119	$1,390,772	$8,568,398	$898,949	$898,949	$798,241
7	$10,858,119	$1,390,772	$8,568,398	$898,949	$898,949	$782,589
8	$10,858,119	$1,390,772	$8,568,398	$898,949	$898,949	$767,244
9	$10,858,119	$1,390,772	$8,568,398	$898,949	$898,949	$752,200
10	$10,858,119	$1,390,772	$8,568,398	$898,949	$898,949	$737,451
11	$10,858,119	$0	$8,568,398	$2,289,721	$2,289,721	$1,841,538
12	$10,858,119	$0	$8,568,398	$2,289,721	$2,289,721	$1,805,429
13	$10,858,119	$0	$8,568,398	$2,289,721	$2,289,721	$1,770,029
14	$10,858,119	$0	$8,568,398	$2,289,721	$2,289,721	$1,735,322
15	$10,858,119	$0	$8,568,398	$2,289,721	$2,289,721	$1,701,296
16	$10,858,119	$0	$8,568,398	$2,289,721	$2,289,721	$1,667,938
17	$10,858,119	$0	$8,568,398	$2,289,721	$2,289,721	$1,635,233
18	$10,858,119	$0	$8,568,398	$2,289,721	$2,289,721	$1,603,170
19	$10,858,119	$0	$8,568,398	$2,289,721	$2,289,721	$1,571,735
20	$10,858,119	$0	$8,568,398	$2,289,721	$2,289,721	$1,540,916

Exhibit 12. Additional Information for Analysis

Source: Pedro Martinez

Weighted Average Cost of Capital	16.55%
Depreciation Method	Straight-line
Depreciable Life	20 years
Net Operating Working Capital	10% of CAPEX value
Salvage Value of Equipment in 20 Years	15% of CAPEX value
Shipping for Ethanol	Paid by buyer from port to port
Extra Neutral Alcohol Price Sensitivity Range	\$0.65 to \$0.95 per liter
Ethanol Price Sensitivity Range	\$0.60 to \$0.95 per liter

Reworking the Analysis and Making a Recommendation

Before Pedro Martinez and his partners met to decide about investing in the global project, the capital budgeting analysis needed to be recalculated. Given the economic environment due to the pandemic, Pedro believed that it was advisable to present not only the global analysis, but also the capital budgeting analysis for the individual projects on a stand-alone basis in case the partners wanted to minimize the investment outlay under the COVID-19 environment. What were the principal inconsistencies included in the Rodriquez Consulting analysis that needed correction? What was omitted from the consulting firm's capital budgeting analysis that should have been considered and included? Assuming that there are no capital constraints, what recommendation would you make to Pedro Martinez? Is the option to produce both Ethanol and Extra Neutral Alcohol worth the additional investment? Would your recommendation change if Istmo decided to sell the entire production of Ethanol domestically without government tax breaks? What recommendation would you make to Pedro Martinez if capital investment funding is of concern and only one of the stand-alone projects can be undertaken?

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C.A.S.A. - COURT APPOINTED SPECIAL ADVOCATES' RESPONSE TO THE COVID-19 PANDEMIC

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Cesar Navarrete was the Executive Director of the Court Appointed Special Advocates (C.A.S.A.) of San Bernardino County, an organization that recruited, screened and trained volunteers to serve as court appointed special advocates for youth living in foster care. At the onset of the COVID-19 pandemic in March 2020, Cesar had to decide whether to move the organization fully online, develop a hybrid model, or establish that employees were essential workers who needed to work onsite during the crisis. In addition, regardless of the mode of work and service delivery, the organization needed to consider adopting flexible work arrangements.

The decisions (about employee work, service model delivery and potential flexible work arrangements) would involve individual, group, and organizational level analyses to gain buy-in from employees and approval by the Board of Directors.

The authors developed the case for class discussion rather than to illustrate either effective or ineffective handling of the situation. The case and its accompanying instructor's manual were anonymously peer reviewed and accepted by the ***Journal of Case Research and Inquiry, Vol. 7, 2022***, a publication of the Western Casewriters Association.
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Court Appointed Special Advocates

Court Appointed Special Advocates (C.A.S.A.), a national volunteer movement, began in 1976. Its founder, Seattle Superior Court Judge David Soukup, decided he could no longer endure sleepless nights worrying about the lifelong impact his decisions had on abused and neglected children. At that time, children in foster care did not receive the same representation in court as parents did. According to Judge Soukup, in an *LA Times* interview, *"I was consumed by the fact that I didn't have enough information about each child, and I just didn't know if I had done the very best job I could"* (Mehren, 1995: 39).

Judge Soukup set out to right the wrong. He thought well-trained volunteers could ensure children's voices mattered and provide judges with insight to make the best possible decisions. In 1977, Judge Soukup formed the first C.A.S.A. program to recruit, train, and supervise volunteers who built meaningful relationships with, and advocated for, abused and neglected children in juvenile dependency court. Those first fifty volunteers became Court Appointed Special Advocates and started a movement.

In 2022, close to 1,000 C.A.S.A. programs served children in forty-nine states. In California, county C.A.S.A. directors recognized the need for a state office to strengthen the network. Together, they formed the California C.A.S.A. Association in 1987. At the time of its founding, only 17% of California Superior Courts had access to C.A.S.A. volunteers. Through persistence, partnership, and passion, the network of C.A.S.A. programs grew to serve children and courts in fifty-one of the fifty-eight counties in California, covering where 99% of foster youth lived (California C.A.S.A 2022).

C.A.S.A. of San Bernardino

C.A.S.A. of San Bernardino County was designated as a *"Legal Services/Advocacy/Civil Rights"* nonprofit by the Southern California Nonprofit Organization Committee (Nonprofit Compensation Associates 2021). Pre-pandemic, C.A.S.A. supported 163 volunteers who served 221 youth in foster care, with over 11,000 contact hours. C.A.S.A. of San Bernardino boasted of a 100% high school graduation rate for the foster youth in its program. In 2020, it had an annual expense budget of $958,238 with a revenue target of $1,013,003. Two-thirds of the budget came from government contracts, and one-third came from a combination of foundation grants and individual as well as corporate sponsors. The service goals for 2020 were to add one hundred more volunteer advocates to serve a minimum of two hundred foster youth (Dashboard 2021).

C.A.S.A. of San Bernardino's Organization

To meet its goals, C.A.S.A. of San Bernardino had a staff of 12 (including the Executive Director and two managers). Turnover was low, normally transitioning 1-2 staff members per year (*i.e.*, 10-20% turnover rate) and the average employee tenure was 7 years. Pre-pandemic, the main factors contributing to turnover were retirements or taking a job that provided a promotion or greater pay.

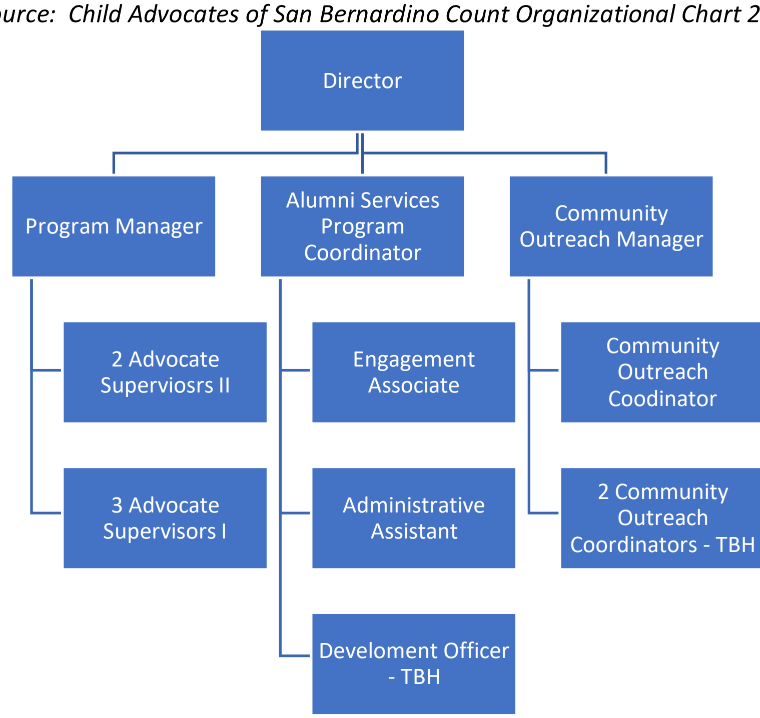
The Executive Director had three direct reports: the Program Manager, the Community Outreach Manager, and the Engagement Associate. All but one employee (the Administrative Assistant) were full-time, working 40 hours per week in salaried positions. C.A.S.A. had a 60-day mini-evaluation for new employees, although it took newly hired employees 3 to 6 months to get up to speed in terms of acceptable work performance. After the probation period, C.A.S.A. used an annual performance management system, however, the system was more informal than formal. In terms of benefits, C.A.S.A. provided paid time-off (PTO), medical insurance, and (recently) retirement benefits for employees (Handbook 2018; Navarrete 2021).

The organization was made up of three distinct units: (1) Community Outreach – which focused on recruiting, screening, and training community volunteers to serve as Court Appointed Special Advocates; (2) Advocate Supervisors – who matched, supervised and supported the trained volunteers who in turn provided mentorship and advocacy for the youth they were assigned to; volunteers acted as intermediaries between the social workers, attorneys, and courts; and (3) Administrative – which included alumni relations, development, and administrative support for C.A.S.A.

The Community Outreach Coordinator position, which reported to the Community Outreach Manager, was vacant. There were five Advocate Supervisors who reported to the Program Manager, two level-IIs and three level-Is, who provided support to the volunteers. There were also an Engagement Associate, an Alumni Services Program Coordinator, and an Administrative Assistant. The two managers (Program and Community Outreach) and the Engagement Associate reported to the Executive Director. Exhibit 1 provides C.A.S.A.'s organization chart:

Exhibit 1. C.A.S.A. of San Bernardino – Organization Chart

Source: Child Advocates of San Bernardino Count Organizational Chart 2020



Prior to the pandemic, C.A.S.A. had planned to add two Community Outreach Coordinators and a Development Officer. Therefore, the plan to move to online, hybrid or maintain face-to-face operations needed to consider the impact on talent acquisition. Navarrete's assumption was that Covid-19 would have a significant impact on service delivery. However, C.A.S.A.'s finances were expected to remain stable, so Navarrete did not anticipate having to reduce pay, or use furloughs or layoffs (Navarrete 2021). Given the positive budget outlook, what would be the impact of adding (or not adding) staff during the pandemic, in terms of employee attitudes, motivation, culture and organizational objectives?

Another factor to consider was the service area. San Bernardino County was a 20,105 square-mile region. It was the largest county in area in the United States. With a population of over 2 million people (as of the 2010 U.S. Census), it was the 5th most populous county in California and the 14th most populous in the United States (U.S. Census 2021). In 2019, there were 2,622 children entering foster care (San Bernardino County 2021). To serve the region, C.A.S.A. had a main administrative office in Colton, CA, and two satellite offices, one in Apple Valley and the other in Upland. C.A.S.A. was locked into leases at each facility, with Apple Valley expiring 2022, Upland expiring 2024, and Colton expiring 2025. How could C.A.S.A. leverage its offices, as well as flextime and flex location options, to serve the region?

In terms of technology, each employee had an i-Pad, a $50 per month telework/technology stipend (which offset remote office costs, such as internet and cellular service), MS Office and Microsoft Teams for inter-office communication, and Zoom for virtual meetings. Employees used their personal cell phones for work, although a third-party program allowed them to connect to their office phone and voice mail. Finally, there were proprietary case management, training, and record systems. However, even with the technology, C.A.S.A. was not paperless, as employees still needed to print, obtain wet signatures, and store documents for reports and orders to the courts (Navarrete 2021).

The Executive Director and C.A.S.A. employees were supportive of flextime and flex location, but they had concerns about balancing work and life (Employees 2021). Some did not have adequate office space at home (using the kitchen table or bedroom to work), two had school-age children who would be studying at home, two others had child-care and parent-care responsibilities, and one staff member had intermittent internet service. Therefore, issues of work-life balance, home offices, dependent care, and internet service needed to be considered in the decision.

Executive Director

The Executive Director was responsible for overall organizational performance, including increasing community awareness of C.A.S.A., developing a volunteer base, improving geographic coverage, and increasing and diversifying funding streams (Performance Review 2020). The Executive Director reported to the Board of Directors - the Governing Body of the Agency; the Board would be reviewing the recommendations. In addition, as Child Advocate of San Bernardino County, the Presiding Juvenile Court Judge was the ultimate overseer of the Agency (C.A.S.A. of San Bernardino 2021). As such, the Presiding Judge would also need to approve any changes in services to youth.

Cesar, the Executive Director, was a Hispanic male, age 39, with a master's degree in public administration, who had been in the position for the past 7 years. His journey, in his own words, was:

> *"My personal experience as a victim of child abuse and trauma feeds my passion for my life's work, to be a voice for those that cannot speak for themselves. My unfortunate circumstances served as a springboard for a life filled with continuous learning and service to others. I am happily married with six amazing children of my own. I have over 16 years of experience in the nonprofit sector working in program development, implementation, quality improvement, management, resource development, sustainability, community organizing, and advocacy. My passion has driven me to work with at-risk populations throughout my human services career, especially youth-at-risk"* (Navarrete 2021).

Cesar continued:

> *"I received my BA in Criminal Justice from California State University of San Bernardino in 2004 and began my career as a public servant working at a local nonprofit as a youth program coordinator. I devoted seven years at Family Service Association in a variety of capacities, and worked my way up from a program coordinator to a manager, to a director. Once on the Executive Team, I decided to go back to school to earn my MPA. In 2014, I decided that it was time for me to grow professionally and accepted the position as Executive Director of C.A.S.A. of San Bernardino County."*
>
> *"I believed my previous experiences had prepared me to lead a nonprofit - but I was very much mistaken. C.A.S.A. was operating in a deficit and staff were ready to jump ship; I needed help. Help came through The City Scholars Foundation Fellowship Program, the Academy for Grassroots Organization's Fundraising Academy, Annenberg Alchemy, and other amazing nonprofit and public sector mentors"* (Navarrete 2021).

Finally, Cesar described his approach to leadership and management:

> *"For the past seven years, my enduring vision as a Servant Leader has been to* […] *improve the life outcomes of our foster youth through authentic connections, advocacy, and individualized support. My approach is simple but effective. From top to bottom, I have created a culture of service. My staff do not work for me - I work for my staff so that they have the tools and resources necessary to be effective fulfilling their responsibilities. Our volunteers do not work for my staff or for me – in turn we work for our volunteers to ensure that they have the tools, resources, and professional support needed to serve our youth as mentors and Court Appointed Special Advocates. Together with our community partners, we positively impact the lives of our foster youth through meaningful relationships, authentic connections, and impact-driven programming"* (Navarrete 2021).

C.A.S.A. Advocate Supervisors

The core staff position at C.A.S.A. was the Advocate Supervisor, who was responsible for managing C.A.S.A. volunteers and their assigned cases. As a part of his/her case management duties, the C.A.S.A. Advocate Supervisor provided professional support to C.A.S.A. volunteers. The Advocate Supervisor was responsible for: (1) the ongoing support, education, and training of advocates; (2) timely submission of all reports and documents; and (3) compliance with stated indicators and standards. This role was also responsible for volunteer supervision, including case documentation review and coordination of cases (California C.A.S.A. 2020). The essential duties of the Advocate Supervisor were:

- Supervise Court Appointed Special Advocates appointed through San Bernardino Dependency Court.
- Facilitate C.A.S.A. Core training classes on a quarterly basis.
- Review; submit C.A.S.A. Reports and recommendations to Juvenile Dependency court.
- Maintain confidential youth case files containing Children and Family Services Status Review Reports, court minutes, Health and Education Passports and contact information.
- Update youth and C.A.S.A. TRACKER system profiles.
- Capture C.A.S.A. impact through implementation of a Volunteer Impact Survey. Evaluate C.A.S.A. performance and provided direct feedback on areas of improvement taking corrective action when needed resulting in improved C.A.S.A. quality of service.
- Assist with C.A.S.A. monthly billing practices by providing performance measures to the San Bernardino County Dependency Court (Pulido 2010).

C.A.S.A. Volunteers

A C.A.S.A. volunteer provided a judge with recommendations that helped the court make a sound decision about that child's future. Each case was as unique as the child involved. C.A.S.A. volunteers came from all walks of life, with a variety of professional, educational, and ethnic backgrounds. Aside from their C.A.S.A. volunteer work, 85% were employed in regular full-time jobs. Two-thirds of the volunteers nationwide were women. A C.A.S.A. volunteer usually spent about 10-15 hours per month with her or his assigned foster youth.

Social workers were employed by state or county governments. Social workers sometimes worked on 40 to 50 cases at a time and were frequently unable to conduct a comprehensive investigation of each case. The C.A.S.A. worker was a volunteer with free time and a small caseload (on the average 1-2). The volunteer did not replace the social worker on a case; he/she was a separate, independent appointee of the court. Although there were other child service organizations, C.A.S.A. was the only program where volunteers were officially appointed by the court to have the specific responsibility of looking after the child's best interest. In addition, C.A.S.A. was the only agency that required extensive pre-service training, continuing education, and an 18-month program commitment from volunteers (C.A.S.A. of San Bernardino 2021).

To become an advocate, volunteers needed to complete 30 hours of training, which included a mix of synchronous and asynchronous online instruction through *C.A.S.A. University*, available evenings and weekends. They also had to pass a comprehensive background check. Once completed, volunteers were sworn-in by the court and matched with 1-2 foster youth. In addition, volunteers submitted monthly time logs to their staff Advocate Supervisor and completed 10 hours of continuing education each year. The focus of the relationship with the youth was on advocacy, mentorship, and guidance for school, life, and work. Volunteers also collaborated closely with their Advocate Supervisor, especially when a court cases or significant issues was pending (for example, placement instability, mental health, or substance abuse).

One C.A.S.A. volunteer explained:

> *"In 2014, after discussions with a CEO who was a C.A.S.A. volunteer, I reached out to C.A.S.A. of San Bernardino County to inquire about the role and expectations. I attended an informative meeting held by the C.A.S.A. staff. My largest interest was – how could I affect the life of a foster child? After meeting a C.A.S.A. Advocate Supervisor, I made the decision to attend the volunteer training. The weekend meetings gave me a chance to meet other candidates as well as hear from current volunteers. Their words of impact and development inspired me to move forward."*

> *"After training and the official swearing-in by the court, I met with my Advocate Supervisor. He presented potential files for consideration in terms of selecting a youth. It was a difficult decision, as there are so many youths looking for an advocate. My initial criteria were simple: select a youth with the hope of influencing him in the right direction. I chose a 10-year-old. He had never met*

> *his father and his mother had substance abuse issues. He had been in several homes prior to my meeting him as an advocate. The Advocate Supervisor set up the initial meeting. My youth was a bit hesitant at first, but he opened-up before the first meeting ended"* (Volunteer 2022).

The volunteer then talked about the impact of mentoring the child:

> *"Our goal was to spend 10 hours a month with the youth. Activities on my end were to take him to lunch, the movies, sporting events and other activities – many sponsored by C.A.S.A. – to develop a mentoring relationship. The challenge at this point was when my youth changed home assignments, moving further away, causing time limitations for interaction. However, phone calls and emails were still ways to remain in contact."*

> *"My youth graduated from middle school and transitioned to high school. As a typical teenager, he met challenges with social interaction. I tried to assist him in his communications as well as maintaining an interest in his class grades. He had high aspirations for a career, so the interest in class achievement was paramount. He showed substantial progress from his middle school days."*

> *"In 2019, I moved out of the local area and had to make the difficult decision to relinquish my role as an advocate for this young man. On a positive note, he was in a more stable situation with his family and friends to continue on his own"* (Volunteer 2022).

Flexible Work Arrangements

Flexible work arrangements (or FWAs), also called family friendly work practices (FFWPs), included various employee-focused work arrangements, such as telecommuting and flextime, encompassing *"adjustments to the timing, location or tasks of work"* (Townsend *et al.* 2016: 2086). Telecommuting was defined as working out of the office, in this case at home, using technology (such as the internet, email, phone, and web conferencing). Flextime was an employee's authority to set her or his 40-hour per week work schedule (such as a 7 a.m. to 3 p.m. or 12 p.m. to 8 p.m., or perhaps 9 a.m. to 4 p.m. and then again 7 p.m. to 8 p.m.). Flextime was *"intended to facilitate positive behaviors and attitudes toward work by improving work-life balance and employee well-being"* (Ko *et al.* 2013: 546). FWAs were positively related to employee job attitudes (Boell *et al.* 2016; Chen & Fulmer 2018; Julien *et al.* 2011; Ko *et al.* 2013;

Townsend *et al.* 2016;). However, it was unknown what would be the impact of these arrangements in the crisis. In addition, not all C.A.S.A. employees had adequate office space, reliable internet connectivity, or supportive dependent care services to manage a telecommuting arrangement. Nor was it clear how an online service model would affect volunteers and foster youth. Prior to the pandemic, volunteers and youth had engaged in-person at libraries, restaurants, coffee shops, sporting events, and other community and cultural events.

Factors Affecting the Decision

Macro-organizational Factors

Macro-organizational factors (concerned with organization-wide issues) were the impact of the pandemic on the foster youth, the volunteers, and the court system, as well as C.A.S.A.'s organizational structure and organizational culture.

In response to concerns about community transmission of Covid-19, California Governor Gavin Newson issued a *"Stay-at-Home"* order on March 19, 2020. *"We need to bend the curve in the state of California,"* Newsom said as he announced a statewide order for Californians to stay home (Tan & Bhattacharjee 2020: para 2). As a result of the order, Californians in eight critical sectors could continue to work, as *"essential critical infrastructure workers,"* including employees in community-based functions (California State Government 2021). The pandemic brought unprecedented changes in how people worked, went to school, and interacted with each other. It contributed to a loss of income, social isolation, stress, and a reported 16% unemployment rate in California (California State Government 2021).

In terms of working with foster youth, there was concern for adequate and equitable technology access (including reliable devices, internet service, and space to connect), and *"Zoom fatigue"* from online school and other social services. C.A.S.A. was also concerned about foster youth's motivation to connect with an advocate volunteer online. For the volunteers, there were concerns about both moving online and remaining face-to-face. On the one hand, volunteers might have little interest in engaging in an online mentorship relationship. On the other hand, volunteers might be little inclined to connect face-to-face during the pandemic.

The pandemic had increased the number of environmental elements to consider in any decision about how to deploy staff. Above all else, keeping everyone safe was of paramount concern to the staff, volunteers, and youth; in addition, C.A.S.A. needed to consider the human cost of the pandemic, such as the impact of isolation, and mental and physical wellness.

In terms of organizational culture and structure, traditionally C.A.S.A. had been characterized as people-friendly, focused on employees, and flexible. The organization relied on the ability of employees to self-organize. It empowered them to make organizational decisions, and had adopted a flexible, participatory, and generalized task structure. It remained to be seen if that culture and structure were well aligned with the new external environment.

Micro-organizational Factors

Micro-organization factors (concerned with the behavior of individuals and groups) that needed to be considered in the decision included technology, employee attitudes, and managerial style.

For technology, as mentioned previously, employees had access to i-Pads and a mouse, as well as the $50 per month telework/technology stipend to work remotely. Nonetheless, there were systems and reports that required on-site access. At least four employees had limited workspace at home, four had dependent care responsibilities, and at least one had limited internet access at home. In terms of attitudes, employees had high job involvement, accepted the organization's goals, and were willing to exert considerable effort for the organization. Employees wanted to maintain their membership in the organization. However, as with many small nonprofit organizations, there were limited opportunities for advancement, pay was less than that provided in many for-profit jobs, and benefits were less than those offered in government positions.

The current leadership style was considered to be *"sound,"* balancing good employee relations with the efficient use of resources to further organizational goals. The Executive Director adopted a servant-leadership approach and was open to increased staff flexibility in terms of time and space requirements. The leadership style had worked well thus far to ensure the success of C.A.S.A., but there was the question of whether or not that style was best for the crisis. Job satisfaction was high, especially job involvement and intrinsic motivation, with good feelings associated with the work itself, co-worker relationships, and the supervisor. Employees shared their thoughts regarding job satisfaction, organizational commitment, and managerial support:

- *"Get along with co-workers really well. Part of the reason I stay"* (Employee B).
- *"Love what we do…see the fruits of the labor"* (Employee E).
- *"Satisfied, because everyone is friendly, but will let me know if doing something wrong, providing good positive feedback"* (Employee F).
- *"Like that I'm able to work with them (volunteers) one-on-one, kind of have my own program, and a say in how I choose to help them"* (Employee G) (Employees 2021).

Nonetheless, satisfaction with pay and promotional opportunities was lower than satisfaction with other facets of the organization, likely due to the limited pay and promotion opportunities at the nonprofit. But employees understood the limitations and felt that their job involvement, flexible benefits, and development opportunities outweighed the pay and promotion restrictions. Employees remarked:

- *"Always receiving continuous training opportunities, conference and workshops"* (Employee D).
- *"Working for a nonprofit, so pay is not what it can be, but knew that when I selected career wise"* (Employee E).
- *"Not about the paycheck, all about the passion of loving what I do"* (Employee H).
- *"None, but that is ok, as can grow programs, and support of management"* (Employee I) (Employees 2021).

In addition, organizational commitment was high. The main reason employees joined and stayed with the organization was the strong alignment between the employees' goals and values and those of the organization.

- *"Love the work and mission"* (Employee A).
- *"Having started as a volunteer I realized how important our work is, and my strong commitment, so invested in this job, it is the real deal, real life"* (Employee C) (Employees 2021).

Trust between employee and management was strong, as well as perceived managerial support for employees:

- [The Executive Director] *"is very flexible, and does not micro-manage, does provide us the technology and does communicate challenges or obstacles"* (Employee A).
- *"Bends over backwards for us, so we do the same"* (Employee E).
- *"If I express something I don't agree with, or ask why, they are understanding in helping out, explaining, or talking it out if necessary"* (Employee F).
- *"Very satisfied…does an excellent job connecting and keeping us informed…"* [The Executive Director] *"trusts me, and I don't want to let him down"* (Employee I) (Employees 2021).

Overall, the support and trust between management and employees seemed to contribute to positive job attitudes and the overall success of the organization.

The Decision

As the Executive Director of C.A.S.A. of San Bernardino County, Cesar Navarrete had to decide whether to go fully online, consider a hybrid approach, or try to maintain face-to-face operations during the Covid-19 pandemic. The decision should consider micro and macro-organizational behavior concepts to justify the decision and gain buy-in from employees and the Board. Recommendation should include a plan of action that addresses flexible work arrangements, whether to hire staff, consideration of the service area coverage, the need for limited on-site work, and how best to support employees, volunteers and foster youth who had limited resources.

Specific questions that needed to be addressed included: (a) How would the decision affect employee job attitudes (job satisfaction, job involvement, and organizational commitment) and employee motivation? (b) What type of managerial support, leadership style, and communication process would be the most effective? (c) What culture and organizational structure were best aligned with environmental demands? (d) How could the organization help employees achieve work/life balance? (e) What ethical issues and potential ethical dilemmas needed to be addressed? (f) Finally, if significant changes were to be introduced, how could Cesar Navarrete implement them?

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LENOVO EVOLVES DESPITE OBSTACLES

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Lenovo was founded in Beijing in November 1984 as Legend, and incorporated in Hong Kong in 1988. Lenovo designed, developed, manufactured, and sold personal computers, tablet computers, smartphones, workstations, servers, electronic storage devices, IT management software and smart televisions. It was the world's largest personal computer vendor by unit sales as of 2021 (Gartner 2021). Lenovo had operations in more than 60 countries and sold its products in around 160 countries. In 2020, Lenovo had total assets of USD $32.12 billion (Annual Report 2020). Lenovo was the world's largest PC vendor, claiming a 25.2% market share for the fourth quarter of 2020, well ahead of HP, Dell, and Apple (Fernando 2021).

In 1984, the Chinese Academy of Sciences invested USD $25,000 in Lenovo to commercialize its research results. The Chinese Academy of Sciences was a research entity, owned by the government. After the investment, Lenovo was run by its management team. The Chinese government was not involved in daily operations, strategic direction, financial management, or nomination of the CEO or top executives. Everything was done by the Lenovo management team. Lenovo operated as a 100% market-oriented company (*Los Angeles Times* 2006).

In early 2006, the U.S. State Department was harshly criticized for purchasing 16,000 computers from Lenovo. Critics argued that Lenovo was controlled by the Chinese government and therefore a potential vehicle for espionage against the United States. Lenovo pioneered China's transition to a market economy and in the early 1990s had fought four state-owned enterprises that dominated the Chinese computer market. Those firms had the full backing of the state while Lenovo received no special treatment (Hamm 2006). The State Department deal went

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through. Despite all assurances, however, questions about Lenovo's connections to the Chinese government became an ongoing issue in the United States and other nations.

Introduction

Lenovo was part of China's strategic trade policy in technology and telecommunications. The strategic trade policy was established to nurture and protect firms and industries where economies of scale were important, so firms in these industries were allowed to succeed and become competitive multinational enterprises on a global scale. Lenovo benefitted from barriers to trade and investment that protected it from global competitors operating in the Chinese market. Furthermore, Lenovo received direct and indirect subsidies that lowered its costs and allowed it to be competitive in markets outside China. The subsidies not only reduced costs but supported research and development of new products that further enhanced Lenovo's offerings relative to its competitors. Lenovo's position was espoused in *"Made in China 2025"* (Wei 2019), which set the long-term strategic plan to develop China's manufacturing sector. Lenovo, Huawei, and ZTE were among the key firms in the technology sector that benefited from this strategy. They were protected in the large Chinese market and supported as they became competitive in the global market.

Lenovo realized that the best way to grow was through acquisitions and joint ventures (Ramstad 2005). This approach gave Lenovo access to products, technology, markets, distribution networks, and brand name recognition that it could not have achieved as rapidly on its own. Lenovo obtained a comparative and competitive advantage that allowed it to catch and overcome rivals. Lenovo's growth strategy—*"protect and attack"*—was implemented to build on its success in China, where it held a dominant position as China's top vendor of PCs. Protecting its competitive advantages in China through its network of distribution channels was a top priority (Fernando 2021).

Lenovo believed PCs were moving toward the *"PC+ Era,"* where PCs existed as the central hubs linking a network of interconnected devices, such as tablets, smartphones, and smart TVs. While the company focused on diversification, it was far from the huge market share enjoyed by its top competitors in both the smartphone and tablet markets.

Lenovo's *"protect and attack"* strategy required it to maintain its leadership position in China and the global PC marketplace while expanding in emerging markets and *"PC+"* product categories (Fernando 2021).

IBM Think Pad and Other Acquisitions

In 2005, Lenovo completed its USD $1.25 billion purchase of the personal-computer division of International Business Machines Corp. (IBM), becoming the third-largest PC maker in the world and the first from China to attain global reach (Ramstad 2005). The acquisition of the IBM Think Pad Division demonstrated that Lenovo was more than a Chinese technology company. It had become a force to be reckoned with on the global stage.

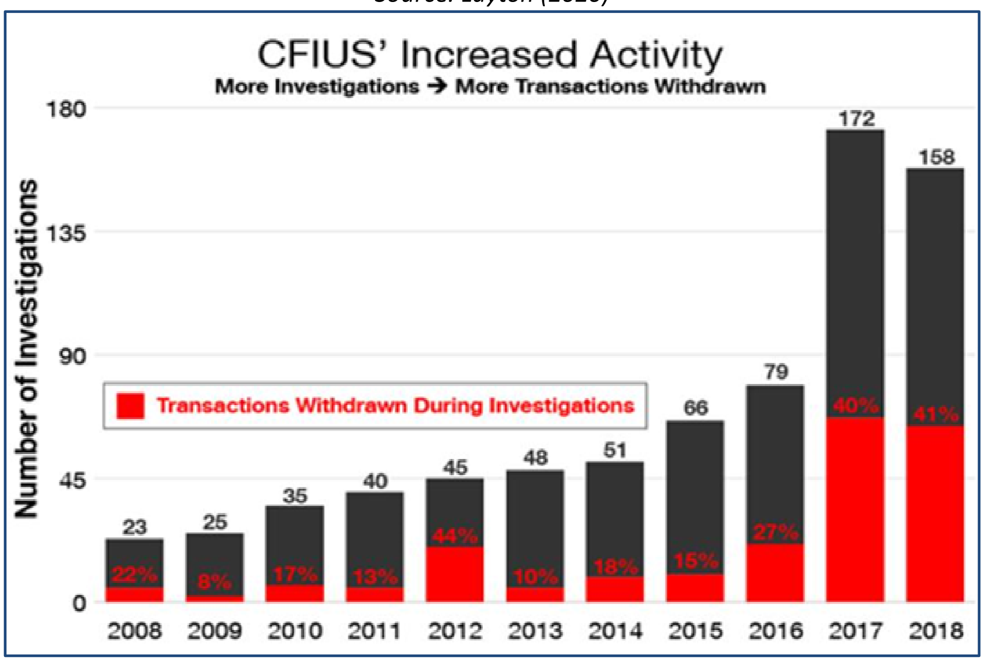
The combined company trailed only Dell, Inc. and Hewlett-Packard Co. in worldwide PC production. The acquisition separated Lenovo from other Chinese technology companies since it transformed Lenovo into a global player with access to a worldwide market and distribution network (Lucas 2013) as well as the IBM brand recognition.

Even though the acquisition of the IBM personal computer business and other acquisitions were subject to scrutiny based on national security concerns and possible loss of a U.S. competitive advantage in technology, no action was taken to stop Lenovo's acquisitions in the United States. This was not without controversy since many were concerned about a foreign multinational enterprise, especially a Chinese multinational enterprise, having access to key government and military information and technological know-how.

The Committee on Foreign Investment in the United States (CFIUS) was an inter-agency committee of the United States Government that reviewed the national security implications of foreign investments in U.S. companies or operations. CFIUS activity has picked up in recent years as foreign direct investment had accelerated and raised concerns not only about national security, but about future economic growth as well. (See Exhibit 1.) Thus, a review by CFIUS was not unexpected given the increased scrutiny of foreign acquisitions of U.S. firms (Layton 2020). In the end, however, CFIUS approved Lenovo's acquisitions with some concessions (Bartz 2014).

Exhibit 1. CFIUS Increased Activity

Source: Layton (2020)



On January 27, 2011, Lenovo formed a joint venture with NEC (Lenovo NEC Holdings) to produce and sell PCs in Japan and avoid the failures that others, such as HP, had experienced when they tried to enter Japan (Fujita & Li 2011). Lenovo gained access to Japan though the joint venture, and both Lenovo and NEC benefitted.

In September 2012, Lenovo followed up on aggressive deals for majority stakes in German PC and consumer electronics-maker Medion AG, and a joint venture with EMC (Lenovo EMC) which sold network-attached storage solutions. The Medion acquisition doubled Lenovo's share of the German computer market, making it the third-largest vendor by sales after Acer and Hewlett-Packard. It was the first acquisition of a major German firm by a Chinese company (Nicholson 2011).

Lenovo reached an agreement to buy CCE, a group of three Brazilian consumer-electronics makers, for USD $147 million, as it continued its push into lower-margin emerging markets, including India and Russia (Fick & Chao 2012). Prior to its acquisition of CCE, Lenovo had already established a USD $30 million factory in Brazil, but Lenovo's management felt that it needed a local partner to maximize regional growth. Lenovo wanted to take advantage of increased sales due to the 2014 World Cup that would be hosted by Brazil, the 2016 Summer Olympics, and CCE's reputation for quality (Mehta 2012).

These acquisitions allowed Lenovo to lower costs by avoiding tariffs and nontariff trade barriers, as well as access to low-cost production facilities and established distribution networks. Lenovo, based on its organizational capabilities and scale, was able to gain a competitive advantage in lower-margin markets giving it an edge over many competitors.

Foreign Direct Investment in Brazil

The CCE deal beefed up Lenovo's presence in Brazil, where CCE made personal computers, TVs, and phones at its seven factories across Latin America's largest country. Brazil also happened to be one of the world's top five PC markets according to the research firm IDC (Fick & Chao 2012). Brazil, Japan, and Russia ranked number three, four, or five in annual computer sales depending on the year, so Brazil was an important market for Lenovo. The CCE acquisition (as an entry mode) allowed Lenovo to circumvent barriers to trade and investment while serving the market at low cost. The CCE acquisition did more than merely circumvent barriers to trade and investment in Brazil: it gave Lenovo access to an extensive distribution network throughout Brazil. Even more valuable to Lenovo was the technological know-how CCE had in the development and manufacture of TVs, phones and PCs. Given the ever-declining global market for PCs, TVs and phones represented future growth opportunities. Lenovo came to own CCE's technological know-how which it shared throughout its worldwide operations, further enhancing the value of its processes and products.

The move to Brazil proved fortuitous since inflation in Brazil rose at the fastest monthly pace in almost eight years in early 2013 (Fick & Chao 2012). While this could hurt Brazil's competitive environment, it benefitted Lenovo because of its considerable presence in Brazil through the CCE acquisition (Leahy 2013). Moreover, Lenovo's goods produced in Brazil cost less in the global market. Lenovo benefitted by serving Brazil with local production since its goods cost considerably less than imports did, as imports were adversely affected by the reduced purchasing power of the Brazilian Real as well as the tariffs on the imports of competitors' goods.

At the same time, Lenovo in China was suffering from rising wages that threatened the low costs of its production operations. Unlike many other brands, Lenovo did much of its own manufacturing rather than relying on contract manufacturers. Lenovo manufactured close to half of the computers it sold, far more than its U.S. rivals did (Brown 2012). Thus, Lenovo was always on the lookout for low-cost production locations, such as Brazil, Russia, and India. The CCE acquisition improved Lenovo's competitive position in Brazil as well as the global market since it could take advantage of CCE's technological know-how and Brazil's low-cost production location.

Establishing Operations in the United States

Even though Lenovo acquired IBM's personal computer business in 2005, it had never manufactured its products in the United States. The PCs that Lenovo sold in the U.S. were produced at the company's Mexican or Chinese factories. All of this changed in October of 2012, when Lenovo announced it would manufacture PCs in North Carolina starting in 2013. (Osawa 2012). Even though Lenovo's Mexican production was able to enter the United States without facing any trade barriers under the North American Free Trade Agreement (NAFTA), Lenovo still felt it was in its best interest to set up production in the United States. In addition, Mexican products were able to enter Canada without any trade barriers under NAFTA, and Lenovo could take advantage of the free trade agreements that Mexico had with more than forty countries.

By establishing production in the United States, Lenovo was closer to its customers and better able to meet the demands of the market. Rising wages in China closed the gap between costs in China and the United States, which made the U.S. an attractive location especially with advanced manufacturing techniques that used little labor in the manufacturing process. Lenovo would be able to satisfy local content requirements and *Buy America* measures if it manufactured in the United States.

The move to North Carolina was consistent with the company's broader strategy of localizing production in major markets as much as possible. The U.S. move alleviated some concerns related to national security, industrial spying, and job losses. Chinese telecommunications suppliers Huawei Technologies Co. and ZTE Corporation were being investigated by the U.S. House of Representatives Intelligence Committee over whether their gear could be used to spy in the United States (Osawa 2012). Lenovo's earlier acquisition of IBM's PC division underwent considerable scrutiny by various U.S. agencies. The acquisition was allowed to proceed; however, some concessions were made, and some customers shied away from purchasing

Lenovo PCs. Locating production operations in the U.S. alleviated some national security concerns surrounding Lenovo.

Lenovo became the world's third-largest smartphone maker by shipments in 2013, when it overtook South Korea's LG Electronics, Inc. Earlier in 2013, it passed Hewlett-Packard Co. as the world's biggest PC maker. While Lenovo's smartphone sales benefitted from its strength in China - the world's largest smartphone market - it faced stiff competition from rivals for Chinese consumers (Kim 2013). Huawei, ZTE, and Xiaomi were among the many Chinese telecommunications companies vying for market share in China. The level of competition in the global mobile device market was equally fierce. Even with Chinese subsidies and barriers to trade and investment in China, Chinese telecommunications firms faced considerable competition in the domestic and global market.

While Lenovo' horizontal acquisitions and joint ventures enhanced its product portfolio, increased sales, and lowered costs, Lenovo still sought to diversify outside of the PC market.

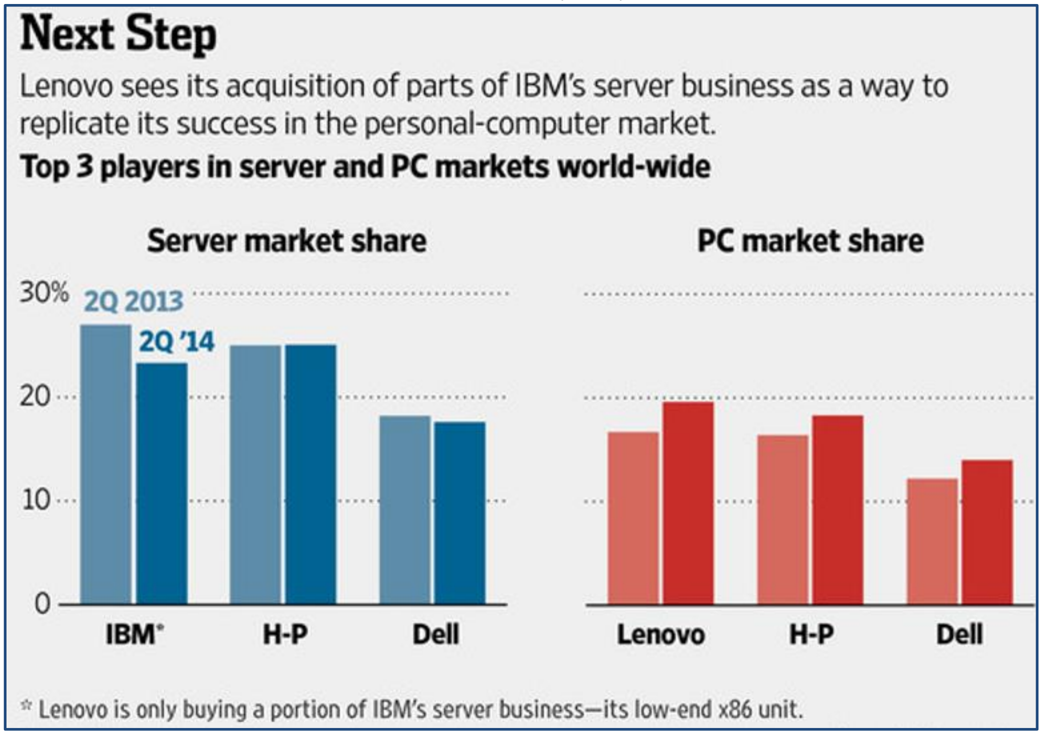
Server and Mobility Device Acquisition

Lenovo purchased IBM's server business for USD $2.3 billion in January 2014. The acquisition transformed Lenovo into a mobile device, PC, and enterprise server company as it expanded its existing server business (Lee 2014). Even though Lenovo was the No. 1 PC maker, it faced eroding demand and it expected that mobile devices would become the bulk of its business in coming years (Lee 2014). The IBM server acquisition further diversified Lenovo's product line away from PCs. Lenovo had decided that its core competencies were in a mobile devices, TVs, PCs, and servers. The IBM server acquisition accelerated Lenovo's move to expand beyond its traditional PC business into new lines of production (Stahl 2014). Lenovo had its own server business, but it was less than one-fifth the size of the IBM unit. The acquisition moved Lenovo ahead five years in its plan to expand in servers; it raised Lenovo's global ranking from no. 6 to no. 3 and increased its share of global server sales from 2 percent to 14 percent (Lee 2014).

Lenovo wanted to replace Samsung Electronics as the top smartphone vendor in China. It spent USD $793.5 million in Wuhan to build a plant that produced up to 40 million phones per year (see Exhibit 2). The company's CEO, Yang Yuanqing, said, *"Lenovo does not want to be the second player ... we want to be the best. Lenovo has the confidence to outperform Samsung and Apple, at least in the Chinese market"* (Islam 2013).

Exhibit 2. Lenovo's Acquisition of IBM's Server Business

Source: Stahl (2014)



Lenovo expressed interest in acquiring the Canadian smartphone maker BlackBerry, Ltd. However, the acquisition was reportedly blocked by the Government of Canada, citing security concerns due to the use of BlackBerry devices by prominent members of the government. An official stated, *"We have been pretty consistent that the message is that Canada is open to foreign investment and investment from China but not at the cost of compromising national security"* (Verge 2013).

Continuing with its shift to mobile, Lenovo purchased Google's Motorola Mobility for USD $2.9 billion within weeks of the acquisition of IBM's server operation. Lenovo believed it could use the Motorola acquisition to strengthen its position in mobile devices relative to Apple, Inc. and Samsung Electronics Co. (Guynn *et al.* 2014). The Motorola Mobility acquisition further reinforced Lenovo's position in mobile devices, TVs, PCs, and servers. Lenovo believed it could become the world's largest maker of servers (Kay 2018). Lenovo's USD $2.9 bn purchase of Motorola's handset business - the largest Chinese technology deal in the United States - was closely scrutinized by the Committee on Foreign Investment in the U.S. as had been Lenovo's earlier purchase of IBM's PC business (Bartz 2014).

Lenovo began to emphasize vertical integration following a meeting in 2009 after it analyzed the costs-versus-benefits of in-house manufacturing and decided to make at least 50% of Lenovo's manufacturing in-house. Vertical integration had an important role in product development with most innovations for *"PCs, smartphones, and smart TVs related to innovation of key components—display, battery, and working very closely with key parts suppliers"* (Chao 2012). Previously, lack of integration as the result of numerous foreign acquisitions and an excessive number of *"key performance indicators"* (KPIs) had made Lenovo's expansion expensive and created slow delivery times to end-customers. Lenovo doubled-down on vertical integration and manufacturing near markets to cut costs at a time when its competitors were making increased use of outsourcing and off-shoring. By 2013, Lenovo ranked 20th on Gartner's list of top 50 supply chains, whereas in 2010 the company was unranked (Holstein 2014).

Liu Chuanzhi founded Lenovo (originally called Legend), in 1984 and served as Chairman until 2012. He led Lenovo through its early growth. Chuanzhi discussed his vision, management style and the corporate culture at Lenovo in a Managing Asia interview (CNBC You Tube 2016). See Exhibit 3.

Exhibit 3. How Lenovo Became China's First Global Company

Source: CNBC (2016)

https://www.youtube.com/watch?v=zWnywVE_5wA

Motorola Mobility

Lenovo's ability to maintain its third-place position or rise in the standings in the smartphone race proved to be a challenge. Chinese smartphone maker Xiaomi had launched an aggressive push into India in July of 2014. This followed Lenovo's earlier entrance into India. Xiaomi's actions placed increasing competition in India's fast-growing mobile-device sector. India became the world's third-largest market by sales for smartphones in 2014 (Crabtree 2014). Lenovo was always on the lookout for low-cost production locations, such as Brazil, Russia, and India, so it was logical for it to move into India. That Xiaomi followed Lenovo was not unexpected, so Lenovo had to execute its strategy to keep costs in check and to differentiate its products in order to challenge Xiaomi and other low-cost competitors in the Indian market.

Lenovo counted on the Motorola brand to carry its sales in countries such as the U.S., where Lenovo phones have previously had a limited presence. It sought to lower costs in the server business because of overlapping components with its PCs (Dou 2015). Lenovo needed to expand its presence in the United States; this meant taking full advantage of the IBM server and Motorola Mobility acquisitions. Firms engaged in foreign direct investment to serve international markets, circumvent trade barriers, achieve scale economies, and gain access to valuable technology; Lenovo realized it needed to take full advantage of these opportunities.

Lenovo saw emerging markets, such as India, the Middle East, and Africa as paths to growth amid a slowdown in demand for personal computers while it integrated the acquisitions of Motorola Mobility's smartphone business and IBM's server business (Blumenstein & Safdar 2016), yet the integration of Motorola Mobility's smartphone business and IBM's server business proved to be a challenge.

Although Motorola was still among the top five U.S. phone brands when Lenovo acquired it, Motorola was posting losses and lagged market leaders Apple and Samsung. Two years after buying Motorola, Lenovo cut at least 2,000 U.S. jobs. It had fallen from no. 3 to no. 8 globally in the smartphone world. Lenovo worried about losing momentum in the U.S. and Brazil. In January 2015, Lenovo announced that Motorola was returning to China. It did not spend heavily on marketing, counting instead on nostalgia for Motorola phones from the mid-1990s to propel sales. Lenovo's distribution strategy was to sell the Motorola phones only online, a nod to upstart Chinese phone maker Xiaomi Corp., which had used the online-only model and savvy social-media marketing to become a top seller (Chu & Osawa 2017). Youthful Web shoppers showed little affinity toward Motorola, however, and customers seemed turned off by its prices. With Motorola failing to make major headway in either of the world's two largest economies and demand for personal computers slowing, Lenovo in August 2015 unveiled a plan to cut USD $1.35 billion in costs annually and to eliminate 3,200 jobs companywide. In September 2015, Lenovo announced another 1,000 layoffs, mostly at Motorola (Chu & Osawa 2017).

Lenovo Navigates a Trade War

Amicable relations between China and the U.S. helped Lenovo become the world's largest personal-computer maker. PCs and smartphones were not on the Trump administration's tariff list against China. Lenovo made three-quarters of its sales outside of China, including nearly one-third from the Americas. Lenovo had factories in Mexico and Brazil, which helped soften the impact should further tariff increases target PCs and smartphones (Wong 2019).

Strategic trade policy suggested governments should nurture and protect firms and industries where economies of scale were likely to be important. Such a policy increased the chances that a firm achieved economies of scale, had low costs, and ended up a winner in the global market. Strategic trade policy involved luck - and Lenovo had some luck since it was not subject to punitive U.S. tariffs on the goods it shipped from China. Even though Lenovo could have circumvented such tariffs or nontariff barriers by increasing production in Mexico and in the United States, it still relied on China to supply a considerable portion of its U.S. sales.

The risk of blowback from U.S.-China tensions added to concerns that Lenovo's core PC business, which accounted for around three-quarters of overall sales, might have limited growth. People were buying fewer PCs as they spent more time on smartphones. Lenovo managed to boost its margins by focusing on premium products such as ultrathin laptops and gaming PCs. However, it was unclear how far this strategy could be pushed in the face of a shrinking market and two big competitors in HP and Dell. Lenovo had done surprisingly well in the maturing PC industry, but challenges were now piling up (Wong 2019). Lenovo had extended its PC sales well beyond expectations employing a generic broad low-cost strategy based on selling in the budget and premium markets to remain competitive. It kept prices low and continued to develop new products to extend the life of PC sales in a declining PC market. Lenovo used innovation to continue to develop new products and to keep prices low in a crowded market with many challengers.

Even though the trade war continued with tariffs in place well into 2012, PC sales benefited from COVID-19 Pandemic-led demand. Lenovo still held the top spot with a 25.7% market share, followed by HP's 21.6%. The next three positions were held by Dell, Apple, and Acer Group, with a market share of 15.2%, 7.7%, and 7.1%, respectively (Bhaget 2020). Lenovo continued to benefit from luck even in the challenging times of COVID protocols: such an environment spurred sales of PCs, tablets, and smartphones. Lenovo's staying power in the PC market continued into the fourth quarter of 2020 as it dominated sales (Gartner 2021). See Exhibit 4.

Exhibit 4. Preliminary Worldwide PC Vendor Unit Shipment Estimates for 4Q20

Source: Gartner (2021)

Company	4Q20 Shipments	4Q20 Market Share (%)	4Q19 Shipments	4Q19 Market Share (%)	4Q20-4Q19 Growth (%)
Lenovo	21,491	27.1	17,713	24.7	21.3
HP Inc.	15,683	19.8	16,155	22.5	-2.9
Dell	13,199	16.6	12,127	16.9	8.8
Apple	6,893	8.7	5,250	7.3	31.3
Acer Group	4,741	6.0	4,035	5.6	17.5
ASUS	4,570	5.8	3,975	5.5	15.0
Others	12,813	16.1	12,493	17.4	2.6
Total	**79,392**	**100.0**	**71,749**	**100.0**	**10.7**

Notes: Data are in thousands of unites and includes desk-based PCs, notebook PCs and ultramobile premiums (such as Microsoft Surface), but not Chromebooks or iPads. All data is estimated based on a preliminary study. Final estimates subject to change. The statistics are based on shipments selling into channels. Numbers may not add up to totals shown due to rounding.

National Security Concerns

Leading Chinese technology companies sold equipment to state governments in the U.S. that could be used by Beijing to obtain sensitive information. Contracts for China-based Lexmark and Lenovo implied that the companies could send data from state and local governments to China under a 2017 law that required all Chinese companies to cooperate with Beijing's intelligence services, including granting access to data collected overseas (Gertz 2020). Lenovo was aware that security concerns always remained an issue - especially when it operated in the United States.

CIFUS had approved the purchase of the IBM server business with the concern that the servers could be accessed remotely by Chinese spies or hackers or compromised through maintenance. Lenovo faced similar security questions when it bought IBM's PC business in 2005. Although the PC acquisition was approved by regulators, some divisions of the U.S. government shied away from using Lenovo products (Stahl 2014).

In February 2021, *Bloomberg Business* reported that U.S. investigators found in 2008 that military units in Iraq were using Lenovo laptops in which the hardware had been altered. According to a testimony from the case in 2010, *"A large amount of Lenovo laptops were sold to the U.S. military that had a chip encrypted on the motherboard that would record all the data that was being inputted into that laptop and send it back to China"* (Robertson & Riley 2021).

Even though it lost some customers, Lenovo was able to operate without significant restrictions. Whether or not customers walked away was up to them. However, Lenovo offered excellent products and provided solid service at reasonable prices which allowed it to remain competitive in the market. The two U.S. acquisitions cleared by CFIUS, along with the decision to manufacture in the United States, alleviated many suspicions about Lenovo and further separated Lenovo from Huawei and ZTE.

The security concerns posed by high-profile Chinese companies, such as Huawei Technologies and ZTE, had been widely reported, but the threat posed by other Chinese enterprises, such as Lenovo, had received less attention. The Pentagon's Inspector General highlighted some USD $33 million in Defense Department purchases of off-the-shelf Lexmark and Lenovo products. These purchases "*have been noted on the National Vulnerability Database because of security deficiencies,"* the report said (Gertz 2020). As much luck as Lenovo enjoyed avoiding retaliatory tariffs imposed on China by the United States, it has enjoyed even more luck when it was not subject to sanctions like those placed on Huawei and ZTE. In addition to the 2017 Chinese Intelligence Law, China enacted an internet law in 2016 that required network operators for all companies in China — including Lexmark and Lenovo — to store data inside the country and permit Chinese authorities to conduct spot checks of network operations. When the U.S. Navy found that Lenovo servers had been installed on its warships, it pulled out the equipment over cyber spying concerns (Gertz 2020). Despite such concerns, Lenovo was not blocked from selling to agencies of the U.S. government or to state and local agencies. It continued to have healthy sales in the U.S.

While the media focused on U.S. policy restricting Huawei, the Chinese-military backed provider of telecommunications equipment, Huawei was not the only security threat from China. Chinese investment in the U.S. had increased significantly, driven in part by China's strategy of techno-nationalism, which included goals of acquiring top foreign brands and shaping them into Chinese players. Hence China's interest in assets from IBM, Motorola, Smithfield Foods, G.E. consumer electronics group, and other U.S. firms. (Layton 2020). While some Chinese firms faced restrictions or bans from operating in the U.S. or other nations, Lenovo continued to operate with few restrictions.

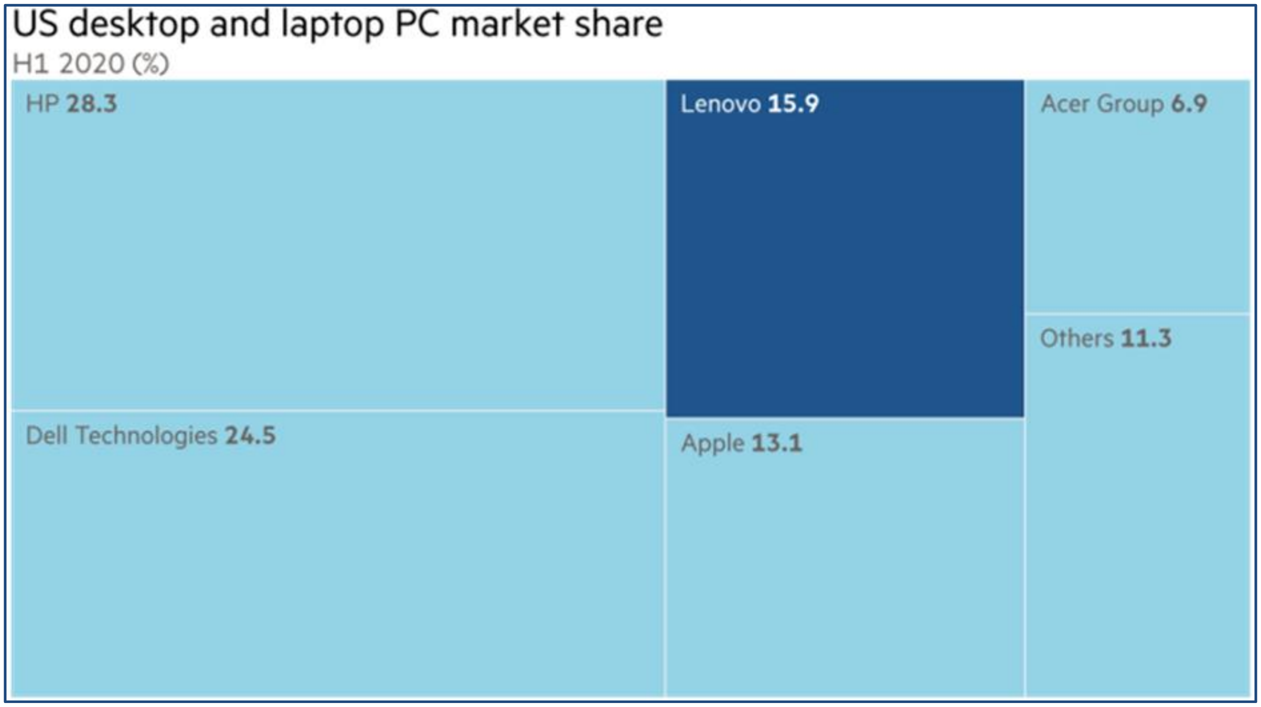
Lenovo has encountered years of suspicion in Washington, starting back in 2004 when the Chinese government held a much larger stake in the company, and when Lenovo had acquired IBM's PC division. Some federal agencies had banned its products or services, while others like the U.S. Department of Defense and state and local governments continued to make purchases and use its services (Layton 2020). Lenovo had been extremely fortunate that it had been able to continue its operations in the U.S. and in many other countries, even as other Chinese technology companies faced significant opposition and operating restrictions.

Sanctions

Lenovo reported strong sales and profit growth, gaining U.S. market share even as the threat of sanctions on Chinese companies operating in the U.S. grew. Lenovo grew its U.S. laptop and desktop computer market share, trailing only HP and Dell (McMorrow & Hille 2020). Customers included the U.S. Air Force. Unlike Huawei, which has seen its international business crippled by a years-long campaign by Washington, Lenovo's international sales were more important to the company than ever, bringing in 79 per cent of revenue in 2020 (McMorrow & Hille 2020). Lenovo has been fortunate to avoid the scrutiny that other Chinese firms had endured (see Exhibit 5).

Exhibit 5. U.S. Desktop and Laptop PC Market Share

Source: McMorrow & Hille (2020)



Hefei Bitland was among the Chinese manufacturers that used *"state-sponsored forced labor"* at internment camps dedicated to persecuting the Uyghur Muslim minority in China, according to U.S. federal officials. The U.S. Customs and Border Protection (CBP) announced it would begin confiscating imports from Hefei Bitland, a laptop and smartphone manufacturer that once publicly counted Lenovo and Google as its customers (Kan 2020).

Lenovo informed custom officials that it was no longer building products at Hefei Bitland manufacturing sites - after the U.S. Commerce Department sanctioned Bitland for taking part in the forced labor activities. As a result, U.S. companies were barred from exporting technology to the manufacturer unless they received government approval (Kan 2020). Lenovo informed its customers that it had stopped manufacturing with Bitland and was moving production of related devices to other suppliers. Lenovo was not subject to any sanctions and continued to operate as it had in the past with little, if any, impact.

Issues and Concerns

Lenovo had not been immune to controversy and lingering questions remained concerning the reliability of its software products and corporate governance. While having enjoyed a reputation of reliable product quality, recent software upgrades had proven to be less than reliable. The Lenovo Service Engine appeared on PCs shipped from October 2014 to June 2015. It sent non-identifiable system information from each PC to Lenovo the first time the PC went online. Meanwhile, Lenovo OneKey Optimizer bloatware was installed on laptops. The same behaviors occurred following a clean install. It turned out that the Lenovo Service Engine had various security issues and did not meet guidelines intended for anti-theft software. Furthermore, the Lenovo Solution Center allowed malicious code execution. Lenovo computer users had been placed repeatedly at risk from security issues in the past and the present (Cawley 2020).

In early 2015, it was discovered that Lenovo laptops shipped to stores and consumers in late 2014 had malware pre-installed. Masquerading as a piece of typical manufacturer bloatware, Superfish Visual Discovery was a browser extension that analyzed images, checked if they were products, and then displayed cheaper alternatives. On September 6, 2015 Lenovo settled with the Federal Trade Commission paying a reported USD $3.5 million in fines and agreeing to other security concessions to prevent a repeat of the Superfish debacle. According to the FTC, the software allowed VisualDiscovery to see a consumer's sensitive personal information transmitted over the Internet, including log-in information, Social Security numbers, and more. In 2015, Lenovo said the decision to use Superfish was a *"significant mistake"* and that it had not been aware of Superfish software exploiting any vulnerabilities. Lenovo previously published details on how to remove Superfish from existing laptops. Superfish had not been loaded on Lenovo laptops since 2015. Two key facts were never communicated to consumers: first, Superfish software on a laptop slowed Internet speeds by as much as 125 percent, and second, dismissing the Superfish software actually opted consumers into it.

Lenovo was prohibited from misrepresenting any features of software pre-loaded on laptops that injected advertising into consumers' Internet browsing sessions. For 20 years, Lenovo was required to put in place a *"comprehensive software security program for most consumer software preloaded on its laptop,"* subject to external audits. If Lenovo did put adware onto its laptops, it was required to have consumers' affirmative consent (Hachman 2015). Aside from the settlement costs, this proved to be a public relations nightmare for Lenovo. Even though it was a serious matter, it appeared to have been another stumble from which Lenovo recovered.

On October 9, 2021, Lenovo said it would withdraw its application for its shares to be listed, days after it had been accepted by Shanghai's STAR Market. On October 11, 2021, Lenovo said it had done so because of the possibility of the validity of financial information in its prospectus lapsing during the application's vetting. It also cited *"relevant capital market conditions such as the latest circumstances in connection with the listing."* Lenovo's shares were already listed on the New York and Hong Kong exchanges, but it had planned to raise up to HK $13.6 billion (USD $1.8 billion) in Shanghai, making it the first Chinese company to sell so-called Chinese Depositary Receipts (CDRs) on China's financial marketplace for technology companies (Goh & Xue 2021). Aside from the lost opportunity to raise USD $1.8 billion, Lenovo recovered from the embarrassment.

Another issue was long-term corporate control. Over the years, Lenovo tried to reduce concerns about Chinese government influence. Steps taken by Lenovo included reduced government ownership, increased ownership of foreign firms associated with acquisitions (IBM, Motorola, etc.), and the appointment of non-Chinese citizens to the Board of Directors, such as Jerry Yang, Yahoo founder.

Lenovo in 2022

Lenovo capitalized on two booming markets, Chinese stocks, and the global PC industry, to list in Shanghai on the STAR Market, China's answer to the NASDAQ (Chiu & Wang 2021). Lenovo planned to use the funds for research and development, strategic investments and to replenish working capital. The offering remained subject to market conditions and needed approval from shareholders, exchanges, and regulators. Like its rivals, Lenovo benefited from the pandemic, which led to a surge in remote work and study, as well as home entertainment. PC sales reached a decade high (Chiu & Wang 2021).

Lenovo designed, developed, manufactured, and sold PCs, tablets, smartphones, servers, workstations, electronic storage devices, IT management software, and smart televisions. To compete, Lenovo unveiled its digital solutions service and expanded cloud computing service (Tech World 2021). See Exhibit 6. Lenovo had impressive competitive advantages over its rivals in the PC marketplace, including its large distribution network and its ability to expand its presence in emerging markets (Bhaget 2020). Over the years, Lenovo used strategic acquisitions and partnerships to access new markets, extend its product portfolio, and increase sales. Lenovo lagged in market share behind its rivals in both tablet and smartphone sales (Fernando 2021).

Exhibit 6. Lenovo Tech World 2021 Highlights

Source: Tech World (2021)

) https://www.youtube.com/watch?v=-Xte2949XGM

While Lenovo remained a positive force in the industry, it had not duplicated its early success in smartphones. Apple, Samsung, and other Chinese technology companies, such as Huawei, ZTE, and Xiaomi, dominated the market. The acquisition of Motorola Mobility did not meet expectations to support Lenovo's ambitions in smartphone development and sales. Despite setbacks, Lenovo was a significant multinational enterprise and was counted among the world's largest technology companies (Fortune 2021). See Exhibit 7. The most impressive advantage enjoyed by Lenovo in China was its immense network of distribution channels. Lenovo had access to thousands of sales points in its Chinese distribution network, the majority of which were exclusive distributors of Lenovo products (Fernando 2021). When Lenovo purchased IBM's PC division, it gained access to a worldwide distribution network (Lucas 2013). Access to similar distribution networks occurred with many of Lenovo's other acquisitions. Having extensive distribution networks enhanced Lenovo's ability to serve its customers and meet the needs of the market.

Exhibit 7. Largest Technology Companies by Revenue

Source: Fortune (2021)

Rank	Company		Revenue ($B) USD	Employees	Headquarters
1		Apple	$274.515	147,000	Cupertino, California, U.S.
2		Samsung	$200.734	267,937	Suwon, South Korea
3		Alphabet	$182.527	135,301	Mountain View, California, U.S.
4		Foxconn	$181.945	878,429	New Taipei City, Taiwan
5		Microsoft	$143.015	163,000	Redmond, Washington, U.S.
6		Huawei	$129.184	197,000	Shenzhen, China
7		Dell	$92.224	158,000	Round Rock, Texas, U.S.
8		Meta	$85.965	58,604	Menlo Park, California, U.S.
9		Sony	$84.893	109,700	Tokyo, Japan
10		Hitachi	$82.345	350,864	Tokyo, Japan
11		Intel	$77.867	110,600	Santa Clara, California, U.S.
12		IBM	$73.620	364,800	Armonk, New York, U.S.
13		Tencent	$69.864	85,858	Shenzhen, China
14		Panasonic	$63.191	243,540	Osaka, Japan
15	/	Lenovo	$60.742	71,500	Hong Kong, China/ Morrisville, North Carolina, U.S.
16		HP	$56.639	53,000	Palo Alto, California, U.S.
17		LG	$53.625	75,000	Seoul, South Korea

Lenovo had a history of negotiating strategic acquisitions and partnerships. See Exhibit 8. It was not satisfied with being a market leader in China. It looked beyond China to the global market. Lenovo expanded into emerging markets, such as India, Russia, and Brazil, as it switched its priority toward a balance of continued growth and profitability. Lenovo's long-term goal was to re-create the dominant position it enjoyed in China in each of its expansion markets. However, this has proved to be more of a challenge than anticipated. Lenovo recognized that the diverse markets where it operated, such as the Americas, Europe, Africa, the Middle East, and Asia were each home to unique consumer preferences, competitive landscapes, and regulatory regimes (Fernando 2021). These differences complicated Lenovo's ability to operate effectively in the global market as a multinational enterprise.

Exhibit 8. Important Dates in Lenovo History

Source: Author's Notes

- 1984 - Lenovo founded by academics at the government-backed Chinese Academy of Sciences.
- November 1984 - Lenovo founded in Beijing as Legend and was incorporated in Hong Kong in 1988, produced and sold PCs in Japan.
- September 2012 - Lenovo acquired majority stakes in German PC and consumer electronics-maker Medion AG and a joint venture with EMC, Lenovo EMC.
- January 2, 2013 - Lenovo acquires CCE, widely known in Brazil as a leader in PCs and consumer electronics.
- October of 2012 - Lenovo announces it will manufacture PCs in North Carolina starting in 2013.
- 2013 - Lenovo passed Hewlett- Packard Co. to become the world's biggest PC maker.
- 2013 - Lenovo became the world's third-largest smart phone maker by shipments when it overtook South Korea's LG Electronics, Inc.
- January 23, 2014 - Lenovo purchased IBM's server business for $2.3 billion.
- January 29, 2014 - Lenovo purchased Google's Motorola Mobility for $2.9 billion.
- May 1, 2005 - $1.25 billion acquisition of IBM's personal computer business, IBM Think Pad.
- January 27, 2011 - Lenovo formed joint venture (Lenovo NEC Holdings) with NEC.

Lenovo acquired Fujitsu's personal computer business in 2017 (Shilov 2017). In November 2017, Lenovo announced its purchase of a 51% stake in Fujitsu's PC division. The deal was part of a joint venture between Lenovo, Fujitsu, and the Development Bank of Japan. The goal was to drive growth in the development and manufacture of Client Computing Devices (CCD) for the global PC market (Fernando 2021). Lenovo realized that it needed to differentiate its product to meet the consumer preferences, competitive landscapes, and regulatory regimes of its diverse markets.

Lenovo was moving toward the *"PC+ Era,"* in which PCs existed as central hubs linking a network of interconnected devices, such as tablets, smartphones, and smart TVs. The vision was to steer Lenovo away from a world leader in traditional PCs to a world leader across the range of *"PC+"* devices. While the company focused on diversification, it had a long way to go to achieve the huge market share enjoyed by its top competitors in both the smartphone and tablet markets (Fernando 2021).

To succeed, Lenovo needed to continue its leadership position in China and the global PC marketplace while it expanded its foothold in emerging markets and *"PC+"* product categories. This required Lenovo to enhance its core competencies in smartphones and tablets beyond those developed internally or through its various acquisitions.

Despite some missteps, national security concerns in the United States and other countries, the trade war, the COVID 19 pandemic, and ever-present China tensions, Lenovo had become a successful multinational enterprise with revenue growth averaging over 10% per year (Lenovo 2021C). It had a USD $62 million operating loss in 2015 when it booked a charge of $923 million for costs related to restructuring some of its businesses and as it cleared out its smartphone inventories (Lenovo 2021C). The drop in profits was attributed to the Motorola acquisitions that never met expectations.

Smartphones were Lenovo's biggest challenge - especially in emerging markets such as India and Brazil. More recently, Lenovo had a 6.32% increase in profits and a 19.77 % increase in revenue over the previous year from March 31, 2020, to March 31, 2021 (Lenovo 2021B). Furthermore, the amount of debt on Lenovo's balance sheet had been relatively stable, demonstrating that improvements were not the result of taking on more risk (Lenovo 2021A). Finally, examining performance ratios shows that Lenovo improved over the previous four years: Return on Assets improved from 1.4% to 5.7% while Return on Equity increased from -3.0% to 34.0%. See Exhibits 9, 10, and 11.

Exhibit 9. Lenovo Twelve Months Ended Cost, Profits and Revenue Statement

Source: Lenovo (2021C)

Lenovo Cost, Profits and Revenue For the twelve months ended March 31						
(US$ million)	FY2020/21	FY2019/20	FY2018/19	FY2017/18	FY2016/17	FY2015/16
Revenue	60,742	50,716	51,038	45,350	43,035	44,912
Gross Profit	9,768	8,357	7,371	6,272	6,106	6,624
Operating Expenses	(7,587)	(6,918)	(6,193)	(5,885)	(5,434)	(6,686)
Operating Profit	2,180	1,439	1,178	387	672	(62)
Pre-tax Income	1,774	1,018	856	153	490	(277)
Profit /(loss) attributable to	1,178	665	597	(189)	535	(128)
EPS (US cents) - Basic	9.54	5.58	5.01	-1.67	4.86	-1.16

Exhibit 10. Lenovo Year-End 2021 Income Statement

Source: Lenovo (2021B)

Lenovo Income Statement For the year ended March 31, 2021		
	2021 US$'000	2020 US$'000
Revenue	60,742,312	50,716,349
Cost of sales	(50,974,425)	(42,359,045)
Gross Profit	9,767,887	8,357,304
Other income - net		
Selling and distribution expenses	(3,044,966)	(2,972,260)
Administrative expenses	(2,984,356)	(2,524,818)
Research and development expenses	(1,453,913)	(1,335,744)
Other operating (expense)/income - net	(104,244)	(85,886)
Operating profit	2,180,406	1,438,595
Finance income	34,753	47,850
Finance costs	(408,641)	(454,194)
Share of gains of associated companies	(32,323)	(14,545)
Profit before taxation	1,774,196	1,017,707
Taxation	(461,197)	(213,204)
Profit for the year	1,312,999	804,503
Profit/(loss) attributable to:		
Equity holders of the Company	1,178,310	665,091
Perpetual securities holders	32,532	53,760
Other non-controlling interests	102,159	85,652
Earnings/(loss) per share attributable to equity holders of the Company		
Basic	US9.54 cents	US5.58 cents
Diluted	US8.91 cents	US5.43 cents
Dividends	HK30.6 cents	HK27.8 cents

Exhibit 11. Lenovo Year-End 2021 Balance Sheet

Source: Lenovo (2021A)

Lenovo Balance Sheet For the year ended March 31, 2021	2021 US$'000	2020 US$'000
Non-current assets		
Property, plant and equipment	1,573,875	1,398,440
Right-of-use assets	893,422	812,235
Construction-in-progress	207,614	304,241
Intangible assets	8,405,005	7,984,582
Interests in associates and joint ventures	65,455	60,307
Deferred income tax assets	2,344,740	2,059,582
Financial assets at fair value through profit or loss	805,013	494,807
Financial assets at fair value through other comprehensive income	84,796	56,136
Other non-current assets	275,359	224,396
	14,655,279	13,394,726
Current assets		
Inventories	6,380,576	4,946,914
Trade, notes and other receivables	13,454,265	9,833,780
Derivative financial assets	118,299	138,813
Income tax recoverable	254,442	196,464
Bank deposits and cash	3,127,770	3,617,470
	23,335,352	18,733,441
Total assets	37,990,631	32,128,167
Share capital	3,203,913	3,185,923
Reserves	355,123	11,619
Equity attributable to owners of the Company	3,559,036	3,197,542
Perpetual securities		993,670
Other non-controlling interests	817,735	634,321
Put option written on non-controlling interest	(766,238)	(766,238)
Total equity	3,610,533	4,059,295
Non-current liabilities		
Borrowings	3,299,582	1,564,619
Warranty provision	266,313	258,840
Deferred revenue	1,183,247	864,805
Retirement benefit obligations	431,905	458,386
Deferred income tax liabilities	391,258	342,805
Other non-current liabilities	1,436,156	1,321,296
	7,008,461	4,810,751
Current liabilities		
Trade payables	10,220,796	7,509,724
Notes payable	885,628	1,458,645
Derivative financial liabilities	35,944	73,784
Provisions, other payables and accruals	14,088,878	9,744,414
Deferred revenue	1,046,677	819,199
Income tax payable	395,443	357,375
Borrowings	698,271	3,294,980
	27,371,637	23,258,121
Total liabilities	34,380,098	28,068,872
Total equity and liabilities	37,990,631	32,128,167

Arthur Kraft served as the Robert J. and Carolyn A. Waltos, Jr. Dean of the George L. Argyros School of Business and Economics at Chapman University from January 1, 2006.through July 31, 2012. He received his Ph.D. in economics in 1970 and a master's degree in economics in 1969 from the State University of New York at Buffalo. He received his Bachelor of Science degree in mathematics magna cum laude from St. Bonaventure University in 1966. A native of Eden, N.Y., Kraft served as business school dean at Georgia Institute of Technology, Rutgers University and West Virginia University before he joined DePaul. He began his career in higher education at Ohio University in 1969 and was promoted to full professor in 1975. He served as professor from 1977-83 and associate dean from 1977-83 of the College of Business Administration at the University of Nebraska-Lincoln.

Dr. Kraft served as Dean of the College of Business and Economics at West Virginia University from 1983-1987. In 1987, he joined Rutgers-The State University of New Jersey, as the first dean of the newly established School of Business at Rutgers' New Brunswick campus. Six years later, Kraft became dean of the School of Management at Georgia Institute of Technology, a position he held until 1997. He was professor of international and strategic management from 1997-1999 and served as chair of the school's doctoral program from 1998-1999. He was named Dean of the College of Commerce at DePaul University in 1999.

Dr. Kraft's involvement with AACSB International includes numerous activities in support of accreditation. He served as Chair of the Board of Directors, 2006-2007 and was a member of the AACSB Board of Directors from 2003-2008. He Chaired the Committee on Issues in Management Education (CIME), the Executive Committee, the Nominating Committee, the Board of the Global Foundation for Management Education, and the Pre-Accreditation Committee (PAC). He was a member of the Accreditation Coordinating Committee (ACC).and chaired or served on numerous accreditation visits.

Dr. Kraft has published in major journals (*Journal of Finance*, *Review of Economics and Statistics*, *Decision Sciences*, etc.) and books, made numerous presentations to professional societies, written many working papers, and published a book, *Statistical Analysis for Decision Making*, with Jeffrey E. Jarrett.

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RIPPLE MAKES WAVES

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On December 22, 2020, the Security and Exchange Commission (SEC) sued Ripple over unlawful offer and distribution of securities. The SEC claimed that Ripple failed to register its digital asset XRP as a security, despite having received legal advice that XRP might be considered a security. Not registering XRP as a security required much less disclosure than otherwise, and allowed Ripple to build an information monopoly (SEC v. Ripple 2020). In its defense, Ripple argued that XRP was not a security but rather a cryptocurrency, and referred to security regulators in the UK, Japan, and Singapore who did not classify XRP as a security (SEC v. Ripple 2021a).

The SEC and Ripple faced each other in this high-stakes case about an asset that many investors perceived to be a cryptocurrency. Uncertainty in the markets increased and consequently the price of XRP dropped.

You already hold some XRP. If Ripple wins the lawsuit, now would be the perfect time to invest. However, if the SEC wins, the value of XRP would likely slump. You have to make your decision quickly since Ripple announced an unexpected press conference. Every new piece of information might change the price and potentially the outcome of the lawsuit. Will the court uphold the claims from the SEC or can Ripple successfully defend itself against the allegations? How are you going to update your investment portfolio?

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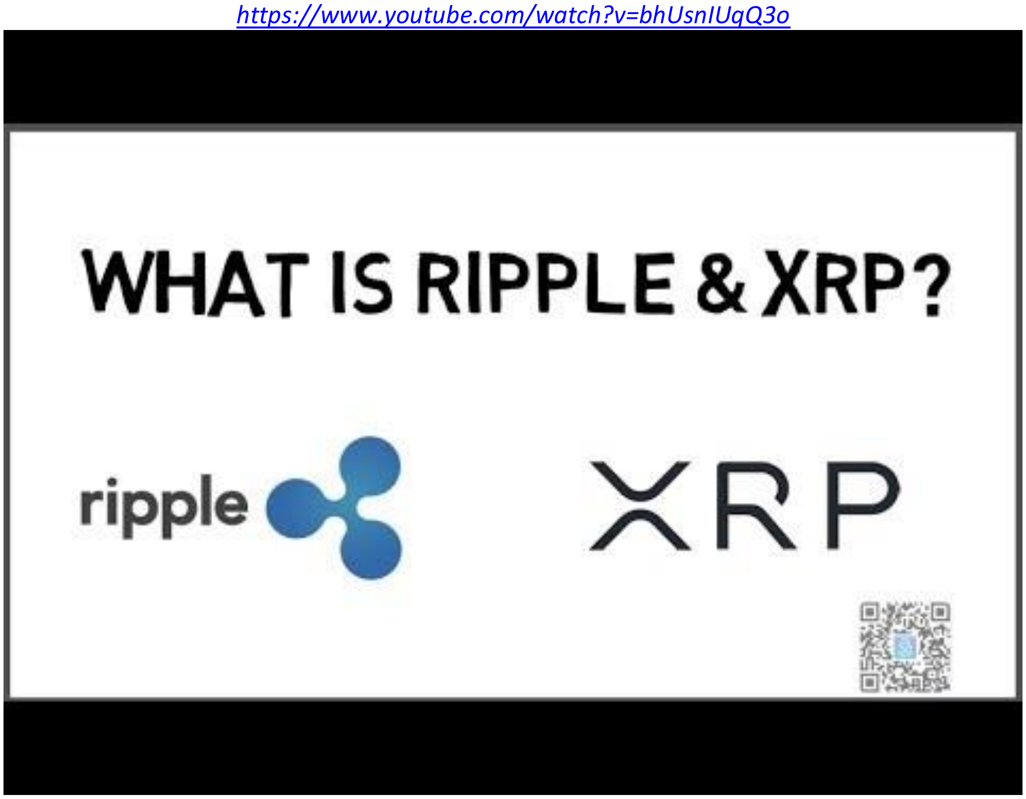
Origins of Ripple and XRP

The three engineers Arthur Britto, Jed McCaleb, and David Schwartz were fascinated by Bitcoin. However, they observed that the mining of Bitcoin was an inefficient process that required much energy and computing power. The problem would only exacerbate as more and more Bitcoin was mined (McCaleb 2011; XRP Ledger Project 2020). Therefore, the trio set out to create a better system and began to build the XRP Ledger (XRP Ledger Project 2020). The XRP Ledger was essentially software code that operated as a peer-to-peer database. The ledger was spread across a large network of computers and recorded data associated with XRP transactions. Along with the code for the XRP Ledger, the three engineers wrote the code for XRP which was a digital asset (SEC v. Ripple 2020). Exhibit 1 provides a general overview of Ripple and XRP.

Exhibit 1. Overview of Ripple and XRP

Source: XRP CHIZ (2019)

https://www.youtube.com/watch?v=bhUsnIUqQ3o



After the first draft of the code for the XRP Ledger had been completed in December 2011 (XRP Ledger Project 2020), Chris Larsen, an angel investor, provided the necessary funding to establish Ripple in September 2012. Larsen became Ripple's CEO, McCaleb became the company's Chief Technology Officer, Schwartz became Chief Cryptography Officer, and Britto adopted an advisory position (XRP Ledger Project 2020). Upon completion of the final code for the XRP Ledger in December 2012, Britto, McCaleb, and Schwartz fixed the worldwide supply of XRP at 100 billion XRP. Of these, 80% were transferred to the company Ripple, and 20 billion were distributed among the founders. Larsen and McCaleb each received 9 billion XRP, and Schwartz received 2 billion XRP, leading to 100% of all XRP being controlled by Ripple and its founders at the end of 2012 (SEC v. Ripple 2020).

After 2013, Ripple pursued three main avenues to distribute XRP. First, Ripple sold XRP directly to investors in the open market, at times by compensating the market maker for executing the trades. Second, Ripple aimed to attract institutional and other sophisticated investors, and to sell them a large amount of XRP at once. Third, Ripple attempted to establish a liquid secondary market for XRP. Among the measures taken to establish a liquid secondary market for XRP were: (1) frequently promoting XRP and its expected returns in company communications and in person by the executives; (2) a bounty program, which compensated programmers with XRP for pointing out problems in the code of the XRP Ledger; (3) executive compensation distributions; and (4) sales of XRP on behalf of other Larsen-founded entities and Ripple-funded projects (SEC v. Ripple 2020). The ways Ripple sold XRP are shown in Exhibit 2.

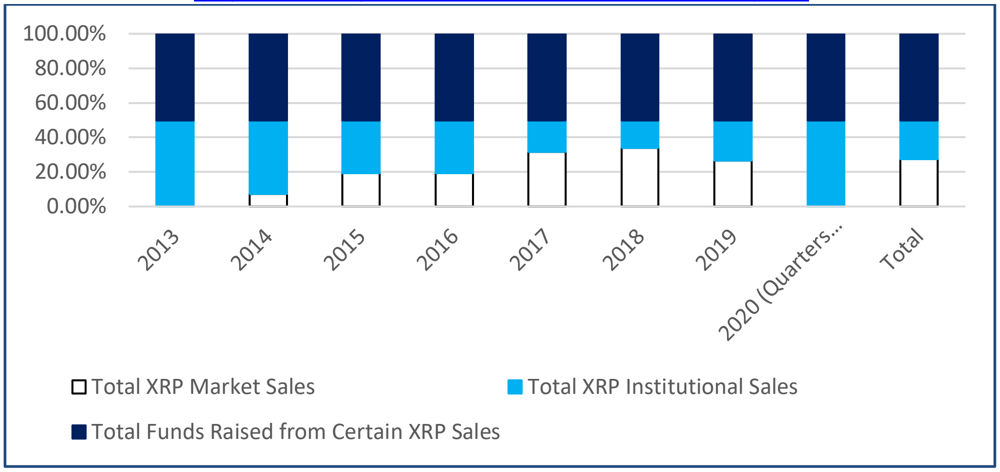
The SEC Complaint

Exhibit 3 clarifies the mission of the SEC. On December 22, 2020, the SEC sued Ripple, Chris Larsen (who stepped down as the CEO of Ripple in December 2016 and then served as the Executive Chairman of Ripple's Board of Directors), and Bradley Garlinghouse (who started as the COO of Ripple and became Ripple's CEO in December 2016).

Exhibit 2. Relative Importance of Ways to Sell XRP

Source: Securities and Exchange Commission v. Ripple Labs, Inc. (2020, p. 20)

https://www.youtube.com/watch?v=bhUsnIUqQ3o



The SEC claimed that Ripple and its two executives violated Sections 5(a) and 5(c) of the Securities Act of 1933 in offering and selling XRP without registering these offers and sales with the SEC. Larsen and Garlinghouse additionally aided and abetted Ripple in violating these sections, according to the SEC (SEC v. Ripple 2020).

Exhibit 3. Mission of the SEC

Source: SEC (2016, para. 1)

"The mission of the SEC is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. The SEC strives to promote a market environment that is worthy of the public's trust."

In two legal memoranda from February 8, 2012 and October 19, 2012, Ripple received legal advice that XRP could be considered an investment contract and thus a security under the jurisdiction of federal security laws (SEC v. Ripple 2020). Exhibit 4 defines the most important investment vehicles in the context of this lawsuit.

Exhibits 5 and 6 additionally explain the differences between securities and cryptocurrencies.

Exhibit 4. Definitions of Investment Vehicles

Investment Vehicle	Definition
Security	"The term "security" means any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing." (Securities Act, 1933 § 77b (1))
Currency	"The coin and paper money of the United States or of any other country that is designated as legal tender and that circulates and is customarily used and accepted as a medium of exchange in the country of issuance. Currency includes U.S. silver certificates, U.S. notes and Federal Reserve notes. Currency also includes official foreign bank notes that are customarily used and accepted as a medium of exchange in a foreign country." (31 CFR, 2014, §1010.100(m))
Cryptocurrency	"A cryptocurrency is a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many cryptocurrencies are decentralized networks based on blockchain technology – a distributed ledger enforced by a disparate network of computers. A defining feature of cryptocurrencies is that they are generally not issued by any central authority, rendering them theoretically immune to government interference or manipulation." (Frankenfield 2020, para. 1)
Exchange Token	"[Exchange tokens] offer holders discounts on trading fees and other benefits." (Moore 2020, para. 4)
Investment Contract	"[A] contract, transaction or scheme whereby a person invests his [or her] money in a common enterprise and is led to expect profits solely from the efforts of the promoter or a third party, it being immaterial whether the shares in the enterprise are evidenced by formal certificates or by nominal interests in the physical assets employed in the enterprise." (Security & Exchange Commission v. W.J. Howey Co. *et al*. 1946, pp. 298-299)

Exhibit 5. William Hinman, Director of the Corporate Finance Division of the SEC, on Cryptocurrencies and Securities

Source: Hinman (2018, para. 16)

"[…] And so, when I look at Bitcoin today, I do not see a central third party whose efforts are a key determining factor in the enterprise. The network on which Bitcoin functions is operational and appears to have been decentralized for some time, perhaps from inception. Applying the disclosure regime of the federal securities laws to the offer and resale of Bitcoin would seem to add little value.[9] And putting aside the fundraising that accompanied the creation of Ether, based on my understanding of the present state of Ether, the Ethereum network and its decentralized structure, current offers and sales of Ether are not securities transactions. And, as with Bitcoin, applying the disclosure regime of the federal securities laws to current transactions in Ether would seem to add little value. Over time, there may be other sufficiently decentralized networks and systems where regulating the tokens or coins that function on them as securities may not be required. And of course, there will continue to be systems that rely on central actors whose efforts are a key to the success of the enterprise. In those cases, application of the securities laws protects the investors who purchase the tokens or coins. […]"

Exhibit 6. SEC Chairman Jay Clayton on Cryptocurrencies and Securities

Source: CNBC (2018)

https://www.youtube.com/embed/8YtZJRUak8E?feature=oembed

In multiple internal documents and public disclosures from 2013 to 2016, Ripple indicated at several points in time that XRP holdings were speculative in nature and that XRP could be considered a security. In a disclosure from December 7, 2015, Ripple stated that *"XRP might be* *deemed a security as compared to other virtual currencies and Ripple Labs might be deemed to be operating as an unregistered securities exchange, broker, or dealer under federal and State securities laws"* (as cited in SEC v. Ripple 2020: 35). However, Ripple never acted on the legal advice and proceeded to distribute XRP without registration. From 2013 through 2020, Ripple and its executives sold more than 14.6 billion units of XRP (see Exhibit 7) in exchange for more than $1.38 billion (see Exhibit 8). Profits were in part used to fund Ripple's operations and to develop and maintain XRP trading markets. Additionally, Larsen and Garlinghouse gained approximately $600 million from the sales of XRP (SEC v. Ripple 2020).

Exhibit 7. Total Defendants' XRP Sales and Distribution in the Offering

Source: Securities and Exchange Commission v. Ripple Labs, Inc. (2020, p. 14)

Type of Sales	Approximate Amount of XRP Sold and Distributed
Market Sales	3.9 billion
Institutional Sales	4.9 billion
Other XRP Distributions	4.1 billion
Individual Sales of Chris Larsen	1.7 billion
Individual Sales of Bradley Garlinghouse	321 million (counted in "Other XRP Distributions" only)
Total Offering	14.6 billion

Exhibit 8. Funds Raised in Offering from Certain XRP Sales

Source: Securities and Exchange Commission v. Ripple Labs, Inc. (2020, p. 20)

Year or Other Time Period	Total XRP Market Sales in USD	Total XRP Institutional Sales in USD	Total Funds Ripple Raised from Certain XRP Sales
2013	$0.00	$2,572,286.07	$2,572,286.07
2014	$2,535,979.74	$14,722,984.79	$17,258,964.53
2015	$6,912,557.86	$10,939,378.47	$17,851,936.33
2016	$6,239,994.34	$10,094,945.99	$16,334,940.32
2017	$116,709,100.04	$67,124,274.31	$183,833,374.35
2018	$362,727,751.01	$171,715,041.56	$534,442,792.57
2019	$268,249,195.38	$231,993,578.98	$500,242,774.36
2020 (Quarters 1-3)	$0.00	$115,689,994.15	$115,689,994.15
Total	$763,374,578.38	$624,852,484.32	$1,388,277,062.70

As a result of not filing a registration statement with the SEC, Ripple never provided material information to investors. Ripple, and specifically Larsen and Garlinghouse, thus essentially controlled the publicly available information about XRP as the only insiders. While Garlinghouse publicly declared that he held a significant long position in XRP (*i.e.,* he expected his holdings of XRP to rise in value), he did not publicly disclose his frequent sales of XRP which occurred during the same time. Furthermore, Ripple never disclosed how exactly the profits from selling XRP were used to finance its operations or to develop and maintain XRP trading markets (SEC v. Ripple 2020).

At the end of 2020, Larsen, Garlinghouse, and Ripple held 65.4 billion of the total supply of 100 billion XRP. At the same time, no registration statement was in effect which mandated public disclosure of substantial information to investors. According to the SEC, this resulted in a dangerous information monopoly, and undue and substantial risk for investors (SEC v. Ripple 2020).

Ripple's Defense

On January 29, 2021, Ripple filed its response to the SEC complaint, in which its defense was outlined. Ripple argued that XRP was neither a security nor an investment contract. Therefore, Ripple had never needed to register XRP, and the SEC did not have a claim. Instead, XRP was *"primarily used as a means of exchange,"* and thus characterized as an *"*[e]*xchange token"* (HM Treasury 2021: 5) by security regulators in the UK, Japan, and Singapore (SEC v. Ripple 2021a). In an additional court filing from February 15, 2021, Ripple denominated XRP as a *"currency"* (SEC v. Ripple 2021b: 2).

Ripple also defended itself against the claim of the SEC that it had received legal guidance that XRP could be considered an investment contract and thus a security under the jurisdiction of federal security laws. Ripple stated that the SEC's complaint *"selectively quote*[d] *and mischaracterize*[d] *portions*" [of the legal memoranda Ripple had received] (SEC v. Ripple 2021a: 17-18). If the legal memoranda were considered in their original form, they would convey *"counsel's ultimate conclusion* […] *that Ripple Credits (as described)* [*i.e.,* XRP] *did not constitute 'securities' under the federal securities laws"* (SEC v. Ripple 2021a: 18). While Ripple referred the full text of the legal documents to the court, the company did not make them publicly available. Additionally, Ripple argued that the SEC did not provide fair notice of any conduct that was in violation of any law. Ripple stated that the SEC only selectively prosecuted *"virtual currency* […] *losers"* (SEC v. Ripple 2021a: 3), as other cryptocurrencies such as Bitcoin and Ethereum were not prosecuted. Since about 95% of XRP trades were completed outside of the U.S., Ripple also claimed that the SEC did not have jurisdiction. Finally, Ripple asserted that a statute of limitations applied, which meant the SEC did not file their complaint soon enough and even if the SEC won, there would be no civil penalties (SEC v. Ripple 2021a). Exhibit 9 summarizes Ripple's defense by its CEO Garlinghouse.

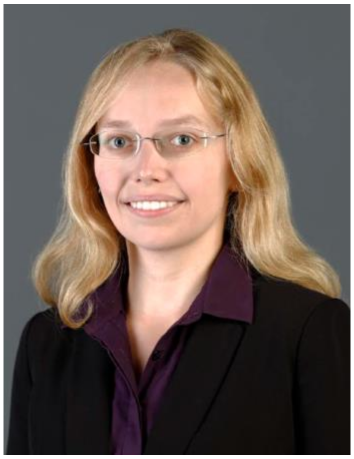
Exhibit 9. Ripple CEO Bradley Garlinghouse Responding to SEC Allegations

Source: CNBC Television (2020)

https://www.youtube.com/embed/dDxhgCUx7RU?feature=oembed

What's Your Verdict?

After reviewing the arguments on both sides, the SEC and Ripple, you need to make a decision. Was the SEC right to sue Ripple? Or were the allegations untenable? Can Ripple successfully defend itself? Ripple announced a press conference one hour from now, and you have to update your portfolio before the press conference in order to realize the highest possible return; what will you do?



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HYTCH REWARDS:
INCENTIVIZING SUSTAINABLE BEHAVIOR

JEFF COHU
Lipscomb University

Mark Cleveland, Co-founder and CEO of Hytch Rewards, was facing a dilemma. His technology-based startup, Hytch Rewards, was at a critical juncture in the company launch. The company had just recorded its best quarter in company history, but the pandemic had placed the company's future in jeopardy. Mark pulled together his team of advisors and investors and asked the question, *"Should we pause, pivot, or continue to pursue the launch of the company?"*

The team came back equally divided among the three options. *"Some of our group said we should stop development work and place the company on hold until we saw how the pandemic would play out while others said the pandemic presented an opportunity to pivot and make some changes to the value proposition. Others said we had proven the concept and should push on to be prepared to scale when the pandemic ends,"* Mark commented.

There was no clear consensus for the path forward. Mark would have to decide how to proceed - the path forward was challenging and full of uncertainty.

Hytch Rewards' Origin

Hytch was originally proposed in 2014 by Mark Cleveland's entrepreneur friend and co-founder, Robert Hartline. The original Hytch startup concept was intended to create a *"Tinder for carpooling."* Mark described the idea this way*:*

> *"So, I am hanging out with Robert, and he has this concept of creating an innovative knockoff of the Tinder app to match people for carpooling…. Basically, it was swipe right if you want to carpool with me, or swipe left if you don't"* (M. Cleveland, personal communication August 7, 2021).

Mark felt the original Hytch idea was addressing the wrong problem, so he brought in his data-centric perspective and invested a 70% stake in the startup concept. He commented:

> *"I felt the data did not support the Hytch value proposition. I loved the brand concept but did not agree with the business model. Robert believed people didn't carpool because they did not know anyone to ride with, but I came at the problem from a data-centric, behavioral economics perspective, and I believed that people did not carpool because they lacked any real* incentive to *do so"* (M. Cleveland, personal communication August 7, 2021).

Mark insisted that the data backed his hypothesis, and the company soon pivoted to become Hytch Rewards, a consumer mobility app but with a new focus on rewarding the desired behavior of sharing rides.

> *"Every major city in the United States that has a congestion problem has fallen into the trap of thinking that people will carpool if only they had the opportunity. That hypothesis has repeatedly failed. Cities invested significant amounts of money into creating carpooling opportunities, and we still don't do it. We don't do it because it is not convenient, or because we have our identify tied up in our vehicle, or our independence, etc."* Mark commented (M. Cleveland, personal communication, July 8, 2021).

He added,

> *"Everyone has their six or seven reasons why we don't carpool on our routine route from where we live to where we work…and then everyone complains about traffic or the environment. But it really comes down to a lack of incentive to change our behavior"* (M. Cleveland, personal communication, July 8, 2021).

Existing research has found several other reasons that people were reluctant to carpooling, including safety, inflexibility, and loss of privacy (Ciasullo *et al.* 2018).

To verify his hypothesis, Mark ran an experiment in 2017 with 4,000 drivers using doing the *"Tinder"* model for 3 months in Middle Tennessee, spending $35,000 of a $100,000 grant from the Tennessee Department of Transportation (TDOT). He found that his assumptions about carpooling behavior were correct. Mark suspended the experiment after 3 months and returned to TDOT with a proposition. *"I said, 'Let me put this project on the backburner. I want to develop another system, one that rewards the behaviors we want to see'. And they looked at me and said, 'Nobody has ever said stop giving me the money,' but that is exactly what we did"* (M. Cleveland, personal communication, July 8, 2021). From that point on Hytch became Hytch Rewards. (See Exhibit 1 Company Logo)

Exhibit 1. Hytch Rewards Logo

Source: www.hytch.me

Hytch™ REWARDS

The new platform focused on paying users to participate in tracking their mobility choices and rewarded them for making good choices. The Hytch Rewards app worked from two key principles: first, to manage anything you must measure performance, and second, to change behaviors you must incentivize. Mark explained the Hytch Rewards business model this way:

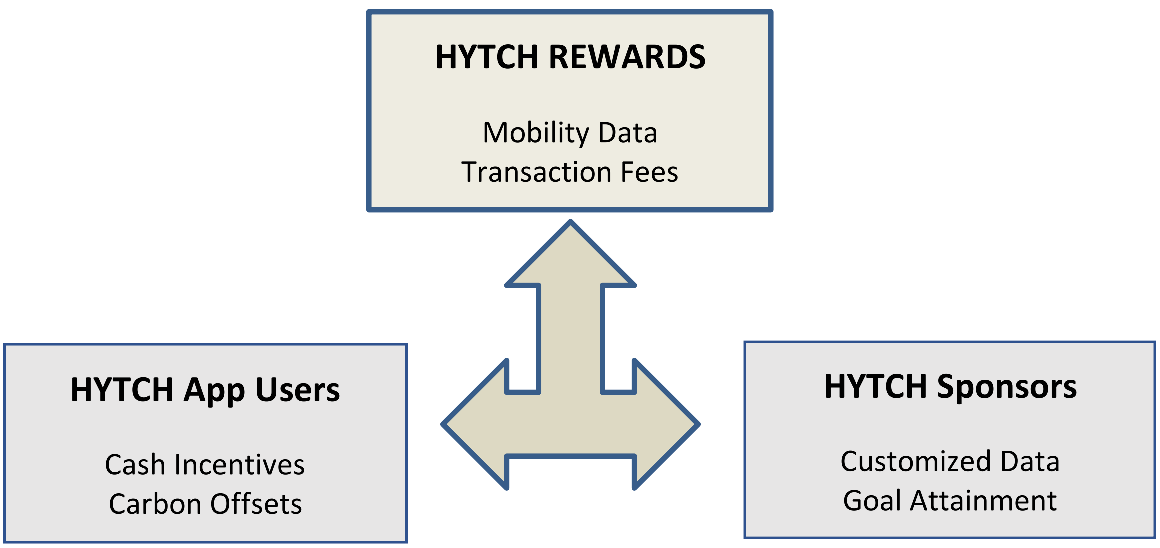
> *"Hytch Rewards is a highly customizable mobility incentive platform. We are a financial transaction processing platform that is primarily app driven…. Our model is highly validated, using time-tested commercial fleet management techniques applied to every day personal commuting and mobility. We pay people to do the right thing"* (M. Cleveland, personal communication, September 30, 2021).

Mark added,

> *"I can deploy Hytch in a day with any customizable set of rules to drive behaviors across any geographic or distributed locations of any employer or government agency. We can place rewards on any behavior such as sharing a ride, walking, taking the bus, choosing a different corridor for your drive. Whatever behavior the reward provider would like to incentivize"* (M. Cleveland, personal communication, September 30, 2021).

Overall, the Hytch Rewards business model was a marketplace where Hytch collected a success fee through a transactional process. Sponsors funded their ESG goals, received customized employee data, and motivated desired behavioral solutions to societal problems such as congestion and air pollution through increased education and incentives. The Hytch Rewards app allowed sponsors to communicate messages tailored to specific mobility outcomes. Hytch app users received sponsored rewards and had their carbon footprint offset by the company's tree planting program. Exhibit 2 demonstrates the exchange of value in the Hytch Rewards business model.

Exhibit 2. Exchange of Value in the Hytch Rewards Business Model
Source: Author's Notes



Transportation Challenges and Trends in the United States

The challenges facing the U.S. transportation system were well documented and projected to worsen in coming years. Traffic congestion in the United States costed each American approximately 100 hours per year and $1,400 dollars in lost economic activity (Pishue 2021). Aggregate lost economic productivity was approximately $90 billion per year while an estimated 1.9 billion gallons of gasoline were wasted due to traffic congestion; these numbers were significantly higher per capita in major U.S. cities (UDOT 2021). As current trends of urbanization were projected to continue, the problems of traffic congestion were expected to worsen over the next decade. In addition, the U.S. transportation sector accounted for 29% of all domestic greenhouse emissions, making it the largest single source of carbon pollution (EPA 2018). The average American vehicle emitted 4.6 cubic tons of carbon dioxide per year. Despite improved efficiencies in auto emissions per vehicle, the aggregate carbon output continued to grow faster than current strategies to offset carbon emissions (UDOT 2021). Both congestion and emissions presented long-term challenges for the U.S. transportation system.

Mark Cleveland's Story

Mark Cleveland had a proven track record as an entrepreneur.

> *"Most people in Nashville know me as the founder of Swiftwick Socks, but I actually had a 19-year career in information systems for the transportation industry before that, an experience which informs much of my thinking at Hytch,"* Mark commented (M. Cleveland, personal communication, July 8, 2021).

He added,

> *"I was president of this company that handled all the business processes for America's largest trucking fleets. We wrote digital workflow systems software that fleets used to organize and present the billing, expense reimbursements, and compliance documents…. In that environment I had all their data, and I could see everything happening in transportation. We sold the company to Xerox, and I ran it for 2 more years, but I knew I didn't want to be a Fortune 500 guy"* (M. Cleveland, personal communication, July 8, 2021).

Those experiences of working daily with major data trends in transportation and learning to create and manage agile software were the key skillsets that Mark believed had made him the right person to lead Hytch.

Between his time in transportation and the creation of Hytch, Mark also became a serial entrepreneur.

> *"I decided to start a sock company, and I also decided to buy a consumer electronic hobby airplane company, which produced and sold radio-controlled airplanes"* (M. Cleveland, personal communication, July 8, 2021).
>
> *"The transportation company had brought me to Nashville, and I didn't want to leave, and I felt I was best suited to run my own businesses,"* Mark added (M. Cleveland, personal communication, July 8, 2021).

The radio-controlled airplane business was, ironically, called Hobby Lobby International, and Mark quickly negotiated the sale of that name to the Hobby Lobby retail company while rebranding his business Hobby Express. Mark bought this business in 2009 and sold it 2018. Mark's other venture, Swiftwick Socks, was co-founded in 2008; he retired as CEO in 2014 but has remained a major investor in the company. Swiftwick was known for producing high-quality performance athletic socks. These entrepreneurial experiences - coupled with Mark's previous corporate managerial roles - formed a strong basis for Mark's leadership at Hytch Rewards.

After retiring from Swiftwick and selling Hobby Express, Mark found himself with some free time on his hands, so he used the opportunity to engage in some leadership training, a discovery process that led to an understanding of the local community problems in Middle Tennessee. *"So, I was talking to different folks about what the big problems were, and I kept hearing 'traffic' is an unsolvable problem in our community,"* Mark said (M. Cleveland, personal communication, July 8, 2021). Mark understood the frustrations of people experiencing problems with traffic flow and lost commuting time, but it was his concern about the environment that motivated him to start Hytch.

> *"I was thinking about the traffic problems, and the related economic losses of what our leaders were calling an economic anchor for our region, but I was really focused on the egregious decisions we make regarding transportation and our environment, the way we just jump in our cars and go downtown with no forethought or trip planning or regard for the effect of these auto emissions on our environment,"* Mark added (M. Cleveland, personal communication, July 8, 2021).

For Mark, the mission of Hytch to motivate behavioral change in transportation was both a business objective and a social objective that came from a deeply personal passion.

> *"I believe if we don't do something now about our transportation choices, we are going to destroy the environment we leave for our children. Hytch is my attempt to address that problem,"* Mark concluded (M. Cleveland, personal communication, September 30, 2021).

To hear Mark Cleveland discuss the Hytch Rewards business model and company vision watch the following video link: https://youtu.be/2QeOXRfrbxg

Launch Challenges at Hytch Rewards

When the pandemic hit, with his advisors divided on the path forward, Mark chose to continue moving forward with the Hytch Rewards launch. But launching Hytch and selling the concept had proven challenging for the startup.

> *"This is a new way of thinking about a complex problem. So naturally, it will take time for people to understand the marriage of technology and mobility to produce a behavioral incentive tool,"* Mark commented (M. Cleveland, personal communication, September 30, 2021).

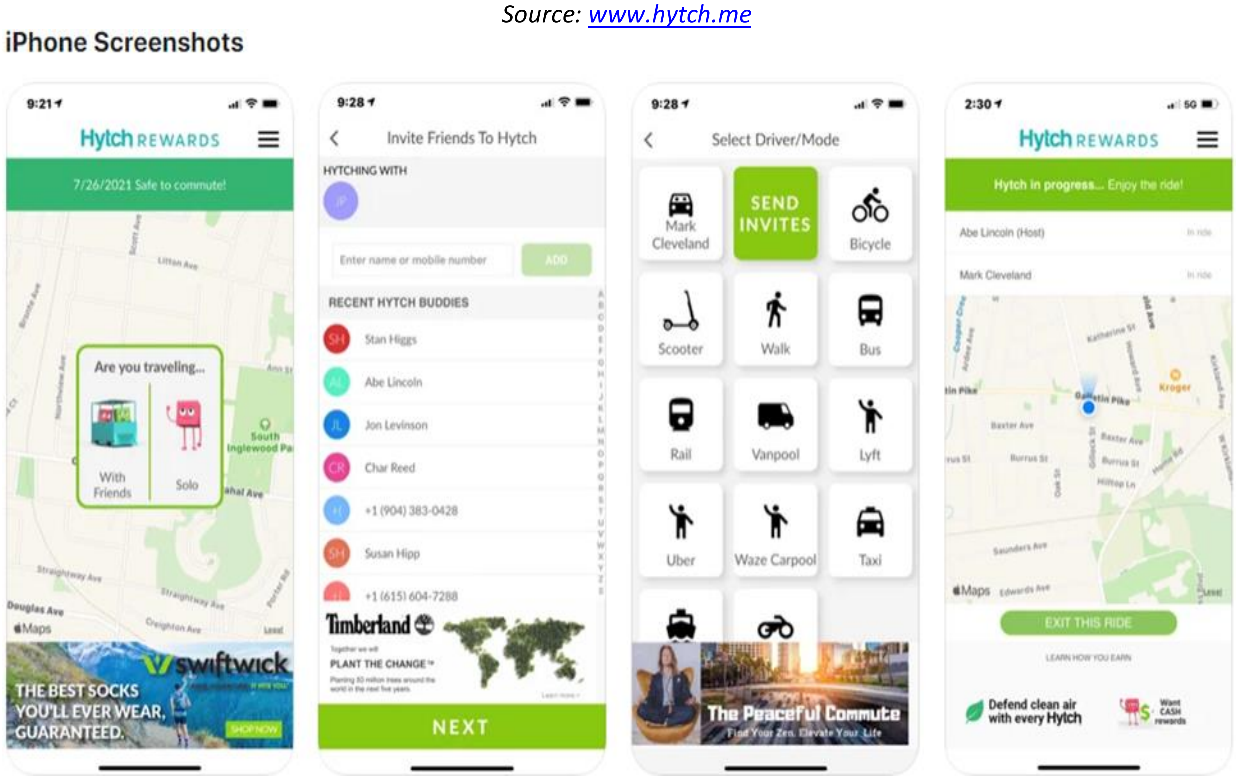
> *"We knew it would take time to get our message and product out into users' daily consciousness,"* he added (M. Cleveland, personal communication, September 30, 2021).

The new incentive-based version of Hytch was relaunched in a pilot test in Middle Tennessee in January 2018 and captured 13 million miles of shared ride data before the pandemic hit in March 2020. The data from the pilot test in Middle Tennessee revealed that micro incentives worked (U.S. Department of Transportation, 2021). To see a short promotional video explaining how Hytch worked, watch the following video link: https://youtu.be/yhqMMO_lUZo

Moving forward during the pandemic, the company was able to acquire Paycheck Protection Program (PPP) loan funds to continue the ongoing development work of the app and its features. *"We were fortunate that the PPP loans allowed us to have the resources to keep all of our people employed,"* Mark commented (M. Cleveland, personal communication, August 7, 2021). Mark and other company leaders believed the slowdown during the pandemic was used productively to refine the app and the business model. Exhibit 3 illustrates some of the appearance and functions of the latest version of the Hytch Rewards app which was available from the Apple app store or Google Play.

Exhibit 3. Screen Shot of Hytch Rewards App

Source: www.hytch.me



As the startup progressed, it became apparent to Mark that the business model would rely on public-private partnerships.

> *"This business model works best as a public-private partnership. The problem is too big for one sponsor to absorb, but working within the same framework the investments can multiply. Ideally, we need the government entities, state and local, to make the first contribution to the reward system. It is by far more cost effective than the typical wasteful government programs used to address congestion and traffic problems,"* Mark commented (M. Cleveland, personal communication, September 30, 2021).
>
> *"After the government contributes, then individual employers and corporate sponsors can add their incentives, and the rewards stack on top of each other,"* Mark added (M. Cleveland, personal communication, September 30, 2021).

As an example of how the business model worked, imagine a Nissan employee in Middle Tennessee receiving $.15 per mile to carpool from the Tennessee Department of Transportation (TDOT) and another $.25 per mile from Nissan. Then assume Bank of America or Nike, companies who had no direct relation to the employee or any specific workforce in the area, could contribute another $.10 per mile as corporate sponsors in order to achieve their corporate social responsibility (CSR) goals related to carbon emissions. The cumulative effect of the incentives multiplied as more sponsors participated, leading to changed mobility decisions by the app user. In addition, both Hytch and contributing sponsors could use the app to communicate with, and educate app users about mobility and environmental issues.

Under the Hytch Rewards model, the aggregate number of incentives a Hytch user could receive was a function of the marketplace. All Hytch users received a carbon offset in the form of a tree planted for every 50 miles of captured mobility data regardless of the form of transportation. ForestPlanet had been the organization Hytch Rewards had used to execute the tree planting reward. All other mobility awards were in the form of cash incentives offered by sponsors including employers, corporate donors, or public funding sources. Since the inception of Hytch Rewards, Mark Cleveland has insisted that rewards be cash and not coupons or other non-cash incentives.

Although the Hytch business model was designed to work best when leveraging a private-public partnership, Mark was quick to point out that the app could be viable without public support.

> *"We have a sponsor in Arkansas, a poultry plant in a rural location, that has utilized our app to incentivize mobility behaviors and, in the process, have greatly reduced their absenteeism and turnover,"* Mark said (M. Cleveland, personal communication, September 30, 2021).

Dozens of other corporations had used the app to reward their employees for desired mobility choices. In addition, several thousand app users with no employer sponsored affiliation used the app to have their carbon footprint offset by Hytch's tree planting initiative.

> *"We plant a tree for every 50 miles of mobility tracked usage regardless of whether the user is making good mobility decisions. We still can capture their data and communicate our message to those users about our mission. So, for us it is worth the cost of planting a tree on their behalf. That is our mission to reduce carbon emissions,"* Mark explained (M. Cleveland, personal communication, July 8, 2021).

To grow and scale the business, Hytch needed to reach and acquire three distinct target markets: the app user, government sponsors, and corporate sponsors. Of the three, the most challenging has been the government sector.

> *"Government moves differently than business and that has been the hardest part. The bureaucracy is amazingly resilient. Even when you have proven that your results exceeded the agency's goals, there is still a slowness to act,"* Mark lamented (M. Cleveland, personal communication, September 30, 2021).

The company had been involved in several bidding processes for government contracts to assist with congestion and help state and local governments address mobility solutions, and Hytch had exceeded goals in every contract received. However, Hytch failed to acquire several contracts because the company's approach has been seen as too innovative for the government agency to accept (Hytch Rewards, 2021).

> *"I think government has a hard time believing that a transportation management system based on behavioral incentives can work. Even when we have shown that it works. What we do is deceptively simple and astonishingly inexpensive and that is hard for some people to believe,"* Mark commented (M. Cleveland, personal communication, September 30, 2021).

While Hytch Rewards had created a unique and differentiated business model, the company had to deal with indirect competition in the mobility application space. First, both Lyft Shared Rides and Uber Pool offered opportunities for riders to carpool and split the cost of a shared ride. These features incentivized carpooling through the two popular shared ride apps. The differing factor in these applications was that they only applied to shared ride service, while Hytch applied to all forms of transportation. Hytch's biggest competitors were the loyalty programs offered by major public transportation systems. These loyalty programs often used an app-based service to reduce the cost of transportation for frequent public transit users and most also offered redeemable points for high usage. The redeemable points could typically be used to pay for purchases at local restaurants or retail shops. Hytch Rewards differed from these models in that it could be used anywhere with any form of transportation and paid only cash incentives.

During this startup stage, Mark worked diligently to attract both angel and institutional investors into the Hytch fold. James Kuffner, robotics expert and Chief Digital Officer of Toyota Motor Company was one major angel investor in Hytch. Others included Jim Phillips of XMI Capital and environmentalist David de Rothschild. Some of the institutional investors in Hytch included Launch Tennessee and Eden Crowd Capital. Investors had been carefully vetted for commitment to the mission, and their expertise and social capital as much as their financial resources.

> *"We needed the capital to help begin the process of scaling the business, but we really needed the networks, expertise, and influence of the investors we have activated more than their money. We plan to deliver a spectacular ROI to our investors, but we really want investors committed to our social mission"* Mark clarified (M. Cleveland, personal communication, July 8, 2021).

Throughout the early stage launch process, Hytch has continued to find new value propositions for different stakeholders. One unexpected opportunity was to incentivize newer employees and long-term employees to ride to work together in order to develop higher levels of teamwork and to bolster organization culture. *"We have had several companies come to us and want to use the app to incentivize employee onboarding through shared rides,"* Mark explained (M. Cleveland, personal communication, September 30, 2021). In addition, during the pandemic, some companies used the app to assist in COVID-19 contact tracing and managing employee health and safety (Blais 2020; Guzman 2020). Mark acknowledged that these types of secondary uses and value propositions were not something they had foreseen, but he contended that the agile and flexible nature of the Hytch system made it possible to incentivize anything quickly.

Hytch employers also had the advantage of learning more about their own employees' transportation requirements. Mark expanded on this theme:

> *"You have two employees, and one drives 5 miles to work while the other drives 25 miles to work. The two employees may be of equal value, but the mobility requirement of the second employee to work for your company is much higher. We believe that in the near future mobility options and incentives will become as important to the employer value proposition as health benefits"* (M. Cleveland, personal communication, September 30, 2021).

All individual data collected by Hytch remained confidential as the company served as the conduit between the incentive sponsor and the app user while protecting individual privacy. To read more about Hytch's privacy policy see the following link: https://hytch.me/privacy/.

Conclusion

After several years of testing and undergoing iterations to refine the Hytch Rewards app and value proposition, and with the pandemic likely nearing an end, Mark realized he needed to shift his focus to growing public awareness and user acceptance in order for Hytch Rewards to scale. Despite significant success in key pilot locations, Hytch Rewards had only reached the level of twelve thousand active daily users. It was time to focus on customer acquisition.

Defining and implementing the go-to-market strategy for increased customer acquisition was critical for the next phase of Hytch Rewards. The company had proven the concept, created a strong footprint in Middle Tennessee and other locations, and identified new opportunities to pursue public-private partnerships in other states while continuing to attract individual companies, sponsors, and users.

Yet the path forward remained uncertain. Mark had continued to stay positive and confident that the company would achieve long-term success, but even if Hytch were to fail, he believed that the social impact achieved to date was worth all the efforts exerted and resources expended. Mark concluded,

> *"We have delivered on our piece of this public-private partnership. We have proven the concept. We have shown incentives can change behavior and achieve sustainability goals. We have successfully taken on every challenge put before us. Now it is time to scale"* (M. Cleveland, personal communication, July 8, 2021).

The question for Hytch Rewards is what is the best strategy to take the company to the next level?

Jeff Cohu is an experienced management consultant, entrepreneur, and educator. In addition to his ongoing consulting practice, he currently serves as an associate professor of management and executive director of the Center for Entrepreneurship and Innovation at Lipscomb University in Nashville, TN. He is also a part-time graduate school professor of management in the Broad College of Business at Michigan State University. Prior to entering academics, Cohu served in numerous senior corporate leadership roles in strategic, financial, and human resource management.

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COUPANG – AN E-COMMERCE DISRUPTOR NAVIGATES A VUCA WORLD

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"How did I ever live without Coupang?"
Founder and CEO, Kim Bom

The unprecedented COVID-19 pandemic brought tremendous disruptions to supplies and logistics, leading to economic shock, health risks, and declines in consumer spending in all sectors, all over the world. As people stayed at home due to safety concerns, the world saw accelerated growth in e-commerce worldwide. The e-commerce disruptor Coupang had achieved a competitive advantage in the South Korean e-commerce market by deploying innovative technology infrastructure (*i.e.*, data-driven logistic networks, an AI-based product management system, and a novel approach to mobile e-commerce payment). How Coupang had revolutionized and disrupted the S. Korean e-commerce market presented practical implications - both opportunities and challenges - for managers and companies worldwide as they struggled to create sustainable competitive advantage during the COVID-19 pandemic and beyond.

Coupang had pursued the Silicon Valley growth strategy known as *"blitzscaling,"* which had brought about significant operating losses. In addition, workforce protection and reliable e-commerce shopping experiences remained challenges for the company. Could Coupang remain *"the Amazon"* of e-commerce in S. Korea? How could Coupang create a sustainable post-IPO path?

The authors developed the case for class discussion rather than to illustrate either effective or ineffective handling of the situation. The case and its accompanying instructor's manual were anonymously peer reviewed and accepted by the ***Journal of Case Research and Inquiry, Vol. 7, 2022***, a publication of the Western Casewriters Association. Contact: Sahrok Kim, California State University-Stanislaus, Turlock, CA 95382, SKim25@csustan.edu.

Coupang Overview

Harvard Business School dropout Bom Kim founded Coupang in 2010 and established its headquarters in Seoul, S. Korea. CEO Kim was known as the *"Jeff Bezos of Korea"* and was named one of the world's 100 most creative people in business (Fastcompany 2020). Coupang began as a Groupon-style daily deal business, but quickly became an e-commerce disruptor. It was referred to as the *"Amazon of South Korea."* Just ten years after its founding, the startup was recognized as one of the world's most innovative companies in 2020, ranking second in the Asia Pacific region (Fastcompany 2020; Lam 2020). Coupang also ranked second in CNBC's Disruptor 50 List from an initial 1,355 nominees with a valuation of USD $9 billion (CNBC 2020). At the end of 2020, the company was delivering 3.3 million items daily (Palmer 2020) and had a user base of two out of every five S. Koreans (population of 50 million). Coupang was the most frequently used mobile shopping app in S. Korea in 2020 (Statista 2020a). Coupang was customer-centric in everything it did, as evidenced by the company's vision, mission and value proposition (See Exhibit 1).

Exhibit 1. Vision, Mission, and Value Proposition

Source: U.S. Securities and Exchange Commission, 2021

Vision	Become the ultimate destination for product discovery
Mission	Create a better world where customers wonder, "*How did I ever live without Coupang?"*
Value Proposition	How we Wow customers? How we serve merchants? Build an end-to-end integrated network of technology and infrastructure capabilities to provide customers with a superior e-commerce experiences?

In 2020, more than 30% of Coupang's customers had shopped more than 70 times in a one-year period and preferred the e-commerce site because of Coupang's *"dawn delivery"* and *"Rocket Fresh"* same-day service. Coupang had more than 5,000 delivery drivers known as *Coupang Men*, delivering 99.3% of orders within 24 hours and even promising to surpass Amazon Prime (CNBC International 2019). In an interview with CNBC, founder and CEO Kim Bom described the new *"dawn delivery"* as follows:

> *"It's a new dawn delivery service providing 7 a.m. delivery for orders made midnight the night before. If you have a birthday, you can get a cake in the morning. If your printer runs out of ink or you need a new computer, you can get it before 7 a.m. We realized that most customers were ordering at night and if they wanted more selection delivered to them faster, the best experience would be if they could order it before they go to bed and wake up and find it in front of their door. It's magical"* (CNBC International 2019 3:46–4:20).

"Dawn delivery" service was available for just about everything, ranging from children's toys, household products, electronics, and travel items. Appendix A provides a link to a video clip of an interview on CNBC with the CEO of Coupang.

The Industry, Products and Competitors

The company served the world's fifth-largest e-commerce market (eMarketer 2020). Coupang had received more than USD $3.8 billion in total investment since its founding. The Japanese multinational conglomerate, Softback, invested USD $1 billion in 2015 and an additional USD $2 billion in 2018 (Smith & Yang 2018). With strong support from Softbank, Coupang strived to improve its massive data platform; in fact, 40% of the company's entire workforce comprised big data engineers, (roughly 1,000 employees).

Coupang was a company operating an e-commerce platform, but it had begun to diversify into other industries, too. Coupang Eats (food delivery service), Rocket Wow (fast delivery service), Coupang Play (on-demand video streaming service), advertising, and Rocket Jikgu (delivery service for South Korean customers who wanted to receive overseas orders) were all parts of its revenue model. The company's diversification strategy helped not only to differentiate Coupang from rivals in the fierce e-commerce market, but also to pave the way for new revenue-generating opportunities. Coupang Eats had achieved a large market share in a fast-growing market, becoming the third largest in S. Korea in 2021 (TipRanks 2021). Coupang's advertising business brought in excess of $30 billion in 2021 (Kohn-Lindquist 2021).

Despite its success, Coupang faced many challenges. Because of the rapidly changing nature of the business, results were difficult to forecast; Coupang could not confidently predict future revenue. In addition, Coupang had to deal with increased operational costs due to COVID-19 safety and health measures and fulfillment costs.

Coupang competed in retail with Hyundai and Lotte, and e-commerce players such as GMarket, 11st, WeMakePrice, and TMON. Its rivals also included Kakao in the payment segment, and Delivery Hero and Baemin in the eating segment. Other threats came from Amazon, eBay, Alibaba, and Carousell. In S. Korea, Coupang ranked second in e-commerce market share (13.7%) followed by Naver (18.6%), eBay Korea (12.4%), 11st (6.2%), WeMakePrice (4.3%), TMON (3.1%), and finally Kakao (2.9%) in 2020 (Statistics Korea, 2020). Although Coupang enjoyed a dominant position in S. Korea, the world's largest foreign e-commerce giant – Amazon – would only make the market more competitive; Amazon entered the South Korean market in November of 2020. Since then, Amazon had formed a strategic alliance with the local mobile company SK Telecommunication (J. Jung 2020).

While a competitor (either a startup or an established e-commerce player) could imitate Coupang's business model, it might be challenging to overcome Coupang's first-mover advantage in S. Korea. As Coupang grew outside of its home market, however, it faced fierce competitors such as Amazon in Japan and Alibaba in Singapore and Malaysia.

The COVID-19 Pandemic and E-commerce in S. Korea

South Korea's government was well known for its use of technology to fight COVID-19 (Kim *et al*. 2020), and S. Korean companies were also leveraging technology to navigate the pandemic and create value. During the pandemic, organizations faced what psychologists and business experts referred to as a VUCA (volatile, uncertain, complex, and ambiguous) world (Horney *et al.* 2010). The ongoing lockdowns, social distancing, and trends toward a contactless society (*i.e.,* online shopping and making contactless payments) drove rapid e-commerce growth. The pandemic accelerated the adoption of digital technologies and work from home (George *et al.* 2020), and resulted in a trend toward a *"contact-free"* society where shopping online became ubiquitous (Lee 2020).

Many factors facilitated e-commerce in S. Korea. The country has been noted as a leading cashless society worldwide (W.S. Jung 2020) with advanced mobile connection speeds (Speedtest Global Index 2020). According to the U.S. Pew Research Center 2020 Survey, South Korea ranked first globally in terms of smartphone ownership (97%). It had the highest percentage of internet usage (98%), as nine out of 10 S. Korean adults used the internet and owned a mobile phone. S. Korean President Moon Jae In announced in June 2020 a $62 billion five-year *"New Korean Deal"* post-COVID-19 economic policy (Ministry of Economics and Finance 2020). Particularly noteworthy was the goal of promoting the *"contactless industry"* through digital transformation, including e-commerce and telehealth, in the fight against the COVID-19 infection.

COVID-19 transformed the e-commerce landscape and massively accelerated the growth of e-commerce; e-commerce sales were expected to reach $4.2 trillion in 2020 (Wertz 2020). South Korea was the world's fifth largest e-commerce market in terms of retail e-commerce sales (USD $93 billion) in 2019, following China ($1,881), the United States ($591), the United Kingdom ($140), and Japan ($122). It was also the third largest e-commerce market in the Asia Pacific region, trailing behind only China and Japan (eMarketer, 2020). According to Globaldata

(2020), S. Korea's e-commerce market was estimated at 104.0 trillion KRW (USD $90.1 billion) in 2020, registering an annual growth of 22.3% that was expected to increase at a compound annual growth rate of 12.0% to reach 163.7 trillion KRW (USD $141.8 billion) in 2024. In this context, Coupang was adept at taking advantage of the opportunities presented by the market.

Business Strategy

Coupang's competitive advantage came from differentiation with innovative technology (*i.e.,* AI, cloud computing, and machine learning), unique services (*i.e.,* same-day Rocket Fresh delivery), and relatively low-cost products. Coupang engaged in disruptive innovation. Disruptive innovators were those entities who *"disrupt and redefine that trajectory by introducing products and services that are not as good as currently available products-typically they are simple and more convenient"* (Christensen & Raynor 2003: 1-3). In other words, Coupang delivered products and services that were affordable, convenient, and accessible to a wide S. Korean population. Coupang's *"Rocket Fresh"* same-day service offering fast delivery in the fresh food category was an example of disruptive innovation. This service included delivery of high-quality perishable fresh foods (*e.g.,* lobster, vegetables, meats, and other fresh goods) that were delivered to customers on the same day (orders before 10 a.m. were guaranteed to be delivered at around 6 p.m.) in exchange for a low monthly subscription rate of roughly USD $2.50 (Baek 2019). Coupang disrupted the existing retail industry (*i.e.,* grocery stores) by attracting offline customers to the online environment.

Payment systems were another feature of disruptive innovation. Coupang used fintech, the integration of technology and innovation, in its *"OneTouch"* payment system by harnessing big data and artificial intelligence (AI) to simplify the process (Rha 2018). The *"OneTouch"* payment system made the purchasing process quick and easy for customers, especially on mobile devices. The company operated its online retail business under the slogan of *"creating a world where customers ask this one question, which is, 'How did I ever live without Coupang?'"* (Palmer 2020).

The company continued to seek ways to invest in technology in areas such as supply chains, payment, data, and search and discovery logistics. Consistent with its mission to revolutionize the world, CEO Kim stated, *"The $2 billion we are receiving now is exciting, because we can invest in more technology platforms that enable innovation"* (Smith & Yang 2018). Above all, Coupang's innovative technologies allowed it to deliver high quality customer experiences.

Coupang's Three Key Innovative Technologies

The Coupang leadership realized that the COVID-19 brought disruptions in supply and logistics, and it took proactive steps to address potentially problematic issues. Consistent with the claim that the one good thing caused by COVID-19 was innovation (Luo & Galasso 2020), Coupang managed the crisis by utilizing innovative technology in three areas:

Data-driven Rocket Delivery based on Extensive Logistic Networks

Coupang's end-to-end integration, logistic networks, and technology made quick delivery possible for customers. As of 2020, Coupang was the only e-commerce company in S. Korea that could deliver fresh groceries within 24 hours (Yu 2020). *"Dawn Service"* provided 7 a.m. delivery for orders made before midnight the night before. Coupang's environmental sustainability efforts also led to boxless delivery, which helped reduce waste and cut down costs (Fastcompany 2020). In addition, *"Rocket Fresh"* same-day service included delivery of high-quality fresh foods (lobster, vegetables, meats, and other fresh goods) on the same day (orders before 10 a.m. were guaranteed to be delivered at around 6 p.m.) for a low monthly subscription rate of 2,900 won (equivalent to USD $2.50; CNBC 2019). Coupang CEO Bom Kim said:

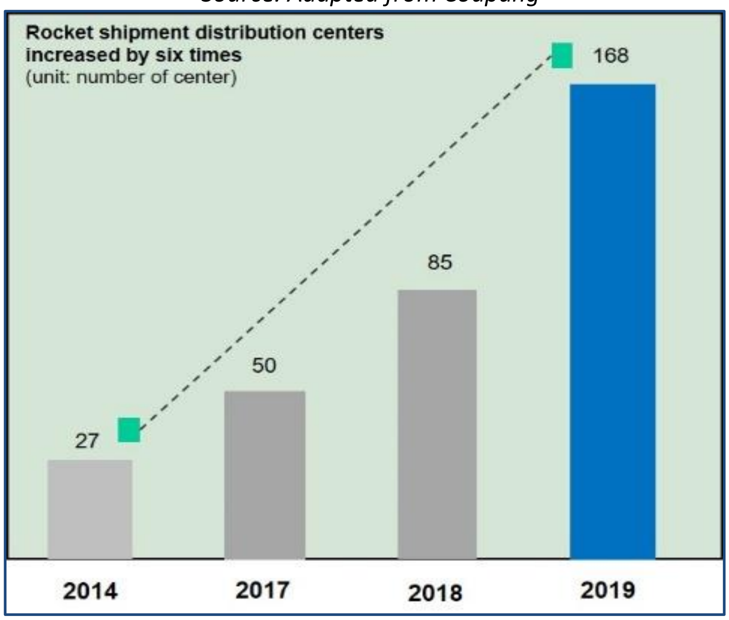
> "*Our mission is to improve the consumer's lives* [so that they are] *100 times better than before, and we will continuously provide a fast and innovative delivery system until our customers eventually say, 'How could I live without Coupang?'"* (Park 2020).

Coupang, with the help of AI, provided accurate delivery services based on predictions of what customers wanted. The company established 102 logistics hubs throughout S. Korea -

equivalent in size to 193 soccer fields - and integrated AI into its logistic system. Coupang provided these products and services through its 168 Rocket Delivery Centers nationwide. The company employed the market's largest number of delivery drivers (see Exhibit 2). The logistics centers were located within 10 minutes of over 70% of S. Korea's population (see Exhibit 3).

Exhibit 2. Coupang's Rocket Shipment Distribution Centers

Source: Adapted from Coupang

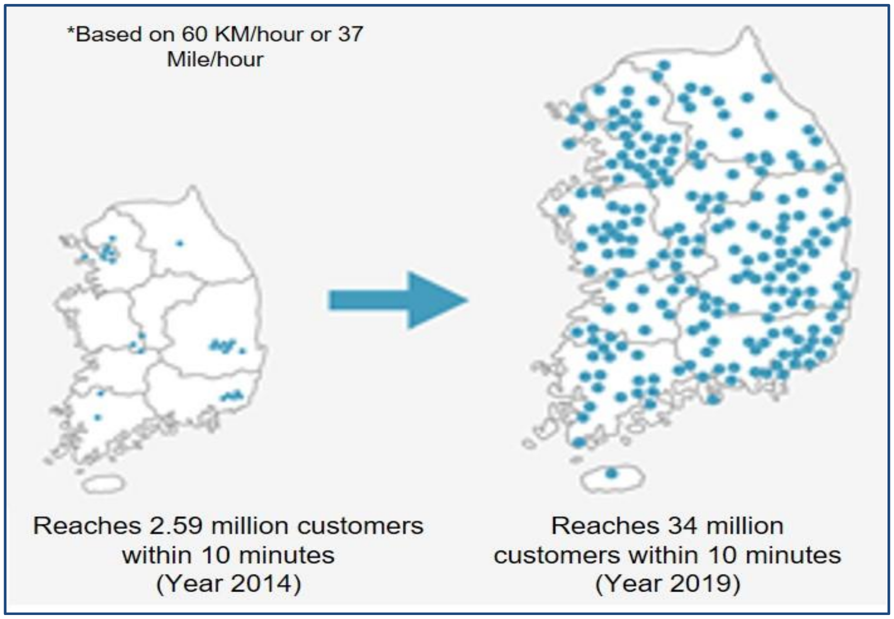


Note: Coupang aggressively expanded its Rocket shipment distribution centers nationwide from 27 in 2014 to 168 in 2019.

Coupang's end-to-end integration and logistic networks helped the company to exploit opportunities in the e-commerce market by delivering products quickly to customers without them having to physically visit stores: "*contact-free"* transactions were especially valuable during the COVID-19 crisis. No other company in S. Korea could provide *"Rocket Fresh"* same-day delivery services.

Exhibit 3. Coupang's Delivery Network Coverage based on Population

Source: Adapted from Coupang



Note: Coupang placed logistics centers within 10 minutes of over 70% of the nation's population (i.e., 34 million people out of 51 million)

Artificial-intelligence-based Product Management System

A second factor that contributed Coupang's sustainable competitive advantage was the AI-based management system. Coupang wanted to deliver a large quantity of products to customers at a fast speed while ensuring customer satisfaction and convenience. Coupang's *"Rocket Fresh"* same-day service was possible because of its AI. Coupang's machine learning was a part of its AI system, which used computer algorithms to make predictions from data. Coupang was able to predict consumption patterns even before customers made orders, and stocked its inventory accordingly. It also directed stockers to store items based on purchasing patterns rather than categories. On deliveries, AI software plotted optimal routes for drivers to deliver products to their destinations and instructed them where and how to stack packages in the truck (Kim 2020c). With its AI-based product management system, Coupang was able to innovate a process that delivered 3.3 million items each day (Palmer 2020).

Novel Approach to Mobile E-commerce Payment

It is worth reiterating that S. Korea had ranked first in both cell phone and internet penetration in the world in June of 2018 (Sohn 2018) and in 2020 (U.S. Pew Research Center 2020). Coupang's unique *"OneTouch"* payment system was the first of its kind in the country and differed from any other payment in the mobile e-commerce market. Coupled with big data and AI, Coupang's mobile payment system revolutionized the e-commerce market. While the traditional e-commerce payment system required customers to provide verification (*i.e.,* fingerprint, password, or other personal information), Coupang's *"OneTouch"* system bypassed this hurdle. It simply required customers to pay with a single touch after selecting products on their mobile handphones (Rha 2018). It was a simple-to-use and secure payment platform. While one-touch systems had been used by Silicon Valley giants like Apple and Amazon, Coupang became the first S. Korean company to use a single touch payment system (Rha 2018). Another distinguishing feature of Coupang's payment platform was its secure fraud detection system, which prevented fraud by requiring authentication (*i.e.,* password) if it detected unusual purchase patterns. Coupang's fraud deception system was important for two reasons: 1) it enhanced privacy-related customer expectations through adherence to S. Korean privacy laws and regulations, and 2) it mitigated potential penalties and reputation damage from security breaches (U.S. Securities & Exchange Commission 2021).

Ultimately, Coupang's simplified *"OneTouch"* payment platform and fraud detection system were innovative ways of delivering quality customer shopping experiences.

Management Challenges Ahead

Coupang had created conditions to achieve competitive advantage. However, success is sometimes fleeting. Coupang would need to contend with several challenges. In May of 2020, a Coupang delivery center shut down after workers were found to be infected with coronavirus at the Incheon logistics center in Gyeonggi province, 25 kilometers outside of capital Seoul (Yonhap News 2020). More than 150 cases had been linked to its warehouses. It remained a challenge to keep Coupang's workforce safe while maintaining operations during the pandemic.

As of 2020, Coupang was the third largest employer in South Korea, next to the conglomerates Samsung Electronics and Hyundai Motors. It had about 30,000 direct and indirect jobs, with a total of 43,171 employees at the end of 2020. The increased need for employees resulted from its expansion in logistics centers and the rise in demand during the pandemic (Jeong 2020). The company hired about 8,297 workers in September 2020, but about 73% of the employees (6,017) quit.

At the end of 2020, Coupang had about 20% of its total workforce as full-time permanent positions, while temporary workers made up the rest. This raised questions about the quality of the jobs that Coupang created, along with a nationwide trend toward a gig economy with short-term, flexible contract workers not bound by contracts (Jeong 2020).

Coupang's sales climbed to 7.2 trillion KRW (USD $5.75 billions) in 2019, a 64% increase from 4.35 trillion KRW in 2018. While Coupang saw a surge in sales in 2020 despite the COVID-19 pandemic, it experienced an operating loss of 721 billion KRW (USD $593 million), a 34% decrease from 1.12 trillion KRW in 2018 (Yang 2020). At the end of 2020, the company was far from profitable, which raised concerns about its sustainability into the future (Kim 2020a).

Exhibit 4. Sales and Operating Losses

Source: Adapted from the Financial Supervisory Services DART & Coupang

Sales & Operating losses (₩ bil)	2015	2016	2017	2018	2019
Sales	1,133.8	1,915.9	2,684.6	4,354.5	7,153.1
Operating losses	**(547.9)**	**(565.2)**	**(638.9)**	**(1,127.9)**	**(720.5)**

Coupang had raised about USD $3.8 billion in investments since its founding (Kim 2020c). The funding provided an opportunity for Coupang to pursue a Silicon Valley growth strategy known as *"blitzscaling"* (Hoffman & Yeh 2018). This strategy - used by Uber - was associated with providing novel services in untapped markets while emphasizing fast growth and speed over efficiency. In other words, *"blitzscaling"* implied operating at a substantial loss in order to dominate the market.

Coupang explained that its aggressive expansion of distribution centers from 27 in 2014 to 168 in 2019 (see Exhibit 2) and labor costs related to deliveries were the reasons for its losses. To create a favorable IPO environment, Coupang brought in high-profile figures to its management and Board of Directors. For instance, the company recruited former U.S. Federal Reserve Governor Kevin Warsh and former International Gaming Technology Chief Financial Officer Alberto Fornaro onto its Board (Kim 2020a), and former Nike and Walmart financial executive Michael Parker joined its accounting team (Jin 2019).

Nonetheless, there has been growing criticism as to whether Coupang's strategy would work in S. Korea. In July 2020, the company started its own over-the-top (OTT) streaming service, similar to Amazon's Prime Video (Kim 2020b). Coupang's pursuit of diversification was another move to create a favorable environment for an IPO, by creating profit potential in other areas of business.

Coupang launched an IPO and began trading on March 11, 2021 on the New York Stock Exchange. As a result, the company was able to raise over USD $4.6 billion, making Coupang the largest IPO by a foreign company in the U.S. since Alibaba in 2014 (Savitz 2021). Coupang was valued at around USD $51 billion, a considerable jump from the USD $9 billion it was valued at before the IPO (Spilka 2021). The company had the financial resources it would need to build logistics centers throughout S. Korea over the next few years, and it planned to invest USD $870 million aggressively (Kim 2021).

Nonetheless, Coupang's IPO would likely trigger an even fiercer fight in the domestic market where rivals would counterattack with aggressive marketing, the building of logistic infrastructure, and other responses.

Conclusion

During the COVID-19 crisis, the critical question for businesses had been how to create paths toward sustainable competitive advantage. Coupang's creative use of innovative technology had enabled the firm to gain a competitive advantage relative to competitors in the fierce e-commerce market. In fact, Coupang ranked first in consumer satisfaction according to a S. Korean consumer agency (Coupang 2019).

COVID-19 brought disruption to the supply chain and logistics, and Coupang demonstrated agility in the e-commerce market. Partly due to the *ppalli, ppalli* ("hurry, hurry") culture of S. Korea, Coupang swiftly acted to implement technological solutions and build vast logistic networks connecting many regions nationwide quickly. Coupang's technology infrastructure (*i.e.,* data-driven *"Rocket Delivery,"* logistic networks, an AI-based product management system, and a novel approach to mobile e-commerce payment) indicated that the company had managed the crisis well by adopting innovative technologies.

While the future seemed bright for Coupang after the recent IPO, three major challenges remained: maintaining a safe workforce, reversing operating losses, and delivering reliable e-commerce shopping experiences.

First, Coupang had to deal with internal labor conflict. The company had to pay close attention to the evolving nature of S. Korean labor, employment, and workplace safety laws and regulations (U.S. Securities Exchange & Commission 2021), and the role of an ethical climate in workplace safety (Parboteeah & Kapp 2008).

Second, the company was far from being profitable, which raised significant concerns about Coupang's sustainability. The company's growth strategy, *"blitzscaling,"* has resulted in losses as it sought to dominate the market. Coupang needed to demonstrate profit going forward.

Finally, electronic identification was an important element of the e-commerce shopping experience (The Free Library 2019). Consumers were inclined to pay for safety features due to the perception of risk when shopping via e-commerce platforms (Luo & Galasso 2020). Coupang needed to ensure the reliability and safety of customers' personal information and avoid hacking and identify theft.

Despite these challenges, Coupang's success demonstrated that its creative use of disruptive innovation could be a strategic vehicle for achieving competitive advantage in the VUCA world. Although South Korea's e-commerce market had boomed during the pandemic, it was not obvious how the future would unfold after the COVID 19 crisis. The big question was: Could Coupang deliver results in the long-term? What else did Coupang need to do to ensure sufficient revenue, thereby creating a sustainable path going forward? Was the future bright or bleak for Coupang?

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Appendix A. Link to Interview Clip: CNBC and CEO of Coupang, Kim Bom

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https://www.youtube.com/watch?v=aPJlqcXstcI

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PHENIX ENTERPRISES:

WHAT IS THE BEST DIGITAL MARKETING STRATEGY TO TURN REGULATORY CHANGE INTO COMPETITIVE ADVANTAGE IN THE SMALL VAN INDUSTRY?

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For over 40 years, Rick Albertini and his father manufactured truck bodies at Phenix Enterprises in Pomona, California. A new regulation in the market brought about a significant potential source of competitive advantage. The company manufactured a van solution that satisfied regulatory compliance; the potential increase in demand would create an opportunity for Phenix to lead the market or at least gain a significant share. It motivated Rick Albertini and his management team to enter uncharted territory, growing into online channels. Albertini was confident that the new regulatory change would generate demand for a van solution that met compliance needs. Rick was already in the process of making product improvements and modifications, even before the regulatory change was introduced, because of increasing demand for temperature-controlled small vans. All were in favor of his vision; however, the company seriously lacked an online presence and experience. Furthermore, the company's competitive differentiation strategy needed to be formulated and communicated effectively to consumers.

The team was excited to tackle the challenges stated above. Initial research on the target audience and competition was sufficient to get started with setting communication goals and generating ideas for electronic media.

The authors developed the case for class discussion rather than to illustrate either effective or ineffective handling of the situation. The case and its accompanying instructor's manual were anonymously peer reviewed and accepted by the ***Journal of Case Research and Inquiry, Vol. 7, 2022***, a publication of the Western Casewriters Association. Contact: Elif Ozkaya, California State Polytechnic University, Pomona, 3801 West Temple Avenue, Pomona, CA 91768, eozkaya@cpp.edu.

Historical Background

Since 1978, Phenix Truck Bodies and Van Equipment (https://phenixent.com/) had been manufacturing specialty custom work trucks for Southern California Municipalities, Utilities, Fire Departments, and the U.S. Government. *"Our history has been to sell to fleets,"* said Rick Albertini, who with his brother Paul operated the company that their father had started 35 years ago. The company had a manufacturing facility, where they could design and build any type of work truck, and customize the interior to answer the needs of a business owner. For example, if a contractor needed special drawers to hold equipment, or a fire truck needed the hose to be operated mechanically, Phenix could address these needs. *"Some of these fleets operate a variety of trucks. They need the service bodies that we build for them, or they need vans equipped with interior packages. We provide installation of the equipment as service,"* Rick noted.

Long-term customers of Phenix included Southern California Edison, Southern California Gas Company, Los Angeles County Fire Department, USDA-Forest Service, and Los Angeles County Department of Public Works.

Phenix successfully operated in the van manufacturing industry and became the leader in the Southern California area. The company's family approach to employees, its democratic managerial style, and its professionalism with stakeholders ensured prosperity and a safe position in the market. Nonetheless, Rick Albertini and his management team were contemplating a change. *"Our niche was fixed, and we were not able to grow,"* Albertini explained. *"We knew we needed to expand. Even our largest customer said we should diversify."*

In 2013, Phenix made a giant leap: new products, larger quarters, and a more comprehensive range of customers. The company even adopted a new name — Phenix Truck Bodies & Van Equipment — to reflect what it was all about. "*The concept was to diversify products and* *services to allow Phenix to provide solutions to any fleet, regardless of size and industry,"* said Todd Davis, vice-president. *"Phenix can now provide products and solutions for all market segments."*

Phenix also started a separate equipment and accessories division to distinguish its new activities from traditional manufacturing operations. In addition to producing bodies, Phenix started customizing Knapheide bodies to meet standard specifications popular in the company's trade area. (Knapheide was a manufacturer of work truck bodies and truck beds operating in North America.) To meet the demands of the new approach, Albertini added new personnel. The company hired truck equipment specialists, parts and services personnel, people with warehouse experience, and new sales members. They also added 50,000 square feet to their existing facility, doubling the area.

Phenix Enterprises reached out to a local university to collaborate with its research center to conduct initial market research. The center provided the company with analyses of (1) potential growth for last-minute delivery services in the greater Los Angeles area, (2) the target audience's media consumption, and (3) the competition media audits (see Appendix).

Changing Trends and Potential Demand

The changes made Phenix ready for the next step - migrating to the online world and expanding for new customer acquisition. The tipping point came when a new regulation became effective in the food industry.

The Food Safety Modernization Act (FSMA) was signed into law by President Barack Obama on January 4, 2011 (FDA Food Safety Modernization Act). The act required food delivery vehicles to monitor and report their temperatures before, during, and at the moment of delivery to avoid food-borne illnesses in the cold chain, along with several other food safety measures that ensured the hygiene of the vehicles.

The act gave the Food and Drug Administration FDA the authority to regulate the way foods were grown, harvested, and processed. More importantly, a specific section of the act added in 2017 detailed the mandatory rules on sanitary transportation of human food and animal food. According to these rules:

- The design and maintenance of vehicles and transportation equipment needed to ensure that they did not cause the food transported to become unsafe.
- Before loading, a food temperature check of the refrigerated cold storage compartment needed to be recorded, and precooling needed to be done if necessary.
- The shipper and carrier could agree to a temperature monitoring mechanism for foods that require temperature control safety.
- The carriers needed to demonstrate that they maintained the requested temperature conditions during transport upon request.

For the supply chain and logistics industries, the regulatory change meant that existing fleets required an upgrade to meet the new standards for hygiene and temperature maintenance inside the cargo. Fleets also needed to install technology for continuous monitoring of the temperature. Depending on the cost and the age of the existing fleets, fleet managers might have preferred to replace vehicles completely with the newer, operation-ready ones. For small businesses, such as fish markets or restaurants, who would need to transport fresh food or frozen food to short distances, getting an FSMA-compliant minivan would completely solve their problem. The target B2B population for Phenix were these small businesses.

These changes in regulation provided Phenix Enterprises with a unique opportunity and a competitive advantage because its refrigerated van solution was one of the readily FSMA-compliant options for food delivery customers who were looking for fast compliance. Another option for customers was to redesign the body of their existing trucks by inserting insulations and monitoring devices, which Phenix Enterprises also provided.

Turning Regulatory Change into an Advantage

Rick Albertini wanted to take advantage of the regulatory change and pioneer the temperature-controlled small vans market. The company was confident of its manufacturing abilities and skilled sales team. Phenix had almost half a century of business experience and excellent customer relationships. However, the company maintained a traditional attitude towards advertising, relying on word-of-mouth and personal relationships with customers and other stakeholders. The company had an awe-inspiring reputation for excellence. It had testimonials from big-name clientele such as Southern California Gas and Southern California Edison. Phenix needed new marketing channels to reach out to potential customers, such as social media, forums, online trade magazines, and the website. Time was pressing to find the fastest and the most sustainable means to reach out to existing customers and new target audiences before competitors did so.

The company faced challenges starting the new journey. The digital channel was new for the entire organization. The lack of technical expertise in the area was a problem. Rick Albertini was ready to invest in a new team - but beforehand he wanted to have a solid strategy. Another important challenge was not knowing the online audience’s behavior and needs. The company was well versed with the sensitive topics for customers in person, but online information-seeking could be different for the target customers. Research was needed. Finally, FSMA compliance enforcement would take time. The government was not punishing non-compliers just yet, acting slowly and leaving room for changes. Non-punishment might affect demand in various ways, and indirectly the communication styles needed. For example, if enforcement was strong, then urgency messages would make sense, but government not taking serious action would suggest persuasive communication.

The employees and the administration both had a positive attitude towards the digital transformation. Todd Davis said that the company was ready to handle the increased demand by operations, and the company already had sufficient inventory for the ready-made Phenix

Solution. If a customer needed customization or upgrades, the company was able to supply that too.

The Product and Pricing Strategy

Rick Albertini wanted to increase product awareness for the product solution in response to this new market situation, namely the Phenix Solution.

Exhibit 1. The Phenix Solution Van

Source: https://phenixent.com/manufacturers/gruau/

Phenix Solution was a van that offered a pre-installed insulation panel that fit the interior, a refrigeration unit, and a temperature control kit. These features enabled temperature maintenance and monitoring, as required by the new regulation. Iso-temp insulation could be implemented on several makes or models of vans. The Phenix Solution was designed in partnership with Gruau USA. Gruau was a French manufacturer of utility vans. Phenix also offered other brands (*e.g.,* Ford Transit, Mercedes-Benz Sprinter, Nissan NV 200, Chevrolet City, Ram Promaster, or Mercedes-Benz Metris) with temperature logging devices installed to make them FSMA compliant and operation ready.

The Phenix Solution (Gruau+temp kit) was arguably the highest quality, the most reliable, and longest-lasting solution in the market with excellent post-sale customer care opportunities.

However, it was probably the most expensive as well. The product ranged somewhere between 22-25K U.S. Dollars. The solution kept temperatures longer and used less energy due to its strong insulation. This was a crucial selling point as the Southern California routes got undesirably hot during transportation in late spring and summer.

Since Phenix had been in the business for a long time and had great relationships with suppliers, it had an advantage of relatively low costs. However, since it was one of the only operation-ready options in the market, Phenix could select premium pricing. Rick Albertini and Todd Davis needed to decide on how to position the product.

Industry Analysis

The refrigerated transport market was valued at USD 15.5 billion in 2019 and had increased from USD 13.9 billion in 2017. The market was projected to reach USD 21 billion by 2025 globally, growing at a Compound Annual Growth Rate (CAGR) of 5.8% from 2019 to 2025 during the forecast period (Refrigerated Truck Market, 2019).

Similarly, in the Local Specialized Freight Trucking industry expected revenue increases at an annualized rate of 1.1% to $47.5 billion over the five years to 2021, including the growth of 5.5% in 2021 (Local Specialized Freight Trucking in the US). Growth was based on frozen food, and the fish and seafood segment accounted for the largest share in the refrigerated transport market. In addition, with the increasing preference for on-the-go food products, demand for chilled and frozen food was projected to increase.

In the United States, commercial truck classification was determined based on the vehicle's gross vehicle weight rating (GVWR). The classes ranged from 1 to 8 (Alternative Fuels Data Center: Maps and Data - Vehicle Weight Classes & Categories, n.d.). The Phenix Solution was classified as a light truck in Classes 1 and 2. Commercial truck chassis sales for 2017 increased for the light truck category Class 1-2.

Exhibit 2. U.S. Commercial Truck Chassis Sales for 2017

Source: Latin-Kasper (2019)

Date	2015	2016	2017
Jul-17	2,255,000	2,093,000	2,111,000
Dec-17	2,270,600	2,318,200	2,357,600
Dec-17/July-17	0.70%	10.80%	11.70%

Similarly, the North American Commercial Truck Association forecasted increasing sales in the same class.

Exhibit 3. North American Commercial Truck Retail Sales Forecast by Class

Source: NTEA

Major players in the refrigerated truck market included [Bush Refrigerated Trucks,](#) [https://www.ttruck.com/ReeferTek USA](#), [Thermobile](#), [CoolFox USA](#), and [FleetCo](#).. These companies were competing for manufacturing trucks and potentially manufacturing FSMA compliant solutions.

Exhibit 4. List of the Direct Competitors of Phenix in California

Source: Authors' Notes

Royal Truck Body, CA
Harbour Truck Body and Van Interiors, CA
Scelzi Truck Bodies, CA
Refrigerated Thermobile, CA

Phenix had been a major player in the California area for truck body and van manufacturing. There were three companies in the same state that were direct rivals if customers wanted to have their temperature controlled small work vans built from scratch: Royal Truck Body, with branches in Los Angeles and Sacramento, Harbour Truck Body and Van Interiors, which worked through dealers, and Scelzi Truck Bodies, located in Fresno. Thermobile was located in NY, and primarily focused on Class 3-8 (large) refrigerated trucks, as well as small vans. However, service and after-sales care could be problematic if the FSMA compliant seeker's business was located in California. All these companies were able to manufacture a temperature-controlled van interior or upgrade a van to fit a temperature-controlled unit into a van. The level of awareness of the potential demand by competitors was unknown. The online channels of these companies showed no indication of such information, which arguably meant that Phenix had a head start. Todd Davis noted that Phenix did not have good data on competitors' brand recognition or customer loyalty. Davis explained that the companies mostly relied on dealerships to build customer awareness and loyalty.

Exhibit 5. Sample Social Media Posts by the Competition

Source: Facebook.com

The Target Population

The refrigerated truck manufacturing industry had two major buyers: freight operators and wholesalers. The freight trucking industry was split between trucking companies and independent owner-operators. Trucking companies that purchased new vehicles accounted for a significant share of the sales of new vehicles in this industry. On the other side, independent owner-operators preferred lower-cost used trucks rather than new models to cut their costs.

Exhibit 6. Buyers for Refrigerated Trucks
Source: Authors' Notes

Refrigerated Truck Manufacturing	**1st Tier Buyers**		**2nd Tier Buyers**	Grocery Wholesaling
				Fresh Food Delivery
		Refrigeration Trucking in the US		Dairy Wholesalers In the US
		Local Freight Trucking in the US		Frozen Cake and Pastry Manufacturers
		Truck Dealers		Fish and Seafood Markets in the US
		Independent owner-operators		Ice-Cream and Gelato Store Franchises in the US

Phenix Truck Bodies sought two targets: Fleet sales for large scale business customers and directly addressing independent operators. Potential customers in the first tier included but were not limited to local freight trucking companies, refrigeration trucking companies, truck dealers, and independent owner-operators. The second-tier audience was last-mile temperature-controlled delivery companies. These companies included deli and meat/fish distributors, fresh and frozen wholesalers, dairy wholesalers, ice-cream, and frozen cake manufacturers.

According to the United States Department of Labor (2019), the median age of people working in food manufacturing (fruit and vegetable, dairy products, seafood, and animal food) was 42.1 years, ranging from 25-64 years old. Buyers in the target market were typically married, had children, and had stable jobs. Van business owners tended to be males; they already had a van or were planning to purchase a van soon. Foreign van owners were more likely to repurchase a foreign van. The target population tended to be loyal consumers who were willing to try new brands to benefit the business in the long run. Also, they were more likely to buy a product if it benefited society or the environment, but less likely to do so if there was no sense of urgency or absolute necessity.

The university research center came up with two target personas that fitted the B2B profiles and researched the media consumption behaviors of these personas (see Appendix A).

The Digital Transformation

Phenix had a company website and an inactive Facebook account as of 2018 for its online presence. The company had long utilized traditional media and customer word-of-mouth to build its reputation and promote the business. Luckily, the truck manufacturing industry was not famous for IT integration for promotions. Therefore, Rick Albertini was a pioneer in the market by stepping into the digital world. The company needed to establish a proper online presence, run awareness campaigns for FSMA compliance, and slowly nudge customers towards Phenix's solutions.

Revisions to the Website

To achieve an online presence, the company first needed to revisit its outdated website. The site acted as a business card for many years with no monitoring or maintenance. The action calls and information design needed to be revised. Future digital campaigns were required to have headquarters. The social media campaigns, search engine advertising, and affiliated marketing efforts all needed to be directed to the relevant pages on the website.

The first update of the website covered visual redesigning of the entire website, a new site map (see Exhibit 12), and elimination of products and services that were no longer available. The website had many pages with only the logo or a single image with no explanation. The design team wrote product information, product-category alignment, and created a video carousel for the home page to welcome users to a virtual visit to the Phenix facilities in Pomona. Earlier versions can be viewed here.

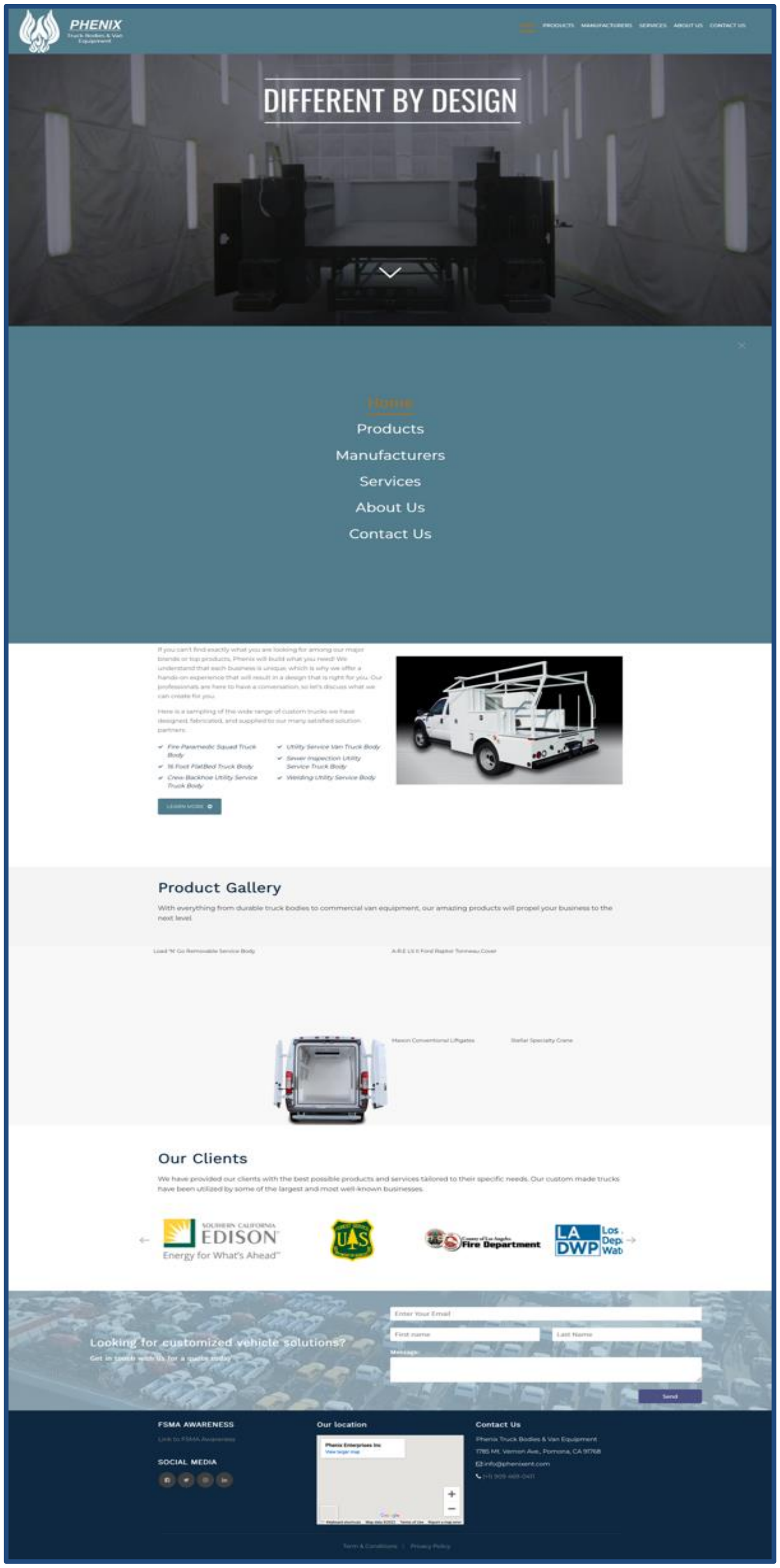
The design team mostly revised all the static parts of the website. To increase organic search engine ranks, the dynamic parts needed to be included. Rick Albertini needed to decide what further revisions were needed so that the company website would drive leads generated by the regulatory change to the company page or product pages.

Exhibit 7. Earlier Version of the Phenix Company Website (2017)

Source: Phenix

Exhibit 8. Updated version of the Phenix Company Website Home Page

Source: Phenix



Selecting the Right Social Media Platforms

Rick Albertini was aware that not having any presence on social media was slowing Phenix's potential growth. However, there were risks associated with moving too fast without appropriate preparation. The company had had previous bad experiences with Google business reviews and did not want to take risks of negative reputation. Towards that goal, Albertini hired new talents to his sales team, formed an IT department, and outsourced a creative team to produce multimedia content. Having met several times during 2019 to discuss the marketing goals under the guidance of Todd Davis, the company was ready to implement the strategy and launch the FSMA Awareness Campaign by 2020.

Creation of the Digital Strategy

The company was very good at direct sales. The sales team had a 90% success sale rate with customers who visited the facilities to inquire about products. Therefore, the call to action of the digital campaigns would be to drive traffic to visit their facilities. The content for lead generation and the relevant advertising opportunities needed to be researched and explored. Albertini stated that the company was ready and willing to invest in the digital strategy.

Conclusion

Phenix potentially had a unique competitive advantage, and it had now devised a goal for communication. Nonetheless, important questions remained to be answered. (1) Which social media platforms were to be chosen? (2) What revisions needed to be done on the website to communicate the strengths of the company? And (3) what digital strategy should Rick Albertini follow to obtain leads generated by the regulatory change?

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LeMOBA: SHOULD HR PRIORITIZE EMPLOYEE PROMOTIONS TO AVOID A RETENTION CRISIS?

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Tor Vergata University of Rome

MUHAMMAD MUZAMIL SATTAR
Sapienza University

Waqas Hussain, Human Resource Manager at LeMoba Beverages, closed the wooden lattice door of the boardroom with a hasty push. He came out marching towards his office with his eyes rolled and angry face. As he entered his office, one of the subordinates greeted him with a smile and posed a question: *"Anything puzzling happened in there?"*

Hussain responded angrily, *"Yes, my performance was in question, but later it was explained that it was our whole department's performance."*

During the meeting, Sabeen Fatima, LeMoba Beverages' Managing Director (MD), stressed the high turnover of employees, which created serious concerns about the Human Resource (HR) Department. Hussain was urged to settle this issue soon; *"Otherwise,"* Fatima uttered at the end of the meeting, *"Hussain, you and your team should pack your bags."*

Hussain needed to propose a workable solution to the problem of employee turnover, which would be acceptable to both the Financial Controller and the Managing Director.

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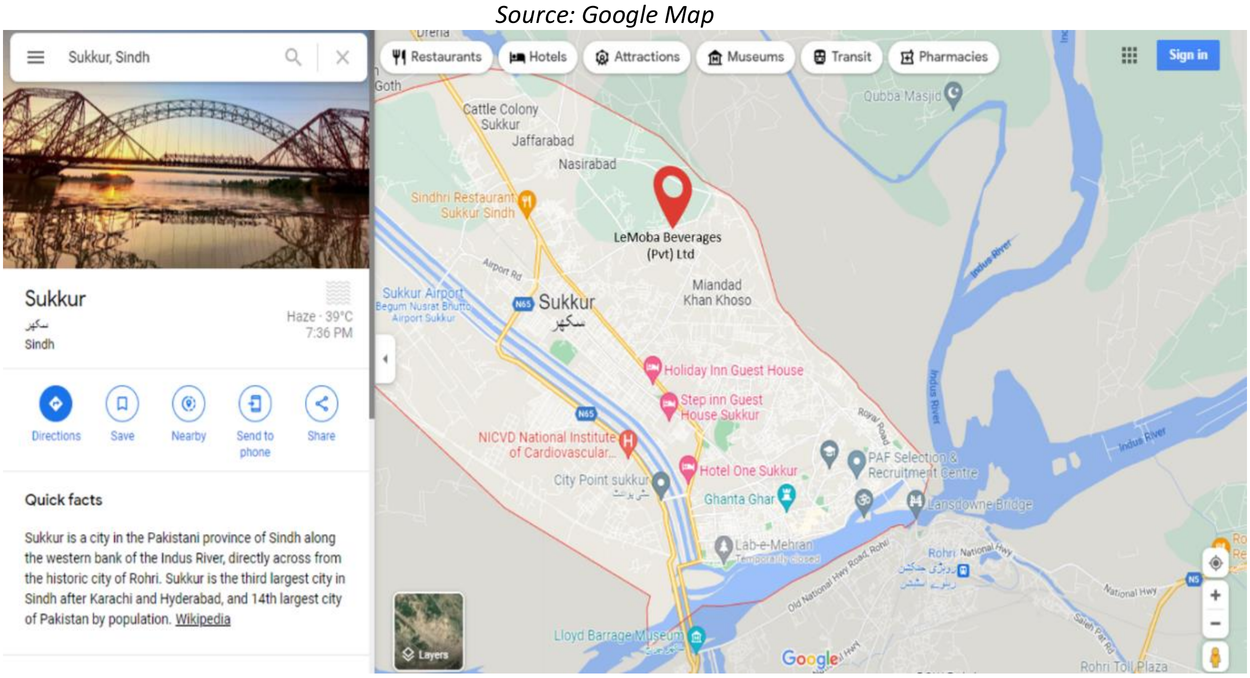
The Organization—LeMoba Beverages

LeMoba Beverages was located in the Sindh Industrial Trading Estate near downtown Sukkur,[6] adjacent to the outer circle of the city (as outlined in Exhibit 1). LeMoba was a franchise of a leading international company. It was incorporated in 1986 as a private limited company offering a wide range of soft drinks varying from 200 millilitres (6.76 ounces) to 1.5 litres with the Dine9, LeMoba, Mantta, Tringg, and Diva brands (shown in Exhibit 2). The company had experienced steady growth for 25 years and had maintained its strong brand presence in the markets of Baluchistan and Sindh. The location of the company touched three highways connecting different provinces of Pakistan, and the company's territory encompassed a population of 20 million with huge potential for future growth. To penetrate further into the market, the company had added a new plant with a capacity of 20,000 units. LeMoba comprised of 1,700 regular managerial and non-managerial employees (as outlined in Exhibit 3).

Exhibit 1. Sukkur Location [LeMoba Location Pin]

Source: Google Map



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[6] The third largest city of Sindh province, Pakistan.

Exhibit 2. LeMoba Products

Source: Company Records

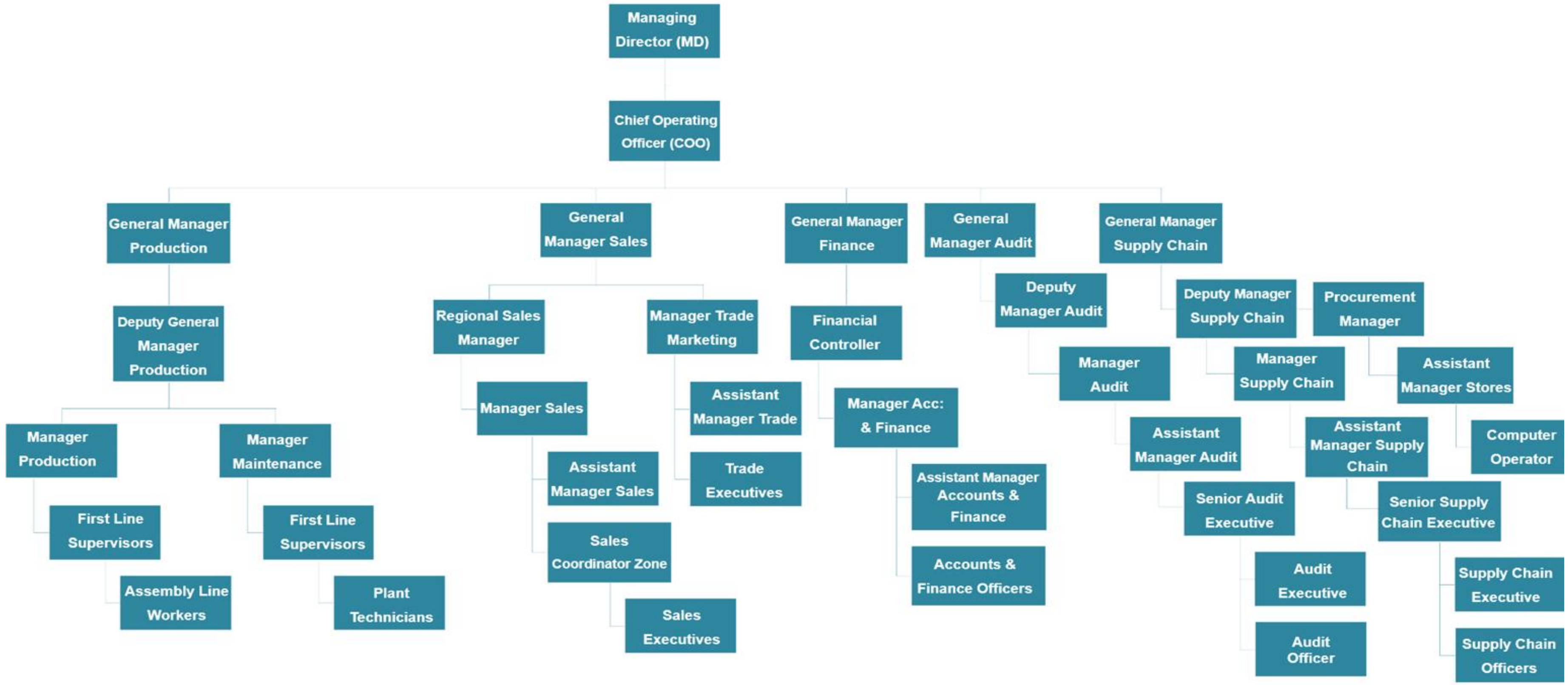
The Beverage Industry in Pakistan

Pakistan was the seventh largest populous country in in the world and eightieth largest market for food consumption and related businesses. Therefore, for the past several decades, it had been recognized as a high consumption-oriented economy in the South Asian region. The food and beverages industries contributed twenty-seven percent of gross domestic production and sixteen percent of employment (Irfan and Wang 2019).

The beverages industry was categorized in alcoholic and non-alcoholic drinks. Non-alcoholic drinks – known as soft drink or carbonated drinks – contributed ninety-nine percent of the production of the beverages industry (Nawab, Sheikh *et al*. 2021). One study conducted in metropolitan Karachi, Pakistan's largest city, showed that 12% of people consumed soft drink more than once a day, 35.1% consumed soft drinks a few times a week, and 25.3% consumed them once in a month; 10.7% consumed soft drinks occasionally.

Exhibit 3. Organogram of LeMoba

Source: Company records



Top-Level Management: MD, COO, General Managers, Deputy General Managers
Middle-Level Management: Managers, Assistant Managers, and Controllers
Lower-Level Management: Senior Executives, Executives, Coordinators, Officers, Assistants, and Supervisors.

There were many national and few multinational companies producing carbonated drinks in Pakistan. LeMoba's rivals included Gourmet, Murree Brewery, Mehran Bottlers, and Amrat Cola—National Companies. PepsiCo and Coca-Cola remained the market leaders and penetrated all over Pakistan due to their multinational marketing approach. PepsiCo owned three production facilities entirely managed by itself. PepsiCo also had five franchises located in different provinces around Pakistan. Coca-Cola did not operate a franchise system in Pakistan; it owned all its production plants.

HR Practices in Pakistan

Human Resource Management (HRM) was recognized as a developing field in Pakistan. Pakistani companies did not always comply with legal requirements (Hyder and Faisal 2019). Even some multinational companies in Pakistan exploited child labor, compensated below the minimum hourly wage, and offered contracts that did not provide full or regular employment. In contrast, a few multinationals entered the market and tried to avoid exploiting Pakistan's weak legal framework. These multinationals believed in bringing the best technology, equipment, infrastructure, and people; they focused on implementing the best HR practices to attract and retain the top performers.

The beverages industry produced carbonated drinks, and more than fifty percent of all workers worked in production, supply chain (downstream and upstream), and logistics. These employees were route planners, engineers, technicians, supervisors, assembly workers, loaders, etc. Often, they worked overtime, which could result in handsome wages. (In some cases, beverage companies paid overtime rates below what the law required, but employees tended to accept it.) Once in a blue moon, employees raised their voices, created pressure, and engaged in talks with management about how they were treated.

In the beverages industry, HRM typically included the basic functions of recruitment and selection, training and development, performance appraisals, and compensation. Usually, performance appraisals were a mere formality and were poorly linked with compensation.

Managing Director—A Businesswoman

Sabeen Fatima belonged to an industrialist family. Her grandmother was a pioneering female industrialist. When her grandmother passed away, Sabeen was just eighteen years old. Following in her grandmother's footsteps, she took over the family's pipe and construction business and managed it for fifteen years. She was bought into the beverages business when significant changes were made in the private shareholding of LeMoba. Her husband became the majority shareholder of LeMoba, and he asked her to take over management control of the company. At that time, LeMoba's market share was 28%. The company had not developed much in the rural surroundings of Sindh. Sabeen made it her mission to develop the company and bring it up to the par with the best companies in Pakistan and the world. As a result of her efforts – guided by a mantra consisting of five steps (as outlined in Exhibit 4) – LeMoba's market share reached 40%. Sabeen truly believed in teamwork: giving each member equal importance, footage, mileage, and giving credit to the right person. Being a businesswoman, she believed that one needs to be able to *'call the shots'* within the boundaries of culture.

Exhibit 4. Managing Directors' Success Mantra

Source: Authors' Notes Collected during Interview

Sabeen Fatima in Action

One day, Sabeen hurriedly took a flight from Karachi to Sukkur and landed at Sukkur Airport at 9:10 in the morning. She had decided to visit different departments of the Sukkur office. (No warning of her visit had been provided to the executives at the Sukkur office.) She started visiting different departments; when she entered the supply chain and logistics department, she found that the Manager of Logistics was not in his office. As a result, Sabeen became a little bit angry. She asked the Deputy Manager—Logistics to call the Logistics Manager right away. He, the Logistics Manager, responded over the phone: *"I am out of the city for personal work."*

After visiting other offices, the Managing Director (MD) came back to her office and asked Waqas Hussain, LeMoba's HR Manager, to issue a termination letter for the Logistics Manager. Hussain responded, *"Yes, Madam!"*

Without briefing Sabeen about the company's termination policy, Hussain prepared and sent a termination letter. Later the next day, in reaction to the termination of the Logistics Manager, two managers from the production department tendered their resignations. They said:

> *"We will not serve where respect is not given. Therefore, we will leave the company without completing the notice period and not work even for a single day. The company may deduct our one month's salary, as per policy."*

This was not the first time that employees had reacted in such a way. The previous year, more than 15 employees resigned from their jobs due to the behaviour of the MD and the so-called *"Yes, Boss"* HR team. Employees began to believe that Sabeen Fatima came from head office occasionally with the sole purpose of firing at least one employee.

The LeMoba Working Environment

LeMoba had created a harmonious work environment where employees shared their experiences, learned from each other, adopted best practices, took pride in shared accomplishments, and celebrated their small wins. Offices were quite open, so anyone could visit and share their progress. In addition to open offices, LeMoba had more than ten discussion rooms, as well as a cafeteria on the top floor in the executive block.

Initially, there had been one old building accommodating all departments, but in December 2015, the building was demolished due to its weak infrastructure. To continue daily operations, top management had decided to set up temporary offices: the HR, Supply Chain & Logistics, and Audit departments' workstations were moved to bunkers. These departments worked in very congested spaces until June 2017. Poor working conditions in the bunkers triggered departures by senior-level employees; some quit; others decided to leave their offices early—one or two hours before office departure time. Lower-level employees used to leave their offices within thirty minutes of seniors' departure.

A Move from Bunker to an Executive Block

Finally, the new office building was ready to accommodate all employees. The building was named *'Executive Block.'* It could easily accommodate all the departments. The modern, spacious, brightly coloured interior resembled a cruise ship floating in the sea. The numerous trophies and awards won by LeMoba were displayed near the reception area located on the ground floor. Each department had dedicated open spaces for teams. The Managers and the Deputy Managers had separate cubicles partitioned by glass walls. Each department was excited to kick off work in a more streamlined and dedicated manner. The open workstations/offices seemed to strengthen the bond among cross-functional teams. Alternatively, employees raised concerns about promotion and growth opportunities.

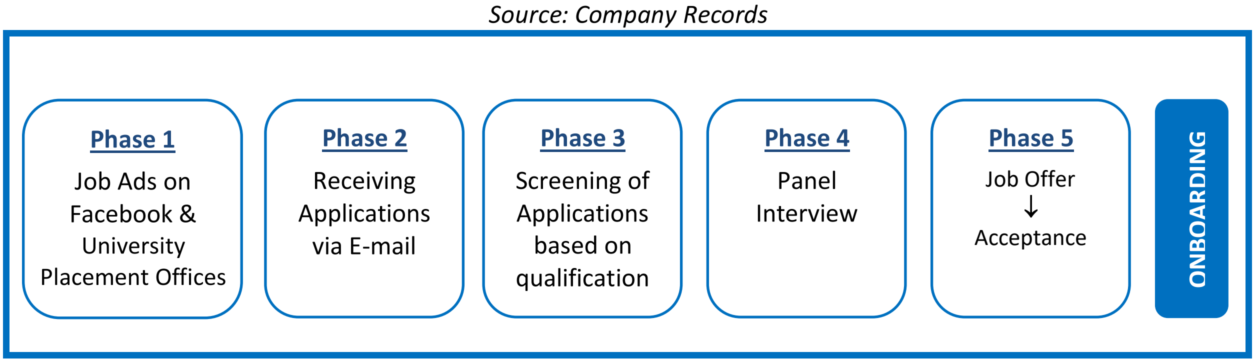
Talent Acquisition and Development

The Managing Director (MD) had hired two professionals to translate her mission into action. Waqas Hussain, 35, with a master's degree in Human Resource Management from the Institute of Business Management (IoBM) in Karachi and six years of experience with McDonald's, became the LeMoba Human Resource Manager. Muzna Kiran, 30, a recent MBA graduate of Sukkur IBA University with a major in Human Resource management, a certificate in talent acquisition, and two years of experience with GSK pharmaceuticals, became Assistant HR Manager. Hussain and Kiran led a team of HR supervised by the Deputy Manager, who did not take too much interest in their activities. The Deputy Manager was the bridge between the MD and the HR team regarding hiring decisions and implementation of the MD's directives. The Deputy Manager handled security and administration issues of the company.

When Kiran joined LeMoba, she asked colleagues to brief her about the talent acquisition process. She came to know that HR used to publish job advertisements on social networking sites to generate a pool of candidates and then screened applicants based on relevant qualifications. They also briefed her, *"The interviews were conducted by a panel including one line manager and two HR team members."* (As outlined in Exhibit 5).

Exhibit 5. Steps in the Selection of Candidates for Low and Middle-level Employees)

Source: Company Records



Kiran asked the Managers to review – and as needed revise – the talent acquisition process. After revision, Kiran and Husain were able to generate a pool of qualified candidates, which facilitated filling positions in a timely manner.

Hussain found that the in-house training model that HR used to conduct training needs assessment revealed four domains to work: emotional intelligence, personal grooming, work ethics, and workplace harmony. Training in these domains was conducted by Hussain and Kiran collectively in two days. The company had spent PKR 1 million on outsourced training by professional trainers in the field of plant automation, supply chain, procurement, financial budgeting, route planning, plant automation, and others (as outlined in Exhibit 7). The trainees were mostly Senior Managers, Managers, Executives, and Officers/Assistants of the concerned departments.

Exhibit 6. Revised Selection Steps for Low and Middle-level Employees

Source: Company Records

Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6	
Job Ads LinkedIn, Facebook & Rozee.pk	Receiving Applications via e-portal	Screening Applications based on KSAPC's.	Initial Phone Screening Interview	Final Interview by Panelists	Job Offer ↓ Acceptance	ONBOARDING

Phase 1:
The recruiter posted job advertisements on Facebook, LinkedIn, and Rozee.pk. The position opening was ten days from the ad publishing date.

Phase 2:
The company had a recruitment website, where a candidate could create his or her complete profile and apply for the desired role.

Phase 3:
The recruiting team shortlisted résumés within three days after the closing date.

- While shortlisting, the team considered qualifications and the relevant job experience required.
- The recruiting yield pyramid ratio was 5:1 (five candidates were called for interview against one position)

Phase 4:
The recruiter made a phone call to each candidate and asked the following questions:

- Employment Status (Currently doing a job or unemployed)
- If employed, the recruiter asked questions, *i.e.,* company size, designation, # of subordinates (span of control), current salary plus benefits.
- If located outside Sukkur, willingness to relocate?
- Expectations from LeMoba

Phase 5:
Panellists consisted of a Line Manager, Head of the Concerned Department, and HR Manager.

- Generally, interviews around functional competencies.
- The Line Manager and the Head of Department had authority to finalize candidates.
- HR Manager negotiated the compensation package.

Phase 6:
A job offer was generally made to candidates who were used to:

- Accepting reasonably low compensation for entry-level jobs.
- Senior-level positions were paid premium compensation if a candidate resided in a metropolitan city, *i.e.,* Lahore, Islamabad, Karachi, Multan, or any other major city.

Exhibit 7. Capacity Building Program: July 2017 to June 2018

Source: Company records

Training Topics	No. of Days	Levels	# of Trainees
Training For All			
People Management	1 Day	Middle	30
Problem Solving and Negotiation	1 Day	Middle	40
Personal Grooming & Emotional Intelligence	1 Day	Low	56
Work Ethics & Harmony	1 Day	Low	61
Responding to Emergency Situations	Half Day	All Levels	209
Department Specific Training Program			
Production Department:			
Total Quality Management (TQM)	2 Days	Middle	05
Inventory Management	1 Day	Middle	05
Plant Automation	1 Day	Middle & Top	10
Sales Department:			
Sales Management	1 Day	Low & Middle	10
Customer Relations	1 Day	Low	30
Audit Department:			
Audit Fundamentals	1 Day	Middle & Top	5
Supply Chain and Logistics Department:			
Route Designing	2 Days	Middle	10
Supplier Management	1 Day	Low & Middle	4
Vehicle Tracking Training	3 Days	Top	3

Promotion Policy

"LeMoba's objective was to foster and provide maximum opportunities for promotion-from-within. We believe in equal opportunity for all regular employees working in the company. Promotions must be done based on the need of the organization, not individuals' requirements."

- LeMoba Promotion Policy

There were two components of the promotion policy: Years of service and immediate supervisor's recommendation (as outlined in Exhibit 8).

Exhibit 8. Promotion Policy

Source: Company Records

Policy Statement:

LeMoba's objective is to provide maximum opportunities for promotion-from-within the company. We believe in equal opportunity for all regular employees working in the company. Promotions must be done based on the needs of the organization, not individuals' requirements.

Bases of Promotion:

1. **Year of Service:** based on the length of service of an employee in a specific role in the department of LeMoba.
   i. The employee must have completed three years of service in a specific role.
   ii. If the service period is less than three years, s/he should not be considered for promotion.
2. **Immediate Supervisor's Recommendation:** If the immediate supervisor is satisfied with the performance of an employee, s/he can recommend the employee for a promotion, however the employee must have completed at least three years of service in a specific role.

The Challenges—Human Resource Department

Most of LeMoba's employees were engineers, technicians, and non-managerial staff working in the production plant. The technicians' and the engineers' jobs were to ensure the uninterrupted production of different product lines. Employees enjoyed a great deal of individual autonomy with minimal supervision at the plant level. However, daily workers were closely monitored and held accountable for productivity. 40% of employees worked in the Sales & Marketing, Production, HR, Audit and Supply Chain & Logistics departments. The attrition rate in these departments reached double-figures: 30% at a low level, 10% in the middle, and 0.5% at top-level positions. The HR Manager became concerned over the turnover rate and wanted to understand the reasons behind the turnover. Reluctantly, he assigned the task to Kiran, the Assistant HR Manager.

Kiran's Task—Probe Reasons for Employee Turnover

Kiran initiated a probe and started speaking with ex-employees of LeMoba who had left the job a year ago. She came up with the following observations:

1. Tahir Ahmed started his career as Audit Officer in Audit Department five years previously. The day he left the company, he was in the same position despite being due a promotion. His last salary was equivalent to his first month's salary with only 10% additions/increments to the basic pay.[7]

2. Faraz Ali started his career with LeMoba as an Accounts Assistant in 2010, with qualifications including an MBA in Finance. Ali used to sort and process vouchers, record payment transactions, maintain ledgers, and insure bank deposits. He was known for multitasking, exceptional interpersonal skills, and time management expertise. Later in 2015, he was promoted to Assistant Manager-Accounts because his immediate manager resigned from the position of Manager-Accounts. He had the responsibility to manage the operations of the department. In December 2015, his compensation package reached PKR 55,000.[8] For almost three years, he managed operations successfully and was expecting a promotion. One day, he was surfing his LinkedIn account where he found LeMoba's job advertisement mentioning *"We are looking for Manager—Accounts!"* He was surprised to see that. Within a month, new Manager—Accounts joined the company, and HR provided him accommodation for his family in the downtown city and medical facility. The new Accounts Manager had five years' experience working in a competitor's company, but his qualification was just a Bachelor of Business Administration (BBA). Despite his qualification and experience compared to Ali, the new manager's salary was PKR 90,000. Ali only received PKR 65,000. After six months, Ali resigned from his job and moved to another company in a senior-level position, where he earned PKR 85,000 plus car, fuel, and medical benefits.

[7] This increase was in basic salary only which was 30-40% of overall pay. This annual increment was common in Pakistan.
[8] 1 USD = PKR 163.

3. Adam Philomon graduated in business administration from IBA Karachi in 2004. He had worked with various companies in Karachi. In December 2011, he joined LeMoba as a Sales Coordinator and worked with different cross-functional teams, including Trade Marketing, Market Research, Key Accounts, and Capability. When he joined the company, his compensation was PKR 30,000 plus sales incentives and medical insurance. For more than eight years, he was still in the same position. His current compensation package was PKR 45,000 plus incentives. He had two job offers and a strong intention to leave LeMoba.

4. Mahira Khan graduated from Sukkur IBA University in 2012, and later in 2014, she completed her master's degree in supply chain management from a business school located in Karachi. After completion of her master's degree, she joined LeMoba as a Supply Chain Executive with a monthly compensation of PKR 45,000 plus medical insurance for herself and her spouse. Khan was dedicated to her work, and she used to remain in the office late hours whenever her manager asked. In August 2017, her promotion was due, but unfortunately, HR did not promote her. At the start of 2018, a new employee who had only two years of experience in procurement was hired from Islamabad, Pakistan's capital city, as Senior Supply Chain Executive. Khan had three years of experience in LeMoba. The compensation offered to the new Supply Chain Executive was PKR 75,000. Khan raised her voice and asked her manager for the promotion as Senior Supply Chain Executive. After consistent pressure, HR promoted her. Her new compensation package was PKR 65,000. Nonetheless, she was not happy.

5. Asim Malik had been working since 2013 as a Computer Operator with a salary of PKR 17,000 monthly. Adam had a diploma in information technology when he joined LeMoba. During his job, he enrolled in an evening program to pursue a BS in computer science. In August 2016, he had only two courses remaining to complete his graduation. Adam had become an expert in handling procurement operations. Even in the absence of a boss, he had authority to process all documents, coordinate with the finance department for reconciliation, and process vouchers. It had been five years that he was not promoted to the next level position; his salary reached PKR 24,000.

6. Basit Shah earned a bachelor's degree in Commerce and was associated with LeMoba since September 2015 as an Accounts Officer. His monthly pay package was PKR 34,000 including medical facility. Often, the accounts team sat for long hours. Basit was named *"Champ of voucher reconciliation."* In the past three years, his salary reached PKR 41,500, including overtime allowances. His immediate Manager forwarded his promotion case to the HR department.

Kiran summed up all her observations and concluded that low-level employees were very much concerned about delayed promotions and pay inequity. On the other hand, middle-level managers were concerned about the attitude of MD. Top-level managers were satisfied with their pay packages (which usually included company-arranged accommodation, car, and other value-added services, *i.e.,* chauffeur, cook, and gardener). Only a few top managers left the job due to external attraction.

Kiran further observed that when HR had to fill the vacant position, the company seemed to prefer external candidates and paid more benefits to attract them rather than prioritizing internal candidates. Therefore, she decided to highlight the pending promotion cases of internal candidates for the promotions and retention. Hussain agreed and forwarded a list (as outlined in Exhibit 9) of 142 promotion cases to the MD for approval.

Hussain added that in many past HR decisions, the MD had intervened. She had overlooked company policies and made speedy decisions that resulted in the termination of some middle-level employees.

Exhibit 9. Pending Promotion Cases and Payroll Expense

Source: Company Records

Levels	Cases Pending for Promotion	Experience Within Company on the Same Role	Current Position: Average Pay in PKR	Due Promotion: Next Position	Next Position: Average Pay in PKR
Top	Deputy Manager (01)	More than 05 years	PKR 245,000	General Manager	PKR 310,000
	Deputy Managers (03)	4-5 years			
	Deputy Managers (02)	03 years			
Middle	Managers (05)	More than 05 years	PKR 197,500	Deputy General Manager	PKR 245,000
	Assistant Managers (07)	More than 05 years	PKR 122,000	Manager	PKR 197,500
	Assistant Managers (03)	4-5 years			
	Assistant Manager (06)	03 years			
Low	Senior Executives (06)	More than 05 years	PKR 75,000	Assistant Manager	PKR 122,000
	Senior Executives (12)	03 years			
	Executives (10)	More than 05 years	PKR 47,500	Senior Executive	PKR 75,000
	Executive (25)	03 years			
	Officers (15)	More than 05 years	PKR 34,000	Executive	PKR 75,000
	Officers (20)	03 years			
	Plant Technician (15)	More than 05 years	PKR 34,000	First-Line Supervisor	PKR 40,000
	Plant Technician (07)	03 years			
	Computer Operator (05)	More than 05 years	PKR 17,000	10% Annual Increment	PKR 18,700
	Total Cases= 142				

The Managers' Mindset

Proactive Managers

Managers in the HR, Finance, and IT departments were proactive in advocating for their subordinates. These managers often tried to empower their subordinates by delegating decision-making authority, sharing experiences, and providing learning and growth opportunities. Most employees in these departments were enjoying their promotions and receiving relatively higher compensation packages. Many lived in the company's accommodation and accepted value-added services, such as chauffeur, cook, and gardener.

Reactive Managers

The Manager of Audit, Sales & Marketing, Production, and Supply Chain & Logistics mostly had a reactive approach. Many managers were not concerned about the promotion of subordinates working in their departments but were concerned about achieving targets and meeting deadlines so that employees could receive bonuses, overtime, and travel allowances. These managers did not easily recommend promotion cases to HR until or unless employees threatened to leave or had tendered resignations. Due to a huge push for promotion from all levels of employees, reactive managers had recommended fifty-plus subordinates.

The Constraints—Finance Department

Rana Wajahat was the Financial Controller (FC) of LeMoba since 2018. He had adopted a transformational costing method for all activities in the production lines of the company, which had resulted in a 15% reduction in the cost of goods manufactured in Quarter 3. Direct labor cost was a significant contributor to the overall cost reduction. When Wajahat joined, he had instructed his staff to conduct a time-and-motion study to ensure workforce optimization in production units; this resulted in a layoff of 30% of contractual employees in Quarter 3.

The MD called a bi-annual meeting in Karachi, where she appreciated Wajahat's performance and urged top managers to utilize resources more efficiently.

After the formal meeting in the Karachi office, the Financial Controller and the HR Manager had an informal discussion, in which the Controller pointed out that the proposed promotions cases of 142 employees (as outlined in Exhibit 10) by the HR department were impossible to consider in this third or fourth quarter of this year. Further, the Financial Controller mentioned that he had planned to reduce the cost of goods manufactured by 15% in Quarter 3. The cost of proposed promotions would increase payroll by only 3.33%, but in past trends, payroll had generally reduced in quarter 3 as compared to quarter 2. In addition, the Financial Controller told the HR Manager that the MD had appraised him due to the adoption of the transformational costing method, which resulted in the layoff of 313 contractual employees' costing PKR 07 million approximately. If the company considered all employees for the promotion, the cost would be approximately PKR 13 million. Moreover, the cost could not be accommodated in the 3rd quarter or even in the next quarter due to the off-season. Hussain mentioned that it was the prerogative of the MD to decide promotions. HR's job was to brief her about policy matters, considering that the MD had asked HR to address employee retention.

Exhibit 10. Financial Information of the LeMoba

Source: Company Records

	2017				2018				2019		
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Projected Quarter 3
Sales Revenue	1,211.91	3,289.46	2,770.07	1,385.04	1,441.73	3,913.27	3,295.38	1,647.69	1,568.59	4,257.61	3,585.36
Cost of Goods Mfg: (COGM)	451.02	291.84	252.04	331.64	887.26	574.11	495.82	652.40	778.79	912.98	775.79
Gross Profit (Loss)	760.88	2,997.62	2,518.03	1,053.40	554.47	3,339.15	2,799.56	995.29	789.81	3,344.63	2,809.56
Total Payroll Cost	60.29	82.22	71.26	68.52	110.07	150.09	125.08	115.07	145.03	182.43	175.44
# of Employees (including daily wagers/contractual)	1,648	1,788	1,713	1,690	1,915	2,125	1,985	1,905	2,135	2,435	2122

Notes:

1. Figures in Million and PKR Currency. 01 $ (USD) = PKR 163.

2. Quarters 2 and 3 were on-season for the beverages industry in Pakistan. Off-season months for the beverages industry were October to March (Q1 & Q4). Therefore, COGM, Revenue, and Payroll costs were relatively low. Employee costs were low because daily wagers/contractual staff were laid off in the offseason.

3. The projected impact of adopting transformational costing could reduce COGM by 15% in Q3. The projected payroll cost for Q3 was 175.44 million, which was 3.83% lower than Q2 of 2019.

What Next?

Payroll in the third quarter of 2019 would be reduced 3.8% lower than in the second quarter. If all promotion cases were considered in this quarter, the additional costs would be PKR 13,026 million. The additional costs might ruin the Financial Controller's attempt to reduce costs. Hussain needed to propose a workable solution, which would be acceptable to both the Financial Controller (who wanted to contain costs) and the Managing Director (who wanted to reduce employee turnover). What should he do?

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PACK HEALTH'S STRATEGIC CROSSROADS: A BIG DILEMMA FOR A SMALL ENTERPRISE

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Mazi Rasulnia, the CEO and founder of Pack Health, received a call from one of the largest U.S. retailers: *"Could you help us deliver food to our members in the community, because they have experienced food insecurity due to the COVID-19?"* The call came just two months after the COVID-19 pandemic hit the U.S., right at the time of Pack Health's hiring freeze when its corporate clients were reevaluating their own strategies and healthcare models.

Food insecurity was the disruption of food intake or eating patterns due to a lack of resources (mostly financial). As of May 2020, The National Institute for Health Care Management (NIHCM) reported a 98% demand increase at food banks due to the COVID-19 pandemic, with 59% of food banks reporting reduced inventory and 37% showing immediate critical shortfalls (NIHCM Foundation 2020; The Pack Health Team 2020).

The retail giant offered Pack Health a multi-million-dollar contract to assist that retailer's healthcare partner – one of the biggest insurance companies in the nation – to order food for struggling customers. It seemed like a *"no-brainer"* opportunity - *at first*. Was it?

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On one hand, it was a *"bird in the hand"* contract and a rare chance for Pack Health to work with two well-known corporations, branch out, and expand its business. On the other hand, Pack Health had no experience in the food insecurity area, so entering a completely new domain was a big risk. Mazi recalled:

> *"We went through three scenarios: worst-case, likely-case, best-case… We started getting into the best-case scenario, but we had to act as if we were gonna be in the worst-case scenario."*

Flush with recent cash infusions, and uncertain about the future of its contracts and employees, Pack Health urgently needed to assess its environment and priorities in order to decide how to move forward.

At the Crossroads

Pack Health was a Birmingham, Alabama-based 2013 start-up set up to improve the lives of people with chronic health conditions via one-on-one behavioral coaching. It contracted with healthcare organizations to service their patients' nonclinical needs that were not met or discovered during the regular course of business. In the healthcare environment where human contact and comprehensive care coordination were at a premium, Pack Health relied on personalized and patient-centered customer support with compassion to increase patient satisfaction.

Despite a noble mission and a seemingly unsaturated market, Pack Health – a still very young enterprise – found itself a couple of paychecks away from closing in June 2017. A fateful call from a key insurance player in Alabama came at the right moment around July 5, 2017, and the company received about $1 million statewide contract for its services. A much needed several million cash infusion from another investor followed at a healthy revenue-multiple valuation.

Fueling a steady growth in Alabama and neighboring Mid-South states, Pack Health received an additional multi-million investment from its existing investors in the beginning of 2020, bringing the total investment raised to $11.5 million. Then the world of modern business, and the U.S. healthcare field in particular, faced an almost sudden challenge it never faced before.

> *"When the coronavirus pandemic hit the United States in early 2020, hospitals and insurance companies began moving patients with chronic conditions out of their systems, canceling routine appointments and elective surgeries in order to accommodate those with COVID-19. But this vulnerable population of patients with chronic conditions still needed help managing their health at home to ensure they weren't putting themselves in high-risk situations that could compromise their wellbeing"* (Salesforce 2021).

The pandemic's uncertainty forced Pack Health to declare a hiring freeze and its clients to recalibrate their business models for delivering healthcare services in the midst of rapidly worsening social determinants of health *(e.g.,* job losses, food insecurity, sedentary lifestyles). In the second quarter of 2020, armed with recent investments and tried-and-true remote service capabilities, Pack Health found itself on the critical crossroads of (a) renegotiating its commitments to the existing corporate partners now prioritizing COVID-19 patients, (b) conserving cash and paring down its operations while navigating the newly changed business landscape, or (c) pursuing an aggressive expansion capitalizing on its digital health services to its core patient population in the Mid-South U.S. market.

The Movement to Patient-centered Care in the Digital World

In 2001, the Institute of Medicine (IOM) proclaimed *"patient-centeredness"* as one of the six aims for a 21st-century healthcare system. Patient-centered was defined as *"providing care that is respectful of and responsive to individual patient preferences, needs, and values and ensuring that patient values guide all clinical decisions"* (IOM, 2001, p.5). Ten years later, the Patient Protection and Affordable Care Act (ACA), popularly called Obamacare, mandated the use of measures of the quality of care, public reporting, and performance payments to reflect patient-centered care. Patient-centeredness, patient satisfaction, patient experience of care, patient engagement, and shared decision-making were the keywords in ACA provisions. In addition, patient-centered assessments were being required when these provisions turned into regulations for specific programs such as Medicare's Value-Based Purchasing Program.

This policy landscape was in alignment with Pack Health's mission to use research, clinical trials, and outcome collections to improve patients' overall quality of care. In order to serve individuals with chronic conditions, Pack Health used FDA-approved validated patient-reported outcome measures to capture more than 150 data points (*e.g.,* quality of life measures, pain, distress, food insecurity) for each member (FDA 2009). These data points were not routinely captured in an EMR, a lab data, claims data, or pharmacy data (Exhibit 1).

Pack Health's CEO and founder, Mazi Rasulnia, described the importance of these data points:

> *"This is like the fifth wheel of datasets that allow you to better understand the patient's risk, the patient's environment, why they make certain decisions, and their behaviors. Our goal was to take this unstructured world that people live in and create structured data."*

Not only was it important to collect these data, but keeping the data safe was a critical part of Pack Health's business. *"If you ask me what keeps me up at night,"* Mazi said, *"it would be if personal health information gets out – and then we're DONE!"*

Exhibit 1. The Full Picture of Patient-reported Outcomes
Source: Pack Health
https://packhealth.com/insights-and-outcomes/

The Founder and the Founding Idea

As a startup company located in Birmingham, Alabama, Pack Health primarily served the Mid-South region of the U.S. and focused on the care of patients with chronic diseases. About half of U.S. adults had at least one chronic condition, and a quarter had two or more (Ward *et al.* 2014). About 83% of healthcare resources in the U.S. were consumed by individuals with chronic diseases (Emanuel 2012). The Mid-South region included the states of Alabama, Mississippi, Louisiana, Kentucky, Tennessee, and Arkansas. Compared with other U.S. regions, states in the Mid-South were among the least healthy in the nation. The Mid-South population had high rates of chronic disease (*e.g.*, diabetes, hypertension) and worse health-related behaviors than the rest of the U.S. population did (Oates *et al.* 2017). With a motto *of "a better way to better health,"* Pack Health marketed itself as *"an evidence-based patient engagement platform that changes health behaviors to close gaps in care and improve outcomes"* (Pack Health 2021).

Mazi Rasulnia, founder and CEO, graduated from a renowned PhD program in health services administration of University of Alabama at Birmingham (UAB). Instead of pursuing an academic job – as most of his cohort colleagues would – Mazi wanted to do something different. After living in the Mid-South region for a long time, he had this question on his mind: *"How can we help Americans in the risk categories of the Mid-South region?"* This seed idea sprouted from one of Mazi's close family member's experience of going under knee surgery a few years back. Before the surgery, the medical residents confirmed with the patient which leg they needed to do the surgery on: the left or right leg. Because of the question, they avoided a potential medical error. After the surgery, his relative faced problems similar to many other patients: what do they need to do in order to recover and prevent them from entering the hospital again? The idea of starting a chronic disease management company then emerged. Mazi described the vision of his business as,

> *"It would be an honor if some day in the future my doctor would recommend Pack Health to me after I am discharged from the hospital."*

Starting with a unique and creative idea, Pack Health was an entrepreneurial firm with both the bright and the dark sides of a small startup. It started with an innovative idea of a young entrepreneur, and continued to thrive and succeed despite difficulties. From the continuous seeking of funding sources to strategic pivots during economic downturn, Pack Health dealt with different types of challenges associated with entrepreneurial firms.

Differentiation Strategy

While some competitors focused their entire business on a targeted health condition or area of practice, Pack Health decidedly offered a number of services covering different types of chronic diseases, including diabetes, cancer, lupus, COPD, chronic pain, and depression (Exhibit 2). Pack Health utilized a differentiation strategy with a broad focus to create uniquely desirable products and services across the continuum of care.

Exhibit 2. Services offered and diseases covered by Pack Health

Source: Summarized from Pack Health
https://packhealth.com/#

Metabolic Disease	Inflammatory
Diabetes Prevention Program (DPP)	Chronic Pain
Dyslipidemia	Crohn's & Colitis
Chronic Kidney Disease (CKD)	IBD
Weight Management	Musculoskeletal Pain
Autoimmune Disease	Cardiovascular Disease
Lupus	Atrial Fibrillation
Multiple Sclerosis	Heart Failure
Psoriasis	Hypertension
Psoriatic Arthritis	Specialized Services
Rheumatoid Arthritis	Food Insecurity
Oncology	Maternal Health
AML & CLL	Nutrition
Breast	Behavioral
CAR T-Cell	Anxiety
Multiple Myeloma	Depression
Prostate	High Stress
Survivorship	Chronic Pain
Tumor-Agnostic	Caregiving
Respiratory Disease	Migraine
Asthma	
COPD	

Pack Health contributed to the literature in chronic disease management by presenting at national conferences and publishing peer-reviewed journal articles (Pack Health 2022). One of the reasons for generating such evidence-based contributions was Pack Health's choice to follow the holistic care approach, and another reason was that most potential customers were patients with multiple chronic conditions whose contextual care was under-researched.

Pack Health offered comprehensive services to patients with multiple clinical conditions through the company's Health Advisors who coached each customer as a whole person. Most of Pack Health's competitors focused on specific diseases (*e.g.*, diabetes). Only a few competitors attempted a similarly holistic approach to digital health and coaching in the U.S. and abroad, but none had succeeded in the Mid-South U.S. market (Exhibit 3).

Pack Health's total funding was $82.9 million with estimated annual revenue of $44.1 million (Growjo 2022). Pack Health partnered with insurance and pharmaceutical companies, doctors, and employers to help provide funding. For people who could not obtain funding through any source, Pack Health offered a program with a startup fee of $99.00 followed by $29.99 per month (Davis 2016).

Pack Health used Amazon Web Services (AWS) since 2018 rather than creating its own information technology platform. Instead of establishing a *"new age"* app-based engagement program, Pack Health made another strategic decision to use a traditional approach. The approach included weekly phone calls, texts, and emails – to communicate regularly with customers (members) about specific concerns. Each member would enter a semi-structured program for the conditions they had, and a health coach would guide them on a journey to better health outcomes (Exhibit 4).

Exhibit 3. Companies that Offered Similar Services as Pack Health (May 2020)

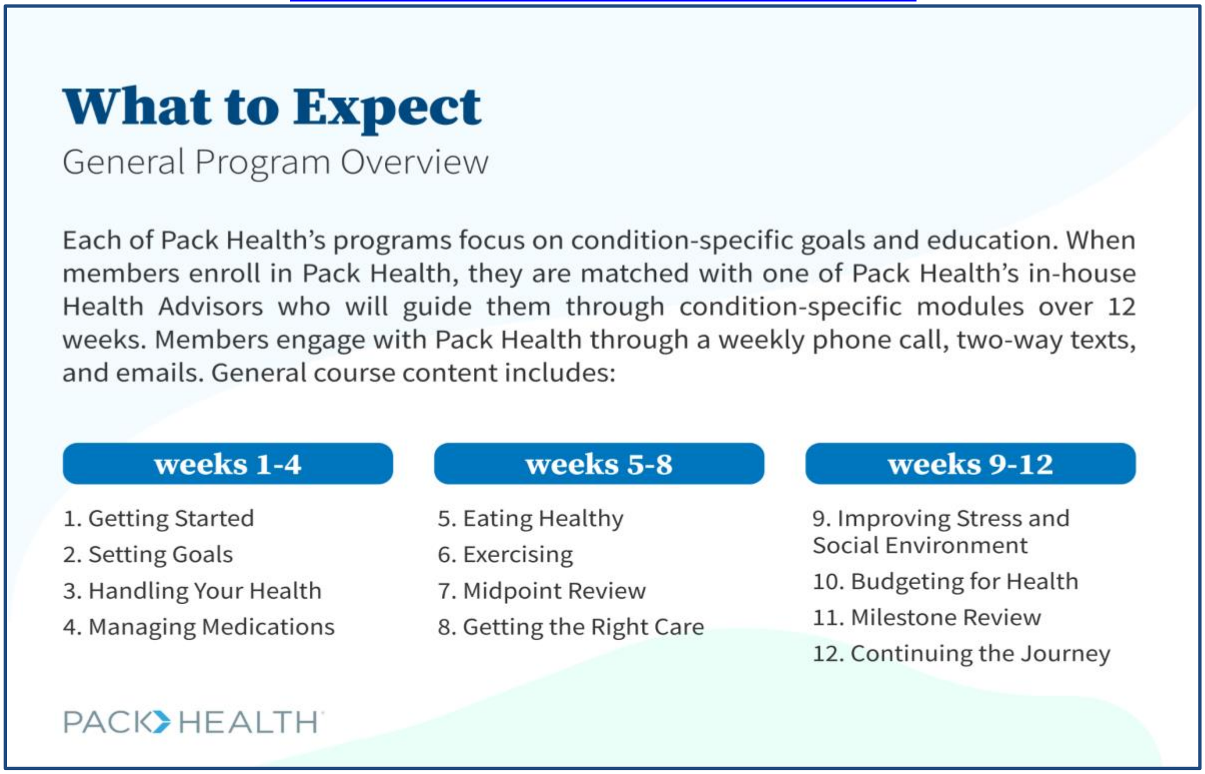
Source: Keller, *et al.* (2022)

Company Name	Location	Funding (million USD)	Cost to Individual Patient/Member
Noom, Inc.	New York, NY	657.3	US $59/month or $199/year
Virta Health Corp.	San Francisco, CA	373	US $249/month plus a one-time $250 initiation fee
Omada Health, Inc.	San Francisco, CA	256.5	US $140/month for the first 4 months and $20/month for the following months
Livongo Health, Inc.	Mountain View, CA	235	Purchase free; costs covered by employer, health plan, or health care provider
Ginger	San Francisco, CA	220.7	No cost through employer organization
HeadSpace Health	London, England Santa Monica, CA	215.9	$12.99/month; $69.99/year
Vida Health, Inc.	San Francisco, CA	188	Free download, free 1 week trial, and subscription US $58.25-$79/month
DarioHealth Corp.	New York, NY	169	Basic US $25-$30/month, pro US $33-$40/month, and premium US $70-$85/ month
Informed Data Systems, Inc. (One Drop)	New York, NY	106.2	Digital membership US $19.99/month, supplies $20.99/month, and combined package $30.99/month
Lark Technologies, Inc.	Mountain View, CA	95.7	Lark Weight Loss Pro US $19.99, Lark Wellness Pro $14.99, and Lark Diabetes Prevention Program Pro $119.99
Welldoc, Inc.	Columbia, MD	55.2	Unclear
Liva Healthcare	Copenhagen, Denmark	43.5	£28 ($38) /month
Twin Health, Inc.	Mountain View, CA Chennai, India	43.5	₹1450 ($20) for a 14-day trial; price for continuous use unclear

Exhibit 4. A Sample Program from Pack Health

Source: Pack Health

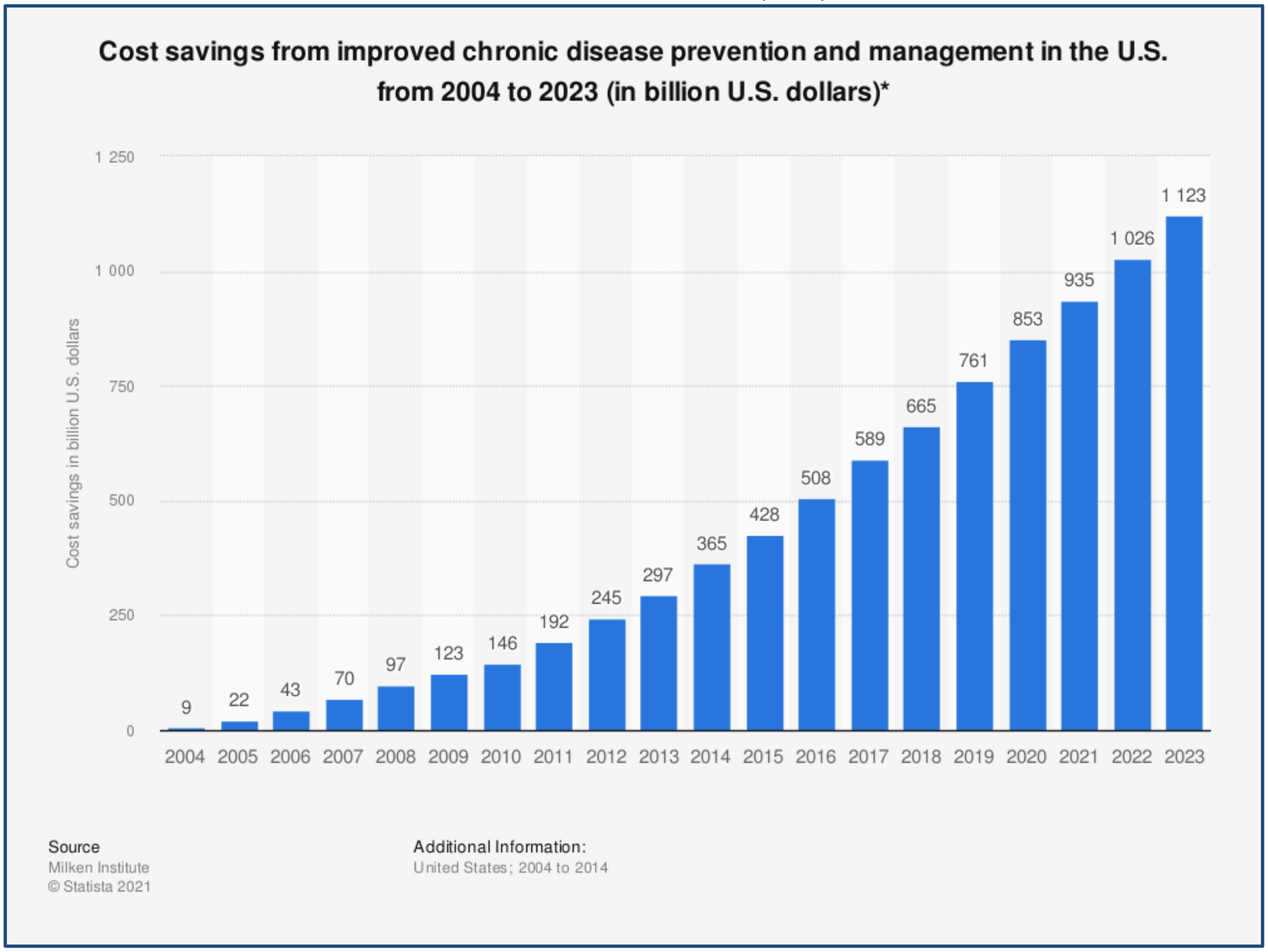
https://packhealth.docsend.com/view/n83n5za9bgf7us2v



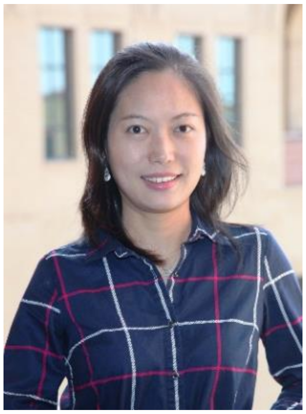
The Impact of the COVID-19 Pandemic

When the COVID-19 pandemic hit the U.S. economy and society in March 2020, most businesses faced a lot of uncertainty and held back and operational stability before proceeding with any new strategies. In March 2020, Pack Health had about 65 full-time employees and decided to freeze hiring. After all, the chronic disease management market and the cost savings from associated improvements were projected to increase, fortifying Pack Health's sense of mission and going in the right direction with its core business (Exhibit 5).

Exhibit 5. Cost Savings from Improved Chronic Disease Prevention and Management
Source: Milken Institute, Statista (2021)



Pack Health's decision to freeze hiring – rather than growth or defensive strategies – came shortly after a multi-million investment by an external stakeholder. But after a few months, the COVID-19 pandemic brought an unexpected growth opportunity in an uncharted line of customer service and, with it, a decision dilemma for Mazi Rasulnia and Pack Health. The potential multi-million-dollar contract to feed the struggling customers of a large retailer seemed like a *"no-brainer"* opportunity. But was it? What were the potential benefits? What was the downside?



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CAN MARTÍN KEEP HIS HANDS CLEAN? A RIGHT VS. RIGHT ETHICAL DILEMMA

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Victoria and Martín were friends. They had been co-workers when their relationship grew into a personal friendship while working together at GBS Bank. Later, Victoria moved to a different bank as a Relationship Manager. She was an effective communicator, had good relationship-building skills, and quickly became successful in that organization. Martín remained at GBS Bank and, within a short period of time, was promoted to the Credit Manager role where he was responsible for complex credit transactions for the bank's largest clients in Southern California. Victoria and Martín maintained a close relationship and over time, their friendship grew. After a few years, a Relationship Manager position became available at GBS Bank, and Martín recommended Victoria for the job. Victoria was hired based on Martín's recommendation. Victoria applied the skills she learned at her previous firm and success followed. She was promoted to the Senior Relationship Manager role at GBS within a short period of time. Her success also translated into success for Martín since he was managing credit transactions for all the new clients that Victoria was acquiring. Martín was generating a significant amount of revenue for GBS Bank and was soon recommended for a highly sought-after Senior Credit Manager role.

Martín recently become aware that part of Victoria's success was due to the fact that she was aggressively acquiring the client relationships of Nora, another Relationship Manager at GBS. Nora was recently divorced, which temporarily affected her job performance, and Victoria was

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taking advantage of Nora's distracted state. Martín recognized that Nora's continued under-performance could soon lead to her termination.

Martín's Dilemma

Martín was faced with a dilemma – to maintain a working relationship with Victoria and enjoy their continued success together, or confront Victoria for her behavior and report her to senior management, which could potentially lead to Victoria's termination, compromise his own opportunity to become Senior Credit Manager, and jeopardize the close friendship he has built with Victoria over the years.

Background

Victoria and Martín became friends while working together at GBS Bank, a financial institution with offices located in Los Angeles, Long Beach, and San Diego. Both worked at the Los Angeles office where they initially met in 2010. Their friendship grew partly due to their shared background. Both were first-generation immigrants - Martín from Germany and Victoria from Peru. They both came to the U.S. in 2003. Both were ambitious and enjoyed success in their respective professional careers. After working together for five years, Victoria left GBS in 2015 and took up a Relationship Manager role at a local competitor. Martín decided to continue his career at GBS where he eventually became a Credit Manager and started managing complex credit transactions for the bank's clients. Over the next few years, both Victoria and Martín maintained close contact and remained friends. Their relationship grew stronger, and both occasionally spent weekends together, including vacations.

In 2018, GBS Bank decided to expand its footprint in Southern California and, as part of its expansion plan, needed Relationship Managers like Victoria who were driven and ambitious. The bank developed aggressive client acquisition targets. Martín, without hesitation, recommended Victoria to his manager, not because of their friendship, but because Martín believed that Victoria was the right fit for the role. Soon after, Victoria was hired based on Martín's recommendation.

After the initial few months of getting up to speed in the new role, Victoria started to build momentum and was acquiring client relationships at a rapid pace. Most days, she was out of the office, trying to expand her network with wealthy individuals and their family offices located in Southern California. Her hard work started to pay off and she was converting those prospects into client relationships.

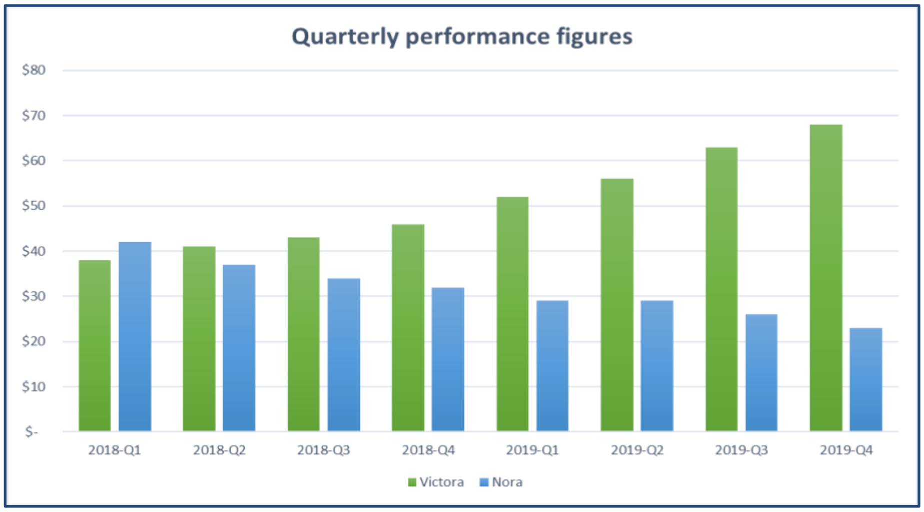
Martín also benefited from Victoria's success. Martín was the Credit Manager on most of the new client relationships that Victoria was acquiring. When a client engaged in a credit transaction, the margin on the transaction was the source of revenue for the firm. Of all the financial products GBS offered to its clients, credit products were key drivers of revenue for the bank. GBS Bank employed credit managers like Martín who were experts in credit-related transactions. To maximize efficiency, credit managers had three to four credit specialists who reported directly to them. Credit managers such as Martín also had revenue goals. Credit transactions had the highest margin spreads among most banking products and Martín was experiencing record months in terms of revenue generation for the firm. Martín's manager was very pleased with his performance and Martín was recommended for a Senior Credit Manager ("SCM") role by the credit committee of the bank.

As part of the Credit Solutions Team, Martín had to maintain close working relationships with all relationship managers in Southern California. In a bank such as GBS, it was the relationship manager's responsibility to acquire clients.

One such relationship manager was Nora. Martín had known Nora for quite some time. Nora had previously maintained an acceptable level of performance in terms of client acquisition, but lately she was having difficulty achieving those targets. While speaking with Nora on a Friday afternoon, Martín discovered that Nora was a single mother with two children and was recently divorced. Nora told Martín that Victoria had been actively soliciting some of the new prospects that Nora had been developing relationships with - but had not yet converted into clients. Nora was convinced if she overcame the distractions in her personal life, she would be able to convert some of those prospects into clients. Nora was concerned for her job security if she failed to meet client acquisition targets for the next two quarters. She had barely managed to acquire enough client relationships in the previous year and was behind in the first two quarters of the current year.

Exhibit 1. Comparative Revenue for Victoria and Nora

Source: Authors' Notes



Martín's Decision

Martín realized he had a very difficult choice to make. Should he forget about the conversation and move on, leaving Nora to fend for herself? Martín's inaction could potentially lead to Nora's termination. Should he report Victoria's actions to the Senior Manager? If so, Victoria could face disciplinary actions up to and including termination.

Additionally, Victoria's outstanding job performance had been a significant contributing factor to Martín's success including the upcoming promotion for the SCM designation. Should he sacrifice his career advancement to defend Nora? What would happen to the close friendship that Martín and Victoria enjoyed?

While driving home that Friday, Martín decided to think through the dilemma that had been presented and determine his best course of action. After all, his upbringing was modest, and his parents taught him to always do the right thing.

Exhibit 2. Excerpt from GBS Code of Conduct

Source: Authors' Notes

At GBS, we strive to ensure that we act in the best interests of our clients and create economic value. We hold ourselves and each other to behave ethically and professionally in our dealings with all stakeholders.

Employees must:

- *Behave fairly, transparently, honestly, and dependably.*
- *Demonstrate responsibility for your own decisions and hold others accountable to these standards, including reporting unethical conduct and violations or potential violations of laws, regulations, policies, and this Code.*

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SPECIAL EDITION: CASES ON CONTEMPORARY ISSUES IN HIGHER EDUCATION

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RETENTION RATES AT ESU: ASYMMETRY OF INFORMATION AND SCREENING DEVICES

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Dr. Greg Martinez, the Director of the Academic Success Center (ACSU) at the Eastern Sanders University (ESU), was reviewing the university's annual report as he waited for the rest of the team to join the monthly meeting. The report revealed a retention rate of 71.8%, the lowest rate since ESU's inception in 1944. This news was distressing for the faculty and staff – and especially for Dr. Martinez – who strongly believed in ESU's high-quality education.

Dr. Martinez had stepped down from his position as a full-time faculty member to join the administration three years prior. He loved his students and the positive learning environment fostered throughout his 20 years of teaching. However, he wanted to address the ominous trend of high dropouts at ESU, a liberal art college located in the heart of Tampa, Florida. After graduating with a Ph.D. in Economics, he worked as an assistant professor at a small college but soon accepted a position at ESU, where the diversity of the student body convinced him to settle his roots in Tampa.

Dr. Martinez and his team extensively researched the factors affecting retention at ESU. The outcomes of this research corroborated Dr. Martinez's conjecture that ESU had limited information on applicants' non-academic abilities required for adapting to college life, exposing ESU to financial and retention rate projections based on incomplete information concerning first-year cohorts of students.

The author developed the case for class discussion rather than to illustrate either effective or ineffective handling of the situation. The case and its accompanying instructor's manual were anonymously peer reviewed and accepted by the ***Journal of Case Research and Inquiry, Vol. 7, 2022***, a publication of the Western Casewriters Association. Contact Karla Borja, The University of Tampa, 401 W. Kennedy Blvd., Box O, Tampa, FL 33606, kborja@ut.edu.

Previous attempts to bolster retention rates had been partially successful, including the creation and funding of the ACSU, where first-year students had access to free tutoring, advising, academic exploration, and scholarship programs.

Nonetheless, Dr. Martinez was ready to try something new. With his knowledge and experience in economic theory, Dr. Martinez developed a *"screening device"* model to identify first-year students with limited non-academic skills so that resources could be focused on these students. While waiting for his team, Dr. Martinez pondered over the screening device. Would it be effective to differentiate at-risk students? Would the Provost be on board with the implementation of this device? Dr. Martinez understood that ESU's financial position could not be exposed to another year of low retention rates; hence, if approved, could the screening device be implemented during the next school year?

ESU's Efforts to Improve Retention Rates

Dr. Martinez understood that no higher education institution was indifferent to low retention rates. Still, low numbers were distressing for a private institution such as ESU. A low retention rate led to mismatches between revenues and expenses, compromising the long-term financial sustainability of the organization. ESU, a private liberal arts school comprising 7,200 undergraduate students, was accredited by the Southern Association of Colleges and the School Commission on Colleges (see Appendix A). The university was considered one of the best undergraduate institutions in the Southeastern United States, which made it an attractive higher education institution among domestic as well as international students (Appendix B).

ESU annually developed its budget based on a set of assumptions regarding retention rates and donor contributions, but student withdrawals before the end of their four-year plans caused an unfavorable revenue shortage.

Dr. Martinez noted that many renowned private universities throughout the United States were closing majors and reducing tenure-track faculty positions, with the regretful outcome of having their accreditations revoked (Boylan 2019; Horn 2018). He wanted to ensure that ESU improved its retention rates and avoided such a negative outcome.

Dr. Martinez completed an extensive study on the factors explaining retention rates while serving as the Director of the ACSU. He found that academic success measured via high school grade point average (HSGPA) was a core element that was already requested by ESU in the application form. He knew that average HSGPA value was in line with peer-institutions (refer to Exhibit 1). However, Dr. Martinez was unable to obtain non-academic information about ESU students. He had come across an article a few years prior regarding the positive effect of non-academic skills on studying habits and adjustment to college life. However, ESU did not obtain students' data on non-academic skills.

Exhibit 1. Retention Rates in Peer Institutions

Source: College Data

Institution	First Year Retention Rate	Acceptance Rate	Undergraduate Enrollment	Average High School GPA
ESU	71.8%	58%	7,200	3.52
University of Tampa	79.3%	48%	8,400	3.40
Loyola Marymount U	89.9%	47%	6,700	3.81
Hofstra University	82.1%	63%	6,800	3.61
Elon University	89.2%	67%	6,100	3.98

Note: Information from peer institutions was retrieved from their websites and CollegeData at http://www.collegedata.com. The first-year retention rate is the percentage of the school's first-year undergraduate students who continued to the next year at that school. The acceptance rate is the ratio of the number of students accepted to the number of applications.

Dr. Martinez and his ACSU team reviewed the admission guidelines of other higher education institutions, including community service and other non-academic activities during high school. He wondered if non-academic factors could explain the high dropouts at ESU.

Extracurricular Activities as a Screening Device

As an economist, Dr. Martinez knew that accepting students to college was inherently a problem of asymmetric information. The Admissions Office had limited knowledge of the non-academic abilities and adaptability attributes of a potential student, and those with poor skills would not provide this information on a college admission form. Unknowingly, the Admissions Office enrolled a group of students who were otherwise ill-equipped to succeed in college.

A simple —but ineffective— solution was to directly ask the applicants about their non-academic skills. However, who would highlight poor skills and abilities in a college application? Dr. Martinez needed a screening device that would *"reveal"* the level of non-academic attributes among applicants. He knew that ESU and most universities utilized screening devices to gauge students' academic success, such as a minimum high school GPA (HSGPA). The Admissions Office checked the HSGPA rather than directly asking applicants about their academic abilities. Nevertheless, non-academic skills were difficult to measure and had seldom been addressed in the literature that Dr. Martinez had reviewed up to that point (DeBerard *et al.* 2004; Sommerfeld 2011).

Dr. Martinez contemplated the relevance of non-academic skills such as interpersonal attitudes, time management, and organizational skills to explain a better transition from high school to college life. What type of information could reveal such skills? Based on his research, Dr. Martinez had become aware that academic and socioeconomic factors were systematically employed as screening devices by ESU and its peers, but he found no device measuring non-academics (refer to Exhibit 2).

Exhibit 2. Factors Increasing the Probability of Success in College

Source: Melendez 2016; Misra and McKean 2000; Lotkowski et al. 2004.

(1) Academics	(2) Socioeconomics	(3) Non-Academics
- High school GPA (HSGPA) - Standardized pre-college tests - High school advanced courses (Honors programs)	- Family income - Racial and gender compositions - Social and financial support - Age - Labor market conditions upon graduation	- Self-confidence - Study and reading habits - Adaptability to connect with peers, faculty, and community - Time management skills - Organizational skills - Perseverance and commitment - Detailed goals and long-term aspirations

Dr. Martinez read that high school students participating in extracurricular activities (ECAs) showed more positive development and less risky behavior than those who did not. After-school programs cultivated the sense of being an active member in a community and being socially recognized and valued in a group, facilitating social networking among peers and adults. Participation in ECAs was also associated with better interpersonal aptitude, self-conceptualization, school engagement, and educational aspirations. (Refer to Eccles *et al*. 2003; Marsh & Kleitman 2002; Durlak *et al.* 2010; Youniss *et al.* 1999; Lotkowski *et al.* 2004.) Dr. Martinez believed that he found the screening device needed to access non-academic information of ESU applicants. ECAs promoted the development of such skills and could be measured by the number of ECA hours invested during high school.

Dr. Martinez understood that no screening device would be able to remove the asymmetry-of-information problem; still, these devices were known for improving applicants' evaluations. He anticipated that ECAs would assist him in recognizing students with similar academic backgrounds but different non-academic skills. He also knew that an effective screening device could sort out students, but wondered if ECAs could sort two types of applicants with similar HSGPA: those better equipped to adapt and adjust to new challenges, ideas, and diverse people, defined as A-type, and those who would face hardships when coping with new environments, defined as B-type.

ESU had already committed considerable financial resources to its First-Year Experience program, the ACSU, the Career Exploration Program, and the *"Tutor-In,"* which was a free academic tutoring program. Still, many of these programs provided limited results in terms of retention rates due to the tardiness of identifying B-type students. They were also expensive endeavors since they had to be completed by all first-year students (A-type and B-type). The ineffective use of ESU resources prompted Dr. Martinez to try ECAs as a screening device.

While going over the report, many questions occupied Dr. Martinez's mind. First, he was unsure about the effectiveness of the screening device for identifying B-type students. He knew that other screening devices, such as HSGPA, already assisted ESU in spotting students with academic deficiencies, but he did not have evidence that ECAs would function as an operational device to isolate non-academic skill deficiencies. He also wondered how this procedure could be ethically implemented. The categorization of students according to HSGPA was a standard procedure, but segregating them based on non-academic skill levels could bring forth feelings of injustice and unfairness. For instance, while discussing the ECA model with a colleague a few days ago, Dr. Martinez was appalled by her comment: *"Many high school applicants with limited financial resources would not be able to access ECA opportunities at their schools and be labeled as B-types."* Furthermore, explaining the program to the Provost, the Faculty Senate, and the administration posed another challenge.

In the report, Dr. Martinez recommended that questions regarding the number and type of ECAs should be added to the admission forms. ECAs were classified into four categories: (1) volunteer activities, such as church services or community services; (2) performance activities, such as school band, drama, or dance; (3) sports and cheerleading; (4) academic clubs, such as debate, foreign language, math, chess, or science clubs. Dr. Martinez explained that the purpose of the ECA was not to decrease the number of admitted students but to identify at-risk students early in the first semester so that ESU could tailor remedial courses, programs, and services specific to this group of students.

Identification of Students: The Screening Device Model

Dr. Martinez labeled the two types of applicants as A-type, or those with well-developed non-academic skills, and B-type, or those with limited non-academic skills.

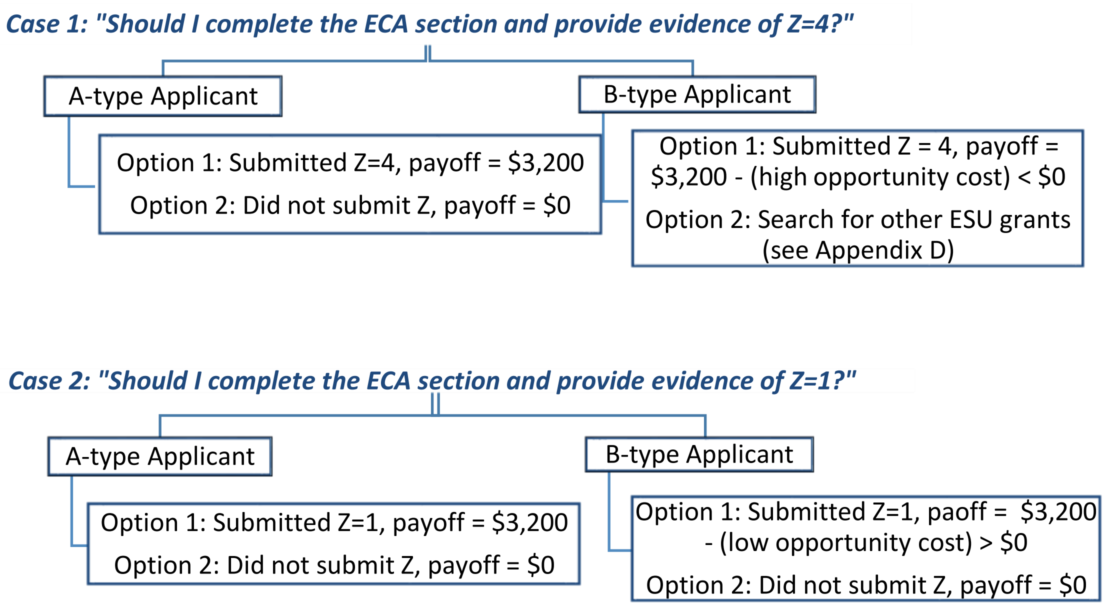
When admitting two students with similar HSGPA, A-types had a higher probability of adapting well to college life, while B-types were likely to struggle to adapt to the new experiences. He recognized that most applicants would signal themselves to be A-types if they were simply asked about their non-academic skills. The ECA information was a screening method that would signal the type because ECAs were correlated with the development of non-academic skills.

Dr. Martinez admitted that few ECA hours might not be enough to determine the types of the applicants because most high school students could fulfill the listed requirements (*e.g.,* one hour of ECA per month). Therefore, Dr. Martinez developed a model using game theory tools wherein the number of ECA hours per week in high school, defined as *"Z,"* was the variable to be solved. Finding *"Z"* required some assumptions concerning the cost of ECAs for a typical high school student. For instance, a student needed to sacrifice part-time jobs, playtime, and family time (*i.e.,* opportunity costs) to participate in ECAs. An A-type student, who enjoyed and felt comfortable being involved in ECAs, would experience a significantly less opportunity cost than a B-type student.

In the report to the Provost, Dr. Martinez proposed a scholarship of $3,200 among accepted students who submitted evidence of *"Z."* This amount would serve as an incentive to complete the ECA form by A-types, which required letters of recommendations and essays describing their role in ECAs during high school. Dr. Martinez's model produced a *"Z"* between 3.3 and 6.7 ECA hours per week. (The mathematical model was described in Appendix C). He considered possible scenarios while thinking like a student (refer to Exhibit 3). At Z = 4, A-types applied for the ECA grant of $3,200 by submitting evidence of four hours of ECAs. B types, however, did not apply for the ECA grant; the Z value was too high, and any attempt to imitate an A-type by submitting evidence of four ECA hours implied an opportunity cost that would produce negative payoffs. Alternatively, B-types could easily submit evidence at Z = 1. In this case, both types of students would apply for the ECA grants, and ESU would not separate the students.

Exhibit 3. Applicants Responses to the Screening Device

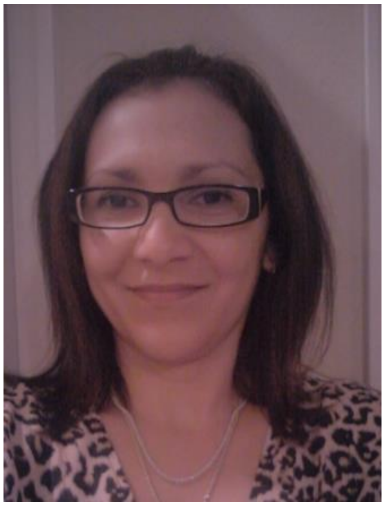
Source: Author's Notes



Note: The specific values of the opportunity costs for B-types were shown in Appendix C. However, without specific monetary values, a B-type applicant could get evidence of one ECA hour per week much easier than four ECA hours per week during a year in high school.

Conclusion

As he reviewed the report, Dr. Martinez was confident that the ECA information would assist ESU in recognizing academically worthy students but with limited non-academic skills. ESU could reinforce these skills early in the first semester by focusing on a specific group of students. As he welcomed his team members to the meeting, Dr. Martinez also questioned the assumptions of the model and wondered about the reliability of Z = 4. Additionally, he was concerned about possible misconceptions between non-academic skills and the socioeconomic conditions of the applicants, producing a false sense of unfairness that he did not know how to explain.



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Appendix A. Academic Accreditation and College Ranking

Academic Accreditation

The goal of accreditation is to ensure that institutions of higher education meet adequate levels of quality. Accrediting agencies are responsible for conducting periodic examinations to confirm that institutions meet specific criteria. The academic accreditation process represents a long and costly endeavor for any higher-education institution. However, the accreditation offers a valuable opportunity to be recognized as a high-quality education institution. Here are some of the factors that accredited organizations consider during the process:

First, the institution must collect and organize a long list of qualitative and quantitative data, representing an opportunity for the identification of low performance areas and continued improvement and innovation in curricular plans, assessment tools, and overall quality of education.

Second, accreditation promotes the integration of learning, evaluation process, and the academic growth of the institution. The institutions must conduct work related to technical infrastructure, systems, and assurance processes, so faculty can successfully deliver high-quality education.

Third, it promotes a culture of assessment and self-regulation. Accreditation is a process of an ongoing improvement of programs through constantly developing and sharing performance indicators.

Fourth, the programs must deliver academic knowledge that integrates well with work skills. The accreditation process requires a constant revision of the degree programs and curricular plan that reflect skill levels needed in the job market.

Fifth, the accreditation process requires faculty to innovate their lesson plans and improve alignments between content and assessment tools. At the same time, the university must open feedback channels, maintain a record of the changes and innovation, and provide reports of improvements and growth in academic knowledge and skills (SACSCOC n.d.; U.S. Department of Education n.d.).

Colleges Ranking Criteria

Using multiple criteria to assess the various dimensions of academic quality, several organizations rank colleges every year *(Forbes, US News, Times Higher Education, etc.)* These measures include impact factors on the quality of students and faculty and available resources. A list of some measures of quality used by these organizations is presented below (Morse & Brooks 2021):

- Retention rates and graduation rates
- Undergraduate academic reputation
- Faculty resources
- Class sizes
- Faculty compensations
- Proportion of faculty with terminal degree in their field

- Proportion of full-time faculty
- Student-faculty ratio
- Acceptance rate relative to applications
- SAT and ACT scores
- High school class standing
- Students' financial resources
- Alumni's giving rate
- Campus infrastructure and facilities
- Post-graduate success
- Campus diversity
- Success in the job market

Appendix B. News and Alumni Testimony about ESU´s Quality of Education

Princeton Review Ranks ESU

ESU has been nationally ranked the 25th and 29th top school for its entrepreneurship studies. The rankings were announced by The Princeton Review and *Entrepreneur* magazine.

ESU is the fourth-ranked school in Florida in the undergraduate category and ranked third in the graduate categories. In the Southeast, ESU was ranked No. 10 in undergraduate entrepreneurial studies and No. 5 in graduate entrepreneurial studies.

ESU Entrepreneur Center has supported more than 500 startups launched by students and alumni in the past five years and more than $120 million of funding raised.

The director of the Entrepreneurship Center said *“Our goal is to provide transformative educational experiences for our students. We are thrilled to be recognized as one of the top programs in the region.”*

The Princeton Review's ranking is based on analyses of more than 40 data points from a survey. It includes questions about the proportion of faculty, students successfully involved in entrepreneurial endeavors, the number of mentorship programs, scholarships and grants, and the support for business plan competitions.

Alumni Testimony

Featured in ***Miami Magazine***, Alec Morgan ’19 stated: *“My time at [ESU] was amazing. It was one of my best experiences in terms of education and faculty mentorship. My professors taught using different methods to adjust to different learners. All of them had practical experience in their fields and spoke to practical matters and cases.”*

“[ESU] is an inclusive environment. They embraced my diverse background and I felt welcomed and appreciated in all my participations and contributions inside and outside the classroom. No matter who you are, they are ready to embrace different ideas and views” said Alec, during his interview.

“I believed in the mission of the school, and I believed in the professors,” said Morgan. *“I knew I was going to get a great education here and its reputation would help me to reach the next step in my career, which it did.”*

Appendix C. The ECA Model

Proposal: ECA grant of $3,200 to those students submitting Z in their application form.

Z = ECA hours per week during one year of high school, including evidence (recommendation letters and an essay explaining their role in the ECAs).

Objective: Z is large enough that separated the applicants in two types of students. A-Type = those applicants well-equipped to adapt and adjust to new challenges, ideas, and diverse people. B-type = those who could face hardships when coping with new environments.

Assumptions: In setting a dollar value to the opportunity cost of ECAs, Dr. Martinez used the average wage earned by a high school kid in a part-time job, say $10 per hour. For example, a member of the high-school band who practiced four hours per week (two days a week) incurred an opportunity cost of $40 per week ($10 × 4 hours). B-type students for whom ECAs were difficult and unpleasant, required double the effort than an A-type, and for the same four hours per week of band practice, a B-type incurred in an opportunity cost of $80 ($40 × 2). Most students were not actually choosing between ECAs and the earnings of a part-time job, but this framing provided a dollar value for the model.

Mathematical Model.

Finding Z: Under an effective screening device, A-types submitted Z. Other applicants with fewer Z (or no Z) were regarded as B-type. The optimal Z comes from two conditions:

Compatibility Condition A-type:

A-type payoff for submitting Z > A-type payoff for not submitting Z

$$\$3{,}200 - (\$10 * Z * 48) > \$0$$

Where: $\$10 * Z * 48 =$ the ECA opportunity cost per year (48 weeks per year) for an A-type

$$\$3{,}200 - (\$480 * Z) > \$0$$

$$\$3{,}200 > \$480 * Z$$

$$\$3{,}200/\$480 > Z$$

$$6.7 > Z$$

Compatibility Condition B-type: Z was large enough that B-types did not have enough completed ECAs to apply to the ECA grant, and imitating A-type to get the grant was too costly. Mathematically,

B-type payoff for revealing their type (Z = 0) > B-type payoff for imitating A-type

$$\$0 \text{ (or other ESU grants)} > \$3{,}200 - (\$10 * Z * 48 * 2)$$

Where: $\$10 * Z * 48 * 2 =$ the opportunity cost per year for a B-type (double than A-type)

$$\$0 > \$3{,}200 - (\$960 * Z)$$

$$960 * Z > 3{,}200$$

$$Z > 3{,}200/960$$

$$Z > 3.3$$

Under the assumptions described above, a 6.7 > Z > 3.3 separated the types of students.

Example:

If Z = 4,
A-type payoff for applying to the ECA grant = \$3,200 – (\$10*48*4) = \$1,280.
B-type payoff for attempting to submit Z = \$3,200 – (\$10*48*4*2) = -\$640.
B-type had no incentive to provide Z.

If Z = 1,
A-type payoff for applying to the ECA grant = \$3,200 – (\$10*48*1) = \$2,720.
B-type payoff for attempting to submit Z = \$3,200 – (\$10*48*1*2) = \$2,240.
Both types showed positive payoffs and submitted Z, and ESU did not separate the students.

In practice, most B-types would not participate in at least 4 hours of ECAs during a year in high school. It would be too costly in terms of other alternatives (job, free time, etc.) Even if they knew that ECAs could be requested during college application, it would be difficult to maintain 4 hours of ECA per week and eventually would opt for other college grants.

In practice, it could be possible that some B-types use deception in their applications and submitted Z. It would be possible that some B-types completed the minimum Z during high school, but showed limited non-academic skills. Screening devices could improve the asymmetry of information problem, but would not fully eliminate it.

Appendix D. ESU Website Information about Grants and Scholarships

Type	Requirements
1. Scholarships on academics	HSGPA or ESU cumulative GPA higher than 3.2 are considered for academic scholarships, ranging between \$500 to 5,000 per semester.
2. Other ESU grants	Armed Forces, low-income family scholarship, business scholarships, Art, Film, Animation, and New Media grants, Health Science scholarships, Honors program, minority grants, study abroad grants, etc.
3. Outside grants	Armed Forces, minority scholarships, Florida state grants, etc.
4. Aid for Florida Residents	All full-time undergraduate Florida residents receive the Effective Access to Student Education (EASE) grant. Proof of Florida residency is required.
5. Federal Grants	Annual awards for federal need-based programs, such as Pell, SEOG and TEACH grants, range from \$1,000 to more than \$5,000.
6. Loans	All students enrolled in at least six credits per term qualify for federal loans.
7. Veterans Benefits	100% of the tuition and fees for veterans. Other veteran benefits available.
8. Employment	More than 500 jobs are available on campus.

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HOW FAR AM I AWAY FROM BEING AN AMERICAN?

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Caty Hsu had been an international student in the United States for seven years. She finished her Ph.D. program and accepted an offer as a tenure-track Assistant Professor at a public university in the U.S. After having participated in the new faculty orientation and having prepared the syllabi and much of the teaching materials for the courses that she was scheduled to teach in Fall 2021, Caty was told by the Dean and Chancellor of her new school that she could not teach. American Adjunct Professors would teach her courses, at least in the beginning of Fall 2021. Although the job offer letter - signed by both the university representatives and Caty Hsu - stated that Caty's position started on August 1, 2021, she would not be hired, or paid, in August. Would she start in September? October? Would she have to wait till 2022?

Worse – would she have to start all over again and search for another job at a different university? If she returned to her home country, would she ever be able to return to the U.S.?

Caty understood the constraints that her new school faced and the reasons behind the school's decision. Nonetheless, she still felt depressed about the situation and thought about what to do next. She could not help wondering: "How far away am I from being an American?" After all these years being in the U.S., Caty now felt that she was now a foreigner in both her home country and in the United States.

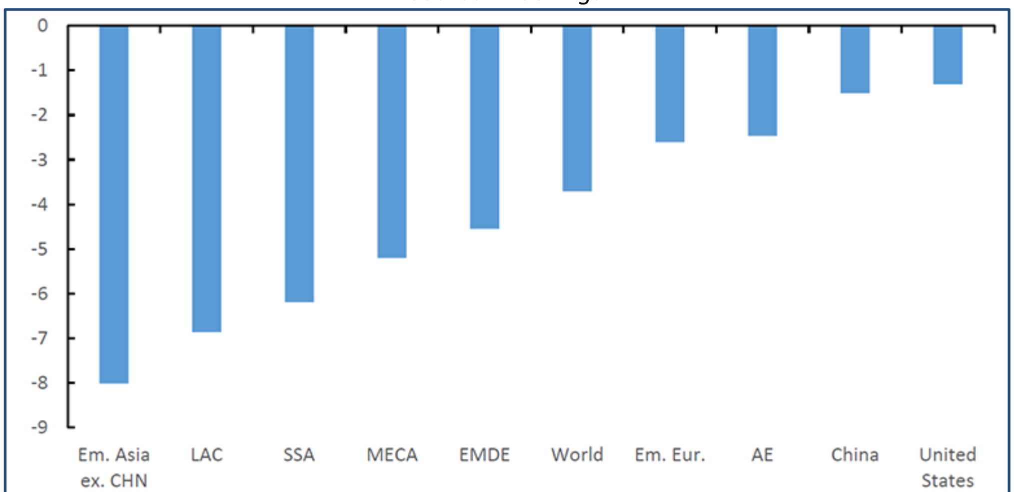
The authors developed the case for class discussion rather than to illustrate either effective or ineffective handling of the situation. The case and its accompanying instructor's manual were anonymously peer reviewed and accepted by the ***Journal of Case Research and Inquiry, Vol. 7, 2022***, a publication of the Western Casewriters Association. Contact: Yang Zhang, Indiana State University Southeast, 4201 Grant Line Rd, New Albany, IN 47150, yz152@ius.edu

COVID-19, Economics, and Higher Institutions

The unexpected COVID-19 pandemic brought the deepest global recession since the end of World War II (Levy Yeyati & Filippini 2021). Although the U.S. outperformed other countries during the pandemic, it experienced negative growth in GDP in 2020 (see Exhibit 1). The economic recession also affected the U.S. unemployment rate (U.S. Bureau of Labor Statistics 2021). In April 2020, the unemployment rate increased to 14.8% (see Exhibit 2). Without a doubt, the recession had an impact on institutions of higher education. According to the American Association of University Professors (AAUP), nearly 60% of U.S. universities implemented salary freezes or reductions in response to the COVID-19 pandemic. Over 50% of institutions modified tenure timelines or recommended early retirement programs for tenure-track faculty. More than 20% of universities did not renew contracts or terminated contracts for non-tenure-track faculty (AAUP 2021).

Exhibit 1. Global GDP Growth 2020

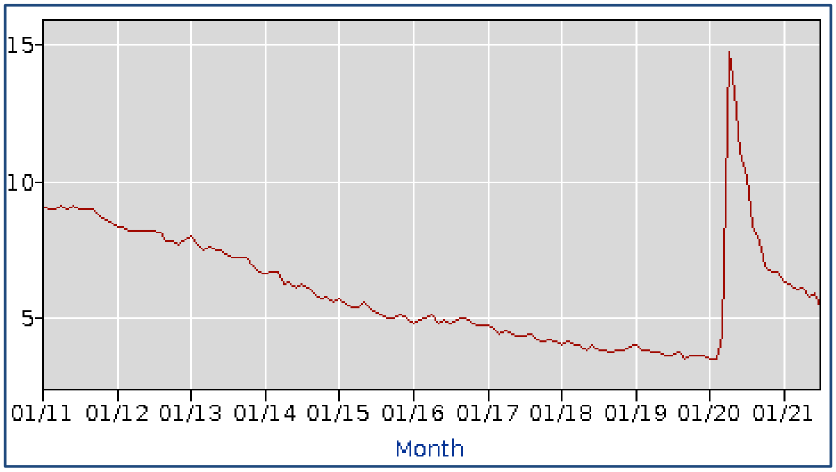
Source: Brookings



Source: IMF-WEO Apr-2021. Note: AE = Advance economies; Emerging Asia ex. CHN = emerging and developing Asia excluding China; EM. Eur = Emerging and developing Europe; LAC = Latin America and the Caribbean; MECA = Middle East and Central Asia; SSA = sub-Saharan Africa.

Exhibit 2. U.S. Unemployment Rate from January 2011 to 2021

Source: U.S. Bureau of Labor Statistics

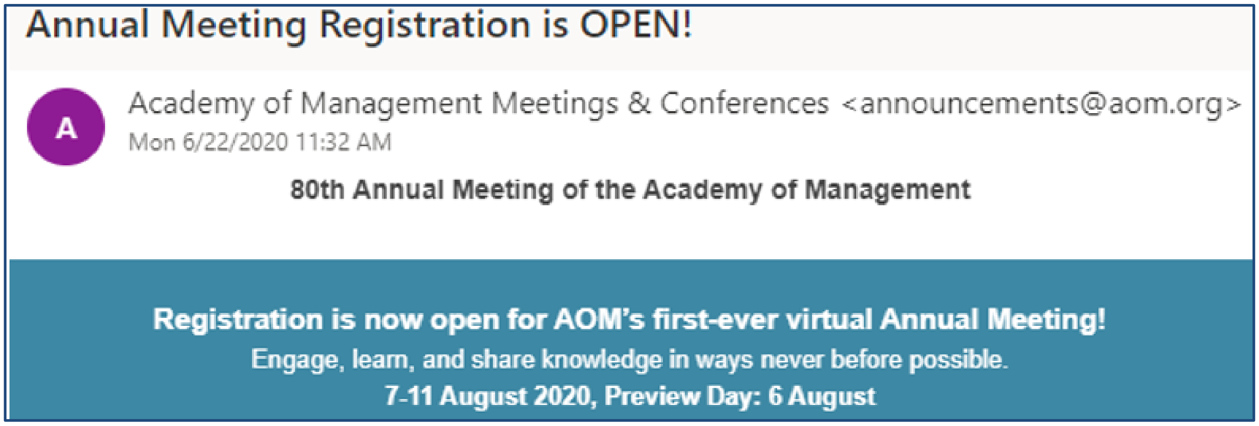


The pandemic prevented faculty, students, and scholarly practitioners from meeting in-person at the Annual Meeting of the Academy of Management (AOM). The 2020 AOM conference was supposed to be held in Vancouver, Canada, from August 7 to August 11. The conference was probably the most important annual academic event for management scholars in the U.S. and abroad. It included a career fair where job candidates could meet university representatives. Because of the uncertainty that the COVID-19 pandemic had caused, the organizing committee of the 2020 AOM conference sent out an announcement on June 22, 2020, changing the conference from in-person to virtual; there would be no face-to-face meetings between candidates for university jobs and university representatives. Since its first meeting in 1936, this was the first-ever AOM conference to be held virtually (see Exhibit 3).

Caty Hsu recalled that there were only about six universities that made employer presentations and held interview sessions at the career fair of the virtual conference. Many universities withdrew not only their participation in the career fair but also their recruitment plans completely. One university recruiter said, “We had five approved Management Assistant Professor positions. They all got cancelled at the last minute in June 2020.”

Exhibit 3. AOM Announcement

Source: Caty Hsu's Email



The Trump Administration and Higher Institutions

Former U.S. President Donald Trump had often made offensive comments about nonwhite immigrants (Scott 2018). He had even gone so far as to say, *"Why are we having all these people from shithole countries come here?"* (Dawsey 2018). Trump persistently used the term *"Chinese virus"* to describe COVID-19 and had fanned the flames of anti-Asian sentiments in the U.S. (Vang 2020). Consistent with his attitude towards immigrants, Trump froze the application processes for green cards and suspended newly issued H-1B, L-1, J visas, and other temporary work visas for skilled workers (Ordoñez 2020). These political actions made it much harder for immigrants to find work in the U.S. or to become a U.S. citizen (Narea 2020).

This anti-immigrant macro-environment added to the uncertainty of the COVID-19 pandemic. Many higher institutions posted jobs without visa sponsorship support or simply withdrew their job postings (see Exhibit 4 and Exhibit 5). Exhibit 6 presents the number and percentages of doctorate recipients by citizenship in the fields of Business Management and Administration. Since 2010, non-U.S. citizens or permanent residents consistently made up more than 43% of U.S. doctorate recipients. Given the very limited number of universities recruiting in 2020, applicants, especially those who were non-U.S. citizens or permanent residents, were facing enormous competition in the academic job market.

Exhibit 4. An Email from a University Representative about H-1B Visa Sponsorship

Source: Caty Hsu's Email

Assistant Professor of Business Management

Fri, Nov 13, 2020, 3:03 PM

Dear Applicant:

This email is to inform all applicants to the 10-month tenure track position in Management starting fall 2021 that H-1B sponsorship is not available for this position. If this information influences your decision to apply, you may elect to withdraw your application. Thank you.

Exhibit 5. An Email from a University Representative about a Cancelled Job Posting

Source: Caty Hsu's Email

Jul 2, 2021, 1:37 PM

Good afternoon

Thank you for your interest in the position.

The position you have applied for has been cancelled and will reopen. Please reapply for the position and resubmit the same supporting documents.

documents listed below:

Thanks so much,

Exhibit 6. Doctorate Recipients by Citizenship in Business Management and Administration

Source: National Science Foundation

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
All doctorate recipients	1,366	1,327	1,404	1,551	1,584	1,582	1,509	1,565	1,475	1,536
U.S. citizen or permanent resident	746	755	736	831	849	892	845	858	740	747
Non-U.S. citizen or permanent resident	620	572	668	720	735	690	664	707	735	789
% of non-U.S. citizen or permanent resident	45.4 %	43.1 %	47.6 %	46.4 %	46.4 %	43.6 %	44.0 %	45.2 %	49.8 %	51.4 %

Caty Hsu's Job Application Experience

Caty Hsu came to the U.S. in 2014 and had actively been working with her professors on research projects. She defended her doctoral dissertation proposal on August 31, 2020, and went on the academic job market with 13 publications, good student evaluations of 5 unique courses that she had taught at her Ph.D. institution, and several conference proceedings. After sending out 132 job applications, Caty had 7 first round interviews, 3 second round interviews, and 1 job offer with H-1B visa sponsorship from a public university. Caty's new school posted the job on May 1, had a Zoom interview with her on June 10, an on-campus interview with her on June 22, and offered her the job on June 25. After signing the employment contract, Caty moved to the area of her new school and settled into a new apartment. She defended her dissertation, and graduated from her doctoral program. At the new school, she participated in the new faculty orientation, and dedicated herself to the preparation of the syllabi and learning materials for her courses in Fall 2021.

One and a half weeks before the Fall 2021 semester started, Caty was called to a meeting with her Dean and Chancellor. They then informed her that she would not be able to teach in Fall 2021 - at least not for the first weeks or months. The university needed time to get approved her H-1B visa. Although her signed employment contract stated that the position began on August 1, 2021, she learned that she would not be paid for August or any time before her visa was issued by the U.S. government.

Caty had already attended new faculty orientation and had completed her syllabi for Fall 2021; she had been working long days preparing PowerPoints and in-class exercises for her new courses. To her surprise, the Dean and Chancellor informed her that she had no obligations or responsibilities for any activities in the university until she was hired officially. The Dean and Chancellor had already hired adjunct faculty members to teach her courses for at least the beginning of the semester – and if needed for the entire semester. They suggested that Caty could take over the courses after her H-1B visa got approved.

Caty Hsu's Dilemma

Caty Hsu remarked, "I spent about $200,000 for the 7-year education in the U.S. Although I feel more connected to the U.S. than my home country, I actually have become a foreigner in both countries." For tax purposes, and only for tax purposes, she was treated the same as a U.S. citizen. She deeply wished to be a professor in the U.S. and to live in the U.S. – or at least that was what she wanted prior to the COVID-19 pandemic. COVID-19 had triggered anti-Asian racism in the U.S. From March 19, 2020 to February 28, 2021, there were 3,800 anti-Asian racist incidents. Women, moreover, have reported twice as many anti-Asian hate incidents as men (Yam 2021). Unfortunately, the academic campus was not a haven from such incidents: Chinese international students were killed at universities in both Chicago and Los Angeles (see Exhibit 7).

Exhibit 7. Shooting Death of Chinese Student in Chicago Triggers Campus Protests

Source: CGTN

https://www.youtube.com/watch?v=EIRChQ_VlRE

In addition to the instances of hate against Asians in the U.S., Caty worried about her visa status and employment status at her new school. She had successfully defended her dissertation on July 14, 2021. However, her doctoral university would not begin posting degrees and issuing transcripts until August 16, 2021. It took about 30 days for her doctoral university to complete all degree postings. Without a transcript indicating her completed degree status, Caty's new school could not apply for her H-1B. Obviously, her visa could not be approved until her new school had submitted all the paperwork. Until her H-1B visa was approved by the U.S. government, Caty could not be officially hired; therefore, she could not teach courses in the new school. Moreover, because she had applied for graduation from her doctoral university, the international student office there had terminated her student visa (F-1) on August 15, 2021.

The conversation with her Dean and Chancellor happened on August 11, 2021. If she did not get approval for her H-1B visa on time, Caty had 60 days after August 15, 2021 to wrap up her affairs and exit the U.S.

Due to all the uncertainties that COVID-19 brought, the price of a one-way flight ticket from the U.S. to her home country had increased to over $6,000. Flights, in addition, had very limited capacity. Once she arrived home, she would have to invest several thousand dollars in quarantining in a hotel in her home country for a minimum of 14 days. Without any salary, all of these expenses would create an impossible situation. On top of all that, Caty did not want to go back to her home country because it was uncertain that she would get a flight back when (if?) her visa was finally approved.

Although Caty felt very stressed about what was happening, she felt welcomed by her colleagues at the new school. Several colleagues invited her for lunch or dinner after she had moved to the area. Her department held a welcome lunch for her. Caty was not sure what to do next in these weeks as a foreigner obeying U.S. laws, a professor responsible for her students, a colleague accountable to her department, a faculty member committed to her new school, and a graduate of her doctoral university. Knowing that at Caty's new school, one criterion for getting tenure was U.S. citizenship or permanent resident status, she could not help thinking, *"Would everything be easier if I were American? How far away am I from being an American?"*

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Appendix A. Several Commonly Used Visa Types in the U.S.

Sources: U.S. Citizenship and Immigration Services; U.S. Department of State - Bureau of Consular Affairs

F-1 Student Visa

The F-1 Visa (Academic Student) allows you to enter the United States as a full-time student at an accredited college, university, seminary, conservatory, academic high school, elementary school, or other academic institution or in a language training program. You must be enrolled in a program or course of study that culminates in a degree, diploma, or certificate and your school must be authorized by the U.S. government to accept international students. F-1 students may not work off-campus during the first academic year but may accept on-campus employment subject to certain conditions and restrictions. After the first academic year, F-1 students may engage in three types of off-campus employment:

- Curricular Practical Training (CPT)
- Optional Practical Training (OPT) (pre-completion or post-completion)
- Science, Technology, Engineering, and Mathematics (STEM) Optional Practical Training Extension (OPT)

F-1 students may also be eligible to work off-campus on a case-by-case basis as a result of special situations such as severe economic hardship or special student relief.

M-1 Student Visa

The M-1 visa (Vocational Student) category includes students in vocational or other nonacademic programs, other than language training. M-1 students may engage in practical training only after they have completed their studies.

For both F-1 and M-1 students any off-campus training employment must be related to their area of study and must be authorized prior to starting any work by the Designated School Official (the person authorized to maintain the Student and Exchange Visitor Information System (SEVIS) and USCIS.

J Visa

Exchange visitor visas are nonimmigrant visas for individuals approved to participate in exchange visitor programs in the United States. An exchange visitor visa (J) is required to participate in an exchange visitor program in the United States. Foreign nationals may not study after entering on a visitor (B) visa or through the Visa Waiver Program (VWP).

H-1B Visa

This nonimmigrant classification applies to people who wish to perform services in a specialty occupation, services of exceptional merit and ability relating to a Department of Defense (DOD) cooperative research and development project, or services as a fashion model of distinguished merit or ability.

L-1 Visa

L-1 visa is available for temporary intracompany transferees who work in managerial positions or have specialized knowledge. L-1 visas may be issued when an employer files a petition to obtain authorization for qualified employees to be allowed to work and live in the United States.

Appendix B. Workplace Immigration and H-1B Visa

Sources: Society for Human Resource Management

SHRM RESOURCES

- **EDUCATION** Self-Paced Courses on Visas and Compliance
- **COMMUNITIES** Immigration Resources for Professionals
- **HOW-TO GUIDES** How to Sponsor an Individual for an H-1B Visa
- **BUSINESS SOLUTIONS** J-1 Visa Sponsorship with SHRM
- **TOOLKITS** Complying with I-9 and E-Verify Requirements in the United States
- **TOOLKITS** Understanding and Obtaining U.S. Employment Visas
- **HR Q&AS** Can we refuse to consider a candidate who is not eligible to work in the United States and would require sponsorship for an H1-B visa?
- **HR Q&AS** What do we have to do to transfer a candidate's H-1B visa from his current employer when he begins working for us?
- **SEE ALL RELATED RESOURCES**

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BULLYING AT HARBOR STATE UNIVERSITY: THE ROLE OF WORKPLACE PROTECTIONS, POLICY AND LAW

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> *"Widespread concerns about decreased collegiality along with perceptions of increased incivility and bullying have led many institutions of higher education to consider how to balance the legitimate enforcement of respectful and productive workplace conditions with adequate protections for academic freedom and individual rights to expression"* (Shiell, 2015).

Introduction

Reed Billings, a tenured, senior professor in the School of Management at Harbor State University (HSU), felt a sense of relief wash over him as he made the final edits to his official university bullying complaint against Professor Frank Burns, the School of Management's Assistant Director. Billings mentally crossed the item off his to-do list as he clicked the "send" button delivering the e-mail to the inbox of the Director of the School of Management.

No other Management faculty member had filed a grievance about Burns' behavior, even though there were multiple examples of his confrontational behavior towards the School's untenured faculty members with and without Ph.Ds. (See Exhibit 1: Timeline of Key Events). The untenured faculty members felt powerless, given Burns' influence over routine tasks such as class assignments and schedules, as well as impactful career events such as tenure and

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promotion. As a tenured professor, Billings believed that he had to file the grievance, because he felt Burns' recent outburst was over the top, and it was the next step in the School's conflict management process.

After clicking the send button, Billings reflected upon whether his bullying grievance was on solid ground with the grievance committee. The workplace protections of academic freedom and tenure were sometimes used as a shield. Would the grievance committee properly apply HSU policy at the time? Did HSU's policy address the impact of evolving state and federal laws concerning bullying in the workplace?

The Critical Incident

Bullying in the workplace had been generally defined as the systematic negative treatment of a target, over an extended time, in situations that the target cannot defend against, with a negative effect on the workplace environment (Einarsen *et al.* 2020). In academia, the opinion of a single faculty member had been found to have profound implications on another's work, reputation, and career; academia created an atmosphere in which junior faculty could be vulnerable to bullying behaviors (Mahmoudi *et al.* 2021). The Timeline of Key Events (Exhibit 1) shows examples of Burns' behavior toward the School of Management faculty at HSU, particularly his behavior towards untenured faculty. However, the latest incident with untenured, non-Ph.D. faculty member, Raymond Patrick, was the straw that broke the camel's back, thought Billings. The incident occurred when Patrick asked Burns if he (Patrick) could change his teaching schedule for the next semester. Burns not only disagreed, but he chastised Patrick for even asking, loud enough for other faculty members in their offices to hear. Billings had previously considered filing an official grievance but had not done so, Billings had hoped that informal conversations with Burns would curtail Burns' behavior and restore the school's generally collegial environment.

The School of Management had established formal steps for conflict resolution. Accordingly, the Director of the School was reluctant to act unless an official grievance was filed, despite the historical examples of Burns' behavior. Billings' grievance alleged that Burns' behavior substantiated workplace bullying. Billings knew that the HSU faculty handbook did not have a section covering bullying, nor even defined it, but he hoped that the grievance committee would find a justifiable way to stop Burns' behavior (see Appendices 1 and 2). Likewise, only a few U.S. states had passed laws addressing workplace bullying, which did not include the state where HSU was located. Unfortunately, there was no federal law to guide the committee's decision about Billing's bullying grievance (Healthy Work Campaign 2019).

Exhibit 1. Timeline of Key Events

Source: College Professional Ethics Committee (2021)

Dates	Events
2016-2018	Burns touted his doctorate from a renowned institution to elevate his opinions over others'.
2016-2018	Burns openly and aggressively criticized faculty, especially lower-ranked, in public settings to undermine their research.
2016-2018	Burns treated invited external professionals when they attended School of Management functions or gave presentations at the School of Management in a demeaning manner.
2017	Burns harassed and threatened fellow faculty members with a vote against their tenure if they complained about additional work from an increase in class size.
2018	Burns verbally and physically confronted an untenured, non-Ph.D. faculty member in an angry manner loud enough for other faculty in their offices to hear.
October 2018	Billings filed a formal grievance against Burns with the Director of the School of Management.
October 2018	The Director of the School of Management forwarded a formal grievance against Burns to the College Professional Ethics Committee for review.
November 2018	The College Professional Ethics Committee categorized Billings' grievance into four charges.

Workplace Environment

The School of Management at HSU had a reputation for promoting an understanding and acceptance of cultural and ethnic differences. Billings liked that HSU was committed to equal opportunity for all people and pledged to take direct and affirmative action to achieve that goal. While HSU policy did not specifically cover bullying, it explicitly denounced racism, sexism, homophobia, bigotry, harassment, or other forms of human rights violations and had several anti-racism and anti-bias initiatives actively working at every layer of university governance (see Appendix 1). Overall, Billings believed that HSU and the School of Management, in particular, was a good place to work.

Faculty members were encouraged to communicate their disagreements to each other when disputes occurred. With the exception of Burns, senior tenured colleagues seldom pulled rank when they had disputes with untenured and junior faculty. Nonetheless, there were some instances where university and department decisions were necessarily based on seniority or rank. For example, only tenured faculty members could sit on the promotion and tenure (P&T) committee, which evaluated the work of untenured faculty. In addition, due to a lack of faculty at the highest rank of full (senior) professor, Burns was one of the few faculty members able to serve on the committee. Accordingly, Burns was a longstanding member of the committee, so lower-ranking tenured professors, as well as untenured faculty, avoided directly confronting him since they knew that he would evaluate them when they sought promotion or tenure (P&T). Some junior faculty members even felt that filing a formal grievance against Burns would cause him to retaliate during P&T decisions.

Billings believed a generally collegial and accepting culture was prevalent in the School of Management at HSU, and the incidents described in Exhibit 1 were exceptions. For example, Burns regularly touted his doctorate was awarded from a renowned institution in his subject area when other faculty members presented their research. While critique of academic research was highly valued within the School, Burns aggressively critiqued other faculty in public settings in order to undermine their research under the guise of encouraging higher quality research. Likewise, when dealing with administrative matters, Burns was often caught up in minutia, which delayed vital decision-making. When challenged by other faculty to decide, Burns often stalled by engaging in what many faculty felt were lengthy, nonproductive discussions.

Billings was concerned that Burns' behavior negatively affected the School's ability to recruit new faculty, encouraged current faculty to leave, and fostered a noncollegial culture.

Workplace Protections of Academic Freedom and Tenure

Billings understood tenure was a cherished career goal for faculty and could be defined as

> *"an indefinite appointment that can be terminated only for cause or under extraordinary circumstances such as financial exigency and program discontinuation, … whose principal purpose is to safeguard academic freedom, which is necessary for all who teach and conduct research in higher education"* (AAUP 2021).

Billings knew that academic freedom has been described as three fundamental freedoms: (1) freedom in the classroom, (2) freedom in research, and (3) freedom to speak or write freely in an academic and professional environment (Reichman 2021). Critics of tenure and academic freedom had stated that it *"has [also] degenerated into a narrow claim of privilege by professorial elite, insulated from public accountability"* (Reichman 2021). Thus, critics realized that academic freedom and tenure had the potential to be to be misused or serve as a shield for inappropriate behavior (Reichman 2021). A *Washington Post*'s YouTube video *"What is tenure?"* (Exhibit 2) explained tenure in under two minutes (Washington Post 2018), specifically the importance of permeance to protect professional autonomy (Reichman 2021).

Exhibit 2. What is Tenure?

Source: Washington Post YouTube Video (2018)

https://www.youtube.com/watch?v=0dNqrxWEYtg

The HSU Faculty Handbook supported the idea that tenure was a goal most faculty sought because it provided them with permanent job security and the academic freedom to pursue new, controversial, and unusual work, and to engage in collegial debate regarding the work of others.

Institutional Policy and Grievance Process

After filing a formal grievance, the next steps in the formal conflict management process required the School of Management Director to forward the official grievance to the Dean of the College of Business, who promptly forwarded them to the College Professional Ethics Committee (CPEC) who would review the case in detail. The CPEC used the Faculty Handbook and HSU policy to guide decisions regarding grievances. The Faculty Handbook laid out general values of professional ethics and did not list workplace bullying as a violation of professional ethics (Appendix 1). HSU did not have policies in place that defined workplace bullying, so the CPEC steered clear of categorizing Billings' grievance statements as allegations of *"workplace bullying."* Accordingly, the CPEC categorized the allegations against Burns, based on the Faculty Handbook, into the following three charges:

Exhibit 3. College Professional Ethics Committee's Charges
Based on the Grievance's Allegations
Source: College Professional Ethics Committee (2021)

1	Professor Burns had discriminated against faculty members who did not hold a Ph.D. by excluding these faculty members from leadership roles, refusing to consider non-Ph.D. applicants for tenure track faculty positions, and denigrating the creative works of non-Ph.D. faculty.
2	Professor Burns had failed to demonstrate respect for others' opinions and/or failed to be objective in his professional judgment during promotion and tenure meetings as well as peer review meetings.
3	Professor Burns had harassed fellow faculty members by threatening to vote against a faculty member's tenure if he complained about the additional work from choosing to increase his class size, implying that a faculty search was mishandled, and questioning the validity of a request for faculty fellowship leave.

Workplace Bullying State and Federal Law

Under federal law, discrimination in virtually all employment circumstances based on race, color, religion, sex, national origin, sexual orientation, and gender identity was prohibited by Title VII of the 1964 Civil Rights Act. Title VII did not explicitly prohibit bullying, but courts had interpreted unlawful discrimination to include harassment (WBI 2021). Although HSU was not located in a state with workplace bullying laws, it could have looked to other states' laws that addressed those situations for guidance. In 2018, only California, North Dakota, Tennessee, Utah, and Virginia had any type of workplace anti-bullying law regulating the reporting and filing of civil actions against employers, protection from retaliation, and training (CFEA 2021; HWC 2019). In 2020, the U.S. territory of Puerto Rico passed a law directly prohibiting workplace bullying, and requiring all employers to adopt policies and protocols advising employees about their rights (Puerto Rico Act 90-2020). In 2021, the Rhode Island Senate passed a bill providing workers protection from bullying and harassment in the workplace that went to their House of Representatives for consideration (Rhode Island Senate Bill 2021-S 0196).

Conclusion

Shortly after filing the bullying grievance against Burns, Billings reflected on how this situation came about. He worried about its outcome. He hoped that the grievance would at least start a process to reduce workplace negativity and restore collegiality while protecting tenure and academic freedom. Billings realized the incident that accelerated his decision to file the grievance had many potential concerns (ethics, justice, and power asymmetry) yet he was concerned with how Burns' behavior went unchecked, behind the shield of tenure and academic freedom. He also thought about the likely influence of HSU policies on dealing with possible hostile, bullying behavior at HSU. He wondered how solid his grievance was from the perspectives of HSU policy, as state laws continued to evolve.

In retrospect, he wondered: (1) what role do critical factors related to academic freedom and tenure play at HSU that allowed Burns' behavior to go unaddressed and unresolved? (2) What factors influenced whether HSU should have had anti-bullying policies in its Faculty Handbook? And finally, (3) how had the legal and policy landscape changed from 2018 to 2021? Would these changes have affected the legal environment in which Billings' grievance was set?

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Appendix A
Excerpts from the Harbor State University Faculty Handbook

Academic Freedom

Academic Freedom, Professional Ethics and Tenure

Harbor State University (HSU) subscribes fully to the 1940 Statement of Principles of the American Association of University Professors regarding academic freedom and regarding tenure except as altered below in Section I.D.2.a.
Section I.D.2.a is consistent with the statement adopted by the American Association of University Professors in June 1978.

Statement on Professional Ethics

a. Faculty, guided by a deep conviction of the worth and dignity of the advancement of knowledge, recognize the special responsibilities placed upon them. This primary responsibility to their subject is to seek and to state the truth as they see it. To this end, they devote their energies to developing and improving their scholarly competence. They accept the obligation to exercise self-discipline and judgment in using, extending, and transmitting knowledge. Faculty members should practice intellectual honesty. Although they may follow subsidiary interests, these interests must never seriously hamper or compromise their freedom of inquiry.

b. As teachers, professors encourage the free pursuit of learning in their students. They hold before them the best scholarly and ethical standards of their discipline. Professors demonstrate respect for students as individuals, and adhere to their proper roles as intellectual guides and advisors. Professors make every reasonable effort to foster honest academic conduct, and to ensure that their evaluations of students reflect each student’s true merit. They respect the confidential nature of the relationship between professor and student. They avoid any exploitation, harassment, or discriminatory treatment of students. They acknowledge significant academic or scholarly assistance from them. They protect the academic freedom of their students.

c. As colleagues, faculty have obligations that derive from common membership in the community of scholars. Faculty do not discriminate against or harass colleagues. They respect and defend the free inquiry of associates. In the exchange of criticism and ideas, professors show due respect for the opinions of others. Professors acknowledge academic debt and strive to be objective in their professional judgment of colleagues. Professors accept their share of faculty responsibilities for the governance of their institution.

Appendix B
Examples of Professor Burns' Behavior Contained in the Grievance

Source: College Professional Ethics Committee (2021)

- At a meeting in Burns' office, an untenured tenure-track faculty member asked Burns if he could change his teaching schedule in a future semester. This infuriated Burns so much that Burns pointed his finger in the faculty's face and shouted, loud enough for other faculty members in the offices throughout the floor to hear, *"As someone who will vote on your tenure, you better not pull any of this crap with me."*

- At a School of Management faculty meeting, an untenured tenure-track faculty presented a proposal for a change to the School's mission statement. Burns attacked the proposal, the process, and that person in such a brutal way that numerous faculty members personally apologized to the untenured tenure-track faculty immediately afterward.

- As the Assistant Director of the School of Management, Burns was responsible for faculty teaching and service assignments. He had a reputation for assigning courses to instructors outside of their requested course area when they got on his *"bad side."* He had re-assigned faculty members' service obligations based on ethereal criteria and did not generally offer a suitable alternative service opportunity.

- During an untenured tenure-track faculty member's presentation of a paper, Burns asked whether the untenured tenure-track faculty was the first author, while knowing that this was not the case. Burns' statement was meant to show his high standard of co-authorship. However, this standard was contrary to HSU policy that did not establish solo-authored publications as vital to promotion and tenure. Further, Burns' statement was contrary to Burns' own publication record; he had primarily been a co-author on papers with multiple authors.

- Burns stated on numerous occasions that he believed it was only appropriate for faculty members holding a Ph.D. to achieve the rank of full (senior) professor, despite policies at all levels of university that faculty being considered for tenure and promotion were to be judged solely on the merits of their teaching, research, and institutional service.

- Many instructors in the School of Management stated that Burns' behavior was unprofessional and non-collegial, ranging from severe mood swings to deliberate slights and threats.

- Burns openly criticized faculty members with lower rank. He was demeaning to invited external professionals when they attended School of Management functions or gave presentations at the School of Management.

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LEADER ACADEMY:
FROM A DREAM TO A SUSTAINABLE BUSINESS CONCEPT

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Andrei Iliev, the CEO of Leader Academy, was on a phone call with Marian and Georgi, the other two founders of the organization. The co-founders were about to review the results from last year and set goals for next year. Leader Academy had gone through its proof-of-concept challenge, and it was time to evaluate the organization's performance. Leader Academy was a social enterprise launched 5 years prior in Bulgaria. The founders had designed the "*Talent Pull"* project and had been running it for the last year and a half to test its viability. They faced the challenge of preserving their initial mission as a social enterprise while creating a sustainable business model: Leader Academy was a for-profit organization with a social mission. The founders hoped they could scale up the business and significantly expand services and markets in the future.

Introduction

Leader Academy was an academy for personal development and career success focused on young people between ages 16 and 29. The organization targeted this youth niche because it believed that young Europeans were motivated, talented, and oriented toward purpose-driven careers with social impact. The Academy served as a bridge between the business world, in its search for outstanding future employees, and the bright and ambitious young people looking for a career start. Addressing this demand, Leader Academy created an educational format for

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a purpose-driven career. The academy ran its *"Talent Pull"* project to link companies and talented prospects through internship programs.

Background

Five years prior, Leader Academy had created an educational format called "Talent Factory" to help young people throughout their career journey. The format corresponded with the founders' main purpose – to create an impact by investing in young people's academic and career development. Leader Academy organized discussions on leadership and career development in more than 20 Bulgarian cities and met more than 1,500 young people in the country. Ten exclusive "Talent Factory" boot camps were organized, and more than 50 training courses, workshops, and career events were delivered to welcoming audiences.

In 2020, the first scholarships for *"Talent Factory"* were given to young people by several companies. In return, these companies had the opportunity to offer an internship to the recipient of the scholarship, or even to recruit a potential employee. In the pilot project, ten young people took part and six of them were hired after the Internship program.

Leader Academy started as a small, dedicated team of believers. The co-founders all brought something to the table. Andrei served as CEO. Marian brought with him know-how from his business in executive search and funding advisory, while George brought expertise in administration and Real Estate management. They purchased two properties for Leader Academy activities, one they called the *"International Educational Business Center"* and another they called the *"Recreational Center for Human Development,"* where training sessions were held.

In addition to the founders, the Leader Academy team consisted of 6 people (2 full-time, 2 part-time, and 2 interns), plus the 3 project-based trainers at the *"Talent Factory"* boot camps.

The Founders

What brought Andrei, Marian, and Georgy together was their passion to change in education and their mutual drive to add value. The three co-founders were spread around Europe – Bulgaria, England, and Denmark. The magnet that pulled them together was the idea of creating an academy that would develop leaders. They built the concept around the values that they cherished the most. They believed that values were strong drivers of progress. They relied on frank and open communication, partnership in the mutual journey, and support for each other. The brothers Marian and Georgy were serial entrepreneurs. They had global mindsets and had invested in education for several years. In their hometown, they had established years ago the *"International Education Center."* Leader Academy was the next step, and another dream that came true for them. They recognized the need for a connection between business and education, and wanted to strengthen that connection. For this mission, they joined together with Andrei. Andrei had an impressive academic background and defined himself as *"a seeker."* He had studied in several countries where he had specialized in education and cognitive learning. Andrei was convinced that he would never stop learning, and he was motivated to share his experiences with others.

Leader Academy sought to provide an environment of shared energy through seminars, training, and events that have added value for people. The organization relied on lecturers who have achieved some personal success and could serve as role models for young people. The founders invested effort, knowledge, and commitment. They believed in exchanges through the generations and in the power of giving back. What made them convinced of the long-term value of their project was the positive feedback and gratitude they received from the people they had served.

The Market Need

Young people in Europe struggled to find a way into a career. They often experienced being at a dead-end because of the lack of an efficient system in European higher education to provide adequate career consultation, orientation, and professional guidance. This often led to impulsive decisions with frustrating and disappointing results for an individual. Young people in Bulgaria and other countries in Europe often chose a vocational training program or college major based on what appeared to be in demand in the job market, or what was considered *"modern."* Often, the choice was a poor fit for the individual student, resulting in frustration and failure. In Bulgaria, the drop-out rate was nearly 14%, significantly higher than the European Union average (see Exhibit 1).

Young people needed to identify what they were good at. They needed assistance choosing the right academic and career direction. In Bulgaria, some facts and figures about the overall educational environment were disturbing. There was a *"rising skill shortage,"* a high need to reskill the adult population, and a very low level of adult learning participation (Education and Training Monitor 2019). Furthermore, young college graduates often did not have the skills and knowledge demanded by the market. One report concluded that the *"overall higher education is still insufficiently aligned to the needs of the labor market"* (Education and Training Monitor 2019). Employers reported that graduates had severe knowledge and skill deficiencies, including soft skills and other transversal skills[9] (Education and Training Monitor 2019).

56 % of the youth in Bulgaria considered that their education was not helpful when seeking a job, while only 14% considered their education relevant to the job search (see Exhibit 2). It was disturbing that most young people relied on chance - not on their own skills. Young people ranked "Luck" as the number one factor in finding employment (Figure 3 in the Appendix, Youth

[9] UNESCO defined transversal skills as: "**Skills that are typically considered as not specifically related to a particular job**, task, academic discipline or area of knowledge and that can be used in a wide variety of situations and work settings (for example, organisational skills)."

study Bulgaria 2018/2019). Reliance on luck made young people passive, and they missed out on opportunities. The missing link between graduates and business was obvious.

Personal and career development required effort, time, motivation, and dedication, as well as the guidance of leaders and the support of professionals. The environment in Bulgaria and elsewhere in Europe suggested woeful inefficiency of higher education, misalignment of college with the needs of the labor market, insufficient (or complete lack of) career guidance and mentoring, graduates' skills deficiency, unpopularity of life-long learning, lack of motivation, and low social impact awareness.

Internships were also quite unpopular in Bulgaria. The internships offered by government agencies were seen as inflexible and inefficient. Private companies regularly opened internship positions to recruit young professionals, but their scope was quite small. There lacked a proper process of recruiting young people for internships and jobs, and for young people to identify opportunities.

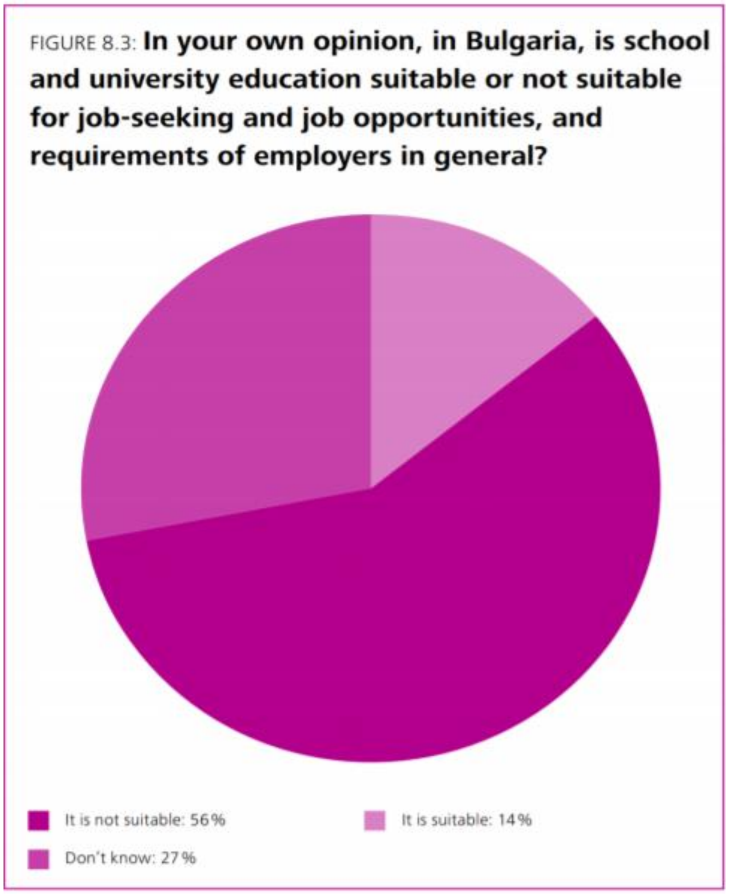
Exhibit 1. Key Indicators

Source: Eurostat, OECD, PISA (2019)

			Bulgaria		EU-27	
			2009	2019	2009	2019
Education and training 2020 benchmarks						
Early leavers from education and training (age 18-24)			14.7%	13.9%	14.0%	10.2%
Tertiary educational attainment (age 30-34)			27.9%	32.5%	31.1%	40.3%
Early childhood education (from age 4 to starting age of compulsory primary education)			84.2%	82.4%[18]	90.3%	94.8%[18]
Proportion of 15 year-olds underachieving in:	Reading		41.0%	47.1%[18]	19.3%	22.5%[18]
	Maths		47.1%	44.4%[18]	22.2%	22.9%[18]
	Science		38.8%	46.5%[18]	17.8%	22.3%[18]
Employment rate of recent graduates by educational attainment (age 20-34 having left education 1-3 years before reference year)	ISCED 3-8 (total)		73.6%	80.7%	78.0%	80.9%
Adult participation in learning (age 25-64)	ISCED 0-8 (total)		1.6%	2.0%	7.9%	10.8%[b]
Learning mobility	Degree mobile graduates (ISCED 5-8)		:	8.8%[18]	:	4.3%[18]
	Credit mobile graduates (ISCED 5-8)		:	1.4%[18]	:	9.1%[18]
Other contextual indicators						
Education investment	Public expenditure on education as a percentage of GDP		4.1%	3.5%[18]	5.1%	4.6%[18]
	Expenditure on public and private institutions per student in € PPS	ISCED 1-2	€2 034[12]	€2 521[17]	€6 072[d, 12]	€6 240[d, 16]
		ISCED 3-4	€2 106[12]	€2 577[17]	:[12]	€7 757[d, 16]
		ISCED 5-8	€3 818[12]	€5 197[17]	€9 679[d, 12]	€9 977[d, 16]

Exhibit 2. Is Formal Education Suitable for Job Seeking or Job Opportunities?

Source: Youth study Bulgaria (2018/2019)



Solutions

Leader Academy conceived of some solutions to the challenges it saw by establishing connections between companies and young talent, thus creating opportunities for both sides. The Academy emphasized internship programs, and was working on seven projects:

1 ***"Talent Pull"*** - focused on establishing a connection between talented young people and companies looking for their "rising stars."

2 ***"Talent Factory" boot camps*** – were events for a purpose-driven career based on the strengths of an individual.

3 ***1-year Career Acceleration Program*** – was a program that included online workshops, 1-to-1 coaching, and mentoring sessions.

4 ***Digital Master Classes and Master Courses*** – were recorded master classes and master courses for the personal and career development of young people.

5 ***Live Training Courses and Workshops*** – were workshops and courses on talent development.

6 ***Master of Business Administration and Entrepreneurship program*** – was a program in collaboration with Sofia University, starting Fall 2021.

7 ***1-to-1 Coaching and Mentoring sessions*** – were individual sessions with young people about their academic and career development.

"Talent Pull"

At Leader Academy, the bridge between companies and talented young people was called *"Talent Pull."* The *"Talent Pull"* project gave young people a comprehensive solution – it provided 1-to-1 sessions, career guidance, workshops on soft skills, motivation for lifelong learning, and helped find internships. Any young person between 16 and 29 could access the project and apply for a scholarship. Leader Academy extended the range for youth from the UN (16-25) to include 4 more years, in order to address the early career development of a young person (which usually took place in the second half of his or her 20's). Moreover, age differences in the sessions brought diversity and an exchange of knowledge and experiences between participants. Internship programs and career opportunities came at different ages. Three crucial stages of young people's development were within the scope of Leader Academy's services: finishing high school, graduating from university, and entry into a career.

At the *"Talent Factory"* Camp – an 8-day leadership boot camp – a *career profile* of the participant was created, covering the person's talents, strengths, values, vision, and feedback from the trainers. The Leader Academy career profile was based on an interview as well as time spent getting to know the participants personally. After the first level of the *"Talent Factory"* Camp, each young person received a career profile with the following information: Top 5 Strengths (according to the Clifton StrengthsFinder); Top 3 leading types of Intelligence

(Experiential workshop based on the theory of Howard Gardner of Multiple Intelligence); Values and Mission (workshop based on determining their values, and mission); Moto; and Recommendations from the trainers. The *"Talent Factory"* included personal development workshops aimed at identifying talents and developing them into strengths, training to discover purpose, goal setting, and establishing a vision for the future.

Once accepted to the *"Talent Factory,"* the young person needed to cover the fee (either out of pocket or through a company-sponsored scholarship). In the beginning, Leader Academy had provided assistance free of charge, but a lack of financial resources led to the sponsorship model that *"Talent Pull"* used. The business model of *"Talent Pull"* relied on a company sponsorships. If a company sponsored the entire fee of the boot camp (1,000 BGN or approximately $590 U.S. Dollars), it got an intern for two months (with a 4-hour workweek). If the company covered 50% of the fee, it got an intern for one month. In addition, the company gained access to the full *"Talent Pool"* – a cohort of carefully pre-selected, motivated young people.

Leader Academy relied on personal equity funding provided by the founders; they had not sought any debt financing, and thus far had not pitched to potential investors. If the model proved to be successful and scalable, it might be attractive to investors, but the number one priority for the founders was making Leader Academy financially sustainable.

Based on the last five years of experience in organizing *"Talent Factory"* Camps, Leader Academy has prepared a Profit and Loss projection for the five-year period 2021 to 2025. In 2021, the goal was to organize four camps. Due to COVID-19, there were three scenarios - minimum participants (16), average (24), and maximum capacity (32). Based on previous calculations, 24 students seemed optimal in terms of management and finances. In 2022, the goal was to have eight camps for 192 young people (8 x 24). For the next three years, the goal was ten *"Talent Factory"* boot camps each with 240 participants annually, on average (10 x 24). More than ten camps were not viable because the boot camps were time- and resourceconsuming. The price of the camp rose by a steady percentage until 2023, starting from 1,000 BGN in 2021, increasing to 1,300 BGN in 2022, and reaching 1,500 BGN (about 877 USD) in 2023, where it remained the same until 2025. The cumulative projected revenue for the five years was a little over a million BGN (about $585,000 USD). Revenue was projected to be 96,000 in 2021, reaching 240,000 in 2023 where it would remain for the next two years (see Exhibit 3).

"Talent Pull" would be profitable, with a net profit from between 21,575 to 73,068 BGN. Naturally, the largest profit would result from running the camps at full capacity (32 participants) and having all camps full. That said, the 50,000 BGN profit projection was considered reasonable. Expenses for an 8-day *"Talent Factory"* camp were based on the last five years (see Exhibit 4). Total expenses for one camp were 9,736 BGN, indicating a break-even point of 10 paying participants. The cost per participant, given the average scenario of 24 participants, would be 405 BGN. The financial projection suggested that *"Talent Pull"* could be profitable.

Exhibit 3. Profit & Loss Projections, 2021 - 2025

Source: Leader Academy

P&L	FY2021	FY2022	FY2023	FY2024	FY2025	Cumulative results
Revenue	96,000	192,000	240,000	240,000	240,000	1,008,000
Number of students	*96*	*192*	*240*	*240*	*240*	*1,008*
Office Rent	5,400	7,200	7,200	7,200	7,200	34,200
Full Time employees	17,838	42,811	42,811	64,217	64,217	231,894
Part time employees	8,535	10,242	10,242	10,242	10,242	49,503
Number of employees	*2*	*3*	*3*	*4*	*4*	*4*
Marketing	1,200	1,200	1,200	1,200	1,200	6,000
Training Camps cost @ 24 average capacity	38,944	77,888	97,360	97,360	97,360	408,912
Number of camps	*4*	*8*	*10*	*10*	*10*	*42*
Total OPEX	71,917	139,341	158,813	180,219	180,219	730,509
EBIT	24,083	52,659	81,187	59,781	59,781	277,491
Income Tax@10%	2,408	5,266	8,119	5,978	5,978	27,749
Net Income	21,675	47,393	73,068	53,803	53,803	249,742

Exhibit 4. Talent Factory Camp expenses

Source: Leader Academy

Talent Factory Camp I & 2 level	price	number of days	cost per day	cost BGN	Average	Cost BGN
Accoomodation	28 lv per night per person	7	28	196	24	4704
Food	4253 USD per pack (105 pieces -25 big	1	23	23	24	552
Materials	T-shirt, notebook, bottle	1	20	20	24	480
Expenses per person				239		5736
Trainers Fees per camp						4,000
Total Expenses for 1 Event						9,736
Number of camps						4
Maximum capacity						96
Income per person						1000
Full Time employers	1	1500				
Salaries tax	18.92%	283.8				
Part time employees	1	750				
Salaries tax	13.80%	103.5				

Vision and Next Steps

Leader Academy's business model went through its proof-of-concept challenge in 2020. In that year, 10 scholarships were given out and 10 internships were completed. Six of the 10 interns were hired after the end of the internship program. The founders believed that the Academy could continue to be as successful in future years. In 2021 they planned to provide at least 50 internships, and to attract more companies willing to invest in young people's development. By 2025, they aimed for 1,000 scholarships and internship programs, and hoped to maintain the 60% hire rate. Each year, Leader Academy team would gradually grow as the number of boot camps increased; future employees would be recruited from Leader Academy graduates. The founders envisioned a functional division structure with various teams set up according to their functions. The main goal of the organization was to grow sustainably in order to guarantee quality service, while preserving the organization's culture and values.

Conclusion

The founders had gathered to discuss the launch of the second stage of the "Talent Pull." How could Leader Academy optimize the *"Talent Pull"* program? How could it assess the effectiveness of the program in terms of inputs (time and resources) and outcomes (learning, development, internships, and jobs)? Should Leader Academy consider charging a placement fee to companies? At what stage should they think about grant funding and key partnerships (schools, universities, companies)? What about pitching to external investors? Was Leader Academy's business model sustainable in the long term?

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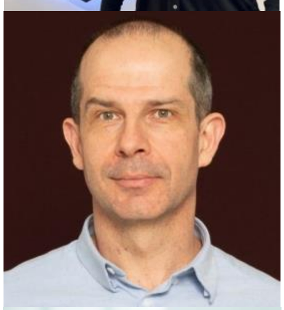

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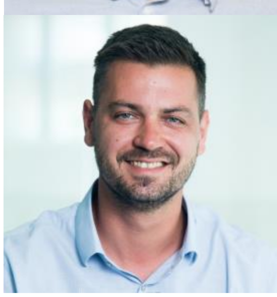

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ARTICLE

SELECTING INTERNATIONAL TALENT: WHOM TO HIRE?

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Abstract

It is challenging to find talented managers willing and qualified to work outside their home countries in the global marketplace. Prospective managers need several critical characteristics to be successful in foreign operations. These characteristics are related to managerial competence, appropriate training, and adaptability to new situations. Because failure rates among expatriate managers are still high, this paper reviews critical selection characteristics. It introduces a scenario centered around selecting an international executive from a pool of candidates. The paper concludes with a discussion of and suggestions for practical applications.

Introduction

As globalization of business has become fact rather than fiction, one trend is clear: the market for executive talent has become globalized. Finding talented managers willing and qualified to work outside their home countries is a challenge in the global marketplace. In firms with multi-country operations, there are mainly three types of managers: (1) parent-country nationals (PCNs), citizens of the country in which the company's headquarters are located; (2) host-country nationals (HCNs), citizens of the country where the firm's foreign operations are located; and, (3) third-country nationals (TCNs), citizens of countries other than their home country or their host country (Cavusgil, Knight & Riesenberger 2022). Host-country nationals and third-country nationals are generally referred to as expatriate managers or ex-pats. They

The author developed the paper for class discussion rather than to illustrate either effective or ineffective handling of the situation. The paper was anonymously peer reviewed and accepted by the ***Journal of Case Research and Inquiry, Vol. 7, 2022***, a publication of the Western Casewriters Association. Contact: Ellen A. Drost, California State University, Los Angeles, 5151 State University Dr, Los Angeles, CA 90032, edrost@calstatela.edu

are individuals living and or working in a country other than their home country, often temporarily and for work reasons (Kagan 2021).

To be successful in foreign operations, managers must have management competence, such as technical and leadership skills, knowledge of corporate culture, appropriate training and formal education, knowledge of the host market and its culture, and adaptability to new situations. Adaptability may include adjusting to new work and job environments, working with local management, and adjusting to a new national culture (Mendenhall, Dunbar & Oddou 1987; Black, Mendenhall & Oddou 1991; Bird, Mendenhall, Stevens & Oddou 2010).

These characteristics are important when selecting expatriate managers because the firm's failure cost is very high (Baruch & Altman 2002). The cost per failure to the parent firm is almost three times the expatriate's annual domestic salary plus the cost of relocation, estimated between $200,000 and $1.2 million (Barbian 2002, Black & Gregerson 1999; Shay 2015). Moreover, failure rates appear to be higher in US firms than in European and Japanese firms. For instance, failure rates for US managers are estimated between 25 and 40 percent when assigned to developed countries and close to 70 percent when assigned to developing countries (Shay 2015).

Expatriate managers rarely fail because they cannot accommodate the technical demands of the job. They fail because of personal and/or family issues or a lack of cultural skills, all of which were, perhaps, not considered in the selection process (Solomon 2000; Shay 2015). Nevertheless, the primary issue for expatriate failure remains the inability of the managers and or their spouses and family to adjust to the new environment. Consequently, international firms are concerned with how well the prospective manager will adapt to the foreign environment and how well the manager will fit into that environment (Ryan, McFarland, Baron & Page 1999). Country culture, traditions, and regulations impose various roles on men and women. In more traditional societies, such as in Latin America, firms might consider a woman’s marital status in hiring or avoid hiring young married women with no children on the assumption that they will shortly leave to start a family. For instance, in Asia and the Middle East, female managers are often mistaken for the secretary or wife of the male manager. In other countries, women have limited opportunities to work outside the home or advance their economic interests.

In 2017, the international consulting firm McKinsey reported that women represented 50 percent of the world's working-age population but generated only 37 percent of gross domestic product. In a study of more than 10,000 senior executives in firms worldwide, McKinsey found that women in senior management positions were highest in Russia and the Philippines, with 45 and 40 percent, as compared to about 22 percent in US firms, followed by India, Germany, and Japan, with 19, 18 and 7 percent, consecutively. Even though women represent about half of the world's higher-education graduates, McKinsey's study also suggested that, on average, only 25 percent of women occupied management positions. Moreover, among senior positions, women worldwide worked more often as human resource directors and chief financial officers than in other executive functions (Devaux 2017; Hunt 2018). While the study suggested that just as many women seek international positions as men, relatively few are asked to fill international positions (Devaux 2017; Hunt 2018). McKinsey suggested several reasons for this phenomenon. First, senior managers may assume that women do not make suitable leaders abroad or foreign men do not like reporting to female managers. Hence firms hesitate to send women to countries where traditional gender roles are the norm (Prime, Jonsen, Carter & Maznesvski 2008), and where obtaining a work visa can be problematic. Moreover, in some countries, male managers enjoy a drink, nightlife, and sports events together, making many women feel uncomfortable in such male-dominated settings (John & Lakshmi 2017). Second, having children and other family obligations can disrupt women's career paths.

Although flexible and part-time policies have benefited women's progress up the corporate ladder, many firms do not offer such prospects (Shortland 2015). Finally, because women still occupy relatively few senior executive positions, as alluded to earlier, there are fewer women with the necessary experience to send abroad for leading roles.

Nonetheless, the situation for working women is improving (Hunt *et al.* 2018). In developed economies, more women are in the workforce than ever before. For instance, in the US, unemployment rates for women are lower than for men. In the European Union, women have filled most new jobs created since 2000. And legislation in the European Union requires women to occupy at least 40 percent of seats on corporate boards of publicly held companies since 2020. However, the effectiveness of this legislation has not yet been reported. Indeed, in a survey of 100 multinationals and 17,000 male and female expatriates, Mercer Human Resource Consulting found that firms substantially increased the number of women on foreign assignments. About half the firms surveyed sensed that female expatriates would continue to rise. At the same time, however, 15 percent of the firms reported that they would not send women to male-oriented locations such as the Middle East (Leopold, Ratcheva & Zahidi 2017). When firms are staffing for international positions, they must decide whether to hire parent-country nationals (PCNs), host-country nationals (HCNs) or third-country nationals (TCNs). The choices a firm makes are critical to the success of its international operations. But, with the availability of global talent comes the responsibility firms must consider regarding local and foreign employment laws. While a discussion of employment law is outside the scope of this paper, remember that the Equal Employment Opportunity (EEO) Laws and Executive orders apply to US employees working at home and abroad. For instance, when hiring for a parent-country position, most US employers do not include candidates' families in the selection process. However, because it is often difficult for the spouse and or family members to adjust to conditions abroad, international selection should include candidates' families because the family adjustment is critical to the parent or home country candidate's success (Gowan 2022). Also, remember that when selecting employees for foreign assignments, US firms cannot discriminate (Gowan 2022). Even though employers will argue that they cannot send women to male-dominated societies, Title VII of the Civil Rights Act prohibits US employers from discriminating based on gender. However, if the host country's laws and customs prohibit a woman in the position the US company is offering, employment law application is complex. The Equal Employment Opportunity Commission (EEOC) addresses this complexity in a document entitled, *"Enforcement Guidance on Application of Title VII and the Americans with Disabilities Act to Conduct Overseas and to Foreign Employers Discriminating in the United States"* (www.EOCC.gov). The document intends to guide existing requirements on two distinct issues: (1) *"the circumstances in which American and American-controlled employers can be held liable for discrimination that occurs abroad;* and (2), *the circumstances in which foreign employers can be held liable for discrimination that occurs within the United States"* (www.EOCC.gov). Thus, understanding employment laws and customs at home and abroad is essential when making international hiring decisions.

Next, the paper proposes a set of characteristics appropriate for selecting talent for international positions and continues with an introduction to a scenario, **Whom to Hire**. The scenario centers around selecting a global marketing executive from a pool of candidates. The paper concludes with a discussion of the scenario application. The scenario and application are in Appendix.

Selection Characteristics for International Talent

When selecting talented managers for international positions, firms must first understand the tasks, duties, and responsibilities needed to do the job. Once these skills have been identified, firms provide a job description or written summary of the job's activities and working conditions. Next, the firm prepares a list of job specifications of the competencies—knowledge, skills, abilities, and other talents—required to operate and function effectively. In the case of an international position, the liability of foreignness (Peng 2021) adds an extra layer of complexity to the job—identifying the characteristics that a manager needs to work effectively in a foreign environment.

For instance, a firm's international marketing manager must know local demographics and consumer segments, competition in the market, distribution channels, and advertising availability. The manager must also have the ability to adapt to, and fit into, local cultural environments. A firm with a manufacturing plant in a foreign location needs a plant manager who understands the engineering and technical aspects of the product in the manufacturing process (Griffen & Pustay 2020). Next, the firm must identify the skills and abilities to work effectively in a foreign environment. These skills and abilities are the following selection characteristics: Job Knowledge, Education and Experience, Independence, Adaptability, Interpersonal Skills, Leadership Skills, Physical and Emotional Health, Motivation, and Preparedness. Each characteristic is described next and summarized in Table 1. Selection Characteristics for International Talent.

Characteristics for International Talent

- **Job knowledge -** When working abroad, experience in and understanding the job's administrative and technical dimensions and organization are essential.
- **Education and Work Experience -** Managers must have appropriate training for the job and knowledge of the host market, its culture, and its language.
- **Independence -** International managers frequently function with increased freedom abroad and limited support from headquarters. These are situations that require a sense of self-reliance and innovativeness.
- **Adaptability -** Managers must overcome stressful situations in adapting to diverse and multicultural environments. Flexibility, diplomacy, cultural empathy, and a positive attitude are critical traits in such settings.
- **Interpersonal Skills -** Managers will interact with numerous colleagues, employees, local partners, and government officials. Thus, getting along well (with others) and building and maintaining relationships is key.
- **Leadership Skills -** Successful managers see change as positive; they collaborate with employees and successfully motivate them to implement change.

- **Physical and Emotional Health -** Living abroad can be stressful affecting everyday life. Managers must be able to adapt to local culture and environment. Medical care abroad is different and may be difficult to access.
- **Motivation -** Considering the manager's motivation for and interest in the foreign position is essential.
- **Preparedness -** Equally important are spouse and family members, who must welcome the foreign experience and exhibit the ability to cope with unfamiliar environments.

Table1, Selection Characteristics for Successful International Managers, summarizes these characteristics.

Table 1. Selection Characteristics for International Talent

Source: Adapted from Cavusgil, Knight & Riesenberger. International Business: New Realities, 5th Ed. Pearson.

Selection Characteristic	Description
Job Knowledge	Experience in and understanding of administrative and technical dimensions of the job and organization.
Education	Appropriate training and/or education for the job.
Experience	Knowledge of the host market, its culture and language.
Independence	Function with independence abroad with limited support requiring self-reliance and innovativeness.
Adaptability	Exhibit cultural empathy, flexibility, diplomacy, and a positive attitude to diverse environments.
Interpersonal skills	Getting along with others: building and maintaining relationships with diverse constituents.
Leadership skills	Collaborate with and motivate employees. Capable of implementing change.
Physical and Emotional Health	Adapt to local culture and environment.
Motivation and Preparedness	Motivated and interested in foreign position.
Preparedness	Spouse and family members exhibit the ability to cope with unfamiliar environments.

Discussion of Scenario and Application

As globalization of business has become fact rather than fiction, one trend is clear: the market for executive talent has become globalized. Selecting the right person for an international position cannot be overstated because the failure rate is high. The **Whom to Hire** scenario in the paper's Appendix is centered around selecting a Vice-President of Global Marketing for Global Data, a multinational software firm headquartered in Copenhagen, Denmark. Global Data's primary markets are Europe, North and South America, and the Pacific Rim. The company would like to develop what it sees as a robust potential market in the Middle East. The company has created a new position as Vice-President of Global Marketing to accomplish this. No internal candidates were qualified for the job. An outside search firm recommended five candidates with good potential. Now the company must decide whom to hire.
The scenario will set the stage for Global Data's new position and include each final candidate's description. The challenge is to match the prospective candidates' skills to do the job with their ability to adapt to a new cultural environment. Thus, the scenario lends itself well to applying the selection characteristics to the job description and includes four application exercises. These applications are 1) writing a job description and job specifications, 2) preparing a short overview of the culture and work values of the countries in which the firm, Global Data, does business or is planning to do business, including Denmark, the company's headquarters, and 3) ranking the candidates' potential for the position of Vice-President of Global Marketing, and 4) justifying in a written summary the reasons for rankings taking into consideration the job description, job specifications, cultures within which the individual will be doing business, and selection characteristics described in Table 1.

Finally, once individual participants have ranked the candidates, participant teams are formed to discuss individual rankings and create team rankings. Subsequently, team rankings are shared, leading to interesting discussions between individual and team perceptions about who will be the best for the job.

Alternatively, one can adjust the scenario to fit a multinational company headquartered in any country desired. For instance, one can create two participant groups with two country scenarios, for example, the US and Denmark, looking for a VP of International Marketing. Splitting up participants into two scenario groups lends itself well to comparing and contrasting the liability of foreignness when staffing foreign assignments. Discussion on how and why the rankings of the candidates may differ for each scenario will provide some takeaways for international talent management.

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Appendix A. Whom to Hire?

Setting the Stage

You are the Vice President of Human Resource Management of Global Data, a multinational company that sells data mining software in 23 countries. While Global Data's headquarters are in Copenhagen, Denmark, sales offices are dispersed evenly throughout the four hemispheres. Global Data's primary markets have been in Europe and North and South America, with the most robust emerging market in the Pacific Rim. However, sales in all regions, except for the Pacific Rim, have shown slower growth over the past two years. Moreover, Global Data's management team would like to develop a robust potential market in the Middle East. Hence, Global Data has been working toward restructuring and revitalizing its worldwide marketing efforts. To accomplish this, you and Global Data's top management team have decided that the company needs a key marketing executive to introduce a new perspective and fresh ideas to boost Global Data's global business. Unfortunately, no one within the company was qualified to fulfill this position, so you decided to enlist an executive search firm to assist you in finding the right person for the job. The job title is *"Vice-President of Global Marketing."* The position carries a salary well into six figures (Euros), including an elaborate benefits package, an unlimited expense account, and a corporate car. The position is based at the company's headquarters in Copenhagen and requires frequent travel. A lengthy search turned up five candidates with good potential. It is now up to you, in consultation with the search firm, to decide whom to hire. Although all applicants expressed a sincere interest in the position, they may change their minds once they receive a job offer. Therefore, candidates must be ranked in order of preference so the company can offer the second-choice candidate the job, should the first-choice decline. A description of each of the five candidates is next.

Kenji Tanaka

Kenji is a 40-year-old married man with two children. Currently, Kenji is the senior vice president for marketing at a Japanese high-technology firm. The Tokyo office has told you that his reputation as an expert in international marketing is outstanding. Since he joined the company about fifteen years ago, the company's market share has consistently increased and is now well ahead of competing producers in the Pacific Rim.

Kenji began his career with the present company immediately after graduating from the University of Tokyo and working his way up through the ranks. He does not have a graduate degree, but it seems that he has a keen understanding of organizational politics. Because the company is family-controlled, Kenji recognizes that it is unlikely that he will ever move much higher than his present position. Kenji has made it clear that he is interested in the growth potential offered at Global Data.

In addition to his native tongue, Kenji can carry on a reasonably fluent conversation in Korean and some basic English. His wife, a traditional stay-at-home mother, and his children speak only Japanese.

Yara Arslan

Yara is a 48-year-old, widowed Muslim woman living in Istanbul, Turkey. She began her teaching career during her Ph.D. program in Marketing at New York University in the United States. Her first book on international marketing was published eight months after graduation. Her doctoral dissertation was on the marketing of pharmaceuticals, but she also researched and published in other areas of global marketing.

Soon after publishing her book, Yara went to work in the international marketing department of CVS Health, a Fortune 500 company headquartered in Woonsocket, Rhode Island, where she remained for the next ten years. She returned to academe when Istanbul University offered her a professorship with tenure, where she is currently. Her academic position has allowed her to pursue her research interests and to write books and papers in international marketing. Hence, she is well published and internationally recognized as an international marketing expert. In addition to her academic position, she has an active consulting practice throughout the Middle East and Asia.

Global Data's branch office in Istanbul informed headquarters that Yara's only child, her 15-year-old daughter, is severely disabled. Sensing that part of Yara's interest in the position is to have the income to guarantee her care should anything happen to her. Should she be offered the job, her daughter would accompany her to Copenhagen, requiring special education and support programs. In addition to fluency in Turkish and English, Yara also speaks and writes German and has a working knowledge of Chinese.

Vihaan Patel

Vihaan is a 38-year-old Indian male. Vihaan worked in a key marketing position for Ford Motor Company until it shut down all its manufacturing operations. While Ford wanted to keep him on, offering to move him from India to its headquarters in Detroit, Michigan, Vihaan decided that it was time to look elsewhere. He began to feel somewhat dead-ended in his current position and sees the position at Global Data as an opportunity to try out new territory. Comparable to the other candidates for the job, Vihaan has a long list of accomplishments and is recognized as outstanding in his field. People from Global Data's branch office in New Delhi, who have had contacts with him over the years, say that Vihaan is creative, hardworking, well-organized, and loyal. In addition, Vihaan has a reputation for being a charismatic leader who motivates his employees to the highest performance levels.

Vihaan has a Ph.D. in engineering from Stanford University and an MBA from the Indian School of Management. Vihaan has been very active in the LGBT movement in India, which has made his life challenging at times. With more rights afforded to LGBT persons in India, there still is a significant amount of homophobic presence among the Indian population, hence his interest in pursuing a career abroad. His constant male companion, William (Bill) Smith, would be coming with him to Denmark, and Vihaan would like Global Data's assistance in finding an appropriate position for him. Vihaan is fluent in English, Hindi, and has some basic knowledge of Malay.

Rex Roberts

Rex is a 33-year-old divorced male who is currently job hunting. Rex's former position as head of marketing for a single-product high-technology firm specializing in workstations for artificial intelligence applications ended when Hewlett Packard Intelligence (HPI) acquired the company. Rex had been with the company from the start six years earlier. Having to leave his position was absurd to Rex because it was due to his marketing efforts and success that HP acquired the company. He seems a little bitter and feels that the position offered to him by HPI was beneath him and not worthy of consideration.

Rex has both his undergraduate and MBA degrees from the University of Texas. In addition, he won a Fulbright scholarship, which he used to support himself while undertaking a two-year research project on marketing high-technology equipment in Latin America.

Global Data's New York office reported that Rex has a reputation for being a hard-driving workaholic known to work eighteen to twenty hours a day, seven days a week. He seems to have little time for his personal life. In addition to his native English, Rex has a good command of the Spanish language, which he picked up when he lived in Mexico and Chile, and some conversational French, which he admits he hasn't used since his college days.

Aron Davidson

Aron is a 41-year-old male, married with four children. After receiving his MBA from HEC (Haute Ecole de Commerce) in France, Aron began as an international marketing manager for Safran, a primary French defense and technology supplier, selling products to defense contractors in Israel. Aron received his undergraduate degree in engineering from Weizmann Institute of Science in Tel Aviv, Israel.

Because of Aron's success with the company, he was recruited by Graphcore, a British smart chip maker known for its intelligence processing unit optimized for machine learning. Again, here he proved to be exceptional, boosting the company's market share beyond all expectations within two years. After five years, Aron got a chance to go back to Israel, this time to coordinate all the international marketing programs for an industrial park of 14 companies run by Israel's leading scientific research institution. Aron's responsibility was to interface the research component with product development and sales and manage the park's international marketing wing. Again, Aron succeeded beyond expectation.

Global Data's Haifa office learned that Aron is well-respected with extensive contacts in the scientific community and high-tech world. He is exceptionally creative in his approach to marketing, often trying bold strategies that most of his peers would find too risky, but for Aron, these approaches have worked well.

Aron is a religious man, an observant Jew. He will not work on the Shabbat, the Jewish Sabbath, which takes place each week from sundown Friday to sundown Saturday, nor any of his religion's major and minor holidays, about eighteen a year. He will, however, work on Sundays. In addition to his native language, Hebrew, he fluently speaks and writes English, French and Arabic and can carry on an elementary conversation in Danish (Aron and his family lived in Denmark for several years when he was a young boy).

Application

Read the background information and description of each of the applicants. Consider the job and the cultures within which the individual to be hired will be operating. You will observe from the scenario above that the company headquarters are in Denmark. An understanding of the culture and work values of the Danish and an understanding of the culture and work values in the countries/regions in which the company operates is essential in making the right hiring decision. Before ranking the candidates, prepare the following:

1. Develop a job description for the "Vice-President of Global Marketing" position. Then, provide a list of the job specifications: the competencies—knowledge, skills and abilities, and other talents required to work and function effectively in the job.

2. Develop a short profile of the culture and work values in Denmark and a brief overview of the other cultures/regions in which the company operates or is planning to operate.

3. For each candidate, write a paragraph on his/her potential for the "Vice-President of Global Marketing" position, justifying the reasons for your decision. Consider the job description, job specifications, and the cultures within which the individual will be working, using the selection characteristics described in **Table 1**. Then rank the candidates from 1 to 5, with 1 being your first choice, 2 your second choice, etc., entering your rankings in **Table 2, VP Global Marketing Candidate Ranking Sheet**, in the column marked "my ranking." Include what you believe are the most critical characteristics in your ranking of the candidates (in bullet points).

Table 2. VP for Global Marketing Candidate Ranking Sheet

	My Ranking *Your individual ranking of candidates, here.*		**Team Ranking** *Do not fill in, this is part of a team exercise.*	
Applicant's Name	**Rank**	**List major criteria for your ranking in bullet points**	**Rank**	**List major criteria for your ranking in bullet points**
Name here		*Rank order the characteristics from Table 1 in bullet points, here. Just key words.*		*Leave this part blank. You will work on this part with your team.*

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