

# The CASE Journal

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The Journal of  
the CASE Association

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### Membership Form

## EDITORIAL POLICY

The audience for this journal includes both practitioners and academics and thus encourages submissions from a broad range of individuals.

*The CASE Journal* invites submissions of cases designed for classroom use. Cases from all business disciplines will be considered. Cases must be factual, and releases must be available where necessary. All cases must be accompanied by an instructor's manual which identifies the intended course, relevant theoretical concepts or models that can be applied, and the research methodology for the case. The instructor's manual should also contain discussion questions and suggested responses, and a teaching plan if not inherent in the Q&A.

*The CASE Journal* also invites submissions of articles relating to case teaching, writing, reviewing, and similar topics. Conceptual papers and papers reporting original research as well as the applied implications of others' research in terms of case teaching, research, and instruction; and creative learning, research and writing methods are encouraged. We request that submitters of empirical research provide appropriate data set analyses to allow for meta-studies (i.e. correlations matrices and chi-alpha's).

Because of the broad appeal of the journal to practitioners and academics, *The CASE Journal* will not refuse to review a case or an article solely on the basis of format. However, if a case or paper is accepted, the final version for publication will be expected to adhere to the publication and manuscript guidelines. Cases and papers may be returned due to issues relating to writing style and grammar.

*The CASE Journal* encourages authors to submit often to the Journal. However, authors who are published in one publication year cannot be published a second time in that publication year. Rather, additionally accepted papers will appear in subsequent publication years. This policy does not apply to authors who submit papers for review with different second authors from what appears on the first accepted paper in any given publication year.

**CASES:** Those wishing to submit a case for potential publication should submit the entire case along with the completed teaching notes for review. If accepted for publication, only the case will be published along with a note for interested readers to contact the case author for the teaching notes. All review and publishing rules which apply to scholarly articles also apply for cases. Also, upon acceptance for publication, *The CASE Journal* requires that the author(s) submit a signed letter of liability release prior to publication. Authors are responsible for distributing the teaching notes as requested and their e-mail addresses will be provided for such purpose.

### INITIAL SUBMISSION:

All cases and articles will be subject to a double blind review process. Our reviewers believe that the process is developmental, and will offer suggestions for improvement and revision, where appropriate.

All manuscripts submitted are to be original, unpublished and not under consideration by any other publishing source. To ensure the blind review, there should be no author-identifying information in the text or references. An abstract of 150 words or less should accompany any article, and should be included in the instructor's manual accompanying any case. This journal will only accept on-line submissions. Send one (1) copy to the editor by e-mail in MS-Word and/or IBM text format. A separate title page must accompany the paper and include the title of the paper and all pertinent author information (i.e. name, affiliation, address, telephone number, FAX number, and E-mail address). If any portion of the manuscript has been presented in other forms (conferences, workshops, speeches, etc.), it should be so noted on the title page.

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## LETTER FROM THE EDITOR

**Margaret Naumes**

Welcome to the second issue of Volume 3 of *The CASE Journal*. This edition offers five cases (one a series), a case-based instructional exercise, and an invited article. As in the previous issue, several of the cases are from Herb Sherman's editorship. He continues to serve as my informal advisor even as he moves on to other projects, now including serving as President of The CASE Association, our parent organization. Congratulations, Herb!

This edition's cases are from a variety of disciplines, representing the diverse areas where cases are being used, from finance to organization theory, ethics, strategic management, and social entrepreneurship. Their subjects range from small not-for-profit organizations to large multinationals. All have thoroughly developed instructor's manuals, sometimes longer than the case, that offer pedagogical insights grounded in theory. The Journal does not publish the instructor's manuals, but they are a critical part of the review process. Faculty members adopting a case should get in touch with its authors for the manual.

The first case in this edition is "Exploring Strategic Change: A Case Analysis of the Conoco-Philips Merger." The authors provide extensive financial information on the two companies before the merger as well as post merger data. Their objectives are to challenge students to perform and interpret financial statement analysis. They ask students to explain to stockholders the financial impact of the merger. They encourage students in advanced finance courses to use financial research tools and to consider issues relating fair treatment of stockholders.

The "ABB Transformers – Denmark" case series also asks students to consider issues of corporate strategy and fairness, this time from the point of view of a middle manager who is truly "caught in the middle" of his company's matrix structure. In the "A" case, he must make a recommendation as to whether to move his plant from Denmark to Southeast Asia to his superiors, the Country Manager for Denmark and the Product Manager responsible for global production of electric transformers. The "B" case reveals the decision that had been made, but that decision is now in question again, putting the manager back into his dilemma. Organizational conflict and politics, culture and structure all come in to play.

From transnational, we move to a purely local situation, a Home Owners Association with governance issues. Attempts to build a public trail along the lakeshore had led to lawsuits against the association, the latest and most bitter in a history of conflict over the ownership and control of "Common Areas." The new president of the association campaigned for her office on a platform of working to restore a spirit of neighborliness, but is now faced with trying to change the culture of the organization and bring together its stakeholders.

Fonkoze is another small organization, a microfinance institution located in Haiti which is faced with the challenge of how (and whether) to grow. Fundraising is taking up more and more time, but is essential if Fonkoze is to be able to issue new loans. While Fonkoze's director offers her board a choice of several strategies, including becoming a commercial bank, students also have to wrestle with challenges of doing business in a developing country.

Growth is also the issue for Bright Lights, a non-profit that offers summer enrichment programs for children. Here, too, post 9/11, fundraising is becoming more of a challenge. The Executive Director is considering whether franchising might be a way to expand Bright Lights' mission to new areas as well as provide a source of funds. Designed for entrepreneurship/small business students, this case offers the opportunity to discuss social entrepreneurship. The authors have also provided a technical note on franchising to supplement conventional texts.

The common themes of strategies and finances are tied together in a challenging exercise, The Strategy Mystery Game. It is definitely case-based: each of the 16 companies is depicted using factual information, its industry and financial data. The difference is that the companies are not named, and students are asked to use the financial statements to identify the companies by industry. The exercise is only a few pages, but the authors have also provided a "Brief" to introduce the very powerful linkages to strategic models and choices.

The final entry in this edition of The CASE Journal is an invited article, based on a plenary session held at the combined CASE Association/Eastern Academy of Management meeting in Saratoga Springs, NY in 2006. Writing a case on the organizational transformation of Wilhelmsen Lines, a Norwegian shipping company that had lost its top management in an air crash, was the beginning of a ten-year collaboration between three academics and two international executives. The three faculty and the former president of Wilhelmsen describe their relationship and the lessons they have learned from each other, including the impact on the executives from being an on-going part of the case process. It's a fascinating read!

I would be remiss to end without thanking the people who make this issue, and every issue, possible: our authors and our reviewers. Case authors are special people; they have a story to tell and the desire to help others learn from that story – and they are willing to put in the time and effort to write and re-write to create a highly effective teaching tool. Reviewers are also very special people. They volunteer their time to read and critique case drafts, not all of which are as well written as those you will read here. Often they read a second version, and sometimes even a third.... Without their anonymous input, these cases would not be as good as they are. Special thanks also to my Associate Editor Alan Eisner who handled the process of creating the Journal on-line, and to my Consulting Editor Jim Carroll who has advised me on many difficult decisions.

I hope that you will enjoy this edition of the journal. Please feel free to e-mail your comments, cases, articles and suggestions to me at [margaret.naumes@unh.edu](mailto:margaret.naumes@unh.edu).

## CASE AND ARTICLE ABSTRACTS

### **Exploring Strategic Change: A Case Analysis of the ConocoPhillips Merger**

Kanalis A. Ockree

James Martin

Richard A. Moellenberndt

Washburn University

This is an illustrative case analyzing shareholder and accounting outcomes and legal issues resulting from a merger of two major publicly traded companies. In today's business world, the "urge to merge" is tempered by heightened shareholder activism. In response to this activism, boards must proceed with care when negotiating mergers. Challenges to mergers that appear to be in the shareholders' best interest occur often. As is the case here, shareholders and their well funded legal representatives, seek damages for alleged bad decisions. Conoco Oil and Phillips Petroleum announced their intention to merge in November 2001. At that time the cost of gasoline spiraled ever upward and large oil firms put heavy competitive pressure on smaller oil producer/refiners. The merger described as a "merger of equals", intimated that neither Conoco nor Phillips shareholders would receive a financial advantage (or disadvantage) over other merging shareholders following the completion of the merger. Immediately following the announcement, Michael Iorio, a Conoco shareholder, filed a lawsuit, claiming damages to Conoco shareholders from the merger of the two firms.

### **ABB Transformers - Denmark (A)**

Mikael Søndergaard, Aarhus University

William Naumes, University of New Hampshire

The ABB (A) case describes the situation leading up to a decision that has to be made concerning closing a manufacturing subsidiary of ABB and moving its operations to Thailand. The Plant/subsidiary manager is placed in a conflict position regarding this decision due to the matrix form of management structure employed by the parent ABB. His direct line manager in charge of the global product line wants the move to take place. He has the support of his supervisor, who sits on the Executive Committee of the parent company. The ABB Country Manager for Denmark wants the plant to stay where it is. The subsidiary manager also reports to him, as part of the matrix structure. The subsidiary manager has recently been promoted to his new position, with the support of the Country Manager. The previous subsidiary manager had been promoted to head up a larger, Danish subsidiary of ABB. The previous year, the Country Manager and the previous subsidiary manager had managed to over rule the same request, in no small part, due to their connections within ABB as well as within Denmark. The new subsidiary manager needs to make a recommendation as to what should be done. The ABB Transformers (A) case can be used separately, or in conjunction with the (B) case.

**ABB Transformers - Denmark (B): For Adults Only**

Mikael Søndergaard, Aarhus University

William Naumes, University of New Hampshire

The (B) case follows up on the (A) case. The decision was made to leave the plant in Denmark. It was revisited one year later, and the subsidiary manager is in even more of a quandary. The former Country Manager has been promoted to the Executive Committee of ABB. At a meeting of the new Country manager (not previously from within ABB), the Product Manager, his supervisor from the Executive Committee, the former Country Manager, and the subsidiary manager, the discussion is primarily between the new Country Manager and the Product Supervising Executive Committee Member, who has also been given added responsibility for all of Asia and the Pacific region. The former Country Manager, now responsible for European operations, remains quiet during the discussions. He later notes that this is a relatively small decision in the context of European operations. The subsidiary manager still needs to make a decision, but is now unsure of what has happened during the past year to allow this issue to be raised for the third time. The (B) case can be used to demonstrate how politics, promotions, and transfers can radically alter the environment within the context of a strategic decision. The focus is now on organization culture and power, and on the problems of operating within a matrix structure. The (B) case should be used in combination with the (A) case.

**A Troubled Time in the Courtyard**

Arthur Sharplin

John Seeger

Bentley College

The Courtyard Homeowners Association, Inc. (CHAI) was the governing corporation for a 315-home development in Austin, Texas. In early 2001 Earline Wakefield took over as president and resolved to "restore the spirit" of the neighborhood. Two of her directors, both lawyers, had a history of success in expanding neighborhood rights to so-called "Common Area," especially that along picturesque Lake Austin. But when they collaborated in 1998 to construct a walkway along the lakefront behind the twelve lots they met stern resistance from those wealthy, sophisticated owners. An intense political and legal contest ensued. The case was referred to arbitration, culminating in enjoinder of the walkway and costing CHAI and its errors and omissions (E&O) insurer an estimated \$350,000. One of the lawyers, then president, immediately promised to extend the decision to the other six families, but not to pay their legal costs. Taking office soon afterwards, Wakefield signs a document she thinks will carry out this promise. But two of the six families affected object to the document and hire a prominent Austin attorney, who contacts Wakefield. As she prepares for the August 2001 board meeting, Wakefield finds her plan to "restore the spirit of the neighborhood" in jeopardy.

**Transition from Microfinance Institution to Regulated Bank:  
The Case of Fonkoze's Transformation**

Michael Tucker  
Winston Tellis  
Dina Franceschi  
Fairfield University

Fonkoze is the largest Microfinance Institution in Haiti whose clients are mostly poor women. The authors had access to documents and meetings of the organization for an extended period, and observed the growth of the organization from a single office to 21 branch offices. In so doing, their staff had to spend increasing time in fundraising so that they could make more loans to the existing and new customers. This case presents the decisions of the Board and the management to alleviate some of those problems. Against a backdrop of political and civil turmoil, the case could be instructive for students and instructors alike. The Board had to decide whether to apply for status as a regulated bank, or to transform into some other financial entity.

**Bright Lights: Exploring the Franchising Potential of a Not-For-Profit Organization**

Monica Godsey  
Terrence C. Sebor  
University of Nebraska

Bright Lights is a small non-profit organization in Lincoln, NE offering a summer enrichment program to school aged children. Post 9/11, the organization faces challenges in its efforts to sustain financial resources. With enrollment and course offerings on the rise, funding is more important than ever. At the second to the last meeting of the year at which budgets are established, the Bright Lights' Board of Directors asked the Executive Director, Kathy Hanrath, and the Co-Owner/Director of Education Services, Barb Hoppe, to come up with some alternatives for fundraising top present at the final yearly meeting. Kathy has recently attended some sessions on franchising at a local entrepreneurship conference and would like to explore franchising as an option for Bright Lights growth. Kathy feels that franchising might have the potential to both increase performance and funding. This case focuses on issues associated with the exploration of franchising as a method of distribution and capital acquisition for a social organization. It calls attention to the appropriate situations for franchising, the importance of organizational assessment for franchise readiness, and other legal, economical, and organizational considerations.

**Business Models and Financial Structures: A Strategy Mystery Game and  
A Brief on “Business Models and Financial Structures: A Strategy Mystery Game”**

Stephanie Hurt, Meredith College

Marcus J. Hurt, EDHEC Business School (retired)

The ‘Game’ is really a multi-industry case that aims at developing participants’ awareness of the links between firms’ strategic choices and the financial structures the choices engender. Participants are provided with Balance Sheet percentages and common ratios for firms in 12 different industries and list of different businesses and asked to match the figures with the kind of business. The goal is for participants to understand how industries’ operating models impose certain financial structures.

The case is run as a kind of mystery game but leads to rather sophisticated analysis of industry and business models. The case leads students to a better understanding of the essential concepts of a business strategy course: 1) external analysis by helping students ‘see’ the structures of different industries; 2) making clear the link between the competencies and capabilities needed by firms in their internal environment to successfully compete in their industries by matching the key success factors at work; 3) providing a tangible illustrations of the competencies that must be developed to successfully pilot business strategies like cost leadership and differentiation; and, 4) developing insight into integration and outsourcing strategies and their effects.

A detailed Teaching Note accompanies the case.

**21<sup>st</sup> Century Learning:**

**Leadership Lessons from Collaborative Case Research, Teaching and Scholarship**

John F. McCarthy, University of New Hampshire

David J. O’Connell, St. Ambrose University

Douglas T. Hall, Boston University

Jan Eyvin Wang, United European Car Carriers

Management scholars and researchers have long been concerned about the impact and relevance of their work. Here we chronicle the teaching, research, management, and personal leadership development lessons that have arisen from a collaborative, decade-long relationship between three management faculty members and the senior management team of a major Norwegian-based global shipping and logistics company. This relationship grew from the creation of a teaching case in 1997 to many years of productive and meaningful work together, including the development and delivery of the all-conference Plenary Session at the 2006 Eastern Academy of Management Meeting, held concurrently with the annual CASE Association Conference. At the 2006 Plenary Session, each of the authors expressed powerful personal and professional development through their collaboration over the years, which is summarized in this article. Reflections, lessons and future research directions are provided.