

SECTION 4 MINI-CASE DECISIONS

This section contains several Mini-cases. The Mini-case for quarter 1 must be Mini-case A.. Your instructor may change the order of mini-cases in subsequent quarters. Always check the News Message section of the quarterly report to ascertain which mini-case is next. If you are not using the mini-cases, enter a zero on the decision form for item

The ability to make a decision concerning a mini-case will be limited to the decision quarter for which it is offered. You cannot go back to a previous mini-case to take advantage of the mini-case.

Mini-cases may have a financial effect on your company either in the current quarter or a future quarter.



Mini-Case A: NAMING YOUR PRODUCT

Industry ___ Co #___

You will need to provide a name for your product. This is an extremely important decision for your team. You may assume that the firm name is also the name of your product. A product’s name can create an immediate image to the prospective purchaser. For example, if a firm sold computer printers, “Perfect Print” is a more descriptive name than “The Cannon.” You may want to answer some of the questions below first.

- The name cannot exceed 30 letters and spaces. NO COMMAS OR QUOTE " " MARKS. The name may be changed any time during the simulation if your strategy changes, e.g., price level change.
- 1. Is the name an ego trip for team members? For example, using the letter of each persons first or last name: AJFTY @ or "Dan’s, Inc" (NO commas!), or "Whitley’s Cricket" (what is it?).
- 2. Does the name help describe your product? Is it aimed at your target market?
- 3. Is the name easy to remember and perhaps catchy? Widget Wonder

Who is your "Target Customer" or "Target Market?"

Brainstorm some possible names:

Write a justification for your selection:

PRINT THE NAME YOU HAVE CHOSEN (maximum 30 letters and spaces) and also write it on the decision form for Quarter 1:

TURN IN THIS FORM WITH YOUR FIRST SET OF DECISIONS AND ENTER A ZERO ON THE DECISION FORM FOR THE MINI-CASE, ITEM 11.

Mini-Case B: A New Production Manager

Your production manager gave two weeks notice and left to start his own business. You have conducted interviews with several applicants and you have the list down to three. Here is a short synopsis of the three;

Applicant #1

This applicant is currently your assistant production manager. He is middle age, has a bachelors degree in Business and been in the position since the firm began a year ago. He had a similar position before coming with your company. Although he knows the production process at your plant relatively well, his people skills are somewhat weak according to the departing plant manager. The advantage of hiring this person is that he knows every small detail of your operation and perhaps he could work on his people skills if given a chance to get the promotion.

Applicant #2

This applicant is currently employed by an electronic manufacturing facility such as yours. She has excellent credentials, a bachelor's degree in production management, and has excellent references. She needs to relocate to your area. She has two other offers and both have offered her a bonus of \$5,000 for signing. Your human resource manager feels you can hire her if you offer a \$5,000 signing bonus that includes \$2,000 for moving expenses. One of your staff has pointed out that the bonus will establish a precedent in your firm. If you hire this applicant, you will be charged \$5,000 in Other Expenses.

Applicant #3

The applicant has the most experience of the three. At age 63 he has been the production manager in four firms over the last 30 years, all in electronic production facilities. He has an associate degree in science and has excellent references. One of your staff members has pointed out two possible problems with this applicant. The first is that he is disabled and uses a wheelchair to move around; there are some areas of your plant that are not equipped for wheelchair usage. The second potential problem is that he is nearing retirement age although he assures your committee that he plans to work until he is 70, as long as his health holds out. This applicant would bring a lot of experience to the position.

Choose which applicant you will hire. If you choose #2, your "other expenses" will be charged \$5,000.

Mini-Case C: Environmental Dilemma

In order to provide parking and expand your production facility, a large lot at the rear of your building must be cleared of several trees. The locality in which you are located has a regulation that any trees that are removed a like number must be planted. There is room to plant the requisite number of trees on the perimeter of the large lot. However, one of your most respected staff members made a passionate plea to go “beyond the law” by leasing 10-20 acres out in the rural area and plant several hundred young trees on it as well. “If we are to think of ourselves as trustees of the global environment and not just consumers of the environment, we must go beyond the legal requirement and leave something for future generations.” Your financial officer responded with “This would cost us \$10,000 and we could use those funds for building the business. We could do this later after we have profits built to a much higher level. Besides, I personally believe that we should meet the legal requirements and no more. If we continue to spend money on every “social” cause that comes along, we will not be serving our stockholders well.”

The staff member responded with “Our stockholders would want us to be a socially responsible firm and we would be doing it for the future descendants of the stockholders and I think the majority of them would approve of that. As far as waiting for a better time to do it, there will never be a “better” time than now. Besides, the expense is a tax deduction and it would actually cost only \$6,000 cash outlay.”

Discuss this situation with your team and enter a one (1) on the decision form if you are going to budget the \$10,000 cost of the tree project and a zero (0) if you are not going to do it. If you elect to do it, you will be charged \$10,000 next quarter. The balance would be paid two years from now.

Mini-Case D: The Case of the Missing Keys

The ring containing the master keys to many areas of the building disappeared off the production manager's desk this morning. Changing all the locks would cost \$2,000 as they are all high quality custom-keyed locks. An anonymous note left at lunch time on the desk of a production foreman listed three or four employees that could have taken them and that there was a rumor that they had been put in the guilty employee's locker for safe keeping in case the employees were searched. The production manager wanted to search the four lockers for the keys but the human resources manager warned him that the lockers could be considered as a personal area and the company did not have a right to search a personal area. He ended his remarks with a statement about a potential lawsuit, especially by any employees who were not guilty. A complication is the fact that a rumor has been floating around that one or more employees have stored drugs in their locker.

Discuss this situation with your team. Enter a one (1) on the decision form if you plan to search the lockers and a two (2) if you choose to change the locks. If you choose the latter, "other expenses" will be charged \$2,000.

Mini-Case E: The Case of the Personal Email

All employee computers are now connected to the company Internet access and there has been a surge in Email traffic that you suspect is due to personal Email and use of the personal use of the Internet. Although the law is very clear that the logs and records on the hard drives corporate computers belong to the company, Email is a non-cash perquisite that some companies permit to their employees. One department manager is concerned that there is a significant amount of "Asocial loafing" associated with personal Email and Internet surfing. It is hard to compute the exact amount of work time used without hiring a specialist to conduct detailed reviews of the usage logs. It is clear that the company must establish a policy on this matter. The concerned department manager wants to have a "no use at any time" policy because he fears that "if you give them an inch they will take a mile. Where do you draw the line" he asks?

Discuss the situation with your team. Enter a one (1) if you are going to formally permit people to use their own discretion about personal Email and Internet activity. Enter a two (2) if you allow employees to use their computers for personal activity before and after work hours. Enter a three (3) if you will not permit personal use of the company computers at any time.

Mini-Case F: Health Insurance Decision

A group of employees has approached management with a request from a majority of employees that the firm establishes a health insurance plan, paid for by the company. One staff member has pointed out that the plant does not have a union at this point and that this type of situation cannot be ignored or placed in a committee for a 6-month analysis. The human resource manager has received proposals from an excellent insurance company for different types of plans. While the plans are not top-of-the-line in benefits, they are adequate. The plans are listed below.

- #1 Do not establish a health plan but contract an all-purpose clinic to treat employees and their dependents for discounted fees. No cost.
- #2 Establish a health plan for employees only (not dependents) with the company paying half the cost and employee paying half the cost. Cost: \$3,000 per quarter.
- #3 Establish a health plan for employees only (not dependents) and pay the full cost. Cost :\$6,000 per quarter. Employees could add and pay for dependents at the full dependent cost.
- #4 Establish a health plan for employees and their dependents with the company paying half the cost and employees paying half the cost. Cost: \$5,000 per quarter.
- #5 Establish a health plan for employees and their dependents and pay the total cost. Cost: \$10,000 per quarter.

Make your decision and place it on the decision form. If you choose an alternative with a cost, it will appear as “other expense” for the length of the simulation.

Mini-Case G: Going International

The Marketing Director brought up the idea of becoming an international company by exporting your product. The choice of a location is not a factor in this decision but the method of marketing your product in that country is. The following choices are available to you.

- #1 Do not export at this time. You feel you need to continue and expand in your current markets and exporting would require precious capital and managerial resources.
- #2 Contract with a broker in the foreign country to handle your product as part of his line. He calls on the types of stores that would carry your product. The advantage of this alternative is that it costs nothing as the broker would be paid a commission on each sale. The disadvantage is that you have no way of telling how hard the broker is trying to sell your line versus the other competing products he offers to his customers. It is estimated that he may be able to increase your current sales 1% to 5%. All brokers require a one year contract as your only representative.
- #3 Hire a salesperson in that country to market your product there. The cost would be \$20,000 up front cost to establish the position (charged to other expenses next quarter). Future costs would be paid from the sales of the international office and not charged directly to your expenses. It is estimated the salesperson would be able to increase your current sales by 5 to 10% within two quarters.
- #4 Establish a sales office and stocking warehouse in the country. This would allow immediate shipments of goods to the customer, saving days as compared to alternatives #2, and #3 above. The cost would be \$40,000 to establish the office. After the initial charge (next quarter) the expenses would be paid out of the international division and not show directly on your expenses. It is estimated this alternative could increase sales 5% to 15% of your current sales.

Make your decision and place the number on the decision form.

Mini-Case H: Selection of a Country for International Sales

You have the choice of several countries to begin marketing activities and open up sales to the country. The alternatives are listed below. Although you may not enter the country immediately, the President wants your group to select a country so you would be ready if the decision were made.

Country Selection for Exporting				
Selection Factors	Country #1	Country #2	Country #3	Country #4
Language - Same as ours or Different	Same	Different	Different	Different
Annual Economic Growth Rate	1%	3%	5%	8%
Level of Taxes and Tariffs	Moderate	Moderate	Higher	Highest
Currency Strength Vs Our Currency	Equal	Stronger	Stronger	Weaker
Ease and Cost of Exporting to this country 0=Somewhat Difficult 10=Easy	9	8	7	6
Stability of Government 0=unstable 10=very stable	10	9	7	6
% Literacy Rate	93%	96%	92%	80%
Relative Affluence 0=poor 10=same as your country	10	8	7	5

Make a selection of the country you would enter. You must make the selection whether or not you think your firm should export. Chose 1, 2, 3, or 4 and place it on the decision form.

Mini-Case I: Time Management and Goal Setting

The firm you are managing is relatively small and therefore you have a small staff. In assuming management of the firm a few tasks need to be accomplished as soon as possible so that you can get the firm operating as efficiently as possible. The tasks that need to be accomplished are listed below. Your team should rank order these tasks from the choices below.

1. Review the marketing plans and expedite marketing and sales of the product.
2. Review the production operations of the firm and make the shifts necessary for producing the highest quality product and the lowest cost.
3. Review the packaging, warehousing, and shipping of the product to assure the product is promptly shipped to customers without delays.
4. Review personnel record of all employees to get a feel for the strengths and weaknesses of the human resources in the organization.

Even though your team would like to attend to all these matters, you are being asked to prioritize them.

Rank order the four items and place your choice on the decision form (do not use commas nor spaces). Examples: 1342, 3421, 1243, etc.

Mini-Case J: The Recall Problem: Ethics or Common Business Practice?

Business is built on the principle of giving the customer a safe product or service at a fair price. The minimum level of business ethics is to obey all laws and regulations relating to one's business. Then comes behavior that is legal but perhaps not ethical. Next there is a gray area of ethical behavior in which decisions are difficult to make. Finally, there is behavior that is clearly ethical in which the firm could pass the TV rule. (The firm so conducts its business that all of its actions could be disclosed to the public on TV without fear of any condemnation.)

The situation faced by your team today is one in the gray area of ethics. The sales force has reported that some retailers have had the latest model of your widget returned because of a problem with its battery. A check of 100 units off the production line showed that 5 had the potential to be defective and one was defective. The defect could do no bodily harm to the user due to any type of electrical shock. Luckily, it is a new model and there have only been 5,000 units sold. Steps have been taken to correct the problem immediately on units coming off the production line. A meeting of your staff produced nothing except very diverse opinions as to what action to take. The alternatives appear below.

- #1 Recall all units of that model, inspect them, and either return it or replace it, as required. Your legal counsel has recommended this action. Cost \$20,000
- #2 Place ads in stores and a few newspapers announcing a voluntary recall. Only customers who would happen to see the ads would return the units. Cost \$5,000
- #3 Adopt an unwritten policy to repair (without cost to the purchaser) any defective widget that is sent back to the factory. This would be in effect as long as the units were in consumers hands. This is known as a "secret warranty" and no notice of the extension is given. No recall notice is given. Cost \$1,000 to repair the few units that may come in after the 180 day warranty has expired..
- #4 Stand behind your usual 180 day warranty. No recall would be made. If a unit comes in after the 180 days, the customer would be charged for the repair. No cost to your firm for this choice.

Discuss with your team and enter your decision (1-4) on the decision form. Although you may think of a better alternative, in a simulation the menu of choices must be adhered to. Any costs will be charged to other expenses.

Mini-Case K: Technology

At a department head's meeting the production manager brought up the topic of "Catching up with the 21st Century." He noted that while the firm was producing a widget with the latest features, the firm was behind in some areas of technology. By the time everyone had spoken at the meeting, several proposals had been made concerning utilization of new technology. They are listed below.

- > Purchase new software to upgrade the accounts receivable system that would reduce the time in billing customers by a week. Thus monies owed the firm would come in a week earlier. Cost \$1,000.
- > Upgrade the sales forces' customer relationship management (CRM) software, in order to get their orders in faster and more efficiently. Cost \$2,000.
- > Purchase a CAD (Computer Assisted Drawing) system that would allow the production development department to prepare all drawings via computer. Now it is being done by hand drawings. Cost \$4,000.
- > Purchase a system that ties together all the firm's suppliers to the production facility purchasing department via Internet. This would allow the purchasing agent to place an order immediately with no lost time. The firm could carry less inventory in raw materials stock and save funds invested in this type of stock. Cost \$8,000.
- > Establish through a third party that already sells at retail on the Internet, the ability to sell your widget via two pages in the third party's on-line catalog. This is admittedly a small step toward E Commerce but the manager who made the proposal advocated a test run of this type to ascertain what the potential is. Cost \$16,000.
- > Establish an E Commerce site that would sell your widget exclusively. The site would feature full color web pages with all product specifications listed. It would compare your player with you closest competitors and show the superiority of your unit. Customers could either order via Email or phone their order in. Cost \$32,000.

All of the proposals above have pluses and minuses. Your team should discuss them and enter the total cost of any proposals you want to activate. Since the costs are unique numbers, the computer program can sort out which you want. For example, if you want to implement the first and third options, enter $(\$1,000 + \$4,000)$ \$5,000 on the decision form (in 000's would equal an entry of "5").

Possible values to enter are from 0 to 63 (e.g., 0 to \$63,000).

NOTES: