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Family Business Management

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Houston We Have a Problem: They Paid Themselves Bonuses!

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Amanda Walsh's first year at Vanderville Plastics Company had been quite tumultuous. She had discovered that VPC's financial situation was precarious, and had witnessed a change in ownership, repeated requests for funding to the owners to help alleviate VPC's cash flow issues, and more recently, the sudden resignation of Peter Giroux, the company's CFO. Amanda had just realized to her great disbelief that the owners did not know about a recent payout of bonuses for the 2005 financial year. The case has students look at the events surrounding the payout as they unfold in the day-to-day life of Amanda to help them develop the professional judgment required to better interpret the oral assertions made by management, assess the risk of material misstatement due to fraud, and provide recommendations to improve a client organization's control environment and fraud risk management practices related to incentive compensation and management override of controls.

- ***Accounting***
- *Short-Term Decision Making*
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- *Relevancy of Information*

Arkansas Egg Company: Cracks in the Specialty Egg Market

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Michael Cox, CEO of the Arkansas Egg Company (AEC), must decide what to do about 130,000 hens producing organic cage-free eggs (specialty eggs) on company farms near the small town of Summers, Arkansas. His margins for these eggs had been protected under a contract, but on October 1, 2016 that contract would expire in highly unfavorable market conditions. Late summer 2016 market conditions were rough because the overall supply of conventional white eggs was high relative to demand, depressing prices and negatively affecting consumer demand for specialty eggs. The contract expiration meant AEC would compete in an open market where specialty eggs were selling below his variable production cost. Cox must decide whether to minimize his losses by euthanizing the hens or to try to hang on a while longer hoping for a market rebound in the fourth quarter. Student's complete a marginal cost / marginal revenue analysis and consider non-financial factors to make a recommendation.

Finance

- ***Finance***
- *Capital Budgeting*
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- *Financial Analysis*

Murphy Stores: Capital Projects — 53

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The Head of Capital Planning at Murphy Stores, a large multibrand retailer, is facing limited remaining funds in the company's capital budget, and is trying to choose between two projects. The first project involves adoption of RFID technology in the company's department and/or hardware stores to help reduce merchandise theft. The second project is to install more energy-efficient lighting in stores. The two projects have very different characteristics in terms of their metrics, their risks, and the variability in their potential outcomes. The Capital Planning team is required to undertake full project evaluations, including cost of capital, net present value and internal rate of return, as well as extensive sensitivity and scenario analysis. The evaluation will serve as the basis for a recommendation to the company's senior executives serving on the Capital Committee.

Ethics & Corporate Social Responsibility

- ***Corporate Social Responsibility***
- *Socially Responsible Marketing*
- *Business Ethics*
- *Public-Private partnerships*
- *Branding*
- *Cause Marketing*

La Campaña de Marketing de Oilcorp: Reacciones Mixtas a una Iniciativa de Responsabilidad Social — 61

Juan M. Parra, Inalde Business School [Campus U. Sabana, Autopista Norte, Km. 7, Costado Occ, Chía, Colombia, juanm.parra@inalde.edu.co]

The Colombian Red Cross approached Oilcorp, owner of the largest regional chain of service stations in the country, requesting its participation in its 100th anniversary celebration with a brand awareness campaign for its social programs. Given that the annual budget had already been approved without this campaign in mind, Oilcorp's CEO assigned the task of raising money to the Marketing Department. They opted for a small donation per gallon sold during the month of May and asking customers to provide personal information to be added to Oilcorp's database, making it clear that Oilcorp, in exchange, would contribute more money to the Colombian Red Cross. Nevertheless, the campaign backfired. For many, it seemed that the company was taking advantage of a social cause for marketing purposes. Consequently, the marketing team needed to decide what actions to take, given that the campaign was not on track to meet stakeholder's expectations. [Note: This case is the Spanish-language version of the case 'Oilcorp's Marketing Campaign: Mixed Reactions to a CSR Initiative' that appeared in the *Case Research Journal*, Volume 37 Issue 4.]