

Case Studies for student in the business

Although almost every business is unique in its own way, there are some universal lessons that apply to just about any kind of business. In these case studies, we'll take a look at employee performance and retention, supply chain management, growth, ad spending, and more. Although the following are focused on specific businesses, all business students can learn lessons from their triumphs and mistakes.

WORKPLACE DRUG ABUSE

Managers hope they'll never have to deal with employee drug abuse, but the fact is that it does happen. In this case, Amber, an administrative assistant started out well, but began to adopt strange and inconsistent behavior. Her work was maintained pretty well, but she began arriving late and calling in sick often, especially right around the time she got paid. She began borrowing and failing to repay money, and then started showing a short temper on the phone with customers. After being found in the ladies room sniffing white powder, she was confronted about a cocaine problem, and reacted by quitting immediately, leaving a hole in the organization for months before a replacement could be found and replaced. Experts believe the employer's actions were wrong, waiting too long to confront Amber, and focusing on accusations instead of criticizing behavior directly related to work, such as lateness and rudeness to clients. They also point out that Amber should have been sent in for a drug test before being outright accused of using cocaine, opening up the opportunity for rehabilitation instead of a severed tie.

MALDEN MILLS

Sometimes, doing the right thing is more important than profits, a lesson that Malden Mills learned firsthand. When the factory burned down in 1995 just two weeks before Christmas, production halted and employees assumed they'd be out of work until the factory was rebuilt. But CEO Aaron Feuerstein extended the employees 90 days at full pay, as well as 180 days with benefits at a cost of \$25 million to Malden Mills. After the factory was rebuilt and all of the displaced workers were rehired, cooperation and productivity reached a new high, with 40% more business, 95% customer and employee retention, and a production increase from 130,000 to 200,000 yards per week. However, since then, Malden Mills has been to bankruptcy court three times, with much of the debt tied to the rebuild of the factory. Feuerstein made employees happy, to be sure, but business students should study this case to consider whether bold philanthropic actions will pay off in the end.

A STARBUCKS ON EVERY CORNER

In 2008, Starbucks announced that they would be closing 600 US stores. Up to that point, Starbucks stores had added new offerings, including Wi-Fi and music for sale, but started to lose its warm "neighborhood store" feeling in favor of a chain store persona. Harvard Business Review points out that in this situation, "Starbucks is a mass brand attempting to command a premium price for an experience that is no longer special." Meaning, in order to keep up, Starbucks would either have to cut prices, or cut down on stores to restore its brand exclusivity. HBR's case study shares three problems with the growth of Starbucks: alienating early adopters, too broad of an appeal, and superficial growth through new stores and products. Harvard recommends that Starbucks should have stayed private, growing at a controlled pace to maintain its status as a premium brand.

SMALL CUSTOMERS, BIG PROFITS

Big business is attractive, with huge profits for some. But there's something to be said about small business as well, with lower risk and the potential for creativity. Darren Robbins of Big D Custom Screen Printing in Austin, TX found success in his business by pursuing customers with orders both large and small. Although Big D started out catering only to large orders, the shop sat idle in between orders, and through effective scheduling and transparent pricing, was able to fill in dead times with smaller orders. Big D found a profit in a market segment that other local screen printers weren't clamoring to fill. Experts believe this was a smart strategy, allowing Big D to spread out risk in their business and offer customized products. But at least one person is critical of the offering, pointing out that the niche has little upside potential, and may hurt the company's efficiency.

SUCCESSION PLANNING

Family businesses typically have the luxury of passing the torch down to children after parents retire, but in some cases, there are no candidates, or the candidates may not be right for the role. This presents a challenge when it's time to find a successor, especially if existing employees have assumed that top level promotions would come from within the family. So the Carlson companies had to put in great effort to find a replacement, looking both internally and outside of the company, ultimately finding an internal candidate who would work well with the family but also offered plenty of experience as an executive in different industries. According to Beverly Behan of Hay's Group, Carlson should be commended for not only making the right decision in not hiring the heir apparent, but for handling the job search in a calm, effective way.

RETIRING EMPLOYEES, LOST KNOWLEDGE

Another important retirement issue is one of lost knowledge. What happens when retirees leave the office, taking years of experience and know-how right along with them? Businesses lose all of that knowledge, but according to American Express, it doesn't have to be that way. Through a pilot program, AMEX created a workforce transformation group that would allow retiring participants to gradually give up some of their day to day responsibilities. In return, the employees would spend some of this time mentoring and teaching classes to successors. This resulted in a phased retirement, allowing employees to leave gradually and enjoy more time while still enjoying a portion of their previous salary, and regular benefits. This also meant that some employees stayed a year or more past traditional retirement age. AMEX believes this program is a success, allowing senior employees to enjoy their last years of work in a reduced capacity, as well as educating the existing workforce for future success. Consultant David DeLong agrees, citing this program as an example of how job handoffs should really work.

STRATEGIC AD SPENDING

Advertising costs money, which many businesses find themselves short of these days. But forgoing ad spending in favor of better profits can be a mistake. Experts say that in a slump, one of the best things you can do is adopt or increase your advertising strategy to attract customers. During a recession, this is especially true, as other businesses may be cutting back on their ad spending, making your voice even more prominent to customers. After seven years of growth, building from 30 to 300 locations, Firehouse Subs' growth fizzled, and company leaders realized they had to do something about it. So they returned local advertising fees collected from franchisees, not to put in their pockets, but to take hold of their own local marketing. Sales fell even more, revealing that this was not a good strategy at the time. Instead, Firehouse reclaimed their local marketing fee, and then gave franchisees the option to take part in a new marketing campaign, requiring them to pay double for local marketing, but in return, becoming part of an \$8 million advertising campaign poised for success. Experts commend Firehouse for having the courage to ask franchisees for more money where it was needed, even when times were tough.

TYLENOL'S 1982 SCANDAL

In 1982, seven people in Chicago died after taking Tylenol due to an unknown suspect lacing the capsules with cyanide after the products reached the shelves. In the immediate aftermath, Tylenol's commanding 37% market share dropped to just 7% nationwide, despite the problem being contained to the Chicago area. Tylenol was not responsible for the tampering of the product, but to maintain the product's reputation, Johnson & Johnson pulled all of the Tylenol from the shelves, absorbing a loss of more than \$100 million dollars. Tylenol was successfully reintroduced with tamper resistant packaging, discounts, and sales presentations to the medical community. The brand survived due to swift action and effective public relations from Johnson & Johnson.

DAVID VS. GOLIATH

It's tough to be the little guy, especially when one of the big guys becomes your direct competition. But at Hangers Cleaners, an offbeat image and good customer service helped them pull through when P&G opened an eco-friendly dry cleaners in the same town. Hangers differentiated itself through van delivery service, funny t-shirts and hangers,

as well as social networking. The company also spent time connecting with the community by partnering with local businesses and charities. Instead of out-ricing or out-spending P&G, Hangers embraced its personality and adopted a culture of excellent service that customers found value in. As a result, Hangers has experienced growth while other local dry cleaners have reported flat or declining revenues.

MARKET EXPANSION THROUGH PARTNERSHIP

To support new growth, businesses have to expand past their initial customer base, an often daunting task for small businesses. However, partnering with another successful company can help businesses reach a new level. Diagnostic Hybrids, specializing in medical diagnostics, did just that, partnering with Quidel, a market leader in rapid diagnostic tests. This partnership allowed Diagnostic Hybrids to enjoy a larger market presence, as well as take advantage of better research and development resources. Although Diagnostic Hybrids was acquired by Quidel, key elements of the organization remain, with the same company president, and operation as a separate subsidiary.

TESCO'S INTERNATIONAL EXPANSION

Tesco's move into Korea offers a classic case study of building market share internationally. The company made some smart moves in their Korean expansion, most notably partnering with Samsung, the leading Korean conglomerate, and embracing the Korean way of life by operating stores as local businesses and community centers. Tesco also made a smart move by employing nearly 100% Koreans on staff, with only 4 British employees out of 23,000. Reports indicate that Tesco's intelligent strategy has won over shoppers in Seoul, with 25% of Koreans signed up for loyalty cards and sales in the billions, finding success in "crack[ing] the Asian tiger," where competitors such as Carrefour and Wal-Mart have failed.

TRIUMPH IN NICHE EXPORTS

Another excellent international case study comes from bike manufacturer Triumph, which lost steam in its British home base three decades ago, but found new life by heading overseas. In 2010, Triumph sold just 7,562 bikes in the UK, but 50,000 worldwide, indicating that an international interest paid off for the company. Triumph's famous factory in Warwickshire closed up shop in 1983, but the Indian factory remained, and these days, the motorcycles have become the country's Harley Davidson. The company struggles to meet demand in India, with a six month waiting list and a new factory being built. India's middle class has embraced the vehicle as an affordable commodity, even giving them as dowries in weddings.

BACKGROUND CHECKS FOR JOB CANDIDATES

Background checks are an issue faced by many companies, as sensitive information is now more public than ever. OfficeDrop is no exception, as the company scans paper into digital files, including patient records and minister sermons, most of which require trustworthy employees who can handle documents discreetly. Many companies offer quick, superficial checks, but for OfficeDrop owner Prasad Thammineni, more information was required. He found a company that would allow research to delve into a number of different sources and perform a more comprehensive search. Other business owners offered somewhat critical opinions of Thammineni's choice, pointing out that instead of Googling to find a background check company, he should have asked his business network who they were using. They also recommended that he take advantage of free resources, including online searches and checking out social media sites to learn more about job candidates.

EMPLOYEE ENGAGEMENT IN TOUGH TIMES

When Gamal Aziz stepped in as president of the MGM Grand Hotel & Casino, he didn't just take on a \$400 million spruce up of the hotel, he worked on the employees as well. He asked rank and file employees to share their insight through a hotel, discovering that there was disconnect between what was going on at the hotel and the knowledge of staff. He implemented an easy fix, creating short meetings at the start of every shift to inform employees of daily happenings so that staff could offer more to guests, improving customer loyalty, return visits, and spending. Experts laud Aziz for differentiating the MGM grand with top quality service from the employees.

SOCIAL MEDIA SERVES UP CREME BRULEE

Marketing is key, whether you're a multibillion dollar company, or just a guy with a cart full of creme brulee. But just doing it isn't enough: you have to market effectively. Curtis Kimball, the man behind the Creme Brulee Cart, put Twitter to work for him amassing thousands of followers and growing his business by allowing people to follow the cart through the online service. Kimball engages with customers and develops a personal relationship with followers online, asking for suggestions on flavors and cart locations. Perhaps the most impressive part of this story is the fact that Kimball has no marketing budget (Twitter is a free service), yet enjoys an incredibly popular status and high ratings on Yelp.

OVERREACHING PRODUCTS, SUFFERING SALES

You can't be everything to everyone, as Hickory Farms found out. A company that started out with holiday gift baskets including sausage, ham, and cheese at one point had an offering of 2,500 different products, sprawling the company and resulting in a loss of favor with customers. Recognizing this issue, Hickory Farms streamlined itself, slashing their number of products from 2,500 to 300 with more modern visuals, descriptions, and other features, including less packaging and more recycled content. The company also overhauled their website, making it easier to shop online. All of this streamlining resulted in a price reduction of 13% that Hickory Farms was able to pass on to their customers. Brand strategist Jennifer Woodbery believes that this was a smart move, making the most of Hickory Farms' trusted name and image with an effective rebranding of offerings.

MAINTAINING CONSISTENTLY GOOD EMPLOYEES

It happens all the time: good employees get a promotion, and suddenly, they're not so good anymore. Such is the case for cat shelter Paws Need Families, as Della, a cleaner turned assistant manager, and then manager started arriving late, letting applications sit, and slipped on inoculations, all serious offenses. Instead of confronting Della directly, general meetings were held, and an assistant manager was hired to compensate for Della's shortcomings. Ultimately, Della never cleaned up her act, and was fired. Ken Blanchard, co-author of *The One Minute Manager* believes this situation could have been avoided with frequent meetings and support with a system of review, both of which can identify issues before they become real problems.

RECALL CRISIS MANAGEMENT

In 2009, Maclaren issued a recall for every stroller it had sold in the US for a decade, which came to 1 million units. The strollers were recalled so that a cover could be installed to prevent amputation of a baby's fingers, which could happen if the baby were to be in the stroller in the wrong spot. As a luxury brand, this incident was damaging even though it was a misuse of the product and not a defect. Experts believe that Maclaren did the right thing in the aftermath of the recall, asking for a fast track recall from the Consumer Product Safety Commission, and got out in front of the recall as it started spreading through the press, saving face and further embracing a mission of child safety.

DEALING WITH LATE PAYING CLIENTS

We all hope that clients will pay on time, but the fact is that most businesses have to deal with lateness at some point or another. How you deal with it can make all the difference, and this case study reveals a smart strategy. When a client wrote to check in on the progress of work, a web developer replied that she was hesitant to work quickly for that client because she was still waiting on payments for month-old work. This immediately got the attention of the clients, who contacted her and discovered that their checks were not going to the right address. The problem was solved almost instantaneously, enforcing both leverage and rewarding positive behavior. However, it was risky, and the client criticized her for not sharing a warning before coming to a difficult point.

SUPPLY CHAIN DISRUPTION

In 2000, a fire at the Philips microchip plant affected phone manufacturers Nokia And Ericsson. The companies reacted in different ways, and ultimately, Ericsson did not do well, quitting the mobile phone business and allowing Nokia to win over the European market. While Ericsson had tied up all of its key components in a single source and planned to wait out the problem with the fire, Nokia worked to snatch up spare chips from other plants and suppliers, as well as re-engineered some of their phones to adapt to different chips from new suppliers. It's not hard to imagine what happened after that. Nokia kept trucking along, while Ericsson suffered from months of lost production and sales, allowing the market to be dominated by Nokia. This incident and fallout is a classic lesson in supply chain risk management.

MANAGEMENT CASE STUDY – BEER, BREWERIES, AND BOTTLED WATER

This case study scenario is designed to help students and younger engineers build business problem-solving skills through engineering scenarios. While created to mimic real-life situations, this scenario is hypothetical and for educational purposes only.

The client, one of the world's largest brewing companies, is a leading beer brewer in the United States with many well-known brands of beer being sold in numerous grocery and liquor stores. For the last 10 years, the client has been experiencing stagnant sales and flat profits in an increasingly competitive industry. Therefore, the senior management at the client's headquarters is trying to evaluate every possible growth opportunity. The client is facing increased competition from microbreweries and has already explored ways to penetrate the international market. However, this alone will not enable them to meet their current goals of increasing both sales and profits by 200% within the next five years. The following are key problems and issues that the client brought to your consulting firm to develop various growth strategies. The client's Chief Marketing Officer (CMO) has noticed a steady and substantial increase in the consumption of bottled water products in the U.S.. Believing that the assets required to produce bottled water are very similar to that of beer (in terms of supply chain), the CMO wants to recommend to the CEO that they begin production of bottled water products. The CMO has asked your firm to help build the case for why they should enter the bottled water market to achieve their sales and profit goals.

How do you develop the business case for him?

What recommendations would you have for this company?