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STICKY RESOURCES: SUSTAINED COMPETITIVE ADVANTAGE IN SUB-SAHARAN AFRICA

Scott B. Droege, University of South Carolina Aiken
Kinfu Adisu

CASE DESCRIPTION

The primary subject matter of this case is the relationship between the "stickiness" of firms' resources and their ability to sustain a competitive advantage. Resource stickiness refers to the degree to which resources are immobile, a key component of the resource-based view of the firm. The difficulty level of the case is four making it appropriate for senior-level undergraduate students. Approximately one hour of class time is needed for class discussion. Student preparation time prior to case discussion is approximately two hours.

CASE SYNOPSIS

This case focuses on Chinese language fluency as a resource in Sub-Saharan African firms having economic ties to China. The resource-based view (RBV) of the firm suggests that "sticky" resources—resources that are relatively immobile and difficult to transfer from one firm to another—may be sources of sustained competitive advantage. Three fictitious firms stake out strategic positions in the Sub-Saharan African market for English and Chinese language training. The case uses these firms to focus attention on the question: Is Chinese language fluency among employees in Sub-Saharan African firms a potential source of sustained competitive advantage? The wider context of the case explores how firms can utilize the RBV to sustain a competitive advantage. Students gain practice using the VRINE framework—value, rarity, inimitability, nonsubstitutability, and exploitability.

INTRODUCTION

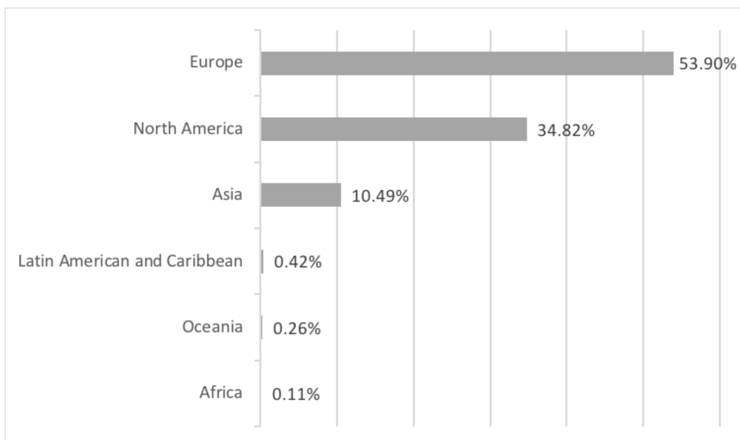
Language teaching is a burgeoning industry in parts of the world impacted by new economic opportunities. Immigration, emigration, globalization, and regional economic trade zones have spurred the industry to the highest demand in its history. Individuals just beginning their career, those with established careers who want to advance in their firms, and those wanting to remain competitive in a rapidly changing job market are motivated to learn an additional language.

This case begins with three firms competing in this industry. Two of the three specialize in teaching English as an additional language. The third specializes in teaching Mandarin Chinese as an additional language. All are in Sub-Saharan Africa, a region that includes 48 of the continent's 54 nations south of the Sahara Desert. Although many of these nations have local dialects, most also have an official language. French and Portuguese are common but English is an official language in only 14 of these nations. No Sub-Saharan nation has Chinese as an official language;

Chinese is used by only a small fraction of the population some of whom are Chinese who have immigrated to Africa to pursue promising business opportunities in a region characterized mostly by nations still early in their economic development.

Despite the promise of Africa as a market with potentially explosive demand, development is still early on much of the continent. Figure 1 shows that within the language service industry Africa has been largely overlooked. This is good news for firms targeting this region; they'll initially face little competition until the market begins to mature.

Figure 1. Distribution of Global Language Training Services, 2016



Data Source: Statista. 2017. Distribution of Global Language Services Market by Region in 2016.

From here, the case introduces the three firms that have recognized the untapped potential of the Sub-Saharan African market. Next, brief comparisons of Asia and Africa provide the economic context in which the firms compete. This is followed by highlights of China's interest in Africa's economic development. Key points regarding the resource-based view of the firm (RBV) and competitive advantage conclude the case by considering the "stickiness" of language fluency as a tacit resource. More specifically, can firms with employees who are fluent in a needed combination of languages use this fluency as a source of sustainable competitive advantage?

FIRMS

Note: ESL is an acronym for English as a second language. Programs offering English training are typically referred to as ESL training companies even if the individuals these companies are training are already fluent in multiple languages.

Sub-Sahara ESL

Sub-Sahara ESL specializes in English language training for beginning through intermediate levels. There is considerable competition within this target market by other firms offering similar language training.

While many of these competing firms claim to offer unique teaching methods, more qualified trainers, and lifetime memberships, these differences are largely sales tactics rather than actual differences. Price, location, and convenience are the most important selection criteria among this target market; firms having the lowest price with easy-to-access locations and convenient hours of operation capture the largest market share.

Target ESL

Target ESL specializes in English training for employees in specialized industries. These employees typically have already attained intermediate English fluency but they need specific grammar and vocabulary relevant to their industry. For example, engineers need different vocabulary than accountants; Target ESL can provide services to firms having employees in both these fields and many others. Because employers typically pay for employees' language training costs, most of Target ESL's revenue comes directly from firms rather than individuals.

As with Sub-Sahara ESL, Target ESL has many competitors. However, firms in this market segment are better able to differentiate their services than Sub-Sahara ESL. Expertise in specific industries and the ability to deliver training to employees on-site are the main differentiators when firms select an ESL training company. This target market is less focused on price than firms in the general ESL market. Firms offering on-location training by experts with industry backgrounds matching customers' needs capture the largest market share.

CSL Link

Note: CSL is an acronym for Chinese as a Second Language. As with ESL, CSL is common even if individuals learning Chinese are already fluent in multiple languages.

CSL Link targets businesses in Sub-Saharan nations having international trade relationships with China. As with Target ESL, CSL Link derives most of its revenue from firms rather than individuals.

CSL Link teaches only Mandarin Chinese. When CSL Link contracts with firms, it requires that students have at least an intermediate level of English fluency. This requirement increases demand for ESL companies such as Sub-Sahara ESL and Target ESL. Employees who are not already somewhat fluent in English are ineligible for CSL Link's training.

CHINA'S ECONOMIC INVESTMENT IN SUB-SAHARAN AFRICA

Africa is much larger than China although China's population is larger than Africa's. Figure 2 shows the size of China if superimposed on an image of Africa (The Economist. 2010).

Figure 2. Size Comparison of China and Africa

Source: The Economist. 2010. The true size of Africa. November 10. Accessed August 12, 2017 at https://www.economist.com/blogs/dailychart/2010/11/cartography. Photo Credit: Kai Klause, image retouched by case authors.

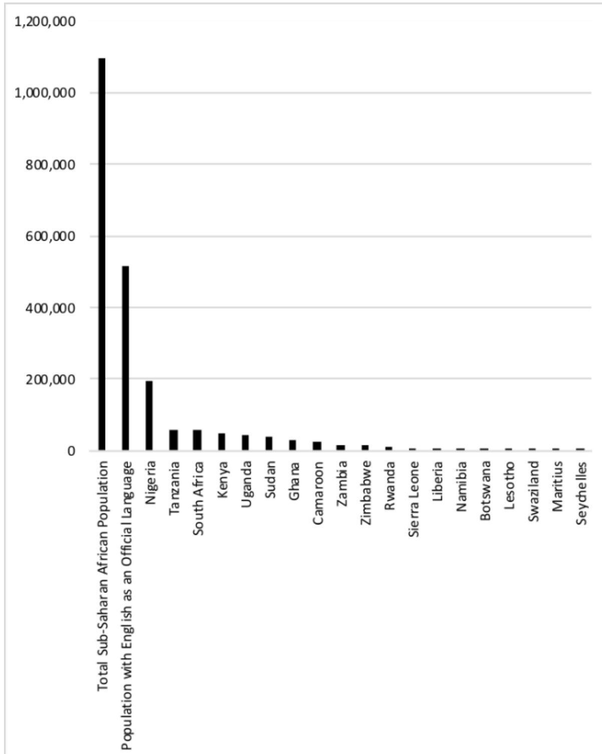
Sub-Saharan Africa's largest trading partner is China with China representing approximately 25% of all foreign direct investment with Sub-Saharan Africa (Pigato and Tang, 2015). This has created over 130,00 jobs, a rate three times that resulting from trade with the USA, Sub-Saharan Africa's next largest trade partner (Ernst and Young, 2016). In 2017, China committed $60 billion to projects that will enhance local economic development and create new jobs in Africa (Jadesimi, 2017).

COMPETITIVE LANDSCAPE

Africa is a diverse continent of 54 nations and home to one-sixth of the global population. Of these 54 nations, Arabic and French are the most widely used languages. English, although spoken to some extent in various parts of Africa, is widely used in only 18 of Africa's 54 nations. Africa's language environment is even more complex considering that there are more than 1,500 to 2,000 languages spoken on the continent.

Figure 3 compares the African nations having English as an official language with Africa's total population. Figure 3 shows that most of Africa's population is unaffected by English as an official language. Even nations having English as a second language do not necessarily mean English is the most commonly spoken. For example, South Africa, one of the nations with English as an official language, has 10 other official languages. In Sub-Saharan-Africa, English is in a crowded field even when it is an official language.

Figure 3. Total Population Compared to Countries with English as an Official Language (10,000s)



Data Source: World Population Review, World Population by Country. 2017. Available at www.worldpopulationreview.com.

It is important to understand that the target market of English language training firms is nations for which English is not a primary language. Information regarding which countries have a high concentration of English speakers is helpful for English training firms; they avoid these countries and target countries for which English is not widely spoken but where it may have high demand. A second target market condition these firms like to see is foreign economic activity within a Sub-Saharan country in which foreign economic activity is commonly performed in English. English is often, but not always, a common business language for transactions of many international firms. These are the types of situations language training firms seek as having the best chance of pent up demand for their services. While these two target market screens are appropriate for seeking demand for English services, they suggest less about demand for Chinese. To find such demand, firms look countries having economic ties to China.

The fact that only 19 of Africa's 54 nations have given English status as an official language does not indicate that other African countries have few English speakers. Figure 3 compares the total Sub-Saharan African population with the population of countries having English as an official language. The difference between these represents the true target market for English language training firms. However, this provides one data point in the direction of a largely untapped market for English as a first, second, third, or even a fourth language. Because numerous other languages are present in Sub-Saharan Africa, English comes in at a distant fourth throughout most of the region. Table 1 ranks the most common languages in Africa by number of speakers.

Table 1. Most Common Languages in Africa

Ranking	Language	Notes
1	Arabic	Mainly spoken in North and Sub-Saharan Africa due to the influence of Islam in these areas.*
2	Kiswahili**	Kiswahili is also called Swahili. Widely spoken in the East African nations of Burundi, Congo, Kenya, Mozambique, Rwanda, Somalia, Uganda, and Tanzania. The language of instruction in public schools in Tanzania is Kiswahili.
3	Hausa	Spoken mostly in Western African nations in which the predominant religion is Muslim.
4	English	See Figure 3 for nations with English as an official language.
5	Amharic	The language used in nearly all business transactions in Ethiopia.
6	French	Due to prior French colonization in some African nations.
7	Omoro	Spoken in Ethiopia, Kenya, and Somalia.
8	Yoruba	One of the languages of Nigeria having official status.
9	Igbo	Spoken mainly in Nigeria.
10	Zulu	One of the 10 official languages in South Africa. Uses clicking sounds to form words (see Xhosa below).
11	Shona	One of the two official languages in Zimbabwe (along with Ndebele). Also spoken in Zambia.
12	Xhosa	Spoken in South Africa. Uses clicking sounds to form words and is similar to Zulu. Although Xhosa and Zulu are different languages, they have enough similarities that speakers of either language can understand the other.
Not ranked	Portuguese	Spoken in Angola, Mozambique, Cape Verde, Guinea-Bissau and to a lesser extent in Senegal and Equatorial Guinea. Beyond these nations, Portuguese is very uncommon.

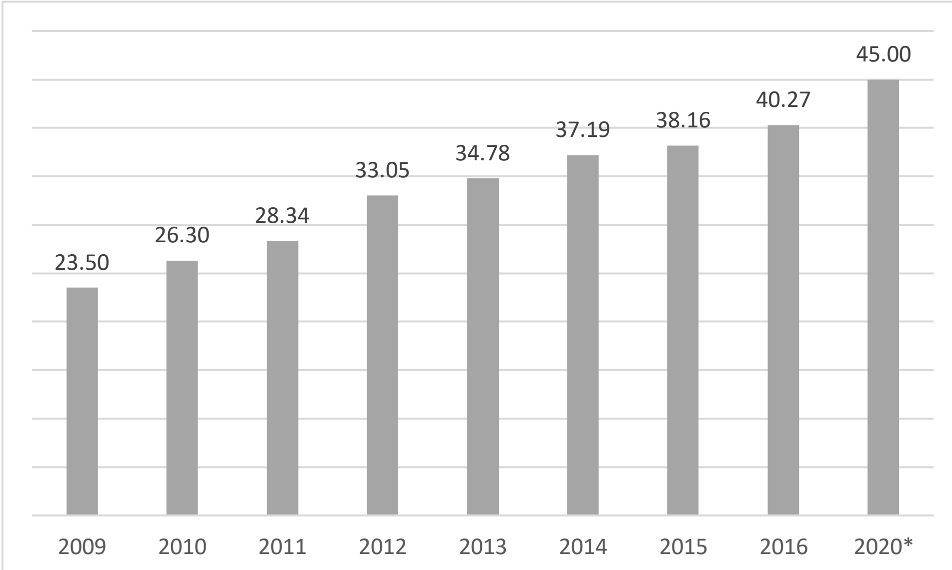
Source: Answers Africa. 12 Most Widely Spoken African Languages. Available at answersafrica.com/12-most-widely-spoken-african-languages.html/2

*The African nations with the largest Islamic influence are Algeria, Chad, Djibouti, Egypt, Libya, Mauritania, North Sudan, and Tunisia. Of these, Algeria, Egypt, Libya, Mauritanian and Tunisia have designated Arabic as an official language.

**The Disney movie, “The Lion King,” uses Kiswahili for some of its key terms “Simba,” Disney’s name for the lion king and “hakuna matata” meaning no need to worry.

Figure 4 shows the size and projected growth of the language services industry (Statista, 2017). This growth is partially due to the role of English as the most common language of business especially businesses that have an international dimension.

Figure 4. Market Size of Global Language Training Services, 2009 - 2020 (billions USD)



*Projected

Data Source: Statista. 2017. Market Size of Global Language Services Industry from 2009 - 2020 in billions of US Dollar.

THE RESOURCE-BASED VIEW OF THE FIRM (RBV)

The resource-based view of the firm (RBV) suggests characteristics of a firm's resources that may lead to competitive advantage (Barney, 1991.). These resource characteristics include value, rarity, inimitability, nonsubstitutability, and exploitability.

Value

Among the resource characteristics noted in the RBV, *value* is most obvious. It refers to the degree to which resources may, in some way, assist in creating value for the firm.

Rarity

Resource rarity is linked to the RBV's two key assumptions. The first assumption is that resources under a firm's control are relative immobile. They "stick" to a firm like chewing gum on the bottom of your shoe and are not readily available to competitors. The second assumption is that resources across firms are heterogeneous. In other words, resources under a firm's control are different than resources controlled by other firms.

Consider a resource such as production equipment. Suppose that equipment is the most efficient in the industry due to its ability to reduce the cost of production. This may lead to a temporary competitive advantage as long as other competitors do not purchase the same production equipment. Once competitors purchase the same equipment, the original firm's source of competitive advantage (the efficient production equipment) vanishes. The production equipment is no longer rare; competitors now have it. It does not "stick" to a single firm (it is not relatively immobile) and it is no longer different than production equipment at other firms (it is not heterogeneous).

Therefore, this particular production equipment can lead to only a temporary competitive advantage. It is not a sustained competitive advantage because the equipment is not a "sticky" resource. Availability to other firms make it common rather than rare.

Inimitable

Inimitability refers to something that cannot be easily imitated. Put simply, inimitable resources are resources that are hard for competitors to copy.

Nonsubstitutable

A nonsubstitutable resource is one for which an equivalent cannot be not readily obtained. Consider, for example, the efficient production equipment mentioned previously. A competitor may find a supplier that makes completely different production equipment but, despite these differences, this different (heterogeneous) production equipment can also reduce production costs by an equivalent amount. In this case, the substitute equipment renders the original firm's competitive advantage to a temporary (until competitors purchase the heterogeneous equipment) rather than sustained.

Exploitable

Exploitability refers to a firm's ability to capture the value it creates. Gaining and sustaining a competitive advantage requires that firms must capture, not merely create, value. Otherwise, a firm can meet all the other criteria for sustaining a competitive advantage—value, rarity, inimitability, and nonsubstitutability—but fail to use these in a way that harnesses the value created from its resources.

To gain a sustainable competitive advantage, firms must be organized in a way that allows them to capture value. Firms that fail to protect their resources from imitation may inadvertently spend time and effort creating value only to see competitors capture the value the firm created.

DECISION POINT

Is Chinese language fluency among employees in Sub-Saharan African firms a potential source of sustained competitive advantage? Firms in Sub-Saharan African countries engaging in trade with China will find Chinese speakers to be a tremendous resource. The value of such an ability allows firms to better negotiate with Chinese suppliers, communicate with Chinese consumers, and smooth the way toward business growth that is dependent on Chinese trade partners. Clearly, then, Chinese language fluency in this context is helpful but do it meet the other RBV criteria?

CSL Link must consider more than just the value of its training. Although it has a temporary competitive advantage, its owners are concerned about sustaining that advantage. At a recent meeting among CSL Link's owners, discussion centered on a variety of concerns. Is it rare to find fluent Chinese speakers in Sub-Saharan Africa? How easy would it be for competitors to copy what CSL Link does? Are substitute services? For example, must Chinese language be taught in person or are online services available that would accomplish the same thing but in a different way—online versus in person? Is CSL Link able to capture the value it creates or could competitors somehow manage to capture the value created by CSL Link? Is fluency in Chinese enough to meet the five RBV criteria allowing CSL Link to gain and sustain a competitive advantage

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THE ACCEPTABILITY OF ONLINE DEGREES IN ACCOUNTING: A LITERATURE REVIEW

Cole J. Engel, Fort Hays State University

ABSTRACT

Increasing demand for college-educated employees in the private sector has supported the increase in for-profit educational institutions and enrollments in online degree programs. Online learning continues to provide unprecedented, flexible opportunities for individuals to pursue their higher education. As institutions of higher learning enroll an increasing number of students in online degree programs, a key question is whether recruiters will view degrees earned online as comparable to those earned in traditional face-to-face programs. The face-to-face classroom interaction of student and professor has been the traditional method for developing the knowledge and skills students need for success in business. However, the increasing cost of traditional means for delivering education has forced educators to search for new ways to achieve the same results. The growth of distance education demonstrates that online learning is here to stay. Professors, students, and professionals must embrace this change to meet the workforce needs of the near future. Although some will always prefer traditional brick-and-mortar programs, it is only a matter of time before online degree programs in accounting are widespread throughout the United States.

INTRODUCTION

The increased demand for and access to online learning is evident when examining the escalating number of online courses now offered at institutions of higher learning across the United States (Allen & Seaman, 2015). Traditional classrooms are declining, and online learning is experiencing strong growth (Tabatabaei & Gardiner, 2012). Institutions offering online degrees claim their programs are viable routes to employment, career advancement, pay increases, and other job-related rewards. Accordingly, an increasing number of job applicants now earn their degrees online and compete against other applicants with traditional degrees (Tabatabaei & Gardiner, 2012). Accounting is a degree program area for which online offerings are increasing, and students are now preparing themselves for entry into the accounting profession through online degree programs (Kohlmeyer et al., 2011). The question now surfacing is if and how the accounting profession will accept individuals who graduate from these programs (Kohlmeyer et al., 2011; Metrejean & Noland, 2011; Tabatabaei et al., 2014).

THE DEMAND FOR AND SUPPLY OF ONLINE EDUCATION

Studying for a degree in business administration has conventionally been a means of attaining an initial professional position in the workplace, improving employment opportunities, or furthering an existing career (Beqiri, Chase, & Bishka, 2010). One of the basic functions of education is to prepare individuals to meet the needs of the labor market. Consequently, universities and students have become more responsive to the needs of the labor market in their learning activities (Cai, 2013). Employers are starting to focus hiring based on levels of core skills (e.g., applied math, critical listening, close observation, information compilation, and written expression) matched to job requirements (Bonvillian & Singer, 2013). Education provides marketable skills and abilities relevant to job performance. Therefore, the more educated people are, the more successful they will be in the labor market in terms of both job opportunities and increased salaries (Cai, 2013). This section discusses the demand for and supply of online education, with a focus on the educational needs of the labor market, particularly in the accounting profession.

Increasing demand for college-educated employees in the private sector has supported the increase in for-profit educational institutions and enrollments in online degree programs. Online learning continues to provide unprecedented, flexible opportunities for individuals to pursue their higher education. The need for increased access to post-secondary education and flexible course and degree options for adult and other non-traditional students has greatly contributed to the growth in online learning (Allen & Seaman, 2015). Enrollment in private-sector institutions has increased significantly in recent years primarily due to an unmet need brought about by the student profile that most for-profits serve (Gutierrez, 2012). It is likely this trend will continue because the demand for employees holding a college degree is projected to rise significantly for the near future (Adams & DeFleur, 2006). This is particularly true in professional occupations such as accounting, management, and information systems.

Inconclusive research has not deterred public and private institutions of higher education from expanding their online programs to serve professions where the demand is greatest (Adams et al., 2012). The demand is so intense that even traditional face-to-face institutions have started to establish some form of online learning into their curricula (Adams & DeFleur, 2006). The National Center for Education Statistics Integrated Postsecondary Education Data System (IPEDS) reported that 70.7% of all currently active, degree-granting institutions that are open to the public had some distance offerings in 2014. It is important to note that these results represent all higher education institutions and are not based on a survey sample (Allen & Seaman, 2015).

Every year since 2003 when the Babson Survey Research Group first began tracking online education in the United States, the number of students taking at least one online course has grown at a rate higher than that of the overall higher education student body. The proportion of academic leaders who report that online learning is critical to their institution’s long-term strategy has grown from 48.8% in 2002 to 70.8% in 2014, an all-time high. When asked about what will drive the future of higher education, academic leaders selected workforce development and gainful employment second most often, with 20.4% picking it as the most important factor and 64.4% as one of their top three factors (Allen & Seaman, 2015). In the context of high-demand fields with a chronic shortage of qualified applicants, online programs have the potential to play a variety of important roles (Adams et al., 2012).

Accounting not only exists as an academic discipline, but also as a field of professional practice in which education and training is of utmost importance to the public interest (Wilson et al., 2008). Accounting is a service profession devoted to helping people by creating and reporting the financial information they need to make good business decisions. In a survey of small business owners, respondents viewed accountants as among the most trusted business advisors. Additionally, many corporate executives are placing increasing importance on accounting skills in their training programs and are emphasizing these skills in their employee searches. Accounting is commonly ranked among the top five careers for individuals who want higher pay, additional career growth potential, and increased control over where they are going (AICPA, 2013).

The demand for accounting graduates has rebounded significantly from the economic downturn in recent years (AICPA, 2011). With the turn of the new millennium, the economic boom of the 1990s ended and the accounting profession experienced drastic changes. Several significant financial failures and the subsequent introduction of the Sarbanes-Oxley Act of 2002 suddenly created more talent demands than firms could fill with available staff (Elam & Mendez, 2010). The AICPA revealed that the hiring of accounting graduates increased by over 40,000 in 2012. Additionally, 89% of the firms surveyed expect to hire at least the same number or more accounting graduates in future years (AICPA, 2013).

The United States Department of Labor Bureau of Labor Statistics (BLS) expects employment of accountants and auditors to grow 13% by 2022, faster than the average for all occupations. The accounting profession will see an increase of about 166,700 new jobs over the next decade and over 500,000 job openings (BLS, 2012). This growth is mostly due to increasing demand for thorough financial documentation in response to recent financial crises and subsequent financial regulations. Stricter laws and regulations, particularly in the financial sector, will likely increase the demand for accounting services as organizations seek to comply with new standards (BLS, 2012). Additionally, the accounting profession, like many other professions, will experience a significant decline in staff over the next decade as the Baby Boomers retire (Deines, Bittner, & Eichman, 2012).

Because of fast-paced lifestyles, geographic dispersion, and the need for accounting professionals to possess new skill sets and credentialing, as well as increased technological competence, the demand for online degree programs in accounting has grown over the past ten years (Columbaro & Monaghan, 2009). Many educators support online courses and see them as critical to the future of post-secondary learning (McAllister, 2009). However, in order to promote the field of accounting, it is necessary to ensure that education approaches are effective. Inadequately trained practitioners can cause a great deal of harm (Wilson et al., 2008). Hence, it is of great importance for professional programs at institutions of higher learning to prepare graduates for successful careers in their respective professions, and this includes employability (Adams & DeFleur, 2006). As institutions of higher learning enroll an increasing number of students in online degree programs, a key question is whether recruiters will view degrees earned online as comparable to those earned in traditional face-to-face programs (Adams et al., 2012; Cai, 2013; Linardopoulos, 2012). Therefore, given the increased demand for accounting professionals, further investigation identifying the attitudes and hiring practices of accounting firms in the context of online degrees is useful in assisting institutions of higher education with targeting offerings for the greatest benefit to the accounting profession and their graduates (Kohlmeyer et al., 2011; Metrejean & Noland, 2011).

CURRENT TRENDS IN ONLINE DEGREE PROGRAMS

The increased demand for and access to online learning is evident when examining the escalating number of online courses now offered at institutions of higher learning across the United States (Allen & Seaman, 2015). Traditional classrooms are declining, and online learning is experiencing strong growth (Tabatabaei & Gardiner, 2012). As colleges and universities continue to seek ways of increasing revenues in the current economic climate, researchers expect that the number of online programs will continue to increase (Toppin & Pullens, 2010; Watters & Robertson, 2009). This section discusses the current trends in online degree programs in the United States.

Researchers reported a growth rate of 10% in online education enrollments in the United States from 2009 to 2010 at institutions of higher learning (Allen & Seaman, 2011). Moreover, an estimated number of students taking at least one online course increased from 5.6 to 6.1 million across 2,500 institutions. In the Fall of 2010, online education reached 31% of total higher learning enrollments (Allen & Seaman, 2011). The 2014 Survey of Online Learning conducted by the Babson Survey Research Group revealed that as many as 7.1 million students across 2,800 institutions are taking at least one online course (Allen & Seaman, 2015).

In the early development of online learning, the majority of students enrolling in online courses were nontraditional adult learners (Allen & Seaman, 2011). Convenience and access to advanced education for nontraditional students are frequently mentioned as advantages of online learning (Fogle & Elliott, 2013). However, online learning is becoming more common with younger traditional learners as well, and researchers expect this trend to continue (Allen & Seaman, 2011). Online courses are a significant, rapidly growing, and increasingly popular option in the pursuit of higher education. Today's students are aware of these offerings and it is plausible that future students will hold even greater awareness. This increased awareness is likely to result in more students choosing online offerings for their college education (Bristow et al., 2011).

Accounting program enrollments at colleges and universities is currently lower than in the early 1990s. However, there is more demand for accounting personnel and their services (Elam & Mendez, 2010) and accounting enrollments are starting to rebound (Watters & Robertson, 2009). Professional education at institutions of higher learning currently faces two major challenges. First, they must meet the increasing demand for education with declining resources. Second, they must ensure that graduates attain the technical knowledge and skills required for a successful career (Zabriskie & McNabb, 2007).

In a study by Almer and Christensen (2008), public accounting assurance recruiters evaluated hypothetical job candidates with varying educational path, age, and gender. Participants in this study were from 16 different public accounting firms located across several western states (Alaska, California, Montana, Oregon, and Washington) and Florida. The researchers distributed surveys to 115 individuals who were actively involved with campus recruiting at their firms. Participants returned 52 useable surveys. The authors investigated whether accounting courses taken in a non-degree or post-baccalaureate program are valued differently than the same courses taken through a degree program. They also studied the effect of age and gender on recruiter decision-making. While this study aims to understand the student profile most attractive to CPA firm recruiters, it does not address online degree programs. However, the research questions used in this study are adaptable to a study addressing the acceptability of online degrees for obtaining entry-level employment in the accounting profession. The authors suggested that as firms continue to recruit, they should not ignore the considerable number of accounting majors who are not traditional aged students, as these students may be an answer to current firm staffing shortages (Almer & Christensen, 2008). Given the majority of students enrolling in online courses are nontraditional adult learners (Allen & Seaman, 2011), the findings of this study are helpful to students pursuing online degrees for obtaining entry-level employment at public accounting firms.

The face-to-face classroom interaction of student and professor has been the traditional method for developing the knowledge and skills students need for success in business. However, the rapidly increasing cost of traditional means for delivering education has forced educators to search for new ways to achieve the same results. Constructing new physical facilities to meet the growing demand for professional education is expensive. Additionally, the declining number of terminally qualified faculty in accounting increases the cost of hiring new professors (Zabriskie & McNabb, 2007). When asked about what will drive the future of higher education, academic leaders selected cost and student indebtedness the most often, with 38.8% picking it as the most important factor and 76.8% as one of their top three factors (Allen & Seaman, 2015).

The declining share of public funds earmarked for education places additional stress on the ability to deliver professional education using traditional means. The pressure to increase online offerings is growing as state governments cut funding for higher education to pay for the growth of Medicaid expenditures and prisons. Because state-assisted institutions provide an estimated 72% of higher education in the United States, this pressure is quite powerful (Bonvillian & Singer, 2013). With increasing demands on state budgets, online education has prompted some institutions of higher education to establish their own educational venues (Kohlmeyer et al., 2011; McAllister, 2009). Because tuition increases are quickly reaching the point where they cannot keep up with declining public support, educators must search for ways to replace traditional classroom instruction with online learning that takes place outside of the classroom (Zabriskie & McNabb, 2007).

In some cases, the decision by institutions of higher learning to increase online degree program offerings in place of traditional face-to-face degrees has generated more problems than solutions. Some describe online programs as sterile, lonely, and unfulfilling (Zabriskie & McNabb, 2007). Others describe online programs as lacking rigor and accountability in the curriculum (Kohlmeyer et al., 2011). Academic dishonesty and the perception of an overall lower quality of education are also frequently mentioned in the literature as less favorable traits (Fogle & Elliott, 2013). Nevertheless, university administrators have acknowledged that online course delivery is part of the future in higher education. Therefore, educators must work to improve online delivery in order to keep the solemn promise they make to students, employers, and society upon the conferral of a degree. With the awarding of a degree, educators assure that the recipient has a foundation of knowledge and skills relative to their field of study. Potential employers assume that a foundation is in place to which the organization can apply its purpose, industry, or business context (Bristow et al., 2011). Chronic problems in the online education industry may affect the willingness of employers to hire graduates with online degrees (Kohlmeyer et al., 2011).

The accounting profession creates relevant and reliable financial information that individuals use to make informed decisions about companies. This is one of the most valuable and essential resources in the world economy because it cannot function effectively or efficiently without useful and credible financial information. Every day, around the world, investors, bankers, financial analysts, corporate managers, and many others pore through financial accounting information to analyze the profitability, risk, and growth of companies and make informed investing, financing, and other important decisions (AICPA, 2013). Accounting is known as a reputable profession with well-established regulatory bodies that sanction entry criteria. These criteria include passage of the 14-hour standardized national uniform CPA examination, preceded by completion of a prescribed set of accounting coursework as well as other post-secondary coursework totaling 150 credit hours in most jurisdictions. The state boards of accountancy, charged with protecting the public interest in licensing CPA candidates, are responsible for deciding if students' education, experience, and examination success are sufficient for licensure (Mastracchio, 2008).

The members of the AICPA have invested a great deal of time and energy to establish a core competency framework for CPAs, with a focus on the required technical competencies required of practicing CPAs (Zabriskie & McNabb, 2007). As previously defined, a CPA is an individual who has demonstrated proficiency by passing a uniform national examination and meeting other requirements of the applicable state board of accountancy. The Uniform CPA Examination protects the public interest by helping to ensure that only qualified individuals become licensed as U.S. CPAs. Individuals seeking to qualify as CPAs, the only licensed qualification in accounting, are required to pass the CPA examination (AICPA, 2012).

Many business schools consider success on the CPA exam to be a good indicator of program quality because the exam is designed to assess technical knowledge of accounting, auditing, taxation, business law, and general business concepts, as well as communication, problem solving, and application skills (Lindquist, 2012; Morgan & Ihrke, 2013). In a 2013 study, Morgan and Ihrke compared average CPA exam scores of first-time candidates with accounting degrees from online institutions to those with accounting degrees from traditional institutions. Their sample included all four-year U.S. colleges and universities listed in the National Center for Education Statistics (NCES) database having graduates with 20 or more first-time testing events during the calendar year 2010. The final sample consisted of 668 traditional institutions and 37 online institutions, totaling 705 schools. Morgan and Ihrke found that graduates of online universities, on average, score considerably lower on the CPA exam than do the graduates of traditional, classroom-based universities. They reported an average difference in exam scores of 7%. Their results demonstrated a significant and negative association between online accounting degrees and average first-time CPA exam scores of graduates. The result was not only statistically significant, but also of a magnitude suggesting considerable practical importance. However, the authors cautioned against over-generalizing about the quality of online education from their results alone. In un-aggregated data, some online schools have higher than average CPA exam scores, and some traditional schools have lower than average CPA exam scores. Therefore, delivery mode is not the sole factor related to CPA exam success (Morgan & Ihrke, 2013).

Another recent study investigated the quality of selected for-profit and not-for-profit higher education institutions that offer undergraduate and/or graduate degrees online (Lindquist, 2012). At a recruiting fair, Lindquist asked managers and partners from each of the Big Four accounting firms whether they had ever hired graduates with an accounting degree from a for-profit school. Each responded they had not. When asked if they were willing to consider such candidates, all but one indicated they were willing to consider all applicants. Using a sample of five popular for-profit universities (DeVry, Kaplan, Keller, Strayer, and Phoenix), Lindquist found that although for-profit institutions often promote their accounting programs as paths to careers in public accounting, these programs lack accreditation and show recent student performance on the CPA exam consistently well below national averages. Using a sample of five popular not-for-profit universities (Florence Atlantic, Morehead State, Stetson, Connecticut, and Washington State), Lindquist found that traditional not-for-profit schools with online programs do have accreditation and show recent student performance on the CPA exam often well above national averages. Although two studies are not enough to draw a definitive conclusion, these findings suggest that individuals seeking an online accounting education leading toward a career in public accounting should consider not-for-profit schools before for-profit schools (Lindquist, 2012; Morgan & Ihrke, 2013).

The quality of online accounting education relative to traditional face-to-face delivery remains a contentious and unsettled topic (Morgan & Ihrke, 2013). Despite some concerns, existing research shows that students believe the quality of online courses to be the same or even better than traditional courses (Ward, Peters, & Shelley, 2010). However, researchers know that self-assessment survey studies tend to be unreliable. It is likely that the student participants have not experienced traditional education and therefore do not actually know what they would have learned had they completed their education using traditional delivery methods (Morgan & Ihrke, 2013). Morgan and Ihrke (2013) believe these results are biased because students completing online courses would naturally want to trust that they had learned as much as students who completed the same course in the traditional format. No recent empirical studies were found that directly observed the comparative outcomes of online accounting course sections with traditional accounting course sections in a single multi-sectioned course by comparing scores earned on a common final examination.

Although a literature search did not reveal any recent studies that observed comparative outcomes in a single multi-sectioned accounting course, researchers did examine whether the perceived effectiveness and knowledge development in online course delivery relative to traditional course delivery differs between introductory and advanced accounting courses (Chen, Jones, & Moreland, 2013). Over a three-year period, the researchers surveyed 463 students enrolled in one of 14 sections of four different accounting courses at one institution of higher education. The results suggested that course level is in fact important when assessing whether it is advisable to offer online accounting courses. The researchers found an interaction between delivery method and course level, indicating that course level matters. They concluded that the delivery method remains an important factor in course outcomes at the advanced undergraduate course level, but not at the principles level. Students at the more advanced levels expressed a need for somewhat more face-to-face time than did students at the principles level. Therefore, some evidence exists that online learning is gaining ground on traditional delivery in terms of overall effectiveness, at least at the principles level (Chen et al., 2013).

Online learning is fast becoming the most popular alternative to traditional face-to-face learning (McAllister, 2009). However, critics argue that degrees earned online are not as marketable as traditional degrees. Recruiters often question online degree programs during the candidate selection process, which is likely attributable to increased popular press reporting of diploma mills (Bejerano, 2008). The accounting discipline was initially organized to train competent accountants who produce financial statements and auditors who attest to the conformity of those statements with generally accepted accounting principles (Lee, Quddus, & Bell, 2010). A solid background in professional knowledge and technical skills is important in the accounting profession, and some question whether online degree programs can provide those skills (Metrejean & Noland, 2011). This causes students to place a high premium on whether online degree programs translate into jobs, or better yet careers, in the accounting profession. Ultimately, the public will not consider online education a success unless it delivers the knowledge and skills needed by society (Zabriskie & McNabb, 2007).

CURRENT RESEARCH REGARDING EMPLOYER PERCEPTIONS OF ONLINE DEGREES

An extensive discussion exists in the literature regarding online degree programs; however, much of the existing literature about online learning focuses on student and faculty perceptions and satisfaction with online education delivery (Bristow et al., 2011; Columbaro & Monaghan, 2009; Jeancola, 2011). Higher education serves as a gatekeeper to managerial and professional positions in society (Rood, 2011). Consequently, when it comes to the transition from higher education to the workplace, employer perceptions are critical (Cai, 2013). The online delivery of higher education has generated questions regarding the acceptance, employability, and credibility from the perspective of external stakeholders of online education (Fogle & Elliott, 2013). This section discusses the current research regarding employer perceptions of online degrees.

The employability and promotion of individuals who graduate from online degree programs are major employer concerns (Kaupins, Wanek, & Coco, 2014). Employers have historically treated online education with suspicion (Tabatabaei et al., 2014). The expected rise of job candidates with online degrees has two major implications for employers. First, the potential applicant pool will include a larger number of applicants with online degrees. Second, employers are more likely to exploit the accessibility of online programs for employee training and development. Therefore, employers are considered key stakeholders in online education and institutions of higher learning should carefully consider their viewpoints during the development of new online programs (Linardopoulos, 2012).

Students are another key stakeholder in online education. Students earning online degrees are interested in knowing if the same employment opportunities are available to them that are available to students earning traditional face-to-face degrees (Bristow et al., 2011; Columbaro & Monaghan, 2009; Tabatabaei & Gardiner, 2012). Additionally, educators are interested in knowing more about the attractiveness of online degrees to employers because the success of their students in terms of job placement is very important to the reputation of their programs. Educators are also interested in evaluating, improving, and redesigning curriculum to prepare graduates for career success (Tabatabaei & Gardiner, 2012). What remains unknown for job candidates is whether online degrees are becoming more accepted in the job market (Fogle & Elliott, 2013; Kohlmeyer et al., 2011; Metrejean & Noland, 2011).

The divide between the growing popularity of online degree programs and less than favorable employer perceptions of online degree recipients, is currently a developing topic in the literature. Toppin and Pullens (2010) contributed to this discussion in a comprehensive review of related literature by examining the factors that influenced the perceptions of academicians and employers regarding online coursework and degree programs. They found that although employers preferred to hire employees who earned a degree from a traditional university, the education delivery modality in which the person responsible for hiring received his or her own training significantly influenced his or her hiring decision. This finding suggests that as online education increases in popularity, it is plausible that acceptability among employers will also increase. As colleges and universities continue to expand online degree programs, researchers call for additional examination of the administration, development, and outcomes of these programs (Toppin & Pullens, 2010). If positive outcomes are measurable and convincing, prospective employers will feel more comfortable hiring job candidates with online degrees (Morgan & Ihrke, 2013).

A recently published exploratory research study employed a random sample of 71 employers across multiple industries with the purpose of describing and understanding hiring manager’s perceptions of degrees earned from online universities (Fogle & Elliott, 2013). The results revealed that employers perceived a traditional or hybrid delivery mode more credible than an online delivery mode. However, respondents’ attitudes towards online education were significantly more positive if the respondent personally experienced online education. If the respondent either received an online degree or has a hybrid background as a student, then they are more likely to favor online students and less likely to discriminate against them. This finding is consistent with the finding published by Toppin and Pullens in 2010. Additionally, the study revealed that hiring practices were less biased against graduates of online universities if the rigor of the online university was known to be comparable to the rigor of traditional universities. The researchers suggested that external certification by a professional association (e.g., becoming a Certified Public Accountant) may be a satisfactory substitute as a signal of competency for an online degree of unknown and suspicious quality, especially from the employer's perspective (Fogle & Elliott, 2013).

Based on a survey of 264 human resource professionals in Texas, researchers investigated the acceptability of online degrees compared to traditional degrees for hiring and promotion purposes (Kaupins et al., 2014). The researchers found that overall, online education is not perceived as equivalent to traditional education. Only about half of the respondents believed that their organizations treated online degrees as equivalent to traditional degrees for hiring and promotion purposes. However, results indicated that if respondents were satisfied with their own online course experiences, they were most likely to view their organization as treating online degrees as equivalent to traditional degrees. Consistent with Toppin and Pullens (2010) and Fogle and Elliott (2013), a person's satisfaction with online courses was associated with perceiving his or her organization to treat an online degree as acceptable (Kaupins et al., 2014). The researchers cited familiarity bias as a possible explanation. The literature concerning familiarity bias theory suggests that familiarity with an experience, especially if the experience was positive, would lead to higher future opinions of that same experience. In other words, alternatives that are more familiar to an individual are perceived to be better than those that are not (Kaupins et al., 2014).

Using a national survey of hiring executives, Adams and DeFleur (2006) sought to assess the acceptability of a job applicant's qualifications for professional employment that included a degree earned solely online or one that included a significant amount of online coursework. The researchers sent a survey in response to job advertisements posted in newspapers in eight major metropolitan areas throughout the United States. The eight cities were Atlanta, Boston, Chicago, Houston, Miami, Los Angeles, San Francisco, and Washington, DC. The survey described three hypothetical applicants (traditional, online, and blended degrees) and asked potential employers in accounting, business, engineering, and information technology to indicate who should or should not be hired and why. Out of 673 surveys sent, participants returned 269 completed surveys to the researchers. When asked to choose between an applicant with a traditional degree and one with an online degree, 96% of respondents chose the candidate with the traditional degree. When asked to choose between an applicant with a traditional degree and one with a blended degree, 75% of respondents chose the candidate with the traditional degree (Adams & DeFleur, 2006).

Adams and DeFleur (2006) also used a content analysis of the written comments to examine responses for evidence of overriding concerns. Accreditation was the most frequently used keyword, followed by interaction, quality, reputation, skills, and experience. Both quantitative and qualitative results indicated that degrees earned online are not as acceptable as traditional degrees, and that they are regarded as suspect when used as credentials in a hiring situation. Adams and DeFleur (2006) argued there is a need for further research to expand the literature regarding the comparative standing and acceptability of online degrees. This is because most of the discussion in the current literature concerns the merits of online education rather than acceptability of online degrees by employers (Adams & DeFleur, 2006).

To continue addressing the acceptability issue, Columbaro and Monaghan (2009) conducted a literature review exploring research regarding the perceptions of potential employers about online degrees in comparison with those earned in a traditional environment. Their findings indicated that when companies attempted to fill management or entry-level positions in accounting, business, engineering, and information technology, 96% indicated they would choose the candidate with a traditional degree. Their findings further indicated that concerns such as accreditation, perceived interaction among peers and professors, quality, skills, and work experience were the most predominant reasons not to hire an online degree candidate. These concerns provide a strong basis for continuing to address the apprehensions of professional employment recruiters and provide a foundation for future research ideas, including a possible differentiation within the accounting profession where possible career opportunities exist for those with online degrees (Columbaro & Monaghan, 2009).

In an exploratory study by Kohlmeyer et al. (2011), researchers investigated how professionals in public accounting firms perceived online accounting degrees as compared to accounting degrees earned in the traditional face-to-face environment relative to a hiring decision. The investigators administered a survey to employees at public accounting firms of different sizes located in the southeast United States. Participants returned 129 completed surveys, representing 10 different public accounting firms. Through an analysis of both quantitative and qualitative findings, the researchers revealed that public accounting professionals indicate a strong preference to hire students with traditional face-to-face accounting degrees. The researchers also revealed that partialities for traditional accounting degrees occurred across different job titles and different sized firms. Despite reservations, study participants understood that accepting job candidates with online accounting degrees might be necessary to meet the demand to fill accounting positions (Kohlmeyer et al., 2011).

Kohlmeyer et al. (2011) reported the top five reasons (in order of frequency) for hiring a candidate with an online accounting degree as follows: (1) need to hire persons, (2) reputation of online program, (3) maturity of the candidate, (4) technical knowledge, and (5) technology-based skills (p. 155). The top five reasons (in order of frequency) for not hiring a candidate with an online accounting degree were as follows: (1) lacking interpersonal experiences, (2) inferior reputation and quality of online instruction, (3) professors really did not know their online students, (4) lack of rigor in online classes, and (5) lack of familiarity with online instruction (p. 156). The top reason of concern was the quality of online classes. Principally noted was the lack of interpersonal experiences and the skills gained from group discussions and direct interaction with a professor. These skills are important because the ability to respectfully and tactfully work with others (e.g., colleagues and clients) can be the difference between an entry-level employee rising to partner and washing out after the first year on the job (Kohlmeyer et al., 2011). One advantage that online graduates may possess is an enhanced ability to use modern technology to work collaboratively to meet project goals in an effective and timely manner (Fogle & Elliott, 2013). Virtual learning environments, advanced web technologies, and the increasing use of social media have changed the way people do business in the modern workplace (Nelis, 2014).

As online education gains wider acceptance among employers, Kohlmeyer et al. (2011) believe some of these concerns of CPA firms may dissipate and make online accounting degrees equally desirable with traditional accounting degrees for hiring purposes. Yet, at this time, working professionals appear to view online accounting degrees with skepticism. However, in explaining their findings, the researchers raised the possibility that participants may have been reacting to popular press reports regarding the reputation of online degree programs rather than the delivery mode of education (Kohlmeyer et al., 2011). Many of the problems associated with online degree programs have made national news, resulting in a loss of credibility even for properly accredited online institutions and traditional institutions that offer online degrees (Adams & DeFleur, 2006). As previously discussed, some studies (Fogle & Elliott, 2013; Kaupins et al., 2014; Toppin & Pullens, 2010) note that perceptions of online schools are more favorable if the respondent attended an online school. As more people attend online schools and the number of graduates from online schools increases over time, researchers anticipate better treatment of graduates from online programs (Fogle & Elliott, 2013). Additionally, advancements in technology could improve the quality and image of online education. Therefore, the credibility of online education is like to increase as reputable institutions adopt technological improvements and continue to launch additional online programs (Tabatabaei et al., 2014).

In a study by Tabatabaei et al. (2014), researchers investigated employers' perceptions of online accounting education by administering a research instrument via e-mail and the Internet to accounting professionals who were members of a Society of CPAs in a southeastern state. Completed surveys were returned by 101 accounting professionals. The respondents perceived, albeit only slightly, that a traditional education is preferred to an online education. Therefore, recruiters of accounting students have a slight preference for traditional education over online education. This finding is consistent with the finding of Kohlmeyer et al. (2011); however, the bias for traditional education was not nearly as strong. The overall perception of the respondents was that online education is becoming more acceptable (Tabatabaei et al., 2014). Of the four factors examined (i.e., reputation of degree granting institution, work experience, grade point average, and education mode), education mode was rated as the least important. In contrast to previous studies (Fogle & Elliott, 2013; Kaupins et al., 2014; Toppin & Pullens, 2010), this study suggested that the online education experience of recruiters does not affect their hiring decisions (Tabatabaei et al., 2014).

To investigate employability of online degree graduates in a related profession, Tabatabaei and Gardiner (2012) presented a set of vignettes describing hypothetical information systems graduates to information systems recruiters to determine if a job candidate's education mode (i.e., online or traditional) influences the attractiveness of an applicant for employment. This study adopted a vignette experiment methodology to present short descriptions of each candidate to recruiters who were registered alumni of the college department in which the researchers were on the faculty. There were 82 participants in the final recruiter pool. Research findings did not support the notion that education mode was important to recruiters. Factors such as work experience and academic performance were much more important to recruiters. Tabatabaei and Gardiner (2012) believe online education is evolving into a viable alternative to traditional modes of education. They argue that the acceptance gap between online and traditional modes of education is narrowing, and the positive perception of online education will continue to evolve over time as additional members of society start to embrace online learning. However, because the participants in this study were information systems recruiters, the findings are not generalizable to other professions. The authors suggested extending their study to investigate attitudes towards online education held by recruiters in other professions because attitudes towards online education may differ (Tabatabaei & Gardiner, 2012).

Also in 2012, Adams et al. studied the acceptability of online degrees earned as credentials for obtaining employment as a secondary school teacher. The purpose of this study was to understand the perceived marketplace value of online degrees and the factors influencing the acceptance of online degrees in hiring situations specific to the teaching profession. The researchers used a national survey of high school principals to assess the acceptability of job applicants who obtained their educational credentials either online, partly online, or in a traditional face-to-face program. The researchers collected the names of high school principals from each state department of education website. Participants completed and returned 713 surveys. High school principals were asked to evaluate the acceptability of online courses as part of a job candidate's professional credentials in a hiring situation. The applicants who completed their coursework in the traditional format were overwhelmingly preferred over applicants holding an online or hybrid degree. Qualitative comments revealed that high school principals did not perceive online courses as presenting sufficient opportunity for students to develop important social skills through interaction with other students and professors. The overall tone of responses expressed doubt as to whether courses that do not include face-to-face contact with professors, fellow students, and mentors are appropriate for a profession that relies so heavily on social skills (Adams et al., 2012). These qualitative findings are consistent with the qualitative findings of the Kohlmeyer et al. (2011) study conducted in the public accounting profession.

A different study examined the acceptability of online degrees in higher education faculty hiring situations (Adams, 2008). The researcher developed a questionnaire using qualitative statements for assessing the importance of objections to accepting higher education faculty candidates with online degrees. The questionnaire was sent to 300 randomly selected contacts gathered from open faculty position advertisements on the Chronicle of Higher Education website. The findings from 123 useable responses revealed three major objections: (a) face-to-face classroom experience, (b) reputation of institution for rigor, (c) and mentored learning experiences. The goal of this study was to learn more about the perceived acceptability of online degrees for faculty positions and to offer suggestions for future research in distance education doctoral programs (Adams, 2008). These qualitative findings are also consistent with the qualitative findings of the Kohlmeyer et al. (2011) study conducted in the public accounting profession.

A more recent study surveyed 208 academic administrators across the southeastern United States regarding their perception of faculty who had earned their doctoral degrees online (DePriest & Absher, 2013). Data revealed that academic administrators would choose a candidate with a traditional doctorate over a candidate with an online doctorate a majority of the time. Additionally, data revealed that academic administrators would choose an online doctorate from a traditional school at a much higher rate than a candidate from an online-only school. Therefore, the disgrace associated with online degrees was relative depending on the situation. A traditional degree was perceived to be better than an online degree, but an online degree from a traditional school was perceived to be better than an online degree from an online-only school. Although the results of this study suggested an overall negative outlook of online degrees, it was only slightly negative. This suggests that acceptance may be improving as time passes, which is consistent with the findings of Tabatabaei et al. (2014). The researchers speculated that administrators who have spent their careers using computers in the classroom and teaching online courses might be more accepting of online degrees (DePriest & Absher, 2013).

Given several consistent studies in recent years, it is conceivable that the bias for traditional education delivery modes may result from cultural preferences that are specific to particular fields, general resistance to change, or that online education is not yet recognized as a viable alternative for traditional practices (Adams et al., 2012). The literature still demonstrates a distinct limit to how much employers and other stakeholders in higher education are willing to accept online learning (DePriest & Absher, 2013). Individuals with online degrees are still facing a perceptual uphill battle regarding hiring and promotion decisions (Kaupins et al., 2014).

As previously noted, accounting is a degree program area for which online offerings are increasing, and students are now preparing themselves for entry into the accounting profession through online degree programs (Kohlmeyer et al., 2011). However, current research shows that employers at the pinnacle of the accounting profession, certified public firms, show a disinclination to hire graduates of online programs, even when they possess the CPA credential (Kohlmeyer et al., 2011; Tabatabaei et al., 2014). Nevertheless, employment at certified public firms is but one option for accounting graduates. Employers other than certified public firms in the accounting profession may be more accepting of online program graduates (Metrejean et al., 2008). Many individuals are engaged in the practice of accounting, filling a wide range of positions in the public, private, government, education, and not-for-profit sectors of the economy. The mix of formal education, job training, experience, and certification needed differs across these roles (AAA, 2012). There are even professional accounting certifications specific to these alternative employment settings. The Certified Management Accountant (CMA) and Certified in Financial Management (CFM) designations by the Institute of Management Accountants are examples of such certifications. Despite these popular alternative employment settings for accountants, there is a paucity of research regarding the acceptability of online degrees earned as credentials for obtaining employment in these alternative settings (Adams, 2008; Columbaro & Monaghan, 2009; Metrejean et al., 2008).

According to Adams and DeFleur (2006), online degrees are more acceptable in corporate settings. Some corporate employers now accept online degrees from institutions with an established history of providing quality education. This is because the reputation of the institution granting the degree makes a significant difference in whether employers perceive the degree as acceptable. The level of regard an institution has earned is directly proportional to the perception the employer has to how well the institution has kept the promise represented by the degree (Bristow et al., 2011). Furthermore, a number of corporations now promote online learning for training and continuing education as part of their human resource practices. Studies have shown that firms are supportive of online continuing professional education training (Tabatabaei et al., 2014). Online learning appears to be ideal for professional development activities because of the well-known convenience factors (Adams et al., 2012). Classroom training may no longer be the most efficient training method. Offering training through a virtual means could result in cost savings for the organization and time savings for the employee by eliminating the need for travel. There is a large cost associated with bringing employees from their place of work to a central base for training purposes (Nelis, 2014). Therefore, online learning is a cost and time efficient method of providing continuing education for employees. Employers often utilize online learning to refresh or update an employee’s foundation of knowledge and skills or to provide new knowledge and skills to perform a different task (Adams & DeFleur, 2006; Bristow et al., 2011).

In an exploratory study using a random sample of 240 employers from the North Central region of the United States, Astani and Ready (2010) found that employers from several industries would recommend online courses to their employees for the further development of skills, but they were uncertain about whether an online degree was comparable to a traditional face-to-face degree. Furthermore, these employers were uncertain as to whether they would hire someone with an online degree if the position required a college degree. Employers in this study represented service, retail, financial, government, and manufacturing industries. Nance (2007) noted that a survey from Eduventures' Continuing and Professional Education 2005 report revealed that, of the 505 employers surveyed, more than 62% had a favorable attitude toward online instruction and perceived the quality of online learning to have the same if not greater merit than classroom instruction. According to this study, online degrees are gaining acceptance among employers. Based on the results, Nance suggested that, when considering employability, skills, experience, and reputation of school are more important factors than the education delivery modality utilized. This study was consistent with studies by Adams and DeFleur (2006) and Bristow et al. (2011) in which researchers discovered that online learning is more successful in corporate settings.

More recently, researchers employed a qualitative study design using grounded theory methodology to conduct semi-structured personal interviews of 20 hiring managers in a cross-sectional sample of business sectors in the state of Wisconsin (Bailey & Flegle, 2012). The purpose of this study was to identify the factors that influenced hiring managers' perceptions of job candidates and if obtaining an online MBA from a for-profit institution influenced those perceptions. This research identified accreditation, school recognition, group interaction, real life scenarios, and group projects as factors that influenced a hiring manager's perception of value for an online MBA. Additionally, this research indicated an improvement in the acceptance of online degrees (Bailey & Flegle, 2012). Another study concerned with graduate level education examined the perceptions of CPA firm recruiters on whether an online Master of Accountancy matters in the hiring decision (Metrejean & Noland, 2011). Results from a survey instrument returned by 28 CPA firms in the state of Georgia revealed that recruiters do not perceive a difference in a candidate who receives an online Master of Accountancy versus one who receives the degree from a traditional brick-and-mortar program. Results also revealed that having passed all or part of the CPA exam is one of the most highly rated attributes of a new accounting graduate. While these studies concentrated on graduate rather than undergraduate programs, the research instruments still focused on recruiters' perceptions of the type of degree that a student received (Bailey & Flegle, 2012; Metrejean & Noland, 2011). These studies provide important conflicting results that add to the ongoing debate regarding online education in the United States. These conflicting results may help identify which employment settings are most favorable for those job seekers with online degrees. Because of these conflicting findings, additional research is necessary to extend the literature in this area of study.

CONCLUSION

While debate continues regarding the comparative quality of online learning and traditional face-to-face learning, little is known about the perceptions of practicing CPAs regarding the acceptability of online degrees for obtaining entry-level employment across various positions in the accounting profession (Metrejean & Noland, 2011). As institutions of higher learning enroll an increasing number of students in online degree programs, a key question is whether recruiters will view degrees earned online as comparable to those earned in traditional face-to-face programs (Adams et al., 2012; Cai, 2013; Linardopoulos, 2012). Despite considerable literature on the topic, much of the research about online education is in liberal arts, with relatively fewer studies having been performed with respect to technical topics such as accounting or to assess whether findings related to other disciplines apply to accounting (Chen et al., 2013).

Although the number of students taking online courses has grown by the millions over the past decade, faculty acceptance has lagged, student retention concerns linger, and academic leaders continue to worry that online courses require more faculty effort and institutional resources than traditional face-to-face instruction (Allen & Seaman, 2015). Despite the fact that concerns still exist in the educational community, online learning has enhanced its position over the last five to ten years. The Internet has provided a platform for the standardized delivery of online courses, which has allowed strategic importance, popularity, and perceived quality of online learning to improve (Thomas, 2011).

The rapid growth of distance education demonstrates that online learning is here to stay. Professors, students, and professionals must embrace this change to meet the workforce needs of the near future. Although some will always prefer traditional brick-and-mortar programs, it is only a matter of time before online degree programs in accounting are widespread throughout the United States. Universities must design and deliver challenging online coursework to keep the accounting profession strong given the increasing need for skilled accountants across different professional settings.

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THE IDENTIFICATION OF STAKEHOLDERS IN HOLIDAY FILMS: AN ILLUSTRATIVE, PEDAGOGICAL ANALYSIS

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ABSTRACT

It seems that films set during the Christmas/holiday season incorporate exceptional examples of stakeholder theory. It could be that at this particular time of the year people tend to think more of others rather than themselves. In the case of a business, this would involve thinking of employees, customers, community, etc. These seasonal films are a fertile area for obtaining illustrations of this theory for educational purposes. As such, this study identifies and analyzes stakeholder relationships from a number of classic, holiday movies in order to enhance the classroom discussion and the evaluation of this managerial topic.

INTRODUCTION

While there are numerous business and financial related films – *Wall Street*, *Boiler Room*, *Wolf of Wall Street*, *Trading Places*, etc. – it seems that films set during the Christmas/holiday season incorporate exceptional examples of stakeholder theory. It could be that at this particular time of the year people tend to think more of others rather than themselves. In the case of a business, this would involve thinking of employees, customers, charities, society, etc. Another possible explanation could be the social issues prevalent at the time the works were created (e.g., poverty and hardship - society, working conditions - employees, etc.). In any case, the purpose of this paper is not to determine the social constructs underlying the creation of the artistic works, but rather to analyze the films within the framework of this particular study. With this in mind, it can be seen that classic holiday films are a fertile area for obtaining illustrations of this concept for educational purposes.

This paper seeks to add to the discipline by accomplishing several goals. First, it attempts to assemble an initial portfolio of holiday films that contain significant illustrations of stakeholder relationships. These stakeholders and their various relationships are then analyzed. The films and the corresponding analyses can then be used as an alternative method to present, discuss, and evaluate the stakeholder concept in a number of classroom settings (e.g., Introduction to Business, Principles of Management, Corporate Finance, etc.). Finally, the study can serve as a starting point for additional, future analyses such as:

1) Identify and incorporate additional examples of stakeholder theory from non-holiday films or a different niche.
2) Separate students into 2 subsets: Those who were presented stakeholder material via film and those who received the information via more traditional “chalk and talk.” Student performance on stakeholder assessment items can then be evaluated.
3) Use this collection of videos and accompanying discussions as the basis for creating individual case analyses for each film. The assignments could then be implemented as part of existing courses or in a newly developed stakeholder class.

LITERATURE REVIEW

Stakeholders

In general, the term "stakeholder" refers to individuals or parties that have an interest or "stake" in the performance, success, or viability of the organization. These parties can include stockholders/owners, creditors, employees/management, suppliers, customers, competitors/industry, the community, and so on. Stakeholders have relationships with the organization along with claims, contracts, and/or expectations. For example, stockholders/owners seek stock price appreciation, creditors expect repayment of debt, and employees desire fair wages.

Dodd (1932) records one of the earliest references to various stakeholder parties (employees, consumers, and community). A number of years later, F. W. Abrams (1951), Chairman of the Board of Standard Oil, stated the following:

> *"Business firms are man-made instruments of society. They can be made to achieve their greatest social usefulness – and thus their future can be best assured – when management succeeds in finding a harmonious balance among the claims of the various interested groups: the stockholders, employees, customers, and the public at large" (p. 29).*

The first formal use of the term "stakeholder" may have been at the Stanford Research Institute in 1963. It was used to identify parties "without whose support the organization would cease to exist" (Freeman, 1984). This is a relatively narrow definition in that it refers to groups necessary for the firm's *survival*. At times, entities fitting this description have also been referred to as "primary" stakeholders. This specific category of stakeholders generally has a direct relationship with the organization via some sort of economic exchange. Examples may include creditors, suppliers, employees, stockholders/owners, consumers, etc. (Clarkson, 1995).

The stakeholder definition and its application have evolved over time resulting in numerous variations (Cornell & Shapiro, 1987; Carroll, 1989; Hill & Jones, 1992; Donaldson & Preston, 1995). One commonly used interpretation is provided by Freeman, Harrison, Wicks, Parmar, and de Colle (2010). They indicate that the stakeholder is identified by "the relationship between a business and the groups and individuals who can affect or are affected by it" (p. 5). This is a broader definition and would include parties that can simply *influence* or *be influenced* by the organization. The additional groups captured with this larger net may be classified as "secondary" stakeholders. This particular category of stakeholders generally has an indirect relationship with the firm and is not involved in a direct economic/business transaction (Clarkson, 1995). Parties in this category could include the community, government, competitors/industry, media, etc. In addition, stakeholders have been classified along dimensions such as contractual/community, internal/external, and social/non-social (Charkham, 1994; Nilson & Fagerstrom, 2006; Wheeler & Sillanpaa, 1998).

With a basic foundation of the term "stakeholder" in place, a relatively concise discussion of "stakeholder theory" will be presented. Early on, Ansoff (1965) described the stakeholder concept as,

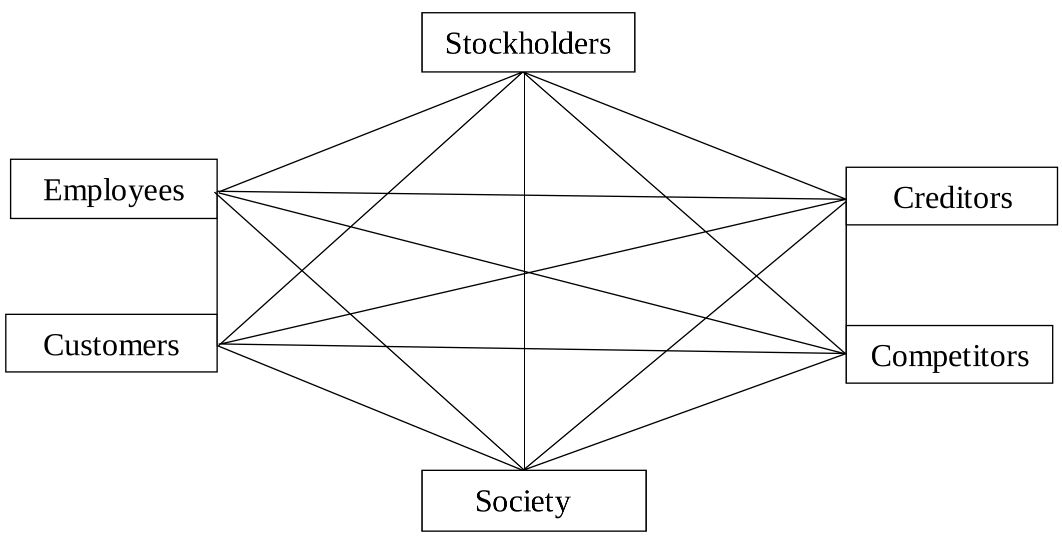
> *"Balancing the conflicting claims of the various stakeholders in the firm: managers, workers, stockholders, suppliers, vendors. The firm has a responsibility to all of these and must configure its objectives so as to give each a measure of satisfaction. Profit which is a return on the investment to the stockholders is one of such satisfactions, but does not necessarily receive special predominance in the objective structure" (p. 14).*

In essence, it is the strategic approach of trying to balance the claims or interests of these various parties. While the firm needs to be aware of the various stakeholders and try to manage their interests, it may not be possible to satisfy all parties (i.e., some claims may be mutually exclusive). Under this theory, the organization is more than just an economic entity for the stockholders/owners (profit, return on investment, maximized wealth, etc.). It becomes a social entity as well since stakeholders also include the community (charity), employees (work conditions), consumers (product safety) and so on. Jensen (2001) discusses this balancing act and the implications for long-term maximization of firm value.

For purposes of this paper's analysis of cinematic illustrations of stakeholder theory, the Ansoff (1965) perspective of the stakeholder concept along with the more inclusive Freeman et al. (2010) definition of "stakeholder" will be used. As such, secondary parties that can influence or be influenced by an organization (e.g., competitors and society) will be considered as well as the more traditional primary stakeholders (e.g., employees, owners, creditors, customers, etc.).

Illustrative Stakeholder Nexus

For perspective, this nexus of relationships and interdependence can be illustrated with the following diagram. It should be noted that the diagram does not reflect an exhaustive list of stakeholders – there are others. Rather, the stakeholders in the diagram are those identified in this paper's specific analyses. Most importantly, the illustration indicates the balancing act that is taking place between the various stakeholders as well as the potential for the parties to impact and influence one another.



Film & Business/Economics Pedagogy

The use of film and movies to enhance the educational experience is not new. Cinema provides an opportunity for students to see illustrations of concepts and theories in a form other than text. It allows the material to be "brought to life." It allows for variety in the dissemination of the course material. Champoux (2001) identifies additional positive aspects of this pedagogical tool.

Numerous studies, academic works, and websites have discussed the idea and practice of using business and economics films as part of the educational process (Champoux, 2001; Leet & Houser, 2003; Mateer & Li, 2008; Sexton, 2006). *The Wizard of Oz* has been cited as a possible allegory on monetary and economic issues (Rockoff, 1990). Biktimirov and Cyr (2013) and Werner (2013) suggest the use of *Inside Job* and *Margin Call*, respectively, to discuss ethical issues associated with the financial crisis of 2008. Similarly, Giacalone and Jurkiewicz, (2001) discuss the use of cinema to teach ethics.

Even with this substantial body of work, an unexplored topic is the identification of stakeholder theory examples in the niche area of holiday films and then using them as part of the pedagogical experience. Why these holiday films seem to contain a significant number of excellent stakeholder illustrations is not clear. One hypothesis is that the difficulty and tension in balancing the demands of various stakeholders, particularly during the holiday season of "giving and goodwill toward man" and concern for others, provide fertile ground and a common theme for seasonal films. Another component could be the social issues prevalent at the time the works were created. For example, Charles Dickens wrote *A Christmas Carol* at a time (1843) in England when there was much concern about the fabric of society in such areas as poverty and working conditions. Also, several films used in this study were produced not long after the Great Depression and World War II (1947). This had been a time of significant economic and social uncertainty, sacrifice, and hardship. Factors associated with the social climate may have influenced the creation of the artistic works. In particular, they may have turned the focus toward balancing the needs and expectations of various parties. As stated earlier, the purpose of this paper is not to determine the social constructs underlying the creation of the artistic works, but rather to analyze the films within the framework of this particular study. Specifically, the intent of this study is to create an initial collection of material that can be used to supplement the presentation of the stakeholder concept to the students and provide a basis for discussion and analysis. Interestingly, students may have seen many of these movies in the past. However, they probably have not watched them with a critical eye via a stakeholder perspective. They may be surprised at what they have actually seen.

IDENTIFICATION AND ANALYSIS

***It's a Wonderful Life* (Capra, 1947)**

At about the 45 minute mark of the movie, George Bailey and his new wife are in a taxi departing for their honeymoon. The cab driver pulls over and mentions what appears to be a "run" on the local bank. Mr. Bailey is the owner of the Bailey Brothers Building and Loan Association (hereafter the BB&L) which is a financial institution that takes deposits and makes home loans similar to a bank. He decides to check on his institution before continuing with his trip. When he gets to the office, depositors are lined up waiting to get access to their funds. Mr. Bailey is informed that the bank has "called" their loan and BB&L has given up all of its cash. Mr. Potter, the "richest man in town," calls Mr. Bailey to see if he needs any "help." Mr. Potter has taken over the bank (since it was in financial distress). He offers to pay Bailey's depositors 50 cents for every $1 of deposits (i.e., Potter gives the depositor $50 today and collects the $100 deposit later). In order to provide the depositors with funds, Mr. Bailey uses his personal funds ($2000 of honeymoon money) to pay depositors. In essence, he has just recapitalized the institution.

Bank Run Scene (Follett, 2013):
https://www.youtube.com/watch?v=lbwjS9iJ2Sw

Various stakeholders and their goals/claims in this scene are:
Customers: In this case, borrowers are customers. They are individuals who have either already borrowed funds from the institution to buy a home or those that will in the future. The interest they pay to BB&L on loans is revenue for the firm. The BB&L provides them with an alternative funding source in addition to the bank (Mr. Potter). The borrower may get treated more "fairly" by the BB&L as mentioned in the scene (George Bailey tells a customer that he didn't get foreclosed when he had trouble paying his loan back).
Creditor: Depositors have provided the BB&L with funds. In the scene, they are showing up to receive (withdraw) their money. It is "owed" to them. As such, in a traditional bank, the depositors are viewed as creditors (liabilities). In this particular scene, several references are made to the depositors' "shares." That term implies that the institution may be structured more like a mutual savings bank where the depositors are technically the owners. In either case, the analysis of a party (depositors) seeking to enforce their claim (withdraw of funds as creditors or owners) is in place. Also, since the bank "called" its loan to BB&L, the bank served as a creditor to the BB&L.
Owner: It is clear in the scene that George Bailey is a significant (primary) owner of the institution (his name is on the door) even if the other depositors are "owners" via deposit "shares." He is shown investing his personal funds into the firm – in essence recapitalizing the institution. He operates the organization in exchange for a financial return on his investment. It can be seen that his firm is in a "liquidity crunch." He is taking action to alleviate that condition and keep the institution solvent.
Competitors: The local bank and Mr. Potter – the "richest man in town" who just took it over – represent competition to the BB&L. The bank provides loans to individuals and businesses. If the BB&L fails, competition will be reduced thereby leaving customers and the public at the mercy of Mr. Potter and the bank. The bank would benefit by taking over the BB&L's share of the market. This scene also clearly depicts the BB&L being influenced by a competitor stakeholder (the bank). Not only are the bank's depositors concerned about the safety of their funds, but that fear has now spread to the BB&L's depositors. Thus, a competitor's financial difficulty has affected George Bailey's business.
Employees: If the BB&L fails, the employees will be unemployed. The institution's viability is very important to them.
Community/Society: The BB&L allows borrowers to build and live in nice homes rather than the "slums" and other run-down neighborhoods. This is good for the public and town as a whole.

Miracle on 34th Street **(Perlberg & Seaton, 1947)**

At about the 15 minute mark of the film, a boy tells the Macy's Santa Claus (Kris Kringle) that he wants a fire engine for Christmas. Santa Claus tells the boy he will receive the item. The boy's mother informs the Santa that the gift is sold out at all the stores, and she won't be able to keep the promise. Santa Claus indicates that another store has the toy, and she can get it there. A few minutes later, a girl steps up and asks for skates. Santa Claus informs the child's mother that the item can be found at Gimbels (a competitor). The manager of the Macy's Toy Department, Mr. Shellhammer, overhears this discussion and is upset that a Macy's employee is sending business/sales to competitors. The mother of the boy approaches the manager and tells him how surprised she is that Macy's would refer customers to a competitor. She then states that because of this practice she will be a loyal Macy's customer for the long term. She appreciates the fact that Macy's would put the customer's best interest before its own profit goal ("the spirit of Christmas ahead of the commercial"). In essence, Macy's is trading short-term profit for greater long-term gain (albeit unbeknownst and unintentional by management at first).

Full Video (Moyer, 2016):
https://www.youtube.com/watch?v=y8RPrXmgyJI
(See the scenes at 13-16', 21-24' and 39-41'.)

The various stakeholders and their goals/claims in these scenes are:

Customers: The customer wants to obtain the desired product at a good price. Rather than having an unwanted product "pushed" onto them, they are informed of a viable alternative. This, in turn, creates a sense of gratitude toward Macy's and can be reflected in long-term loyalty to the company.

Competitors: Rival firms will benefit from the initial referred business. However, they may not be able to keep the consumers for the long term if they (customers) value the initial honesty and respect shown to them by Macy's. In fact, it could hurt the competition in the long run as they lose consumers to Macy's. As Mr. Gimbel states in a later scene, his company (a competitor) will be viewed as a "profiteering, money grubber." Seeing this as a marketing strategy, Gimbels decides to institute the same policy as Macy's.

Owners/Shareholders: Owners will benefit through increased financial return (e.g., increased stock price and/or dividends) if the approach pays off with higher sales, cash flow, and net income. As Mr. Macy states, they want to be seen as the "helpful" and "friendly" store – the store with a "heart." By doing so, they will put "public service ahead of profit and consequently make more profit than ever before." In effect, it is an illustration of "cause-related marketing." Macy's is attaching itself to a social *cause*. It is assisting the public in acquiring the product it truly wants or needs instead of trying to persuade the customer to buy a less desirable item and as a result sacrificing short-term profit. In exchange, Macy's is trying to increase consumer loyalty and overall, long-term profit (*marketing* strategy).

Employees/Management: In an effort to increase financial performance, executive management determines that a strategy of referring customers to competitors in order to satisfy their needs/wants will generate more sales in the long run. It appears to be a "win-win" approach – the customers get what they want and the firm's management and employees will benefit in the long term. For example, we observe a Macy's employee carrying out the "referral" practice. If successful, employees benefit by receiving higher wages/salaries, job security, etc. In fact, we see three employees (Mrs. Walker, Mr. Shellhammer, and Kris Kringle) receive bonuses as a result of the strategy. (The clip where Mr. Macy discusses the strategy with the managers in his office and informs Mrs. Walker and Mr. Shellhammer that they will be receiving bonuses. A later scene shows Kris Kringle receiving his bonus.)

***A Christmas Carol* (Fuisz & Donner, 1984)**

At the beginning of the film (approximately the first 25 minutes), Ebenezer Scrooge is at work keeping his books. In this version, he is the owner of a finance business where he acts as a moneylender (makes loans) and commodities trader. He is upset with his clerk, Bob Cratchit, who is cold in the office and wants to add coal to the fire to keep warm (poor working conditions). Scrooge instructs him to dress warmer. He tells Cratchit that "coal is costly" and there is to be "no more coal burnt in this office today." He then tells him to get back to work or he'll be fired. When Scrooge leaves for the Exchange (a place for carrying out financial transactions), he tells Cratchit not to lock up early. Scrooge then asks Cratchit if he'll want Christmas off. Cratchit replies, "If it's quite convenient." Scrooge replies that it is not convenient or fair. He says that Cratchit would feel "ill-used" if asked to work without corresponding compensation, but yet it is okay to be paid for not working since it is a holiday. He states that it is a "poor excuse for picking a man's pocket every 25th of December" and that Cratchit needs to be in the office earlier the day after. Once Scrooge arrives at the Exchange, several men are interested in buying corn from him. He raises the price from the previous day plus 5% for the delay and indicates that the price will increase 5% again the next day if they wait to make their purchase. The customers argue that they aren't being treated fairly. They were quoted/offered a price and now it's suddenly being changed. While at the Exchange, two men ask for a donation in order to help the poor and destitute members of society. Scrooge asks them if there are no prisons, poorhouses, etc. for these individuals and adds, "My taxes help to support the public institutions which I've mentioned." Near the end of the film, after being visited by the spirits, Scrooge treats his employee, Mr. Cratchit, better and makes a contribution to the charity.

Full Video (SuperMegaChristmas, 2013):
https://www.youtube.com/watch?v=92befrZYBLE
(See the first 25' of the film.)

Various stakeholders and their issues in this portion of the video are:

Owner: In this film version, Ebenezer Scrooge owns a financial-based business (moneylender and commodities trader). Profit and financial return are very important to him. He is essentially portrayed as being so focused on his profit and personal wealth that he is a miser. As such, all decreases in revenue and increases in cash outflow reduce this wealth. Thus, he is shown squeezing as much as he can out of his employee, Bob Cratchit (e.g., low wages, long hours, poor working conditions, etc.), demanding hard terms with the corn traders, and refusing to donate to charity. In contrast, a later scene shows Mr. Fezziwig (Mr. Scrooge's employer when being apprenticed) throwing a party for his employees. During that visit by the spirit, Scrooge acknowledges the value in treating employees well.

Employee: Bob Cratchit is given the holiday off with pay, but Scrooge is not pleased about it ("picking a man's pocket"). Scrooge views it as stealing from him – money for nothing – which hurts his profit. In exchange for the day off with pay, Scrooge tells Cratchit to be in early the day after Christmas. We see the employee being treated poorly as described above in the initial summary. Early on, Scrooge does not appear interested in the management strategy whereby

treating his employees better may actually increase their productivity and commitment and thus the owner's profit. Near the end of the film, after being visited by the spirits, a change in the relationship between these stakeholders is observed. Scrooge provides food for the Cratchit family's Christmas dinner (a holiday "bonus"), instructs Cratchit to buy coal and warm the office (improve the work conditions), offers to assist Cratchit's family (benefits), and gives Bob Cratchit a raise (doubles his salary).
Customers: At the Exchange, customers are interested in buying corn from Mr. Scrooge. He informs them that the price has increased from the previous day plus an additional 5%. If they wait to make the purchase, the price will increase again the next day. The customers argue that they are not being treated fairly. They were quoted a price and now it has been changed.
Community/Society: While at the Exchange, two men ask for a donation to help the poor and destitute. Scrooge asks the men if there are no prisons or poorhouses. They reply that those options are still in place. Scrooge refuses to contribute and states, "My taxes help to support the public institutions which I've mentioned." This implies that he has already "given" once to help others in society and doesn't feel the need to give again. He has met his required, legal, (minimum) obligation. At the end of the movie, after being visited by the spirits, he makes a sizeable contribution to the charity. It can also be noted, when Marley's ghost visits Scrooge, he says to Ebenezer, "Mankind was my business! The common welfare was my business!"

***Christmas Vacation* (Hughes, Jacobson & Chechik, 1989)**

Early in the film, Clark Griswold confides to a co-worker that he is counting on the money from his Christmas bonus because he needs it to pay for a swimming pool he has made plans to install. During approximately the 60-65' portion of the film, a courier delivers an envelope that Clark believes is his bonus check. It turns out to be a membership to a Jelly-of-the-Month Club instead. He is so disappointed and upset that he goes on a rant wherein he states that he would like his boss, Mr. Shirley, brought to him so he can tell Mr. Shirley what he really thinks of him. One of Clark's guests decides to do just that and brings the executive to the Griswold home (at about the 70' mark). From this point, Clark explains how disappointed he was in not receiving cash for his bonus – he had received a check every year for 17 years. He was expecting it as part of his annual compensation. Looking around the room at the Griswold family, Mr. Shirley states that sometimes strategies look good on paper but "lose their luster" when you see how they actually impact people ("A healthy bottom line doesn't mean much if to get it you have to hurt the ones you depend on. It's people that make the difference."). The executive then tells Clark that he will receive his cash bonus –20% larger than the previous year's amount. When Mr. Shirley's wife, who has now arrived at the Griswold's, hears that the firm had eliminated cash Christmas bonuses to save money and to increase the bottom line (profit), she also expresses her displeasure ("Of all the cheap, lousy ways to save a buck.").

Full Video (Everitt, 2016):
https://www.youtube.com/watch?v=Mgav_DjRf7M
(See the scenes at the 60-65' and 70-75' marks.)

In these scenes, the following stakeholders and their issues are:
Employees: Compensation represents a "stake" or interest employees have in a firm. It is one way employees are influenced by the organization. Clark Griswold has an expectation that he

will receive a *cash* Christmas bonus. This appears to be an assumption on his part (albeit based on 17 years of experience). The film doesn't indicate that this portion of his compensation is guaranteed. It appears to be an "implicit" claim or contract as opposed to an "explicit" claim or agreement. In other words, it does not seem to be formal in nature. Since it is referred to as a "bonus," it would seem that an employee would generally accept that the "payment" is optional and not a given. When Clark assumes the bonus (not his regular salary/wage) will also be in cash, it would seem that *he* has further created the potential for disappointment and dissatisfaction – not necessarily the executives or owners ("If you don't want to give bonuses, fine, but when people count on them as part of their salary…"). A bonus can be optional and could take whatever form the firm wishes. The fact is, Clark received a Christmas bonus, just not in the form he had expected. Granted, over 17 years the firm had probably conditioned him to expect cash, but if it wasn't a formal agreement, the owners have the right to change it. An announcement informing employees of the change would have been helpful in altering expectations. However, it could also be said that the bonus (additional compensation) is entirely voluntary on the part of the owners and executives who are trying to balance competing claims from various parties. In any case, it is clear from Clark's negative reaction that he feels that an implicit contract between stakeholders (owners/executives and employees) has been broken. It can also be seen how employees can become quickly dissatisfied with their working conditions and the impact this may have on their attitudes, morale, motivation, etc. While employees did receive a bonus, it did not necessarily have the desired effect. When presented with the increased cash bonus, the positive impact can also be observed.

Executives: It can be seen that the senior executive, Mr. Shirley, is trying to balance claims of various parties. In these scenes, by reducing the cash outlay on holiday bonuses (cutting expenses), he tried to increase the company's profit and financial performance. This, in isolation, would enhance the owners claim. If more funds were to go to employees, it would reduce the return to the owners. The executives are in the position of trying to satisfy owners with an appropriate return on their investment and compensating employees fairly so as to retain and motivate them. In addition, strong financial performance may also benefit the executives as they may very well see their compensation increased (which can be set by the owners or board).

Owners/Stockholders: The owners want an appropriate return on their investment. Depending on the structure of the firm, this can come through increased cash flow from profit, stock price appreciation and/or dividends. While it would appear to be a "zero-sum game" in that if the employees are paid more, the owners get less and vice versa, that may not necessarily be the case. As can be seen, employees could be so upset by the compensation that morale, commitment, loyalty, retention, motivation, etc. could be reduced thereby hurting the overall financial performance of the firm. Thus, by trying to enhance the owner's return through reduced employee compensation, the strategy could result in lower returns for the owners as well. Conversely, enhancing employee compensation (increasing expenses) may actually increase firm financial performance if the employees become more productive and generate cash inflows greater than the bonus payment.

SUMMARY AND FUTURE OPPORTUNITIES

This project identifies and analyzes examples of stakeholder theory in holiday cinema. The collection is intended to provide a starting point for enhanced classroom discussion of the theory. Based on author experiences, it provides a unique method for reinforcing the concept and allowing students to see the theory in action from a perspective "outside" of the classroom. Given the broad nature of stakeholder theory, the material from this study can be used for discussions in courses ranging from Introduction to Business to Principles of Management to Corporate Finance.

Based on this initial analysis, future research possibilities include:

1) Identify and incorporate additional examples of stakeholder theory from non-holiday films or a different niche. For example, traditional finance films could be used (e.g., *Wall Street*, *Wall Street 2*, *Boiler Room*, *Wolf of Wall Street*, etc.) or documentaries.
2) Separate students into 2 subsets: Those who were presented stakeholder material via film and those who received the information via more traditional "chalk and talk." Student performance on stakeholder assessment items can then be evaluated. Is there a significant difference in performance levels? Does this pedagogical approach seem to enhance student performance? Did it merely end up serving as "entertainment"?
3) Use this collection of videos and accompanying discussions as the basis for creating individual case analyses for each film. The assignments could then be implemented as part of existing courses or in a newly developed stakeholder class.

Overall, the results of this project provide a solid, initial, cinematic portfolio for current course pedagogy as well as a springboard for future study and application.

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THE RHETORICAL SITUATION MEETS ADULT EDUCATION: A PUBLIC SPEAKING WORKSHOP FOR B-SCHOOL GRADUATE STUDENTS

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ABSTRACT

Extant research indicates that there continues to be a gap between employer expectations and the oral presentation skills of B-school graduate students. In order to address this gap, the authors undertook a three-year effort to research, develop, and administer a public speaking workshop focused on preparing new business graduate students to meet industry demands for presentation skills and strategies. Survey and focus group data informed several revisions to the workshop plan. The series of revisions and participant responses point toward the importance of adjusting the elements of the rhetorical situation in order to account for the principles of andragogy when planning workshops for graduate students. The results of this study provide useful insights and direction for management and communication educators, trainers, and public-speaking specialists when developing their programs for their audiences.

Keywords: *management education, survey research, rhetorical situation, andragogy, workshops, graduate students, elevator speech, public speaking*

INTRODUCTION

Consistently, across the globe, employers and educators state with alarm that college graduates lack basic communication skills, both oral and written (Al-Mutairi, Naser, & Saeid, 2014; Belkin, 2017; Chandren & Yaacob, 2016; Tugend, 2013). The need for these soft skills cuts across disciplines and impacts all levels of higher education. Yet, they are particularly critical for business students where the necessary skills to present business ideas, strategies, plans, etc. to many different audiences and via multiple communication formats is vital to individual employee and organizational success.

Heretofore, much focus has been on improving these skills in undergraduate education by embedding the appropriate courses into the general education curriculum and by requiring relevant assignments in upper-level courses where students can master these skills. Less attention has been paid to graduate students where it is often incorrectly assumed that these skills have already been mastered before they enter the program. As enrollment in graduate programs in general and the enrollment of students from diverse language, cultural, geographical, and socioeconomic backgrounds in particular have increased, calls for augmented communication support for graduate students have become common across disciplines (Brooks-Gillies et al., 2015; Simpson, 2016). While scholarly attention has been devoted to graduate communication support for decades in disciplines focused on second-language learning, scholars from fields like composition studies, which focus on communication support for students across language backgrounds, have only recently joined the conversation (Simpson, 2016).

We argue that another missing communication element is support for oral presentations, and public speaking in general, at the graduate level. Tinoco and Alvarez (2015) conducted a research effort on the expectations and needs of employers versus the capabilities of graduate students in terms of oral presentation skills. Upon conclusion, it was determined that there continues to be a gap between employer expectations and the skill level of B-school graduate students.

As a result, the authors, a professor in business and two professors in communication, embarked on a research study to determine the best approach to improving the presentation skills of this demographic, particularly where the curriculum does not support separate classes and where diversity of student backgrounds in age, language, culture, education backgrounds and work experience widely vary. We propose that an effective approach to resolving this gap between employer needs and graduate student skills is a multidisciplinary workshop in the early part of the master program. To that end, through a series of workshops and corresponding surveys, we developed and fine-tuned a public speaking workshop format that promotes clear communication of ideas in rhetorical situations (persuasion) while responding to adult learner characteristics.

While the rhetorical situation and the principles of andragogy (adult education) are both decades old, using the elements of the rhetorical situation in order to structure a workshop that responds to the principles of andragogy is new. Our research demonstrates the value of putting these two theories into conversation in the planning stages for workshops, seminars, classes, and other instructional meetings for diverse participants.

With this backdrop, the paper proceeds in the following manner: First, a revisit to the need for this type of education for graduate students is presented. A discussion of the workshop as an education tool follows, along with the theoretical background associated with the rhetorical situation and adult education. We then present the evolving workshop design in more detail, integrated with the results of our multi-phase study. In this manner, the reader reaps the benefit of how the study progressed in format and content. Finally, we close with a discussion, limitations of the study and conclusions.

BACKGROUND

Identifying the Need

Many professors who teach graduate students assume their students come to their courses with the communication skills necessary to succeed at the tasks presented. With respect to written communication, Sallee, Hallett, and Tierney (2011) state, "the expectation is that students already know how to write before they begin graduate school. Instructors of graduate students may assume that students learned basic writing skills during their high school and undergraduate years" (p. 66). The same can be said for oral communication skills, particularly those that are needed for clear presentation of ideas, plans, and projects to diverse audiences and for different purposes. Similar to writing skill levels, there is a basic assumption that students entering graduate school have learned and mastered the presentation skills and strategies necessary for success in their degree program and in the workplace.

This is not necessarily the case. Consistently, across the globe, employers and educators emphasize the importance of communication skills for graduates in business (Al-Mutairi, Naser, & Saeid, 2014; Baharun, Suleiman, & Awang, 2012; Cho, Kidd, Morthland, & Adkinson, 2017; Kalfa & Taksa, 2015). Some state with alarm that what graduates lack most are basic communication skills, both oral and written (Tugend, 2013). This disconnect between common assumptions and reality creates the need for communication support designed specifically for business graduate students across campuses within and beyond the United States.

The assumption that students should have already learned to communicate effectively in their undergraduate years is commonly cited as a reason for the lack of communication support for graduate students at many universities. However, learning "basic communication skills" in composition and public speaking courses cannot prepare students for the vastly different ways in which they are expected to express ideas across the wide variety of academic disciplines they encounter in college. Furthermore, even if graduate students received their undergraduate degrees in the same discipline in which they pursue their graduate degrees, there is little guarantee that their undergraduate courses will have exposed them to the genres they will have to use in their graduate courses (Curry, 2016; Simpson, 2016). Additionally, as graduate student demographics become more diverse, many students are not prepared to meet expectations for communication at the graduate level, particularly in oral presentations. Thus, this rich diversity of students brings with it backgrounds comprised of different approaches, perspectives, and experience on oral presentations and public speaking in general.

Having laid this groundwork, we now turn our attention to the chosen education format: workshops in public speaking.

Workshops, the Rhetorical Situation, and Adult Education

Workshops are currently a popular but relatively undefined form of graduate communication support. A recent study by Caplan and Cox (2016) found that workshops are the third most common form of support at institutions represented by the 297 people who took their survey (p. 28). Workshops are a standing component of established programs offering graduate communication support (Freeman, 2016), which is a testament to their value. This is good news for faculty and programs just starting to offer communication support for graduate students because the relatively small amount of time and resources that need to be invested in workshops make them a manageable option. For many graduate students, workshops may be preferable to for-credit courses due to constraints related to funding and time. Thus, the popularity of communication workshops for graduate students that is already evident is likely to continue to grow. However, little has been done to theorize workshops for graduate students, distinguish between various possible models for workshops, or offer best practices for graduate communication workshops. Caplan and Cox (2016) note that in their survey, "respondents' comments suggest that *workshop* is a catch-all term for services that range from an occasional session to a systematic set of workshop series" (p. 30). The fact that workshops are widely used but largely undefined among faculty engaged in supporting graduate students' communication efforts points to the need for further scholarship documenting strategies for conducting communication workshops and data measuring such workshops' efficacy and student satisfaction. In this paper, we provide one such study of a public speaking workshop that relies on the elements of the rhetorical situation in order to respond to the needs of diverse adult learners.

In a study conducted by Tinoco and Alvarez (2015), industry representatives consistently emphasized the importance of tailoring one's message to fit the expectations of specific audiences, indicating to the researchers that it was necessary to focus on the rhetorical situation in the workshops. With respect to the art of persuasion, the concept of "rhetorical situation" was coined by communication specialist Lloyd Bitzer in 1968 to name the social conditions that call for and shape an oral or written response. Bitzer (1968) defines rhetoric as "a mode of altering reality, not by the direct application of energy to objects, but by the creation of discourse which changes reality through the mediation of thought and action" (p. 4). According to Bitzer (1968), the three elements that comprise the rhetorical situation are "exigence," or "an imperfection marked by urgency" that necessitates discourse (p. 6), "audience," or "those persons who are capable of being influenced by discourse and of being mediators of change," (p. 8), and "constraints," or "persons, events, objects, and relations which are parts of the situation because they have the power to constrain decision and action needed to modify the exigence" (p. 8).

A slightly modified version of Bitzer's model is informed by instructional materials from composition studies. The rhetorical situation is commonly used in first-year composition instruction. It has been interpreted and reworded for usability in a variety of composition textbooks (Hacker & Sommers, 2016; Johnson-Sheehan & Paine, 2015; Ramage, Bean, & Johnson, 2006) and in other teaching materials created and used by composition instructors. While "audience" remains constant in these materials, "exigence" is often changed to "purpose," (as in the reason the writer or speaker addresses the audience), and "constraints" is sometimes changed to "context" (as in social, physical, political, economic, etc.). "Constraints" can also be understood as "both the limitations and the opportunities present in a situation that bear on what may or may not be said to the audience . . ." (Hauser, 2002, p. 50). Like contextual elements, relevant constraints can be physical, psychological, etc. (Hauser, 2002). While consideration of audience, purpose, and constraints was an important part of the workshop from the beginning, it became increasingly important as we revised the workshop in order to account for the principles of andragogy.

Coming from another perspective, research in andragogy focuses on the ways in which adults learn, especially those that are distinct from the ways in which children learn, which is the focus of research in pedagogy. Malcolm Knowles, a pioneer scholar in adult learning, drew extensively from research and theory in the field of education to produce "a set of core adult learning principles that apply to all adult learning situations" (Knowles, Holton, & Swanson, 2005, p. 2). The six principles are as follows:

> 1. ***The need to know.*** Adults need to know why they need to learn something before undertaking to learn it….
> 2. ***The learner's self-concept.*** Adults have a self-concept of being responsible for their own decisions, for their own lives. Once they have arrived at that self-concept, they develop a deep psychological need to be seen by others and treated by others as capable of self-direction….
> 3. ***The role of the learners' experiences.*** …Any group of adults will be more heterogeneous in terms of background, learning style, motivation, needs, interests, and goals than is true of a group of youths.… [This] means that for many kinds of learning, the richest resources for learning reside in the adult learners themselves. Hence, the emphasis in adult education is on experiential techniques—techniques that tap into the experience of the learners…
> 4. ***Readiness to learn.*** Adults become ready to learn those things they need to know and be able to do in order to cope effectively with their real-life situations….
> 5. ***Orientation to learning.*** In contrast to children's and youths' subject-centered orientation to learning (at least in school), adults are life-centered (or task-centered or problem-centered) in their orientation to learning….
> 6. ***Motivation.*** Adults are responsive to some external motivators (better jobs, promotions, higher salaries, and the like), but the most potent motivators are internal pressures (the

> desire for increased job satisfaction, self-esteem, quality of life, and the like) .... (Knowles, Holton, & Swanson, 2005, pp. 63-68)

The emphasis on these principles in workshops is not new. They have been drawn upon in a variety of contexts, from classrooms to business workshops to healthcare worker/patient interactions, for decades (Jolles, 2017; Russell, 2006). Knowles, Holton, and Swanson (2005) assert that the long life that the six principles have enjoyed through generations of debate illustrate that "Adult educators, particularly beginning ones, find these core principles invaluable in the practical challenge of shaping the learning process for adults" (p. 2).

Knowles's theory provides a foundation for understanding the complex social environment that many workshop leaders and teachers working with graduate students are likely to face. The audience is heterogeneous, which necessitates a multi-layered approach that engages people from a variety of experience levels. Furthermore, Knowles's principles of andragogy provide benchmarks to hit in workshops designed for adult learners. Particularly in workshops that focus on communication and those that involve roleplay, the rhetorical situation can serve as a foundation for active learning activities that hit those benchmarks. The rhetorical situation also allows workshop leaders to create active learning tasks that become increasingly complex in predictable ways because it provides three elements that can be adjusted based on the needs of workshop participants.

In the following section, we describe insights that we have gained throughout the process of developing, conducting, and revising the workshop, which are likely to be of use to other faculty and management educators who are developing communication workshops for B-school and other graduate students. First, we describe the origins of the workshop and our initial conception of it. We then review insights from participant feedback and describe revisions we have made to the workshop in response. Finally, we discuss the implications of our experiences for readers planning workshops for diverse participants in other contexts.

METHODOLOGY

Starting in Spring 2015, the authors developed a public speaking workshop for Master of Business Administration (MBA) students. This initiative began as a pilot workshop, and it became a standing part of the mandatory day-long orientation session that the business school now offers its new graduate students at the beginning of each fall and spring semester.

Each workshop was followed by a data collection effort. The first pilot study was restricted to seven participants and was followed by a focus group and online survey. Survey data, collected from four of seven participants (57% response rate), and the focus group with all participants provided helpful feedback for the first round of revisions. The second pilot workshop in Fall 2015 consisted of nine participants; an online survey link was provided as part of the workshop with a 100% response rate. It should be noted that participation in both pilot studies was voluntary, yet the workshops filled quickly and waiting lists were established. The first orientation workshop in Fall 2016 included an online survey to be taken following the workshop. There was a 0% response. As such, we switched to a paper-based survey, which we distributed at the end of the Spring 2017, Fall 2017, and Spring 2018 workshops. These received fifteen, seventeen, and eight responses, respectively, for a 100% response rate from each of the three administrations. All surveys included 5-point Likert scale questions asking participants to rate their overall satisfaction with the workshop and with the workshop's speed and organization. They also included short response questions in which participants were asked to identify the most beneficial aspects of the workshop and important take-away points, along with basic demographic information. We based the most recent workshop revision on the Spring 2017 survey and analyzed responses to the Fall 2017 and Spring 2018 surveys to assess that revision. The following section describes the workshop design and the revisions we made to it in response to participant feedback.

RESULTS

Initial Pilot Workshop: Testing the Waters

The initial pilot workshop schedule featured an opening discussion in which participants shared impressions of effective and ineffective aspects of speeches they have observed in the past. A series of very short lectures focused on reducing communication apprehension and speech delivery preceded two speaking tasks. For the first speaking task, participants read an excerpt from a speech by a world leader in order to practice delivery. For the second speaking task, each person was assigned a topic at random and delivered a short impromptu speech on the topic. Just before participants began to prepare their impromptu speeches, we gave a short lecture on strategies for inventing content in response to the rhetorical situation. We introduced the elements as follows:

- Audience: To whom are you speaking?
- Purpose: Why are you speaking to that audience?
- Constraints: What opportunities and limitations are presented by the physical and social context?

Bringing the elements together, we asked study participants to consider what information is most important to include in a speech in order for the speaker to achieve his purpose with his audience given the time constraints.

We collected feedback in response to the initial pilot workshop by holding a focus group. Participants, almost all of whom spoke English as an additional language, provided overall positive feedback regarding workshop activities. They saw the impromptu speech as the most beneficial activity because it allowed them to put what they had learned from the lectures and discussions into practice. This reflects a preference for task-centered orientation to learning, which aligns with Knowles's fifth key principle of andragogy. The participants appreciated the opportunity to be active and challenge themselves. They noted that having to prepare and deliver a speech in a short amount of time created "beneficial stress." They also valued the feedback that they got in response to their speeches, with some students reporting increased confidence upon learning that their accents did not prevent comprehension.

The participants provided minor recommendations for future workshops including more discussion of ways to relax and stay on track while giving speeches in a second language. While they enjoyed reciting speeches from leaders, they listed that as a less useful activity because it is not something they would likely have to do in the future. Both of these recommendations align with Knowles's fourth principle, which states that "adults become ready to learn those things that they need to know and be able to do in order to cope effectively with their real-life situations" (p. 65). The students also stated that they commonly experienced anxiety speaking publicly in a foreign language, so they were motivated to learn strategies for coping with that and disappointed that such strategies were not offered.

Second Pilot Workshop: Focusing on Real-Life Tasks

We revised the schedule for the second pilot workshop based on the initial feedback. We retained the opening discussion, short lectures, and impromptu speeches but removed the leader speech and spent more time discussing strategies for giving public speeches in a second language in order to promote further readiness to learn. In addition, one of the workshop leaders gave a sample impromptu speech and received feedback from participants before the participants began giving their own speeches. This provided a model and gave participants the opportunity to practice critiquing speeches before offering feedback to each other.

Feedback in response to the second pilot workshop was overwhelmingly positive. Of the nine respondents, 89% were extremely satisfied with the workshop content, and 11% were moderately satisfied. Seven of the nine respondents indicated that the impromptu speech was the most beneficial part of the workshop, further illustrating the importance of task-based learning.

Initial Orientation Workshops: Facilitating Adult Learning with the Elevator Speech

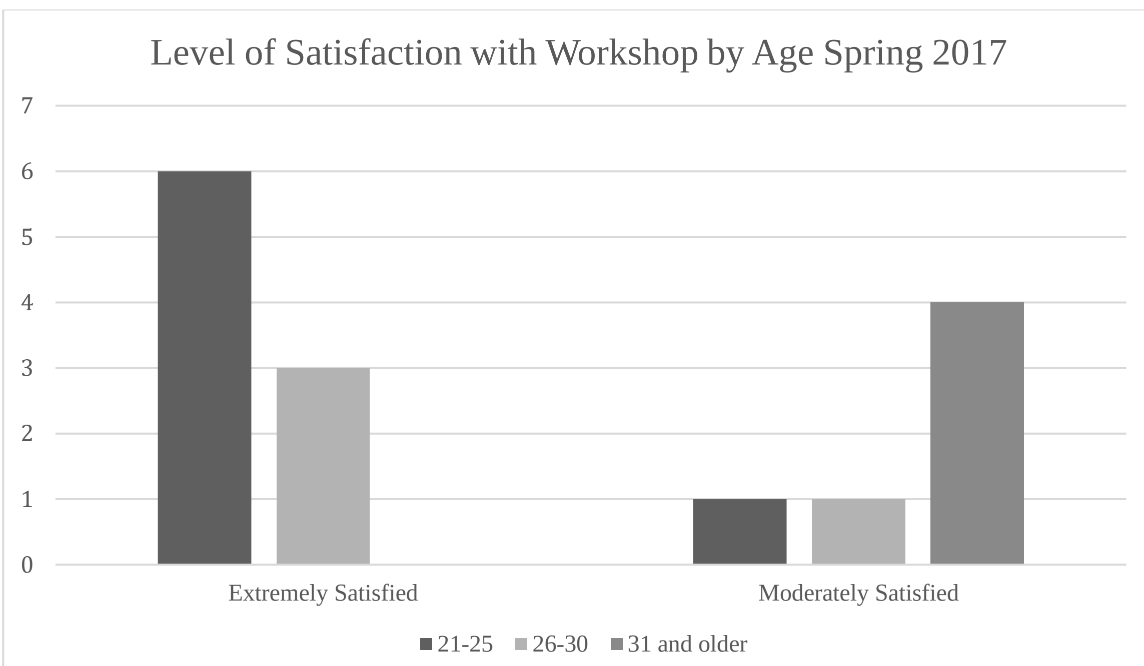
For the first two workshops that we held as part of the MBA program's new student orientation in the Fall 2016 and Spring 2017 semesters, we made the first round of revisions that honored the principles of andragogy by focusing on audience, purpose, and constraints. First, we changed the topic of the speaking task from a randomly assigned topic to an "elevator speech," a short, somewhat informal speech describing one's professional experiences, professional goals, and/or academic research (Cox & Marris, 2011).

We made this change in order to promote "readiness to learn." According to Knowles, Holton & Swanson (2005), "Adults become ready to learn those things they need to know and be able to do in order to cope effectively with their real-life situations. An especially rich source of *readiness to learn* is the developmental tasks associated with moving from one developmental stage to the next" (65). Participants are likely to face the elevator scenario often in their daily lives, and for MBA students fresh out of their undergraduate programs, the need to make an elevator speech is associated with moving from one developmental stage to the next. The social dynamics that mark the exigence and constraints of the elevator scenario are likely to be new to those students. As undergraduates, participants may have been more likely to see "elevator audiences" like professors as just teachers, not potential advisors and mentors; fellow students were likely to be just classmates as opposed to potential research or business partners. The new social context establishes the demand for specific content. In an elevator with an industry representative, for example, graduate students are expected to speak fluently about their professional experiences and academic areas of specialization. Therefore, for some participants, thinking about and preparing the elevator speech marks the entrance into a new stage of professional life. The elevator speech's connection with this new phase promotes readiness to learn, especially among less experienced participants.

Assigning an elevator speech prompted another change: the addition of an MBA student to serve as a workshop speaker. One student's insightful comments in the second pilot workshop showed us that, as Knowles, Holton, and Swanson (2005) explain, "the richest resources for learning reside in the adult learners themselves" (p. 64), so we decided to include her contributions in the workshop schedule. For orientation workshops, the MBA student gave an elevator speech to serve as a model. She also emphasized the importance of the elevator speech genre by describing opportunities that had arisen for her to make one. Finally, she described her strategies for altering her speech depending on whom she was speaking to, where they were, and how much time she had. Her examples both illustrated the importance of adjusting content to fit the given audience, purpose, and constraints and provided an opportunity for participants to learn from the experiences of a peer, another adult learner.

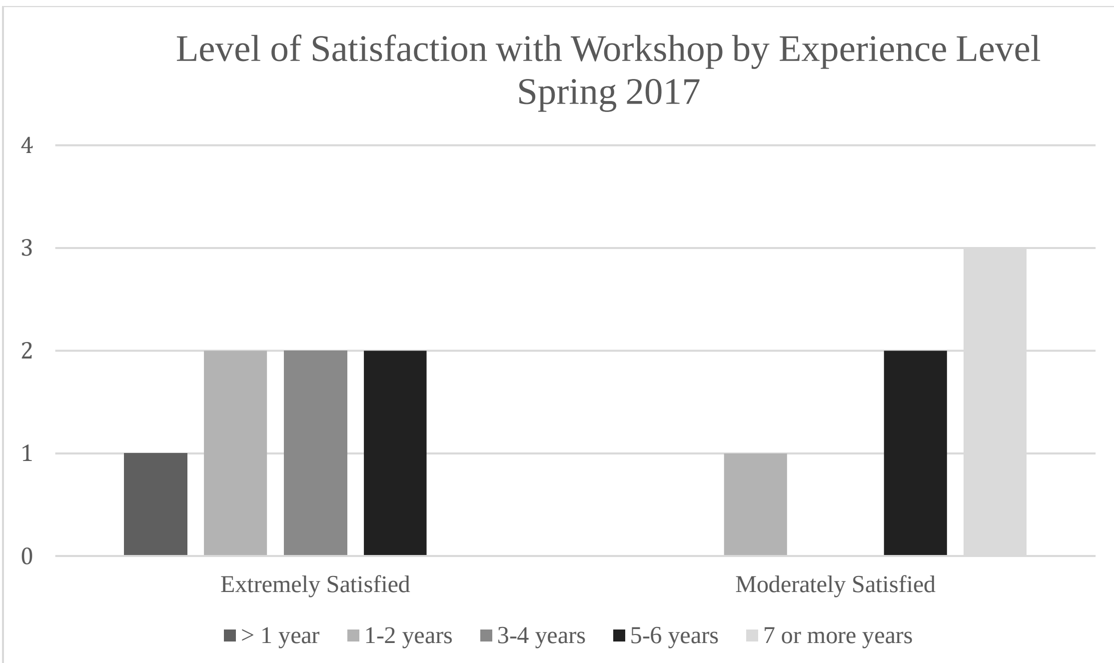
The Spring 2017 survey showed that the workshop was well received, but it also indicated that we needed to do more to acknowledge the heterogeneity among participants in terms of background and relevant experience. All survey respondents named the elevator speech as the most beneficial or one of the most beneficial activities in the workshop, affirming the value that adults place on authentic task-based learning. However, the level of satisfaction decreased somewhat in comparison to the pilot workshops. The survey responses suggested that the workshop's change in status from voluntary to mandatory, which resulted in the enrollment of participants with extensive amounts of public speaking experience who likely would not have volunteered to participate in such a workshop, may have contributed to the decrease in satisfaction. When asked to rate their satisfaction with the workshop content, choosing from "extremely dissatisfied" to "extremely satisfied" on a 5-point Likert scale, 60% of the fifteen respondents said they were extremely satisfied, and 40% said they were moderately satisfied. Satisfaction decreased as age increased, with a clear drop in satisfaction for participants age thirty-one and over, as Figure 1 illustrates. Satisfaction also decreased with professional work experience level, particularly among participants with seven or more years of experience, as all three respondents in that category reported being moderately satisfied while none reported being extremely satisfied, as Figure 2 illustrates.

Figure 1: Level of Satisfaction by Age - Spring 2017 Workshop



The survey results sent a clear message that we needed to engage older participants more effectively and provide more opportunities for everyone to learn from those participants' extensive professional experience. As with most graduate programs, MBA cohorts at our institution include students from a wide array of cultures and generations with a variety of experiences. Knowles, Holton, and Swanson (2005) acknowledge that heterogeneity should be expected among any group of adult learners and accounted for in lesson plans (p. 64). We geared the initial workshops toward younger participants from a variety of language backgrounds with limited professional experience because that is who we anticipated would sign up. When the workshop was incorporated into the mandatory orientation, we knew that our audience would be more diverse. However, in order to introduce central concepts and make sure that the tasks we assigned would be achievable for everyone in the limited time we had for the workshop, we retained the original workshop model with only small revisions. The Spring 2017 survey results showed that older participants recognized this and thus saw the workshop as holding limited relevance to them. Those responses inspired a major revision to the speaking task.

Figure 2: Level of Satisfaction by Work Experience - Spring 2017 Workshop



Revised Orientation Workshop: Increasing Flexibility with the Rhetorical Situation

Knowing that the speaking task is the focal point of the workshop, we decided to revise that activity with several goals in mind. First, in order to engage more experienced participants and give less experienced participants the opportunity to learn from them without becoming overwhelmed, we wanted the speaking task to increase in difficulty with participant experience level. In addition, we wanted to illustrate the importance of recognizing and responding appropriately to audiences, purposes, and contexts that business professionals commonly face.

As a first step, we invited participants to group themselves based on their level of experience with public speaking, and we adjusted the assigned speaking tasks' level of difficulty according to participant experience level. The least experienced participants still gave an elevator speech about themselves, while more experienced participants were asked to discuss an app on their phone for audiences and purposes that are common for business professionals in industry settings. In addition, we made the elements of the rhetorical situation in speech prompts increasingly specific as experience levels rose. For the least experienced participants giving the elevator speech, we specified only the audience. For example, one participant was asked to give an elevator speech to a fellow classmate, one to a professor, one to a representative of their industry, and so on. For moderately experienced participants, we specified both audience and purpose. All participants had to discuss an app on their phone, but one had to pitch the app to a prospective client; one had to instruct employees to complete a task related to the app; one had to brief prospective investors on projected sales of the app next quarter, and so on. Finally, we specified audience, purpose, and constraints in speaking task prompts for the most experienced participants. For example, one person had to pitch the app to an international audience; another had to brief the press about something that has gone wrong with the app, while another person had to pitch the product to a prospective client via Skype. We also gave the most experienced participants the option of speaking in response to an assigned prompt or another challenging situation of their choice that is similar to one that they have faced in their professional lives.

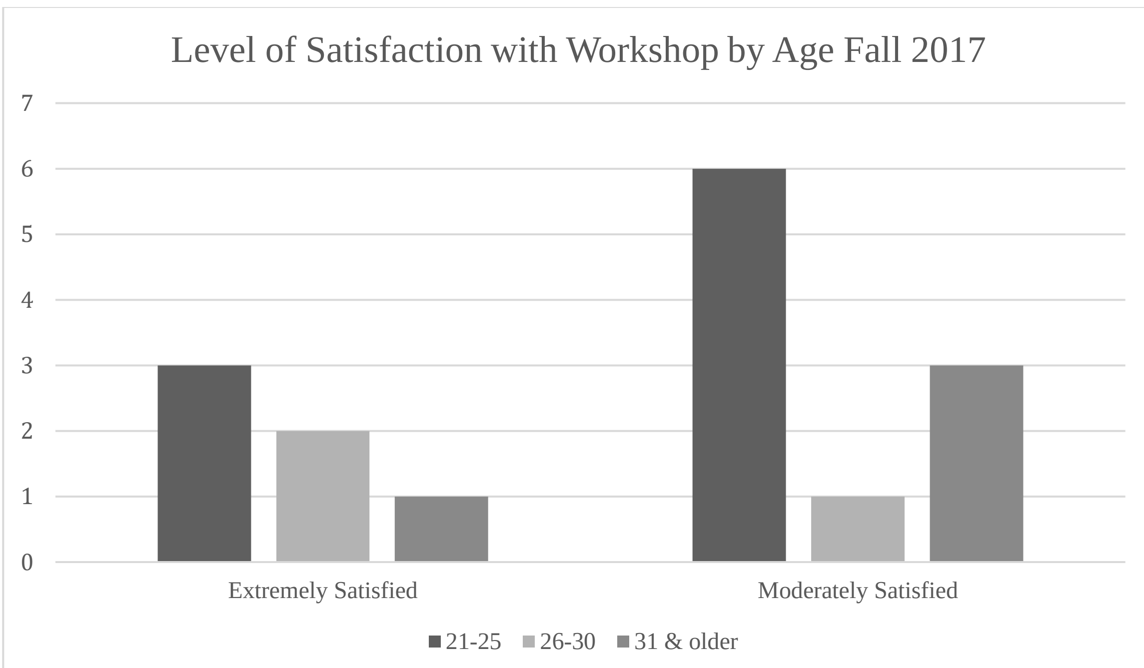
Participants gave their speeches twice: once in a practice round in which they received feedback from peers and facilitators regarding what they did well and ways to improve, and once to audience members tasked with guessing their rhetorical situation. For the second presentation, prompt assignments were not identified before the speeches. Audience members took notes about each speech, then tried to guess each person's audience and, if applicable, purpose and constraints after the speech concluded. These changes aimed to promote increased engagement among participants listening to the final speeches, illustrate how content and delivery vary according to audience and purpose, and give participants opportunities to learn from each other in ways that go beyond mere praise and criticism.

These changes promote readiness to learn for more experienced participants by simulating the kinds of communicative demands that business professionals commonly face on the job. While the elevator speech may mark a new stage of professional development for less experienced participants, the more experienced participants may have already given countless elevator speeches. The revised speaking task likely represents a new phase of professional development for moderately experienced participants because the tasks position the speakers in leadership roles. Allowing the most experienced participants to speak in response to a situation that they have actually faced foregrounds their extensive professional experience and provides other participants with the opportunity to learn from them. This strategy is particularly important with mixed groups of participants because, as Quick (2012) argues, "Tapping into the nontraditional students' knowledge of workplace settings may. . . help traditional students benefit from those with more extensive workplace experience. [It also] validates the nontraditional students and their nonacademic background, a crucial concern for effective andragogical teaching" (p. 249). The post-speech discussions further emphasize the role of the learners' experiences by giving participants the opportunity to offer feedback and impressions of each other's speeches and reflect on how their own speeches were perceived by their audience.

The opportunity for all participants to group themselves according to experience level and the most experienced participants' option to choose their speech topic acknowledge the adult learner's self-concept. As Knowles, Holton, and Swanson (2005) explain, "Adults have a self-concept of being responsible for their own decisions, for their own lives. Once they have arrived at that self-concept, they develop a deep psychological need to be seen by others and treated by others as capable of self-direction" (p.63). Making the workshop part of the mandatory orientation violates this principle because it takes away the choice of whether or not to participate. For this reason, providing opportunities for participants to self-direct within the workshop program and relating tasks to their goals and experiences in order to communicate the workshop's relevance are all particularly important for creating buy-in.

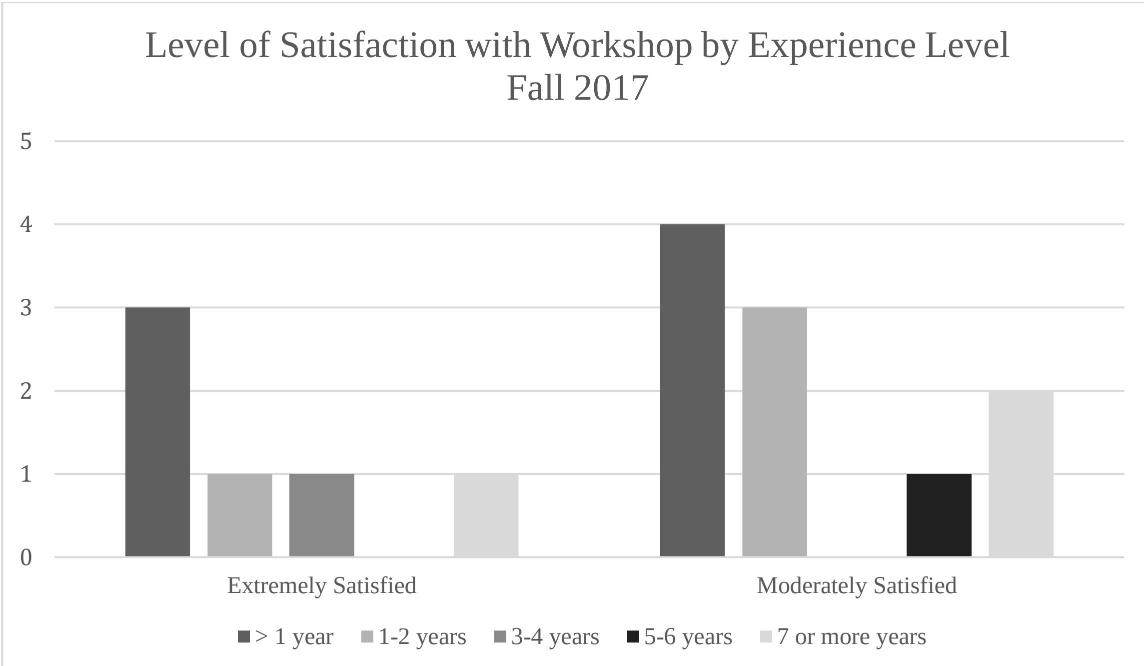
Fall 2017 survey results indicated that our revisions were somewhat successful at engaging older participants. As Figure 3 shows, of participants aged twenty-six and older, 43% reported being extremely satisfied with the Fall 2017 workshop while 57% reported being moderately satisfied. This stands in comparison with 38% of respondents in the same age group reporting being extremely satisfied and 62% being moderately satisfied with the Spring 2017 workshop. However, the survey results also show lower levels of satisfaction among younger participants. Of participants aged twenty-one to twenty-five, 33% reported being extremely satisfied with the workshop, while 67% reported being moderately satisfied. This is a considerable drop in satisfaction in comparison to participants of the same age group from the Spring 2017 workshop, 86% of whom reported being extremely satisfied with the workshop, while 14% reported being moderately satisfied. Additionally, one Fall 2017 respondent reported being neither satisfied nor dissatisfied with the workshop, but that participant did not indicate his or her age in the survey.

Figure 3: Level of Satisfaction by Age - Fall 2017 Workshop



Overall, these results suggest that we may have "overcorrected" our workshop design in favor of older participants. Results were similar when considered in terms of professional work experience. As Figure 4 shows, the satisfaction level increased slightly among the most experienced participants, as one of three participants with seven years or more of experience indicated being extremely satisfied with the Fall 2017 workshop, with the other two being moderately satisfied. This is a slight uptick in comparison to the Spring 2017 survey, in which three of three participants with seven or more years of experience reported being moderately satisfied with that semester's workshop. However, whereas half of participants with between five and six years of work experience reported being extremely satisfied with the Spring 2017 workshop, the one participant with that experience level reported being moderately satisfied with the Fall 2017 workshop.

Figure 4: Level of Satisfaction by Work Experience - Fall 2017 Workshop



Reasons for the decrease in satisfaction among younger participants are not entirely clear from the survey. It is possible that unrelated changes to the Fall 2017 workshop led to the decrease. The speaking workshop always takes place alongside other orientation activities. In the past, our workshop happened in the morning, but we had to hold the Fall 2017 workshop in the afternoon because of scheduling issues. By the time our workshop began, the students had already been participating in orientation activities for four hours and seemed to be tired, which may have contributed to the drop in satisfaction. We also were met with logistical challenges in room availability for small group work, which likely contributed to the drop in satisfaction.

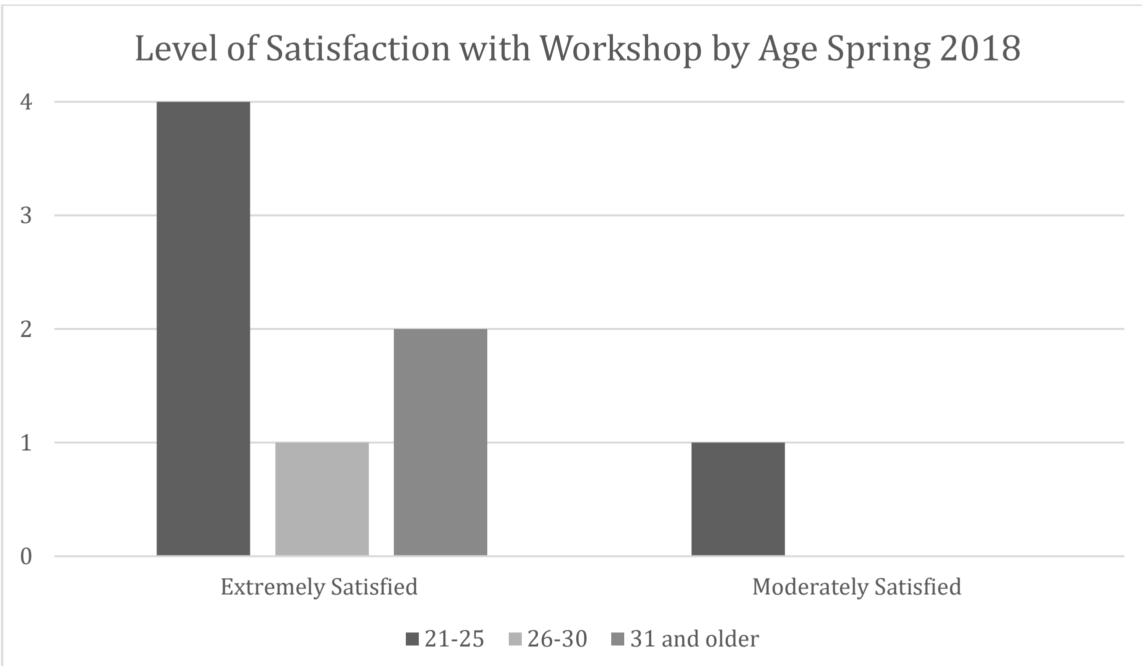
Second Revised Orientation Workshop: Rerunning the Revisions

The comments on the Fall 2017 survey did not indicate that the revisions we made to the speaking task resulted in the decreased satisfaction among younger participants. As with the previous workshops, all participants who offered comments listed the speaking task as the most helpful aspect of the workshop. Several participants noted that they appreciated the feedback that they got from others in response to their speeches. Two participants commented specifically that they appreciated the opportunity to present to an audience that did not know what their prompt said. This pointed toward the effectiveness of the most recent revision for at least some of the respondents. Because the revisions to the Fall 2017 workshop did not seem to cause the decreased satisfaction, we ran the Spring 2018 workshop in the same way that we ran the previous one.

As Figures 5 and 6 show, survey responses assessing the Spring 2018 workshop were very positive. All respondents age 26 and older were extremely satisfied with the workshop, and 80% of respondents age 21-25 were extremely satisfied. As with the last workshop, respondents consistently commented on the benefits of the speaking task and the multiple rounds of feedback they received from their peers. Participants of all experience levels reported being extremely satisfied. Only one participant, who had less than one year of experience, reporting being moderately satisfied. One participant did not indicate his or her level of experience.

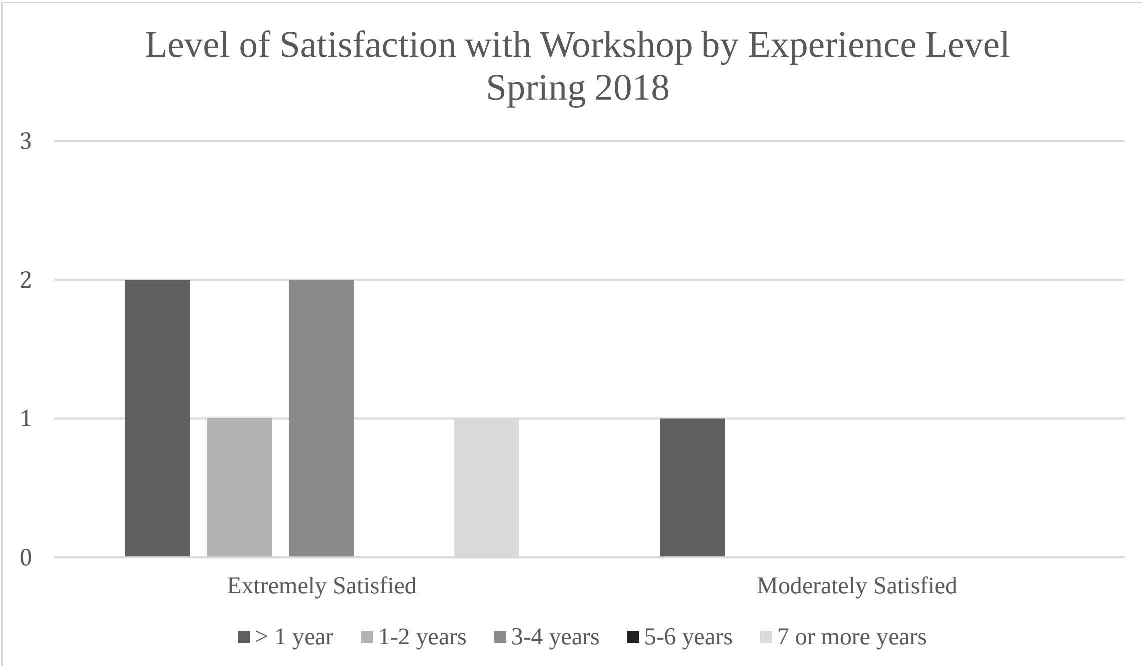
Reasons for the jump in satisfaction for the Spring 2018 are not entirely clear but may be related to the number of workshop attendees. With only eight students, the Spring 2018 group was much smaller than previous orientation groups, which made splitting into groups to practice the speaking task run more smoothly. Also, the small number of participants made it possible for all participants to present to the full group, including all three workshop leaders, for the final speech, which was not possible in the Fall 2017 workshop.

Figure 5: Level of Satisfaction by Age - Spring 2018 Workshop



Like earlier workshop attendees, the Spring 2018 survey respondents consistently named the speaking task and related activities as the most beneficial parts of the workshop. When asked the most important take-away points from the workshop, one 21-25-year-old participant with two years of professional experience provided the following response: "Rhetorical question, role-playing for ineffective/effective skills. Professors gave us good feedback on how we can improve our speech. It was a concise but great learning experience. I really liked the example about the Skype call that students did earlier. It helped understand that we should be ready for changes during presentation and adapt accordingly." This response indicates that the revised speaking task successfully addressed some of the principles of andragogy.

Figure 6: Level of Satisfaction by Work Experience - Spring 2018 Workshop



The respondent's emphasis on the rhetorical situation and feedback relate to the principle of readiness to learn, which states that "Adults become ready to learn those things they need to know and be able to do in order to cope effectively with their real-life situations" (Knowles, Holton, & Swanson, 2005, p. 65). The respondent recognizes the need to speak to diverse audiences under varying constraints as something that arises frequently in everyday life and appreciates the information from the workshop that will allow her to think about those situations more systematically. Feedback is particularly relevant when it comes to coping with real-life situations because it focuses specifically on participants' individual strengths and weaknesses, and they can draw upon that feedback to improve their public speaking in the future. This respondent's comment on the Skype call, a common physical constraint that business people face, relates to the principle of readiness to learn as well as the role of the learners' experiences. This participant appreciated learning from a more experienced workshop participant by watching that person address a complex but common physical constraint. Comments like these indicate that the adjustments we made to the speaking task have been at least somewhat successful in responding to the range of needs and experience levels represented by workshop participants.

DISCUSSION & CONCLUSIONS

Overall, our experience creating, assessing, and continually revising this workshop revealed the importance of considering the principles of andragogy when planning communication workshops for graduate students. Particularly in required workshops for large and diverse groups of participants, carefully structuring task-oriented activities with the principles of andragogy in mind helps to respect and engage participants from a variety of backgrounds and experience levels while making optimal use of a short amount of time. Focusing on and working with the rhetorical situation allowed us to structure the speaking task in a way that aligned more closely with those principles and also gave participants opportunities to consider ways in which the content and delivery of speeches, whether formal or informal, vary according to audience, purpose, and contextual constraints. Our workshop is still a work in progress and will continue to evolve as we learn more from the adult learners who participate in future workshops.

Our story has implications for organizers preparing communication workshops for graduate students or other diverse groups of adult participants in other contexts. First and foremost, our story illustrates that workshop organizers should think carefully about participant backgrounds and adjust plans accordingly. Next, workshop organizers should carefully weigh the benefits and drawbacks of making any workshop mandatory. If it is necessary to make a workshop mandatory, building opportunities for self-direction into the workshop is important since the mandatory nature takes away the initial opportunity to self-direct. In addition, organizers should foreground the workshop's relevance to participants' lives throughout the workshop, from introducing the purpose to offering concluding commentary. Hands-on tasks should be the central focus of workshops for graduate students due to adult learners' preference for active learning, and the more immediately applicable a task is to participants' experiences and goals, the more invested participants will be in completing and learning from those tasks. Finally, structuring active learning tasks using the elements of the rhetorical situation allows workshop organizers to adjust those tasks in ways that are appropriate for participants from a variety of backgrounds and experience levels by adjusting the audience, purpose, and contextual constraints to which participants must respond.

Limitations

Our study reveals some possible limitations or improvements. This and similar studies will benefit from pre-test and post-test of skill levels, as well as follow-up interviews with participants or focus group conversations to our data-collection methods in order to learn more about what did and did not work well in each workshop in order to revise effectively. Lastly, we began to collect data from workshop participants one year after the workshop to assess whether they retained and used what they learned; however, the response rate was low. Consequently, the effort was dropped from subsequent data collection efforts. It may be beneficial to readdress this activity and find ways to improve response rate.

ACKNOWLEDGEMENT

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MERGER OPPORTUNITIES AMONG CLUB SHOPPING STORES

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CASE DESCRIPTION

The primary subject matter of this case concerns mergers and divestures in the club shopping retail space. The case has a difficulty level of four to seven corresponding to upper level undergraduate students through Ph.D. students. The case is designed to be taught in one to two class hours and is expected to require approximately six hours of outside preparation by students. The case is suitable for an individual or group assignment.

CASE SYNOPSIS

The club shopping concept has made significant inroads, both in U.S. and International markets, since the 1970's. This case requires students to examine the prospect for mergers and divestures among club shopping stores. The case considers four club stores, and one similar non-club store. Case information provides a discussion of each store's history, management issues and related financial information. Students must analyze the data and provide specific recommendations. Students may seek external information to refine their recommendations.

CASE BODY

The club shopping retail approach has taken the U.S. and other parts of the world by storm. Club stores did not exist prior to 1954 and included a single firm until 1976. Over the past 40 years club stores increased in popularity dramatically. From their humble beginnings, club-based stores, or their parent firms, grew to occupy the first, second and 80th rankings on the 2016 World's Biggest Retail Chains List (Farfan, 2017).

Club shopping requires customers to purchase an annual membership for the privilege of shopping in the store. Memberships range in price from about $25 to $120. Some memberships offer cash back bonuses based on the amount purchased. Stores typically offer bulk items for sale, requiring consumers to purchase large quantities to realize significant savings. Several large and small firms occupy roles in the club shopping arena. The discussion begins with an introduction to the operations of firms under consideration. Provided materials also include financial statements and other financial information for each firm.

Pricesmart, Inc.

Sol Price revolutionized the club shopping concept with his FedMart stores, a variant on an earlier club shopping firm, Fedco. In the beginning, FedMart sold discounted products exclusively to federal government employees. Later Mr. Price expanded to sell to the general public. FedMart pioneered innovations in retail including selling gasoline at wholesale prices, in store optical departments, in-store pharmacy departments, and incorporating food into a retail operation. Mr. Price operated the business from 1954 through 1975 at which time the firm operated 40 stores. In 1975, Mr. Price sold controlling interest in the firm to Hugo Mann, a

German retail company. Sol Price and his son Robert Price remained on as executives. Hugo Mann fired Sol Price within a year and his family members left the firm shortly thereafter. Under new management, FedMart faltered and closed in 1983. (Price, 2010 and Wikipedia, FedMart, 2018).

Sol and Robert Price moved on to start Price Club in 1976. Price Club originally sold goods and services exclusively to small businesses. Their initial store, located in San Diego, produced $16 million in sales the first year of operations, but lost $750,000. After this result, the firm opened membership to a broader audience and subsequently experienced considerable success (Reference for Business 2018).

The company went public in 1980 (Reference for Business, 2018). Price Club dominated the club-shopping sector. By the late 1980's the firm operated 50 stores, and by 1993 the firm grew to 94 stores with $6 billion in annual revenues (American National Business Hall of Fame, 2018).

Price Club declined an offer to merge with Walmart in 1993 and instead merged with the third-place competitor, Costco. Robert Price served as the chairperson of the newly formed PriceCostco. The combined PriceCostco had about 206 stores and $16 billion in annual sales (Wikipedia, Costco, 2018, and Costco, 2018). The arrangement was not successful, leading to a split in 1994, at which time Sol and Robert Price left the company. In the split, PriceCostco retained all the stores and later changed their name to Costco. Sol and Robert Price obtained control of PriceCostco's commercial real estate operation and controlling interests in opportunities in select international markets including Central America, Australia and New Zealand. These assets became part of their new venture named PriceSmart. PriceSmart became publicly traded and opened their first store in Panama in 1997. After the initial public offering, Sol and Robert Price together owned a 58 percent stake in the company (Reference for Business 2018). The Price family, through various individual and trust arrangements, apparently continues to hold a large and potentially controlling interest in the company (PriceSmart Inc, 2017b).

PriceSmart (NADSAQ: PSMT) currently operates club membership stores in Central America, Columbia and the Caribbean. The firm, commonly referred to as the Costco of Central America and the Caribbean, operates 39 club stores. PriceSmart operated stores in Mexico for several years but arrived after its competitors were well established. PriceSmart found the environment to be excessively competitive and sold its interest in the Mexican stores in the mid 2000's. In addition, PriceSmart licenses, or previously licensed, its name to operations in Saipan, Northern Mariana Islands, Guam, China and the Philippines. These stores experienced limited success, but PriceSmart earns royalties from these licensee arrangements. PriceSmart also operates an online shopping platform. (Reference for Business 2018 and Wikipedia, PriceSmart 2018).

Pricesmart employs about 7,900 individuals. The stores resemble a Costco in many ways, with similar membership fees and products. Indeed, PriceSmart sells some Costco signature products. PriceSmart stores occupy less physical space than their Costco counterparts averaging 75,000 square feet and stocking about 2,500 items ((PriceSmart, 2017 and The Costa Rica News, 2018). The stores are generally located in high-population-density urban areas. The firm operates distribution centers in Florida and Costa Rica. Noteworthy PriceSmart products include high-quality fried chicken, bakery items and Member's Selection brand products.

PriceSmart utilizes $1.17 billion in assets, financed by $708 million in equity and $468 million in liabilities. The company has market capitalization of $2.5 billion. The firm's revenues exceeded $2.9 billion in 2017 (PriceSmart Inc., 2017). The closing stock price on June 18, 2018 equaled $89.75 per share implying a price to earnings ratio of 36.3, a price to book ratio of 3.54 and a price to sales ratio of 0.81. In 2017, revenue growth equaled 3.15 percent and earnings growth equaled 2.05% (CNN Money 2018b).

Costco Wholesale Corporation

Costco (NASDAQ: COST), started by James Sinegal and Jeffrey Brotman, opened its first store in Seattle in 1983. Sinegal obtained experience in the industry working for Sol Price at FedMart (Wikipedia, Costco, 2018). The firm met with substantial success and currently ranks as the second largest U.S. retailer behind only Walmart. Costco stores average 145,000 square feet and stock about 4,000 products (Wikepedia, Costco, 2018 and Costco Wholesale Corporation, 2017).

As of 2018, Costco operates 568 stores in 44 United States and Washington, DC. In addition, it runs 227 stores internationally in ten countries. Its largest international operations exist in Canada, Mexico, Japan and the United Kingdom. Costco also operates a significant online sales platform. Costco employs more than 230,000 individuals. The firm produced sales of $126.2 billion in 2017. The company functions with total assets of $36.3 billion and market capitalization of $86 billion. The capital structure includes $25.3 billion of debt and $11.1 billion of equity (Costco Wholesale Corporation, 2017). On June 18, 2018, the firm's stock price closed at $206.21 per share implying a price to earnings ratio of 30.2, a price to book ratio of 7.95 and a price to sales ratio of 0.54. The firm's revenue growth in 2017 equaled 17.7 percent and earnings growth equaled 14.07 percent (CNN Money, 2018a).

Costco compensates its employees well with hourly workers earning an average wage of more than $20 per hour (Stone, 2013). It is famous for a multitude of products including it's Kirkland branded products, wine, spirits, roasted chicken and gasoline.

Sam's Club

Sam Walton opened the first Walmart in Rogers, Arkansas in 1962 and expanded to 24 stores by 1967. The company went public in 1970 with continuous expansion making it the largest retailer in the U.S. Walmart currently employs 2.3 million workers globally including 1.5 million in the U.S. In total, Walmart operates 5,358 U.S. stores located in all 50 states, Puerto Rico and Washington D.C. It also operates 6,360 operations in more than 15 non-U.S. countries (Walmart, 2018).

The first Sam's Club opened in Midwest City, Oklahoma in 1983. Sam's Club stores average 136,000 square feet and stock an average of 4,900 items (Oleinic 2017 and Walmart, 2018). Sam's Club operates exclusively in the U.S. with 597 stores (Walmart 2018). However, in 2018 Walmart announced plans to close 63 Sam's club stores, some of which will be converted to internet fulfillment centers (Wikipedia, Walmart, 2018 and Wikipedia Sam's Club, 2018). Walmart operates a significant and growing online sales platform that may ultimately provide stiff competition for Amazon.com.

Walmart (NYSE: WMT) operates with $204.5 billion in assets. Financing involves $123.7 billion of liabilities and $80.1 billion of equity. Annual revenues exceed $500 billion producing operating income of $20.4 billion and net income of $9.8 billion (Walmart, 2018). As of June 18, 2018, Walmart's stock price equaled $83.00 per share, resulting in a market capitalization of $249.2 billion. At this price the company sports a price to earnings ratio of 27.7, a price to sales ratio of 0.64 and a price to book ratio of 3.20. Earnings growth year to date for 2018 equaled 10.6 percent, but 2017 earnings growth equaled -25.11 percent (CNN Money 2018c).

Some stock analysts argue that Walmart should spin off Sam's Club operations into a separate company. Analysts argue that, as of 2015, an independent Sam's club would produce sales of about $58 billion on total assets of $14 billion. The company would produce $2 billion of operating income and $2.6 billion of earnings before interest taxes depreciation and amortization (EBITDA). Analysts estimate the market value of Sam's Club to equal about $31 billion, just over 10 percent of Walmart's entire value of $229 billion (Collings, 2015).

Sam's club recently consolidated its brand names under a single brand called Member's Mark. Walmart sometimes faces criticism for paying employees poorly. In response, in recent years, Walmart increased the starting pay for employees and improved employee access to several benefits.

BJ's Wholesale Club, Inc.

BJ's Wholesale operates 221 stores in sixteen east-coast United States. The firm employs more than 25,000 workers. The stores average about 113,000 square feet and stock about 7,200 items, giving it the largest product selection among club stores (Oleinic 2017). In addition, the firm operates a substantial online sales platform. BJ's utilizes two brand names, Berkley Jensen and Wellsey Farms (Chief Packaging Officer, 2015). Unlike other club stores, BJ's accepts manufacturer coupons.

BJ's Wholesale Club was founded in 1984 by the discount department store Zayre. BJ's started with one store in Medford, MA. In a series of corporate sales and acquisitions, BJ's became an independent publicly-traded company in 1997. In 2011, two private equity firms purchased BJ's Wholesale at a price of $51.25 per share, resulting in a total valuation of about $2.8 Billion. Before, going private, BJ's rejected an offer from Walmart for $3 billion (Kosman, 2011).

Current owners reportedly put the company up for sale in 2017 for a price exceeding $4 billion but did not find a buyer (The Associated Press, 2018). The company filed for an Initial Public Offering on May 17, 2018. The company reported sales of $12.8 billion for fiscal year 2018 making it the 80th largest retail outlet in the U.S. It produced net income of $50 Million. Earnings growth is apparent as in fiscal year 2017, the firm produced $12.4 billion in sales and $44 million in net income. The firm lists $3.3 billion in total assets financed with $4.3 billion in liabilities and an equity deficit of $1.0 billion (BJ's Wholesale, 2018 and Fournier, 2018). On January 13, 2017, the firm paid $58.15 per share dividend totaling to $735.5 million. The firm also paid a $33.06 per share dividend in 2014 (BJ's Wholesale 2018).

Cost-U-Less

In 1989, Jim Rose, formed a group of 35 Investors to start Cost-U-Less. Previously, Mr. Rose owned Rose-Chamberlin, the in-house buyer for Costco. The idea was for Cost-U-Less to offer club shopping type services in smaller markets which lack appeal to larger club operations like Costco and Sam's. Specifically, the company concentrated on island markets. Cost-U-Less further differentiated itself by not charging a membership fee. Cost-U-Less stores utilize less space than their club shopping counterparts with an average store size of just 31,000 square feet. The stores do not offer restaurant, bakery or service products common to club stores. Cost-U-Less opened its first store in Maui, Hawaii in 1989. In its first year of operations, Cost-U-Less purchased 90 percent of its inventory from Costco. The company continues to offer some Costco products, but has increased direct-from-manufacturer purchasing. The firm does not have an online sales platform (Company-Histories.com, 2018).

Since inception, Cost-U-Less steadily expanded but faced unsuccessful experiences in the U.S. Mainland and in New Zealand. These experiences caused the firm to refocus on island markets. Cost-U-Less has been successful in many ways. However, as of 2018, it operates just 11 stores. A 12th store is currently closed due to damage from hurricane activity in St. Thomas. Recently, Cost-U-Less closed a store on Kauai, Hawaii after Costco opened a competing store on the same island. Nevertheless, Cost-U-Less identified 30 potential store sites in the pacific and Caribbean and a total of 90 sites that met its minimum location criteria (Company-Histories.com, 2018). Cost-U-Less employs approximately 600 individuals (Bloomberg, 2018).

Cost-U-Less (NASDAQ: CULS) went public in 1998 with an initial offering of 1.5 million shares at $7.00 per share. The company operated as a public firm from 1998-2007. In 2007 the North West Company, a Canadian grocer, took the company private. North West purchased Cost-U-Less for about $52.2 million and currently operates the firm privately (Business Wire, 2007). Financial data on Cost-U-Less were last available on December 21, 2006. At that time, the company reported total assets of $54 million financed with $27 million of equity and $27 million of debt. The company achieved $222 million in revenues and produced $2.7 million of net income. Cost-U-Less never paid a dividend to shareholders (Cost-U-Less, 2007).

Financials

Tables 1-4 provide financial data for the five firms under consideration. Some cautionary notes bear mention. First, Walmart and Costco financial statements are presented in millions of dollars while PriceSmart, BJ's Wholesale and Cost-U-Less financial statements are reported in thousands. Readers should also note that Cost-U-Less financial data covers the period 2006. Historical data for Cost-U-Less is presented from 2002-2006. Data after 2006 is not available as the company was taken private. Table 5 shows the number of stores per state for each company. Table 6 shows international stores and total combined stores. Data in Tables 5 and 6 includes separate information for Walmart in its entirety and Sam's Club individually.

Table 1
BALANCE SHEET DATA

	Walmart	Costco	BJs Wholesale	PriceSmart	Cost U Less
	1/31/2018	9/3/2017	5/5/2018	1/3/2018	12/31/2006
	in millions	in millions	in thousands	in thousands	in thousands
ASSETS					
Current Assets					
Cash and Cash Equivalents	6,756	4,546	304,714	162,434	7,420
Short-Term Investments		1,233		460	
Receivables, net	5,614	1,462	168,719	6,460	1,133
Merchandise Inventories	43,783	9,834	1,055,234	310,946	22,829
Other Current Assets	3,511	272	830,414	30,070	1,049
Total Current Assets	59,664	17,317	1,337,465	510,370	32,431
Net Property Plant and Equipment	106,675	18,161	749,670	557,829	20,881
Goodwill	18,242		924,134	35,642	
Intangibles			218,645		
Other Non-Current Assets				44,678	723
Other Assets		869	31,352	28,995	
TOTAL ASETS	204,522	36,347	3,261,266	1,177,514	54,035
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts Payable	46,092	9,608	799,524	272,248	15,831
Current Portion of Long-Term Debt	3,738	86	179,250	18,358	267
Accrued Salaries, benefits and other Current Liab.	22,122	2,703	459,079	19,151	5,337
Income Taxes Payable	645			5,044	369
Other Current Liabilities	5924	5,098	2,122	48,883	311
Total Current Liabilities	78,521	17,495	1,439,975	363,384	22,115
Deferred Tax Liability	8,354		52,531	2,721	899
Long-Term Debt, excluding Current Portion	30,045	6,753	2,507,960	87,939	1,744
Other Liabilities	6,780	1,200	285,405	14,703	2,281
TOTAL LIABILITIES	123,700	25,268	4,285,871	468,747	27,039
EQUITY					
Preferred Stock					14,712
Common Stock	295	4	124	3	
Additional Paid-in Capital	2,648	5,800	360	422,762	
Accumulated other Comprehensive Loss	-100,181	-1,014	-1,025,089	-110,059	-770
Retained Earnings	85,107	5,988		420,499	13,594
Treasury Stock				-35,924	
Tax Benefit from Stock Based Compensation				11,486	
Total Stockholder’s Equity	77,869	10,778	-1,024,605	708,767	26,996
Noncontrolling Interests	2,953	301			
TOTAL EQUITY	80,822	11,079	-1,024,605	708,767	26,996
TOTAL LIABILITIES AND EQUITY	204,522	36,347	3,261,266	1,177,514	54,035

This table shows balance sheet data for each firm. Data for Costco and Walmart are reported in millions. Data for PriceSmart, BJ’s Wholesale and Cost-U-Less are reported in thousands. Data from BJ’s Wholesale (2018), Cost-U-Less (2007), Costco Wholesale Corporation (2017), PriceSmart (2018) and Walmart (2018).

Table 2
INCOME STATEMENT DATA

	Walmart Y.E. 01-31-2018 in millions	Costco Y.E. 09-30-2017 in millions	BJ's Wholesale Y.E. 02-03- 2018 in thousands	PriceSmart Y.E. 08-31-2017 in thousands	Cost-U-Less Y.E. 12-31-2006 in thousands
REVENUE					
Net Sales and other revenue		126,172	12,495,995	2,948,885	222,022
Membership Fees		2,853	258,594	47,743	
Total Revenue	500,343	129,025	12,754,589	2,996,628	222,022
OPERATING EXPENSES					
Merchandise Costs	373,396	111,882	10,513,492	2,519752	180,347
Selling, General and Administrative	106,510	12,950	2,017,821	338,642	6,605
Preopening Expenses		82	3,004	44	415
Other Expenses					29,994
Operating Income	20,437	4,111	220,272	138,190	4,667
OTHER INCOME (EXPENSES)					
Interest Expense (net)	2,178	-134	196,724	-4,968	-405
Other Income (Expenses)	3,136	62		-479	
Income Before Income Taxes	15,123	4,039	23,548	132,743	4,268
Provision for Income Taxes	4,600	1,325	-28,472	42,018	1,600
Net Income Including Noncontrolling Interests		2,714			
Net Income Attributable to Noncontolling Interests		-35		-1	
NET INCOME	9,862	2,679	51,975	90,724	2,668
NET INCOME PER COMMON SHARE					
Basic	3.29	6.11	4.12	2.98	0.66
Diluted	3.28	6.08	3.94	2.98	0.63
Shares Used in Calculation					
Basic	2,995,000	438,437	12,627	30,020	4,016
Diluted	3,010,000	440,937	13,181	30,023	4,243
Cash Dividends Declared Per Common Share	2.04	8.90	58.15	0.70	0.00
Total Dividend	6,124	3,904	735,500	21,285	0.0

This table shows fiscal year end (Y.E.) income statement data for each firm. Data for Costco and Walmart are reported in millions. Data for PriceSmart, BJ's Wholesale and Cost-U-Less are reported in thousands. Shares used in calculations are in thousands for all firms. Data from BJ's Wholesale (2018), Cost-U-Less (2007), Costco Wholesale Corporation (2017), PriceSmart (2018) and Walmart (2018).

Table 3
CASH FLOW DATA

	Walmart Y.E. 01-31-2018 in millions	Costco Y.E. 09-30-2017 in millions	BJ's Wholesale Y.E. 02-3-2018 in thousands	PriceSmart Y.E. 08-31-2017 in thousands	Cost-U-Less Y.E. 12-31-2006 in thousands
Net Cash Flow from Operating Activities	28,337	3,726	210,085	122,856	6,553
Net Cash Flow from Investing Activities	-9,060	-2,366	-137,466	-135,217	-4,796
Net Cash Flow from Financing Activities	-19,875	-3,218	89,199	-21,805	332
Effect of Exchange Rate Changes on Cash	487	25		-2,838	27
Net Change in Cash and Cash Equivalents	-111	1,167	2,990	-37,004	2,116
Beginning of Year Cash and Cash Equivalents	6,867	3,379		202,716	5,304
End of Year Cash and Cash Equivalents	6,756	4,546		165,712	7,420

This table shows cash flow data for each firm. Data for Costco and Walmart are reported in millions. Data for PriceSmart, BJ's Wholesale and Cost-U-Less are reported in thousands. Data from BJ's Wholesale (2018), Cost-U-Less (2007), Costco Wholesale Corporation (2017), PriceSmart (2018) and Walmart (2018).

Table 4
SELECTED FINANCIAL DATA

	2018	2017	2016	2015	2014
Time Series Comparison					
Walmart (in millions except per share data)					
Total Revenues	500,343	485,873	482,130	476,294	
Gross Profit Margin	24.70%	24.90%	24.6	24.3	
Operating Income	20,437	22,764	24,105	26,872	
Net Income	10,523	14,293	15,080		
Diluted Income per Common Share from Continuing Operations	3.28	4.38	4.57	4.85	
Dividends Per Share	2.04	2	1.96	1.88	
Total Dividend	6,124	6,216	6,294	.	
Total Assets	204,522	198,825	199,581	204,541	
Stores in Operation	11,121	11,035	10,873	10,806	10,250
Costco (in millions except per share data)					
Total Revenues		126,172	116,073	110,212	102,870
Gross Profit Margin		11.33%	11.35%	10.66%	10.62%
Operating Income		4,111	3,672	3,220	3,053
Net Income		2,679	2,350	2,377	
Diluted Income per Common Share from Continuing Operations		6.08	5.33	4.65	4.63
Dividends Per Share		8.9	1.7	1.33	8.17
Total Assets		36,347	33,163	32,662	29,936
Stores in Operation		741	715	663	634
Members (000)		49,400	47,600	42,000	39,000
BJ's Wolesale (in thousands except per share data)					
Total Revenues	12,754,589	12,350,537	12,437,553		
Gross Profit Margin					
Operating Income	220,272	216,019	186,796		
Net Income	50,301	44,224	24,104		
Diluted Income per Common Share from Continuing Operations	3.94	3.45	1.91		
Dividends Per Share	58.15	0	0		
Total Dividend	735,500	0	0		
Total Assets	3,261,266	.	.		
Stores in Operation	221	.	.		
PriceSmart (in thousands except per share data)					
Total Revenues		2,996,628	2,905,176	2,517,567	2,299,812
Gross Profit Margin		14.50%	14.30%		
Operating Income		136,229	136,723	136,707	127,046
Net Income		90,724	88,723	89,124	
Diluted Income per Common Share from Continuing Operations		2.98	2.92	3	
Dividends Per Share		0.7	0.7	1	
Total Assets		1,177,514	1,096,735	937,338	826,039
Stores in Operation		39	38		
Members (000)		1,542,839	1,490,424		
Total Dividends		21,285	21,274	21,144	18,133
Cost-U-Less (in thousands except per share data)	**2006**	**2005**	**2004**	**2003**	**2002**
Total Revenues	222,022	219,414	209,390	177,066	176,190
Gross Profit Margin	18.80%	18.60%	18.40%		
Operating Income	4,667	4,990	4,825	2,059	1,086
Net Income	2,668	3,015	2,688	1,381	285
Diluted Income per Common Share from Continuing Operations	0.63	0.77	0.72		
Dividends Per Share	0	0	0	0	0
Total Assets	54,035	49,632	46,202	40,940	40,190
Stores in Operation	11	11	11	11	10
Total Dividends	0	0	0	0	0

This table shows selected historical financial data for each firm. Data for Costco and Walmart are reported in millions. Data for PriceSmart, BJ’s Wholesale and Cost-U-Less are reported in thousands. Data from BJ’s Wholesale (2018), Cost-U-Less (2007), Costco Wholesale Corporation (2017), PriceSmart (2018) and WalMart (2018). CNN Money (2018a, 2018b and 2018c).

Table 5
UNITED STATES STORE LOCATIONS

Store Locations	Total Walmart	Sam's Club	Costco	BJ's Wholesale*	PriceSmart	Cost-U-Less
Alabama	145	13	4			
Alaska	9		3			
Arizona	128	12	20			
Arkansas	128	9				
California	320	29	141			1
Colorado	109	17	14			
Connecticut	35	1	6	11		
Delaware	10	1	1	3		
Florida	380	46	28	29		
Georgia	215	24	14	8		
Hawaii	12	2	7			2
Idaho	27	1	5			
Illinois	192	25	22			
Indiana	128	13	6			
Iowa	69	9	2			
Kansas	85	9	3			
Kentucky	107	9	4			
Louisiana	139	14	3			
Maine	25	3		2		
Maryland	61	11	13	9		
Massachusetts	52		6	20		
Michigan	126	23	17			
Minnesota	82	12	10			
Mississippi	85	7				
Missouri	158	19	6			
Montana	16	2	5			
Nebraska	47	5	3			
Nevada	50	7	7			
New Hampshire	29	2	1	6		
New Jersey	70	7	22	20		
New Mexico	53	7	3			
New York	117	12	19	37		
North Carolina	217	22	8	8		
North Dakota	17	3	1			
Ohio	172	27	12	6		
Oklahoma	136	13	1			
Oregon	45		13			
Pennsylvania	164	24	11	15		
Puerto Rico	42	7				
Rhode Island	9			3		
South Carolina	124	13	5			
South Dakota	17	2	1			
Tennessee	154	14	5			
Texas	601	81	34			
Utah	61	8	13			
Vermont	6		1			
Virginia	154	15	17	10		
Washington	68		41			
Washington DC	5		1			
West Virginia	44	5				
Wisconsin	99	10	9			
Wyoming	14	2				
U.S. Total	**5,358**	**597**	**568**	**187**	**0**	**3**

*This table shows store locations by state for each firm. * BJ's Wholesale figures reflect 2010 data. Data from BJ's Wholesale (2018), Cost-U-Less (2007), Costco Wholesale Corporation (2017), PriceSmart (2018) and WalMart (2018). Data were also obtained from the firm's website.*

Table 6
INTERNATIONAL STORE LOCATIONS

	Walmart	Sam's Club	Costco	BJ's Wholesale	PriceSmart	Cost-U-Less
International Operations						
South Africa	382					
Other African Continent	42					
Brazil	465					
Canada	410		97			
Costa Rica	247				6	
Columbia					7	
El Salvador	95				2	
Guatemala	238				3	
Honduras	103				3	
Nicaragua	95				2	
Panama					5	
Dominican Republic					3	
Trinidad					4	
Aruba					1	
Barbados					1	1
Curacao						1
Cayman Islands						1
U.S. Virgin Islands					1	1
Jamaica	378				1	
St. Croix						1
St. Thomas						1
China	443					
India	20					
Japan	336		26			
Korea			13			
Taiwan			13			
Mexico	2,358		37			
United Kingdom	642		28			
Australia			9			
Spain			2			
Iceland			1			
France			1			
American Samoa						1
Guam						2
Fiji						1
International Total	**6,360**		**227**	**0**	**39**	**10**
Combined Total	**11,718**	**597**	**795**	**187**	**39**	**13**
As of April 5, 2018				221		12

*This table shows international store locations for each firm. * BJ's Wholesale combined total figures reflect 2010 data. Data from BJ's Wholesale (2018), Cost-U-Less (2007), Costco Wholesale Corporation (2017), PriceSmart (2018) and WalMart (2018). Data were also obtained from the firm's website.*

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AUTHOR DISCLOSURE

The author of this case holds equity stakes in Costco Wholesale Corporation and PriceSmart, Inc.

EVOLVING MISSION STATEMENTS: A FIFTEEN YEAR COMPARISON

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ABSTRACT

Mission statements are among the most important communications provided by the organization to its many stakeholders both inside and outside of the business. These statements inform all readers of the stakeholders and goals and objectives that are most critical to the firm. In particular, customers, stockholders, and employees are commonly identified in the mission statement. Likewise, goals and objectives such as the importance of producing a high quality product or service and using technology effectively are frequently included in the mission statement.

The authors have studied the changing mission statement content in the largest U.S. firms since 2001. This paper compares the mission statement content of the top 100 firms in the United States in 2001 with the content of the missions of the largest companies in 2016. The stakeholder names, goals, and objectives identified are compared over this 15- year study period. The findings from 2001 are presented first followed by a summary of 2016 mission statement content. Significant similarities and differences in mission statement content are discussed in the final portion of this paper.

INTRODUCTION

Since the 1970's, mission statements have been developed by organizations to communicate to stakeholders who they are and what they intend to accomplish. In the 21st century effective communication by business organizations is critical. Mission statements serve to inform interested parties about the nature and character of the firm. The statements are typically short with few exceeding two paragraphs. An effective mission statement should clearly communicate the company's purpose, values, unique characteristics, and desired goals and objectives. In essence, the mission statement should provide reasons for the firm's existence.

Peter Drucker, often referred to as the "father of management," wrote extensively about the importance of a well-written mission statement. Drucker believed that the mission statement was the "foundation for priorities, strategies, plans, and work assignments" (Drucker, 1974). He believed the mission statement should aid interested parties in distinguishing one organization from another. Drucker stressed the mission statement should communicate the firm's "reason for being." He argued that the formation of the company's strategies and objectives should be based on the content of the mission. This is true today as the actions of colleges and universities should be based upon and consistent with the mission of the institution.

Drucker believed that the mission statement should answer the questions "What is our business?" and "What do we want to become?" in order to effectively manage current and future operations (Drucker, 1974). He believed that effective long range strategic planning required a logical and achievable answer to these questions. Drucker believed that basic concepts upon which the firm had been built had to be visible, clearly understood, and explicitly expressed to all stakeholders both internal and external. He believed that the largest business organizations, in particular, must publish accurate mission and vision statements since they likely would be read by millions of stakeholders.

Drucker believed that the business purpose and mission were normally not given sufficient consideration or thought prior to their issuance by most firms. He believed that this error was perhaps the most significant cause of business frustration and failure (Drucker, 1974).
This appears to have changed over the last forty years as organizations appear to be constantly updating and revising mission statements that appear on webpages and annual reports.

Drucker, who established the Leader to Leader Institute, frequently emphasized the significance of the mission statement. He felt that the mission should be quite short and very much to the point. Drucker believed the mission should be only three or four sentences in length. These few sentences should address four important aspects of the organization including who are we, what do we do, what do we stand for, and why do we do what we do. This is a large amount of information that must be thoughtfully condensed into a few sentences. Finally, Drucker also felt that the mission statement should specifically identify the most significant stakeholder(s).

Drucker also believes that many firms have a common misconception concerning the life of a mission statement. He believes that many organizations feel that a thoughtfully prepared mission statement, once completed, serves the firm's needs for the entire life of the business. Drucker argues that since the business environment is dynamic and constantly changing, a mission statement should regularly be revised and updated to reflect environmental changes. Drucker estimated that mission statements require revision at least every ten years (Drucker, 1974). Many other writers agree that regular revisions of mission statements are mandatory to reflect the constantly changing business environment. Once a firm has a revised time sensitive mission statement, the process of long-term strategic management can be more easily accomplished.

Drucker wrote in an article titled "The Five Most Important Questions You Will Ever Ask About Your Organization" that the effective mission statement is short and sharply focused. It should fit on a T-shirt (Drucker, 1993). He emphasized that the mission statement must be clear, and inspire stakeholders. He noted that every board member, volunteer, and staff person should be able to see the mission and say, "Yes. This is something that I want to be remembered for." Drucker believed that mission statements should not emphasize net income and profits but must "Express the contribution the enterprise plans to make to society, to economy, and to the customer." Drucker's works provided a solid foundation for better understanding the character, purpose, and importance of an organization's mission statement.

Fred David has also written extensively on the importance of a thoughtfully developed mission statement. Like Drucker, he also believes that a firm's mission statement should clearly communicate its "reason for being" (David, 2009). David argues that the mission statement should serve a number of vital purposes in the attempt to communicate information to stakeholders. He believes that a comprehensive mission statement should define an organization's target market(s), describe its products and services produced, markets served, technology utilized, and the organization's concern for survival, growth, employees, profitability, and the environment. In other words, stakeholder groups, goals, and objectives should be included in a complete mission statement.

Many authors, including David, feel that organizations often utilize a reactive, rather than a proactive, approach to the creation of a mission statement. The reactive approach describes firms that create mission and vision statements after the firm has experienced financial problems (David, 2009). He argued that the creation of mission and vision statements during a period of crisis is a symptom of irresponsible management. David believes that failure to create a comprehensive, inspiring, and attainable mission statement results in the loss of the opportunity to positively influence stakeholders including customers, shareholders, employees, and vendors.

Typically, mission statements are only one or two paragraphs in length. Therefore, this requires significant planning and thought in order to include all crucial elements such as the firm's purpose, values, significant stakeholders, distinctive characteristics, and desired goals and objectives. This is a lot of information that must be condensed into a fairly short statement that is both informative and easily understood. David also states that mission statements have received a number of various titles over the years including terms such as creed statements, statements of philosophy, statements of belief, and statements of business purposes (David, 2005). David also believed that the firm's "reason for being" should be clearly stated in the organization's mission statement (David, 2009).

David believes that a well-constructed mission statement should contain nine essential components. These include a mention of customers, products or services, markets, technology, concern for survival, growth, and profitability, philosophy, self-concept, concern for public image, and concern for employees (David, 2005). He argues that a well-written mission statement should provide important information such as the products and services offered by the firm and the primary target markets served. David believes that a mission statement "identifies the scope of the firm's operations in product and market terms" (Pierce & David, 1989). Based upon the authors' research since 2001, there are and have been very few mission statements that include all of these items listed above. In the most recent study by the authors, many 2016 mission statements include only two or three of the items detailed above.

Many authors, including Samuel and S. Trevis Certo, believe that the creation of an effective mission statement is a critical part of the strategic management process (S. & S.T. Certo, 2012). They feel that the strategic management process requires organizational direction which typically first requires a well-constructed, informative mission statement. This argument is shared by Hitt, Black, and Porter (M.A. Hitt, J.S. Black & L.W. Porter, 2012). These authors also support the argument that the strategic management process requires a mission statement that clearly articulates the essential purpose(s) of the business. Rarick and Vitton argue that an effective mission statement should contain a number of items including the company identity or self-concept, company philosophy, principal products or services produced, customers and related target markets, commitment to employees, obligation to stockholders, and geographic focus (C. Rarick and J. Vitton, 1995). The majority of authors listed above believe that an accurate mission statement requires a thorough analysis of the organization's internal resources and strengths as well as its existing external environment.

Harsh Verma studied mission statements and found that stakeholders are becoming more aware of and better understand their mission statement (Verma, 2010). He believes that top management must use careful judgement and seriously reflect on the company in order to identify its primary stakeholders, goals, and objectives. Verma emphasized that mission statements are useful for creating a structural mechanism where firm decisions and actions that deviate from the mission statement are quickly identified and corrected.

Annie McKee believes that mission statements must describe what the organization is about, what it does, and what it stands for (McKee, 2012). She feels, similar to many other authors, that without a thoughtfully created and well defined mission statement, the firm may lose its direction and overall focus. McKee states that a thoughtfully created mission statement assists management in decision making, motivating employees, and creating and integrating short-term and long-term goals and objectives. Other authors including Robbins and Coulter emphasize that firm goals must reflect the mission statement. (Robbins & Coulter, 2012). They further state that the mission is a broad statement of the organization's purpose providing a guide to all members of the organization. In other words, every employee including management, staff, and production workers must consider whether decisions they are making are consistent with the firm's current mission statement.

Schermerhorn, et. al., believe that effective mission statements identify whom the firm will serve and what purpose(s) they are serving in society (Schermerhorn, et.al.). Wheelen and Hunger stress that a well-designed mission statement defines the firm's "fundamental, unique purpose" that sets the firm apart from other similar companies (T. Wheelen and J. Hunger, 2010). Many authors argue that a mission statement should highlight the distinctive aspects of the organization. Finally, Thompson, et.al., state that a mission statement must describe the firm's "current business and purpose" (Thompson, et.al., 2012). These authors emphasize that an effective mission statement should accomplish a number of goals including identifying the firm's products or services, specify customer groups or markets served, and giving the company its own identity. To accomplish all of these goals in a concise statement, the firm's management must carefully construct the mission statement and update it when appropriate.

PREVIOUS MISSION STATEMENT RESEARCH BY THE AUTHORS

The authors conducted their first mission statement analysis project in 2001. The mission statements of the Fortune 100 firms in 2001 were studied. The lead author reviewed the mission statements from 2001 and developed a list of two major areas of mission statement content. The first mission statement content area was the firm's stakeholders that it chose to identify in the published mission statement. This included the firm's customers and employees. The second identified area of mission statement content was the goals or objectives of the organization that were significant and identified in the mission. Examples include the production of a quality product or service and the adherence to an established set of core values. The results of this study was published in the Academy of Managerial Communications Journal (King, 2001). Table 1 (Appendix) is a summary of the results of that analysis.

The commonly named stakeholder in the 2001 mission statements was no surprise. Businesses realize that, in order to survive, they must satisfy the needs and wants of its customers. The importance of the customer is obvious in the following 2001 mission statement quotes. Merck's mission was to "improve the quality of life and satisfy customer needs." Proctor & Gamble desired to "improve the lives of the world's consumers." ConAgra took pride in "our success in serving our customers and meeting consumer needs." Lockheed Martin's mission was to "attain total customer satisfaction." UPS proudly stated in its mission that they were "not just in the delivery business, but in the customer satisfaction business." The importance of the customer was obvious in a majority of the 2001 mission statements.

The second most named stakeholder in 2001 was the firm's stockholders. This is also no surprise since, historically, the major mission of the firm was to maximize shareholder wealth.

Exxon Mobil stated that it emphasized “building shareholder value.” Ford stated that it attempted to “deliver superior shareholder returns.” AT&T, J.P. Morgan Chase, Boeing, Chevron, Home Depot, Lucent, and Ingram Micro each included the mission of “maintaining or maximizing shareholder value.” AT&T clearly identified the importance of both customers and stockholder’s stating in its mission that “Our goal is to enrich our customers’ personal lives which will build shareholder value in the process.” Alcoa went even further when it stated in its mission that it works to create “value for customers, employees, and shareholders.”

Employees were the third most frequently identified stakeholder in the 2001 mission statements. Merck stated that it attempted to “provide employees with meaningful work and advancement opportunities.” AMR stated that it attempted to “reward innovation and provide growth, security, and opportunity for all employees.” Including employees with other stakeholders, Kroger stated that their mission was to “satisfy our responsibilities to shareholders, employees, customers, suppliers, and the communities we serve.” Merck’s mission included “providing employees with meaningful work and advancement opportunities. Finally, Southern Company’s mission included “providing a workplace that our employees value – we provide opportunities to grow professionally, we communicate openly, and we treat each other with respect.” The other four stakeholders including competitors, suppliers, communities, and government were mentioned far more infrequently. The 2001 mission statements showed that large corporations believed their primary stakeholders were their customers, stockholders, and employees.

There were eight identified goals and objectives in the 2001 Fortune 100 mission statements. Similar to named stakeholders, there are two goals that are included most often in the firm’s mission statement. The goals of providing a quality product or service and the adherence to a set of core values were most often mentioned with each appearing in 25 mission statements.

It is interesting to note that ethics was only mentioned in three of the 2001 mission statements. This may be related to the fact that the Sarbanes-Oxley Act was not enacted until 2002. Another surprise in this data is that concern for the environment was only found in nine of the missions. The authors’ felt that emphasizing ethical business operations and concern for the environment would have been more frequently included in the 2001 mission statements.

Returning to the top two goals of producing a quality product or service and adherence to a set of established core values, the following phrases were included in the missions of the largest 100 firms in 2001. Concerning the production of a quality product or service, Ford states that its mission is to “transform Ford from a good auto company into a stable, high quality consumer product company.” GE’s mission was to “live quality.” McKesson HBOC is “committed to continuous quality improvement so that every product and service HBOC offers is known as the best in the world.” Costco’s mission was “to continually provide our members with quality goods and services at the lowest possible prices.” A final example is from Johnson & Johnson who state in order to meet customer needs “everything we do must be of high quality.” Many other firms included similar phrases concerning quality in their mission statements in 2001.

The next goal or objective that was also included in 25 mission statements in 2001 was the existence of core values for the firm. Two examples include, first, Home Depot who listed eight core values in its mission. These included “excellent customer service, taking care of our people, giving back, doing the right thing, creating shareholder value, respect for all people, entrepreneurial spirit, and building strong relationships.” Another example comes from Goldman Sachs who state that its core business principles “emphasize placing our client’s interests first, integrity, commitment to excellence and innovation, and teamwork.” In describing core values of the company, many firms included the idea that a primary core value involved the providing of value to both customers and stockholders.

The concept of leadership and being a leader was found in 17 of the top 100 mission statements in 2001. For example, General Motors, Ford Motor Company, General Electric, and Kroger all stated in their mission statements that they were the leader in their particular industry. In particular, Kroger indicated that "our mission is to be a leader in the distribution and merchandising of food." USX stated that they were an "innovative steel company that clearly distinguishes itself as the industry leader." Finally, AMR's mission indicated leadership in the industry as a result of "setting the industry standard for safety and security and providing world-class customer service." The final five goals or objectives in descending order were global operations, importance of technology, concern for the environment, profits, and ethical operations. Again, it is interesting to note that concern for ethics and ethical practices only appeared in 3% of the 2001 Fortune 100 mission statements. The next portion of this paper reviews the 2016 mission statements of the Fortune 100 firms.

2016 MISSION STATEMENTS – FORTUNE 100 FIRMS

Table 2 (Appendix) summarizes the most commonly included stakeholders and goals in the 2016 Fortune 100 mission statements. For the 2016 mission statements, the three most mentioned stakeholders were customers, communities, and employees. The three most commonly included goals or objectives for 2016 were production of a high quality product or service, the emphasis on global operations, and the use of innovation and current technology in the improvement of business operations. A few examples from the 2016 missions are presented in the follow paragraphs. Following that, similarities and differences between 2001 and 2016 mission statements will be examined.

Not surprisingly, the stakeholder most mentioned in 2016 missions was the customer. If a firm is not able to satisfy the needs and wants of its customers, it is doomed to fail. Two excellent examples of mission statements emphasizing customers include General Motors who state "Our unyielding mission to earn customers for life has led to a healthy balance sheet and world-class products that are winning in the marketplace." Hewlett-Packard's states "Our mission is to provide products, services, and solutions of the highest quality and deliver more value to our customers that earns their respect and loyalty." Many other mission statements from 2016 echo this idea that the firm's customers are its primary business focus.

Communities, as an identified stakeholder, were found more frequently in the 2016 mission statements than those of 2001. In 2016, 22 of the Fortune 100 firms considered communities to be an important stakeholder of the firm. JP Morgan Chase's mission is "to serve our clients and our communities – there is nothing more important than to protect our company so that we are strong and can continue to be here for all those who count on us." Proctor & Gamble include the following in its mission "consumers will reward us with leadership sales, profits, and value creation, allowing our people, our shareholders, and the communities in which we live and work to prosper." That portion of one sentence in P&G's mission includes not only communities but also employees and shareholders. A number of the 2016 mission statements identify multiple stakeholders and goals.

The third most frequently identified stakeholder in the 2016 mission statements is the firm's employees. Two examples include Pepsi and FedEx. Pepsi states that "We are committed to investing in our people (employees), our company, and the communities where we operate to help position the company for long-term sustainable growth." FedEx's mission included the following, "FedEx will strive to develop mutually rewarding relationships with its employees, partners, and suppliers. Safety will be the first consideration in all operations." Safety will be discussed later in this paper as this goal was included in a several of the 2016 missions but was not mentioned in the 2001 statements.

The three most often included goals or objectives in the 2016 mission statements were the production of a high quality good or service, the importance of global operations, and an emphasis on the use of modern technology. There are a number of additional goals and objectives mentioned in the 2016 missions compared to those of 2001. These new items will be reviewed in the final portion of this paper. A few examples of the top three goals included in the 2016 missions follows.

The most frequently mentioned goal in the 2016 missions, consistent with the results from 2001, is the production of a quality product or service. For example, CVS had a comprehensive mission statement that included quality along with a number of other goals. CVS stated that "Above all else…our mission is to improve the lives of those we serve by making innovative and high-quality health and pharmacy services safe, affordable, and easy to access." This is a good example of goals not mentioned in 2001 including safety and affordability. A second example of the quality goal is found in UPS's mission. It states "We serve the evolving distribution, logistics, and commerce needs of our customers worldwide, offering excellence and value in all we do."

The second most commonly mentioned goal in the 2016 missions is the desire to conduct global operations. For example, Exxon Mobil states "Exxon Mobil Corporation is committed to being the world's premier petroleum and petrochemical company." A second example comes from the 2016 General Electric mission. It states "GE's mission is to invent the next industrial era, to build, move, power and cure the world." Twenty-six of the 2016 mission statements indicated the importance of conducting business operations on a global scale.

The third most frequently stated goal in the 2016 missions was the desire to be innovative and use modern technology to improve business operations. It is interesting to note that the term technology was used more often in the 2001 statements but has evolved to being more commonly termed innovation in recent years. Innovation is a major goal for the many firms who continually strive to improve the quality of its products and services. The words "new and improved" are often found on the packaging. Two examples of the importance of innovation are found in the mission statements of AmerisourceBergen and Pfizer.

AmerisourceBergen stated "Our mission is to improve patients' lives by delivering innovative products and services that drive quality and efficiency in pharmaceutical care." The company identified innovation, quality, and efficiency as its primary goals. A second example comes from Pfizer who mentions a number of stakeholders and goals in a fairly short mission. This mission also stresses innovation. Its mission is "Consistent with our responsibility as one of the world's premier innovative biopharmaceutical companies, we collaborate with health care providers, governments and local communities to support and expand access to reliable, affordable health care around the world."

Ten additional goals were listed in at least four of the 2016 Fortune 100 mission statements. Many of these goals were not found in those of 2001. Over this 15 year period, goals such as producing an affordable product or service and the desire to market a safe product or service and provide safe working conditions for employees are now part of the content of mission statements for many organizations. The differences and similarity between the mission statement of the Fortune 100 firms in 2001 and 2016 are presented in the final portion of this paper.

SIMILARITIES AND DIFFERENCES – 2001 AND 2016 MISSIONS

Table 3 (Appendix) compares the 2001 and 2016 mission statements and their identification of primary stakeholders. The left column of Table 3 shows the order of stakeholder frequency of inclusion, from most to least often, in the 2001 missions. The most common were customers, stockholders, employees, competitors, suppliers, communities, and governments. This changed dramatically, except for the most commonly included customer group, in 2016 with the frequency order changing to customers, communities, employees, stockholders, suppliers, government, and competitors.

It is not surprising that the most commonly identified stakeholder in the 2001 and 2016 mission statements is the company's customers (61% and 73% respectively). Over the 15-year study period, the number of large corporations that have specifically identified its customers in its published mission statement has continued to increase. All of the other stakeholders appear much less frequently than the company's customers. For example, in 2016, the second most mentioned stakeholder was communities (22%). Customers appeared in more than three times that number.

Communities appeared in 22% of the 2016 missions (2nd most common) compared to being found in only 6% of the 2001 statements (6th most common). It is obvious that the firms consider the communities in which they live and serve to be a primary stakeholder. It is interesting to note that the second most often identified stakeholder in 2001, stockholders (34%) dropped to fourth place in 2016 being found in only 17 of the missions. It appears that the historical mission of the corporation to "maximize shareholder wealth" is becoming less important to many firms. Peter Drucker in his articles from many years ago emphasized that the primary mission of the firm should not be to maximize profits. In recent years, concern for customers, employees, and the environment has become much more important.

Employees continue to be of primary importance to the firm being named in 21% of the 2001 statements and 20% of the 2016 missions (3rd most mentioned each year). It is interesting to note that competitors were the 4th most commonly mentioned stakeholder in 2001 but were not identified in the 2016 missions. Suppliers were named in 6 of the 2001 missions and that number increased to 9 in 2016. The inclusion of federal, state, and local governments as an identified stakeholder increased from 2% to 7% of the Fortune 100 firms.

Table 4 (Appendix) compares the frequency of specifically identified goals and objectives in the firm's mission statements from 2001 and 2016. It is readily apparent that Fortune 100 firms in 2016 are typically including many more identified goals and objectives in their missions as compared to their counterparts in 2001. The six identified goals in the 2001 mission statements were quality, core values, leadership, global emphasis, use of technology or innovation, and the environment. The six most often included goals in the 2016 missions were quality products/services, promoting global operations, use of technology or innovation, affordability of products/services, emphasis on ethical behavior, and the emphasis on profits and safety (tie at 12% each). It is interesting to note that the emphasis on ethical behavior increased significantly since 2001 when only 3% of the missions included this very important goal. Perhaps the passage of the Sarbanes-Oxley Act in 2002 provided an incentive to firms to increase awareness of the importance of ethical behavior in all business operations. The 2016 figures show that an emphasis on ethics is a very important goal as it now appears in 16% of the statements.

There are many differences in the goals and objectives of the largest corporations over this 15-year period. However, there is one similarity between 2001 and 2016 and that is the desire to produce a quality product or service. This goal ranks as number one on the frequency lists for both years. In 2011, 25% of the firms mentioned the quality concept. This figure increased significantly in 2016 to 37% of the companies. The second most indicated goal in 2001 was the adherence to a set of core values. The importance of including core values in the firm's mission has decreased significantly as they are mentioned by only four firms in 2016. The second most frequently mentioned goal in 2016 was the desire to conduct operations on a global basis. Given today's level of technology, even small firms can market their products around the world.

The third most included goal in 2001 was the desire to be in a leadership position and was cited in the missions of 17 companies. The goal of maintaining a leadership position decreased significantly in 2016 being included in only six mission statements. For 2016, the third most identified goal was innovation in order to stimulate business operations and satisfy changing customer needs and wants. Innovation and modern technology was mention by 22% of the Fortune 100 group in 2016.

An emphasis on global operations was the fourth most mentioned goal in 2011 (15%). The frequency of emphasizing global operations increased significantly in 2016 with 26% of the companies including this as an identified goal (second only to quality). As mentioned above, the goal of continuous innovation and use of modern technology in firm operations increased significantly over this 15-year period. It jumped from the fifth most mentioned goal in 2001 (14%) to third place in 2016 (22%). Finally, concern for the environment was the sixth most common goal (9%) in the 2011 statements. Unfortunately, this vitally important goal dropped to the bottom of the 2016 list as it was included in only 4 of the missions of that year. Possibly the firms are taking for granted that they must be concerned for the environment and it is simply understood that they must work on that goal.

It is interesting to note that there are several goals that were included in 2016 missions but did not appear 15 years earlier. Mission statement content has evolved with the constantly changing business environment. There are five goals or objectives that were included in the 2016 missions but were absent from those of 2001. In particular, affordability or affordable products or services, safe products or services and/or safe working conditions, growth or expansion, efficiency and/or effectiveness, and loyalty and/or trust were included in several of the 2016 missions.

Affordability or affordable products was the most frequently mentioned of the five newly added goals with 17 of the 100 missions containing this objective. An example comes from Freddie Mac who states "Our statutory mission is to provide liquidity, stability and affordability to the U.S. housing market." The goal of producing a safe product or service and maintaining a safe working environment for employees was mentioned in 12% of the 2016 missions (equal to profits goal) in 2016. A portion of FedEx's mission states "Safety will be the first consideration in all operations."

The final three goals that were new to the list included growth or expansion, efficiency or effectiveness, and loyalty or trust. These items were mentioned less frequently than affordability and safety with only 8%, 6%, and 5% frequency respectively. Citigroup's mission states "Citi's mission is to serve as a trusted partner to our clients by responsibly providing financial services that enable growth and economic progress." Another example involving loyalty or trust comes from New York Life Insurance. A portion of their mission states "By acting with integrity and humanity, we earn their (customers) loyalty and trust."

Table 4 provides some interesting changes in mission statement content over the past 15 years. In addition to the 2001 and 2016 studies, the authors also conducted mission statement analysis of the largest 100 firms in 2008, 2010, and 2011. The results of these studies were not included in this paper. However, a quick overview of the five studies show that customers have always been the most frequently mention stakeholder increasing consistently over the period.

Production of a quality product or service has consistently been the most frequently included goal over the years peaking at 56% in 2010 (down to 37% in 2016). The mention of stockholders in mission statements have been consistently decreasing over the period dropping from 34% to 17%. Concern over ethics and ethical behavior peaked in 2008 with 30% frequency and decreasing to only 16% in 2016. Finally, the production of a quality product or service has consistently been a primary goal or objective over the 15 year period. However, the current inclusion rate of 37% has decreased significantly from prior years (52% in 2008, 56% in 2010, and 44% in 2011).

CONCLUSION

Mission statements are a primary communications devise for the business to inform all stakeholders of, as Peter Drucker stated, "what is the firm all about and what do they want to become." The authors have reviewed Fortune 100 mission statements on five separate occasions since 2001. The first and last study completed in 2001 and 2016 were discussed in this paper. Mission statement content has been studied from two aspects. First, what stakeholders are important enough to include in the published statement? These are typically groups such as customers, employees, and stockholders. Second, what are the goals and objectives that are most significant to the organization? These often have included production of a quality good or service and a desire to conduct business on a global scale or be a world leader in the industry. A number of interesting points can be gleaned from a review of Tables 3 and 4 presented above. Some stakeholders and goals are frequently included in mission statements over the years while others gain and lose importance over time. Mission statements, no doubt, will continue to be an important communication device for the organization in order to provide vital information to all stakeholder groups.

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APPENDIX

Table 1
2001 Fortune 100 Mission Statements

Stakeholders	Percent	Goal/Objective	Percent
Customers	61	Quality	25
Stockholders	34	Core Values	25
Employees	21	Leadership	17
Competitors	9	Global	15
Suppliers	6	Technology (Innovation)	14
Communities	6	Environmental	9
Government	2	Profits	6
		Ethics	3

Table 2
2016 Fortune 100 Mission Statements

Stakeholders	Percent	Goal/Objective	Percent
Customers	73	Quality	37
Communities	22	Global	26
Employees	20	Technology (Innovation)	22
Stockholders	17	Affordable	17
Suppliers	9	Ethics	16
Governments	7	Profits	12
Competitors	0	Safety/Safe Products	12
		Growth/Expansion	8
		Efficiency/Effectiveness	6
		Leadership	6
		Loyalty/Trust	5
		Environments	4
		Core Values	4

Table 3
2001 and 2016 Fortune 100 Mission Statements: Stakeholders

Stakeholders	2001 Percent	2016 Percent
Customers	61	73
Stockholders	34	17
Employees	21	20
Competitors	9	0
Suppliers	6	9
Communities	6	22
Government	2	7

Table 4
2001 and 2016 Fortune 100 Mission Statements: Goals/Objectives

Goal/Objective	2001 Percent	Goal/Objective	2016 Percent
Quality	25	Quality	37
Core Values	25	Global	26
Leadership	17	Technology (Innovation)	22
Global	15	Affordable	17
Technology (Innovation)	14	Ethics	16
Environmental	9	Profits	12
Profits	6	Safety/Safe Products	12
Ethics	3	Growth/Expansion	8
		Efficiency/Effectiveness	6
		Leadership	6
		Loyalty/Trust	5
		Environments	4
		Core Values	4

LAURENS STREET CAFÉ

Robert Leach, University of South Carolina Aiken
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CASE DESCRIPTION

The primary subject matter of this case is business start-up valuation. Secondary issues examined include uncertainty and sensitivity analysis. This case has a difficulty level of four, senior or five, graduate level. This case is designed to be taught in 3.75 to 5.00 class hours and is expected to require 6-8 hours of outside preparation by students.

CASE SYNPOSIS

This case illustrates the challenges facing two entrepreneurs. David Spencer and Thomas Media are two finance professionals who were going through the process of determining if they should start a coffee café. They hired Matson Consulting, a business consultation firm, to perform a feasibility study. The job of analyzing the data and compiling the feasibility study was assigned to Joan Walker, a junior analyst at Matson Consulting. The study should be based on traditional capital budgeting methods and techniques. This case shows that: (1) starting a coffee café isn't so simple, (2) determining project value is subjective and sensitive to assumptions and input estimates, and (3) starting a business requires a lot of work.

INTRODUCTION

David Spencer and Thomas Media were avid coffee drinkers who worked in the finance profession. They were going through the process of determining if they should become entrepreneurs and open-up a coffee shop in their home town of Aiken, SC. They planned on naming their shop Laurens Street Café. Usually they would get their daily coffee fix at The New Moon Café (www.newmoondowntown.com) where they enjoyed the friendly employees and patrons. Nevertheless, they believed they could provide a better product at a comparable price. They have collected data to help them make an informed decision but don't have time to perform the analysis. Therefore, they have hired Matson Consulting. Jim Matson, principal of Matson Consulting, has assigned Joan Walker to perform the work. After a preliminary conversation with David and Thomas, Joan started working.

David and Thomas gave Joan the data they have already collected during a preliminary discussion, then arranged for a few more meetings afterwards. From the beginning, it was apparent to Joan that David and Thomas needed assistance. Joan planned on using the next two weeks to analyze data and develop an action plan for the feasibility study.

PRELIMINARY DISCUSSION—EXISTING DATA

Table 1 below shows proposed operating hours discussed with Joan. David and Thomas arrived at these hours after much thought and investigating operating hours of local competitors. For example, David said The New Moon Café was located downtown and was open from 7am to 4pm Monday thru Friday, 8am to 3pm on Saturday, and 9am to 2pm on Sunday. Starbucks was located on the south side of town and was open from 6am to 9pm every day. Joan argued that the operating hours may change, but David and Thomas thought this was a good plan to implement.

Table 1
This Table shows the proposed hours of operation for Laurens Street Café.

Day	Open	Close	Total Daily Hours
Monday	7am	4pm	9
Tuesday	7am	4pm	9
Wednesday	7am	4pm	9
Thursday	7am	4pm	9
Friday	7am	4pm	9
Saturday	7am	4pm	9
Sunday	7am	4pm	9
Total expected weekly hours			63
Total expected monthly hours (30 days per month)			270

Table 2 shows a sample of cash register tape information from The New Moon Café given to Joan. While getting their daily coffee fix at The New Moon, David and Thomas noticed that New Moon employees frequently forgot to remove cash register tape from prior transactions, allowing it to eventually roll onto the floor. One day, David asked a New Moon employee who was operating the cash register, “Do you mind if I tear off the cash register tape?” The employee agreed so they removed the tape, sat down at a table, and began looking at the information as they drank their morning coffee. Each transaction on the tape included the following information: (1) date, (2) time of day, (3) item(s) purchased with price, (4) sales tax, and (5) total transaction amount.

Table 2
This Table shows actual cash register tape information from The New Moon Café for selected dates. The sales amount is the total amount including sales tax.

Day	1	2	3	4	5	6
Day of week	Tuesday	Saturday	Friday	Tuesday	Monday	Monday
Transaction	Sales Amount	Sales Amount	Sales Amount	Sales Amount	Sales Amount	Sales Amount
1	$5.62	$9.10	$1.61	$1.34	$2.68	$1.49
2	$1.07	$4.28	$18.46	$5.89	$2.14	$1.59
3	$5.35	$3.48	$7.76	$4.28	$4.28	$5.22
4	$2.14	$5.89	$4.01	$1.87	$3.75	$3.72
5	$4.28	$5.89	$1.87	$2.41	$3.48	$2.41
6	$6.15	$1.61	$4.01	$3.75	$1.34	$7.98
7	$2.94	$12.84	$3.21	$3.48	$2.68	$2.66
8	$6.42	$9.63	$5.62	$6.96	$4.55	$2.00
9		$5.62	$5.08	$5.62	$1.34	$1.81
10		$10.70	$3.48	$5.08	$4.55	$2.00
11		$1.61	$6.69	$1.34	$1.34	$2.00
12		$1.61	$1.34	$1.61	$1.61	$7.45
13		$9.10	$4.82	$5.34	$1.34	$4.22
14		$9.90	$12.84	$3.48	$3.75	$1.49
15		$2.41	$8.56	$2.14	$6.96	
16		$4.01		$5.89	$3.48	
17		$1.87		$5.89	$2.14	
18		$7.22		$2.68	$4.01	
19		$7.22		$1.07	$2.68	
20		$10.43		$1.34	$1.61	
21		$11.24		$1.61	$1.61	
22		$2.14		$1.34	$1.34	
23		$2.94		$2.41	$3.48	
24		$2.94		$5.62	$1.07	
25		$14.18		$1.34	$3.21	

Table 3 shows the expected daily customers by hour of operation discussed with Joan. Thomas used the information from Table 2 to estimate the hourly and daily demand. Joan deduced that Thomas anticipated being busier in the morning, and that in the afternoon he predicted business would decline. In addition to serving customers, David planned to use the last few hours to get ready for the next business day. In all they expected to average 130 customers per day. They believed this was a conservative estimate, but recognized demand could vary by as much as ±10%.

Table 3		
This Table shows the expected number of daily customers by hour of operation.		
Start of Hour	End of Hour	# of Customers/hour
7:00 a.m.	8:00 a.m.	20
8:00 a.m.	9:00 a.m.	20
9:00 a.m.	10:00 a.m.	20
10:00 a.m.	11:00 a.m.	20
11:00 a.m.	12:00 p.m.	15
12:00 p.m.	1:00 p.m.	15
1:00 p.m.	2:00 p.m.	10
2:00 p.m.	3:00 p.m.	5
3:00 p.m.	4:00 p.m.	5
Total expected daily customers		130

Table 4 shows the 2017 quarterly sales figures for Starbucks. David and Thomas planned to use this information to determine the seasonality of coffee sales. Joan was excited that David and Thomas provided her with these figures. Joan believed that including seasonality would help her create a more realistic financial model.

Table 4					
Starbucks 2017 Quarterly Revenue Figures (Thousands of Dollars)					
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Revenue	$5,294,100	$5,661,500	$5,698,300	$6,073,700	
Total Sales Revenue for 2017					$22,386,800

Table 5 shows the expected labor expense for the project. David and Thomas planned on being the owner-operators of Laurens Street Café whereas Joan planned on being a silent partner in the business. She would not have any responsibilities for daily operations. Joan was thrilled to be a silent partner. She spent long hours working on projects and drank a lot of coffee while doing so. Occasionally Joan would go to the Starbucks near her house. She enjoyed coffee but disliked the high prices that Starbucks charged. She thought the café would be a lucrative business and a popular local alternative to the chain coffee shops in the area.

Table 5			
This Table shows the expected labor costs for Laurens Street Café.			
Labor Expense	Yearly Compensation		Monthly Compensation
Management:			
Co-manager	$25,000.00		$2,083.33
Co-manager	$25,000.00		$2,083.33
Hourly Worker(s):	Hours/month	Total Wage Expense/hour	Monthly Compensation
Worker #1	80	$9.00	$720.00
Worker #2	80	$9.00	$720.00
Worker #3	80	$9.00	$720.00
Total expected monthly compensation expense			$6,326.67

Next, David and Thomas shared the hourly worker hours with Joan, which are based on observed staffing at The New Moon Café and Starbucks. Both operations seemed to have two to four employees working at a time. David and Thomas thought their café would be similar to The New Moon and Starbucks, and therefore estimated compensation based on three to four workers at all times. Importantly, David and Thomas were aware that for the first few years they would be helping at the coffee shop. If the project was successful, they would consider compensation increases, cash bonuses based on operating performance, or some combination of the two in the future. Until then, however, both David and Thomas believed their estimates were realistic. The compensation figures in Table 5 included the current 2018 employer social security and medicare rates of 6.2 percent and 1.45 percent, respectively.

The last piece of information provided by David and Thomas contained a proposed menu. They developed this menu based on menus from The New Moon and Starbucks. They believed that this menu was competitively priced and would attract customers. Joan closely observed the proposed drink menu in Table 6 and the proposed food menu in Table 7.

Table 6			
This table shows the proposed drink menu and prices for the Laurens Street Café.			
	Size		
Drinks	Small (12 ounce)	Medium (16 ounce)	Large (20 ounce)
Hot Drinks			
Coffees and More			
coffee	$1.86	$2.17	$2.41
cappuccino	$3.09	$3.62	$4.26
café latte	$3.09	$3.62	$4.26
café latte (caramel or pumpkin spice)	$3.09	$3.62	$4.26
café mocha (chocolate or white chocolate)	$3.49	$4.01	$4.65
hot chocolate (chocolate or white chocolate)	$2.73	$3.27	$3.80
oregon chai	$3.66	$4.28	$4.57
Espressos			
single	$1.47		
double	$1.70		
extra shot	$0.50		
americano	$3.80		
Teas			
green tea			$1.75
black tea			$1.75
organic tea			$1.75
Torani flavor shots (add to anything you want)	$0.50		
Cold Drinks			
Fruit Smoothies			
various fruit flavors	5.00 and up		
Iced Coffees			
iced cappuccino			$3.75
iced latte		$3.62	$4.26
iced mocha		$4.01	$4.44
iced frappuccino		$4.48	$5.20
iced chai			$3.50
vitamin water			$2.00
Italian Soda			
soda water plus Torani flavor shot			$3.00
Iced Teas			
sweet tea			$1.69
un-sweet tea			$1.69
flavored tea (peach, raspberry, or other flavor of the day)			$2.25
lemonade			$2.25
soft drinks (12 ounce can)	$1.75		
Juice			
apple juice	$1.75		
orange juice	$1.75		
Milk Shakes			
vanilla			$5.00
chocolate			$5.00
other flavors			$5.00

Joan commented that the food menu was limited. She told David and Thomas that it offered slightly less items than Starbucks, and significantly less items than The New Moon. David and Thomas have gone back and forth with the idea of offering soups, salads, sandwiches, quiche, and more breakfast items. They told Joan that they were aware of the benefit of increasing their food offerings, but wanted to keep it simple. They told Joan that if the business was successful, they would consider expanding their food menu.

Table 7
This table shows the proposed food menu for the Laurens Street Café.

Food	
Bagel (plain, cinnamon raisin, garlic, everything, etcetera)	
with butter or jam	$1.62
with cream cheese, light cream or peanut butter	$2.43
with gourmet cream cheese (honey pecan, sundried tomato, veggie)	$2.94
Toast (white, wheat, rye)	$1.50
Muffins (regular or low fat)	$2.50
Croissants (plain, chocolate or strawberry cream cheese)	$2.50
Danish (cream cheese or fruit)	$3.00
Pastry	$3.00
Scones	$2.50
Cookies (chocolate chip, sugar, peanut butter, oatmeal raisin, and	$1.25
Yogurt	$2.00
Fresh Fruit (apple or banana)	$1.00

NEXT MEETING

Approximately two weeks later, David and Thomas arrived at Joan's office. They were excited about the meeting and wanted to get started right away. Joan immediately let them know that work still needed to be done. First, she described how she would analyze the initial investment by breaking it down into the following categories: (1) fixed capital: such as equipment (e.g., coffee equipment and other), furniture (e.g. tables and chairs), and fixtures (e.g., lighting and signage), (2) working capital: such as cash and inventory (perishable and non-perishable), (3) supplies (e.g., cleaning solutions, trash bags, and cash register tape), and (4) other start-up expenses (e.g., security deposit, prepaid insurance premium, and prepaid rent expense). In the end, Joan assigned David and Thomas the responsibility of selecting name brands, quality, and prices for all of the items on the list.

Next, Joan showed David and Thomas some statistics based on their market research. First, she noted that they tended to collect their data in the morning between the hours of 7:00 a.m. and 8:00 a.m. Second, during this period New Moon customers spent about $4.15 net of tax, on average. Third, The New Moon processed about 32 customers per hour during this period. Joan suggested to David and Thomas that the current project should use the $4.15 sales figure as an input estimate, and that the demand information in Table 3 seemed reasonable. She also suggested they include an annual sales growth figure of at least 20%. She arrived at this figure based on her experiences with similar small businesses.

While reviewing the labor information provided by David and Thomas, Joan noted that there were no plans to add additional labor or increase labor hours as revenue increased. Joan believed it would be beneficial to tie labor costs to changes in sales figures. She discussed this with David and Thomas. They decided that an annual pay increase of $1.00 per hour per employee was appropriate.

Table 8

This Table shows some statistics based on cash register tape from The New Moon Café. The average with tax is the total sales divided by the total number of transactions. The average no tax is the average with tax divided by one plus SC ad valorem tax. Transaction per minute is the total number of transactions divided by the total minutes. The est. number of transaction per hour is the transactions per minute multiplied by sixty minutes.

Day Day of week	1 Tuesday	2 Saturday	3 Friday	4 Tuesday	5 Monday	6 Monday	**Average Totals**
SC ad valorem tax	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	
total sales (including tax)	$33.97	$276.91	$89.36	$124.22	$81.39	$46.04	$108.65
total number of transactions	8	40	15	40	28	14	24
average with tax	$4.25	$6.92	$5.96	$3.11	$2.91	$3.29	$4.44
average no tax	$3.97	$6.47	$5.57	$2.90	$2.72	$3.07	$4.15
start time	7:15 a.m.	9:10 a.m.	7:01 a.m.	7:06 a.m.	7:07 a.m.	7:30 a.m.	
end time	7:25 a.m.	10:24 a.m.	7:42 a.m.	8:12 a.m.	8:12 a.m.	8:00 a.m.	
total minutes	10	74	41	66	65	30	55.2
transaction per minute	0.80	0.54	0.37	0.61	0.43	0.47	0.53
est. number of transaction per hour	48.00	32.43	21.95	36.36	25.85	28.00	32.10

The meeting ended with David and Thomas feeling overwhelmed by the amount of work they needed to get done. Joan suggested they meet again in two months. They agreed and a meeting date was set.

THIRD MEETING

David and Thomas completed their work in a couple of months and called Joan to re-confirm their appointment. During the meeting the information they showed Joan is contained in Table 9 through Table 16. Table 9 shows expected preliminary costs associated with starting a business. As Joan reviewed the information, David and Thomas mentioned that they have been unsure which depreciation method to use. They are unfamiliar with the various methods of depreciation and have talked to several accounting professionals who have given them conflicting answers (e.g., straight line, double declining, or Modified Accelerated Cost Recovery System (MACRS), which is the accelerated depreciation method prescribed by the United States Internal Revenue Service where fixed assets are assigned to specific asset classes and depreciated over a certain number of years).

Table 9			
Item	Quantity	Price	Total
<u>Preliminary Investment:</u>			
Attorney Fees:	1	$1,000	$1,000
Site Preparation (capital improvements to building):			
general contractor fee, labor, & materials	1	$5,000	$5,000
wireless internet installation & hookup	1	$500	$500
Business Registration & Start-up tax:			
County of Aiken, SC business registration	1	$0	$0
City of Aiken, SC business license	1	$60	$60
State of SC Retail Food Establishment Permit	1	$60	$60
Subtotal			$6,620

Despite being unable to decide which depreciation method to use, David and Thomas did decide which items to depreciate. They told Joan to depreciate capital investments over $100. This policy avoided depreciating many inexpensive pieces of equipment. For example, Table 10 shows a *knock box* that costs $35. Because this item costs less than $100, the entire purchase price was going to be expensed to the income statement immediately. Table 10 shows the expected initial fixed capital investment in coffee equipment. Thomas told Joan the total investment in coffee equipment was expected to be $19,174. Joan thought this was a reasonable amount.

Table 10			
Item	Quantity	Price	Total
<u>Coffee equipment:</u>			
Espresso machine (fully automatic)	1	$11,999	$11,999
Coffee airpot brewers (double)	1	$1,616	$1,616
Espresso coffee grinder	1	$700	$700
Coffee grinder	1	$800	$800
Knock box	1	$35	$35
Aluminum espresso tamper	2	$26	$52
Coffee bins (for beans)	6	$500	$3,000
Thermal carafes 1.9 liter (6 per box)	1	$217	$217
Thermometers	2	$12	$24
Steaming (frothing) pitchers 32 ounce	4	$18	$71
Pastry spatula	4	$5	$20
Decanter warmers (double)	0	$134	$0
Airpots 3.0 liter (6 airpots per case)	2	$294	$588
Aluminum coffee scoops (12 oz.)	2	$12	$24
Stainless steel espresso shot glasses (5 oz.)	4	$7	$28
Subtotal			$19,174

Table 11 shows the expected initial investment in other equipment necessary to operate the café. Joan observed the total investment in other equipment was $11,530. Most of this investment was attributable to the following six pieces of equipment: (1) cash register, (2) refrigerator, (3) freezer, (4) ice maker, (5) panini grill, and (6) tea brewer.

Table 11

Item	Quantity	Price	Total
Other Equipment:			
Cash register	1	$500	$500
Wi-Fi equipment (modem and router)	1	$200	$200
Telephone	1	$75	$75
Whipped cream dispenser	2	$100	$200
Long bar spoons (11 inch)	4	$4	$16
Refrigerator (reach in)	1	$1,845	$1,845
Freezer (reach in)	1	$2,305	$2,305
Ice maker	1	$1,999	$1,999
Blender	1	$430	$430
Commercial Conveyor Toaster	1	$550	$550
Panini grill	1	$966	$966
White ceramic espresso cups with saucers (4 per case, 3 oz.)	4	$25	$100
Plastic Tabletop paper napkin dispensers	20	$4	$88
Sweetener dispensers (customer area)	1	$129	$129
Cream dispenser (half and half)	2	$15	$30
Milk dispenser (whole milk)	1	$15	$15
Milk dispenser (skim milk)	1	$15	$15
Spice Dispensers (cocoa, nutmeg, and cinnamon)	3	$5	$15
Pour spouts (set of 12 for syrups)	2	$6	$12
Black plastic baskets for food (36 per case)	2	$55	$110
Tea brewer	1	$698	$698
Tea dispensers	3	$110	$330
Quick Books Premier by Quicken	1	$400	$400
Trash cans (25 gallon)	3	$168	$504
Subtotal			$11,530

Table 12 shows the expected initial investment in furniture and fixtures. David and Thomas reasoned that a table was constructed of a table top and a chrome base, which brings the price of a table above $100. However, they estimated signage will be worthless in the future. They reasoned that if they stopped operating the café, the signage on the building and window would have little to no value.

While looking at Table 12 Joan became alarmed that David and Thomas did not include any light fixtures. She questioned them about this possible mistake. They said the prospective location was formerly occupied by an upscale Italian restaurant that left trendy light fixtures in place.

Table 12			
Item	Quantity	Price	Total
Furniture:			
Indoor Table tops (4 top-36"round)	6	$275	$1,650
Indoor Table bases (4 top-chrome)	6	$71	$423
Indoor Table tops (2 top-30"x30")	10	$33	$325
Indoor Table bases (2 top-chrome)	10	$71	$705
Indoor chairs (with padded seat)	50	$49	$2,450
Indoor lounge chairs	4	$500	$2,000
Indoor couches	2	$1,000	$2,000
Outdoor Tables (4 top-36" round)	4	$90	$360
Outdoor chairs	16	$57	$912
Outdoor umbrellas (9-foot)	4	$200	$800
Padlocks (to lock outdoor chairs and Tables)	4	$20	$80
Security chains/cables (to lock outdoor chairs and Tables)	4	$25	$100
Subtotal			$11,805
Fixtures:			
Lighting fixtures	0	$100	$0
Menu board	1	$250	$250
Signage on building	1	$1,000	$1,000
Signage on front window	1	$500	$500
Subtotal			$1,750

Table 13 shows the expected initial investment in cash and perishable inventory. Joan noted that the investment in inventory was relatively small compared to the investment in fixed capital. The total investment in perishable inventory was only $1,369, with the largest amount in coffee beans. David and Thomas told her they plan to keep inventory levels low because suppliers deliver daily. They also explained to Joan that a vendor will roast their coffee beans and they will grind beans on location. They did explore the possibility of roasting coffee beans on location, but decided to forgo this investment. David told Joan that if the café is successful, they might invest in roasting equipment in the future.

Table 13			
Item	Quantity	Price	Total
Initial Working Capital Investment:			
Cash:	1	$10,000	$10,000
Subtotal			$10,000
Perishable Inventory:			
Coffee beans (qty in pounds, price per pound)	50	$8	$400
Tea (green, black, organic, other)	1	$20	$20
Lemonade (per case)	1	$25	$25
Juice (apple, orange)	2	$25	$50
Half and Half (quarts)	4	$2	$8
Whole milk (gallons)	6	$4	$24
2% Milk (gallons)	6	$4	$24
Skim milk (gallons)	6	$4	$24
Soy milk (gallons)	2	$6	$12
Bananas (lbs)	3	$1	$3
Apples (lbs)	1	$5	$5
Whip cream	6	$5	$30
Bagels (per dozen)	6	$12	$72
Chocolate chip cookies	2	$6	$12
Sugar cookies	2	$6	$12
White chocolate chip macadamia nut cookies	2	$6	$12
Butter pads (per case)	1	$20	$20
Margarine pads (per case)	1	$20	$20
Cream cheese	1	$20	$20
Light cream cheese	1	$20	$20
Flavored cream cheese (honey pecan)	1	$20	$20
Flavored cream cheese (sundried tomato)	1	$20	$20
Flavored cream cheese (veggie)	1	$20	$20
Peanut butter	1	$20	$20
Grape jelly pads (case)	1	$20	$20
Strawberry jelly pads (case)	1	$20	$20
Apple jelly pads (case)	1	$20	$20
Honey	1	$20	$20
Muffins (per dozen)	1	$12	$12
Pastries (per dozen)	1	$12	$12
Sugar packets (per case)	1	$50	$50
Sweet 'n Low packets (per case)	1	$25	$25
Splenda packets (per case)	1	$25	$25
Equal packets (per case)	1	$25	$25
Cocoa spice	1	$5	$5
Nutmeg spice	1	$5	$5
Cinnamon spice	1	$5	$5
Torani syrups (750 ml bottle)	12	$5	$60
Torani sauces (64 ounce container)	8	$10	$80
Torani smoothie mix (64 ounce container, asst. flavors)	6	$10	$60
Ice cream (gallons)	4	$5	$20
Whole wheat bread for toast (loaves)	2	$2	$4
Rye bread for toast (loaves)	2	$2	$4
White sourdough bread for toast (loaves)	2	$2	$4
Subtotal			$1,369

Table 14 shows the expected initial investment in nonperishable inventory. Joan observed that the $1,060 total investment in nonperishable inventory was relatively small. David and

Thomas explained that they planned on keeping low inventory levels because suppliers deliver daily.

Table 14			
Item	Quantity	Price	Total
Nonperishable Inventory:			
Paper cups 12 ounce (1000 cups per case)	1	$64	$64
Paper cups 16 ounce (1000 cups per case)	1	$125	$125
Paper cups 20 ounce (500 cups per case)	1	$76	$76
Lids (one size fits all paper cups; 1000 per case)	1	$44	$44
Recycled paper coffee sleeves (1300 per case)	1	$75	$75
Splash sticks (500 per box)	1	$20	$20
Wooden stir sticks 7.5" (500 per box)	2	$12	$24
Cup carriers (4 cup 300 per case)	1	$65	$65
Plastic cups 16 ounce for cold drink (1000 per case)	1	$88	$88
Plastic lids 16 ounce for cold drinks (1000 per case)	1	$51	$51
Film wrapped drinking straws (6000 straws per case)	1	$67	$67
Knives biodegradable starch(1000 per case)	1	$59	$59
Forks biodegradable starch (1000 per case)	1	$59	$59
Spoons biodegradable starch (1000 per case)	1	$59	$59
12x12 Dry wax flat sheets (1000 per case)	1	$93	$93
Paper coffee filters (1,000 count)	1	$14	$14
Paper tea filters (500 count)	1	$17	$17
Paper napkins (6,000 per case)	1	$62	$62
Subtotal			$1,060

Table 15 shows the expected initial investment in supplies and other items. Thomas said the landlord of the current location required a $2,500 deposit plus the first three months of rent on the lease signing date. Thomas told Joan to plan on recouping the security deposit at the end of the project plus he told her that the last three months of rent would be zero. They were expecting to sign a three year lease.

Table 15			
Item	Quantity	Price	Total
Supplies:			
Lobby broom & dust pan combination	1	$26	$26
Wet floor sign (multilingual)	1	$24	$24
Mop head (16 ounce) and handle	1	$20	$20
Mop bucket with wringer	1	$75	$75
Disposable food preparation gloves (500 gloves per box)	1	$10	$10
Tabletop cleaning solution	1	$50	$50
Floor cleaning solution	1	$50	$50
Spray bottles for cleaning solution (6 bottles per case)	1	$12	$12
Espresso machine cleaner (200 Tablets)	1	$35	$35
12"x12" Cleaning rags (60 per pack)	1	$33	$33
Cash register tape (thermal-3-1/8"x230' 50 rolls/carton)	1	$61	$61
Credit card tape (thermal-3-1/8"x230' 50 rolls/carton)	1	$50	$50
Whip cream charges (box of 24)	1	$22	$22
Trash bags (25-35 gal, 1.5 mil, 100 per carton)	1	$32	$32
Subtotal			$500
Other (Prepaid Expenses):			
Rent expense (first 3 months)	3	$1,500	$4,500
Security deposit	1	$2,500	$2,500
Monthly insurance premium (liability, worker comp.)	1	$250	$250
Subtotal			$7,250

Finally, Table 16 shows a summary of the expected initial investment by subcategory. David and Thomas estimated an initial investment of $70,998. Most of this investment was in fixed capital and cash.

Table 16	
This Table shows the expected initial investment by subtotals.	
Investment Category	Subtotal
Preliminary Investment:	$6,560
Fixed Capital Investment:	
Coffee equipment:	$19,174
Other Equipment:	$11,530
Furniture:	$11,805
Fixtures:	$1,750
Working Capital Investment:	
Cash:	$10,000
Perishable Inventory:	$1,369
Nonperishable Inventory:	$1,060
Supplies:	$500
Other (Prepaid Expenses):	$7,250
Total expected initial investment	$70,998

The meeting ended with Joan telling David and Thomas that she would need a few weeks to develop a financial model to analyze the project that includes sensitivity and scenario analysis, formulate a recommendation, and prepare a presentation.

After David and Thomas left, Joan began looking at the information she requested on operating expenses. David and Thomas told her they obtained this information by (1) conducting a survey of area restaurants of similar size, (2) consulting with vendors who service cafés in the region, and (3) computing the unit cost for a 12 ounce cup of coffee. Joan looked at the information in Table 17.

Table 17	
This Table shows the estimated expenses associated with operations. The cost of goods sold is a variable expense; all other expenses are assumed to be fixed.	
Item	Estimate
<u>Monthly</u>	
Cost of Goods Sold (% of sales)	25.00%
Selling, General, & Administrative Expenses:	
Payroll Expense	$6,326.67
Rent Expense	$1,500.00
Utility Expenses:	
Gas	$300.00
Electric	$300.00
Water	$200.00
Sewer	$50.00
Trash	$100.00
Cable (Wi-Fi, phone & T.V.)	$200.00
Credit Card Processing Fee*	$50.00
Insurance	$250.00
Advertising Expense	
Printed Materials	$150.00
Signage	$100.00
Web Design and Maintenance	$200.00
Marginal Tax Rate (federal, state, and local)	40.00%
<u>Annual</u>	
City of Aiken Business License (annual)	$60.00
State of South Carolina Retail Food Establishment Inspection Fee	$60.00
*40% of sales will be on credit. There is an additional fee of 2% of the total sales amount, plus $0.25 per credit card sale.	

TERMINAL YEAR NON-OPERATING ITEMS

David and Thomas planned on signing a three year lease with an option to renew the lease for another three years at the current rental rate. For the current feasibility study, Joan planned on analyzing the project under two different assumptions. First, she would assume the project ended in three years, and at this time David and Thomas would recoup their investment in certain fixed capital and working capital items listed in Tables 9-15. Second, she assumed the project was a going concern in three years.

SPECIAL ITEMS

David told Joan that the three months of pre-paid rent expense would be recovered in months 34 through 36, and the monthly pre-paid insurance premium would be recovered in month 36. Also, Joan was aware that the entire expected initial investment in supplies and certain fixed capital items will be expensed to the income statement during the first month of operations, time t=1, however, the cash outflow for these items will occur at time t=0.

THE FINAL MEETING

The day of the final meeting is coming and it was Joan's responsibility to perform a feasibility study of the project based on traditional capital budgeting methods, draw a conclusion, make a recommendation, and present the results to David and Thomas. If the investment was value enhancing, the next step was to develop a business plan and secure financing. Joan was also responsible for exploring Small Business Administration (SBA) sources of capital and SBA eligibility requirements, and creating a justifiable weighted average cost of capital. If the project was value destroying, Joan would recommend that David and Thomas re-work their numbers or reject the project. For example, in this analysis David and Thomas decided to purchase a relatively expensive espresso machine that was fully automatic. The New Moon used a cheaper, semi-automatic espresso machine in their café.

Lastly, after discussing David and Thomas's financing options with Jim Matson, principal of Matson Consulting, Joan determined that a small business development loan could be the best financing option for this venture. The U.S. Small Business Administration offers guarantee loan programs to those who qualify; this was a great opportunity for David and Thomas. Jim Matson said that he believed the financing for Laurens Street Café would require 50% equity. He also said these types of loans have an average interest rate of 7.5%. Finally, David and Thomas told Joan they required a return on their equity investment that is similar to an equity investment in Starbuck's.

THE CHALLENGE

Now that the final meeting has taken place, assume that you are Joan and use the information in the case together with your knowledge of capital budgeting skills to create a model to investigate if David and Thomas should launch Laurens Street Café.

DIVIDEND DISCOUNT VS. FREE CASH FLOW VALUATION: AN ANALYSIS OF MATTEL INCORPORATED

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CASE DESCRIPTION

The purpose of this analysis is to value the equity of Mattel, Inc. (NYSE:MAT) and place a buy or sell recommendation as an independent analyst. The data are examined to determine whether or not the company's stock is valued above or below the market price in order for investors to make a buy or sell decision. The industry environment will be assessed using Porter's five-force model of competitive strategy and the DuPont identity. Valuation techniques employed include the capital asset pricing model, the dividend-discount model (DDM), the free cash flow model (FCF) and the P/E valuation approach.

CASE SYNOPSIS

Two alternative valuation approaches will be considered and a buy or sell recommendation for Mattel, Inc. stock will be determined. Mattel is one of three major toy makers in the United States along with Hasbro and Lego. The competitive environment of Mattel will be assessed using the DuPont identity and Porter's five force model of competitive strategy as well as determining an estimate of the value of Mattel stock using various valuation approaches. In the case of Mattel, a dividend has historically been paid but was recently discontinued so the most appropriate valuation approach under these circumstances will be evaluated.

MATTEL, INC. (MAT)

Mattel Inc. is a designer and manufacturer of a wide range of children's toys. It's most popular brands include Monster High, Barbie, Hotwheels, Fisher-Price and American Girl. They also develop and market toys based on popular movies like Cars, Toy Story, Batman and Superman. The company was founded in 1945 and is based in El Segundo, California and has approximately 28,000 employees.

Mattel Creations was founded by Harold "Matt" Matson and Elliot Handler. The company initially sold picture frames and then dollhouse furniture. Matson soon sold his share to Handler due to poor health and Handler's wife took over Matson's role. In 1947 the company had its first hit toy which was a ukulele called "Uke-a-Doodle". The company incorporated the next year in California and became the first year-round sponsor of the Mickey Mouse Club TV series in 1955. The Barbie doll which was introduced in 1959 became the company's best selling toy ever and it is still produced and sold by Mattel today.

Mattel first went public in 1960 and was listed on the New York Stock Exchange in 1963. Mattel then acquired several companies during the 1960's as shown in the chart below:

Acquisition	**Year**
Dee and Cee Toy Company, Ltd.	1962
Standard Plastic Products, Inc.	1966
Hong Kong Industrial Co., Ltd.	1966
Precision Molds, Ltd.	1966
Rosebud Dolls, Ltd.	1967
Monogram Models, Inc.	1968
Ratti Vallensasca, Mebetoys, Ebiex S.A.	1969
H&H Plastics Company, Inc.	1969
Metaframe Corporation	1969

Mattel continued its growth by purchasing several other companies from 1971 through 2000. Some of these companies have since been sold as indicated by a beginning and end date in the chart below. Others are still held by Mattel today.

Acquisition	**Year**
Ringling Bros. and Barnum and Baily Circus/ Feld Productions	1971-1982
Ice Follies	1979-1982
Holiday on Ice	1979-1982
Western Publishing	1979
International Games	1992
Corgi Toys, Ltd.	1989
Fisher-Price, Inc.	1993
Tyco Toys, Inc. (owners of the Matchbox Brand)	1997
Pleasant Company (owners of the American Girl brand)	1998
The Learning Company	1999-2000

Then in 2012 through 2016, Mattel made the following acquisitions which they still hold today.

Acquisition	**Year**
HiT Entertainment	2012
Mega Brands	2014
Fuhu	2016

Table 1
Historical Financial Information for MAT
(in thousands)

Item	**2017**	**2016**	**2015**
Total Revenue	4,882	5,457	5,703
Cost of Goods Sold	3,081	2,902	2,896
Gross Profit	1,801	2,555	2,807
Net Income	-1,159	318	369

INDUSTRY ANALYSIS

The domestic toy industry is a stable, mature and subject to a highly fragmented channel of distribution. The industry has recently been experiencing a declining growth rate. Traditional toy manufacturers are seeing increased competition from digital gaming products, digital media and products that combine traditional "analog" products with a digital play experience for children. Going forward, most major toy manufacturers like Mattel plan to incorporate more digital and electronically interactive products into the lines.

The Retail Market

The retail market is fragmented with traditional retail outlets like Walmart, Toys-R-Us and Target experiencing declining toy sales and online retailers like Amazon capturing an increasing volume of the market for toys. This has led to lower prices which puts downward pressure on the gross profit margins of toy manufacturers. This has a particularly great impact in the toy industry because toy sales are seasonal. For example, Toys-R-Us which was the largest toy retailer in the United States generated 43 percent of its total annual revenues during the fourth quarter.

Competition in the retail market is based on competitive pricing (which negatively impacts the gross profit margin of manufacturers), credit programs, promotional pressures and competing store openings.

Structural Trends in the Industry

In the long term shifting demographics can have a significant impact on industry dynamics. Over time women are having less children and at older ages. Data from the U.S. Center for Disease Control and Prevention published data through one of its specialty websites (BabyCenter.com) which indicated the increasing age of first time mothers over time. In 1970 the average age of first time mothers was 21 and by 2008 that figure had risen to 25.1. The birth rate in the U.S. has declined every year since 2007.

In addition to the increasing age for first time mothers and the decreasing birth rate young children are becoming familiar with digital media at a much earlier age. Today most toy products are first seen by children on a television or movie screen. This has resulted in the toy industry becoming heavily reliant on licensing deals with the entertainment industry. Competition among toy companies for these licensing deals is quite intense.

Outlook for growth in the toy industry is somewhat low but expected to increase significantly as manufacturers move to capitalize on franchises that span multiple platforms. This is expected to result in products ranging from cartoons to video games to movies to actual toys. Most of the larger companies in the toy industry (like Mattel and Hasbro) are making acquisitions based on these trends.

Counterfeiting in the Toy Industry

In the toy industry counterfeiting has been a well-known problem for many years. Recently, the OECD estimated that it these illegal activities accounted for 12% of the European toy market. The two main countries of origin for counterfeit toys are China (88%) and Hong Kong

(10%). Counterfeiting of toys is somewhat different from what is typically thought of as trademark infringement. Typically, the counterfeiter copies the product and the brand or trademark. In the toy industry what most often occurs is that the counterfeiter will copy the design of the product and sell it under a similar, but not identical, trademark. The main problem country for counterfeiting, according the OECD is China. Most major toy manufacturers have located their production in a few regions of China. These regions produce genuine toys as well as counterfeit toys. Another country of concern is Turkey where production of counterfeit toys exceeds production of genuine toys.

VALUATION DATA

Your analysis requires some information about the market in general as well as information on how the price of Mattel stock behaves under certain conditions. While compiling the following information, you realize that your estimate of the value of Mattel stock is quite sensitive to certain factors. In this regard, you decide to conduct a sensitivity analysis to determine how sensitive the value estimate is to various input variables.

The data collection begins with interest rates. Consulting a reliable source, you learn that the interest rate on a 90 day United States treasury bill is 3.0 percent while interest rates on a 6 month treasury bill are 3.2 percent. A long-term government bond is trading to yield 4.0 percent. Recent rates on certificates of deposit at large banks are around 4.9 percent and large creditworthy corporations have issued commercial paper with a yield of 5 percent. During this same time period, the standard and Poor's 500 earned an average return of 12 percent.

In addition to the above information on market interest rates, Table 2 contains some information you compiled relating to Mattel and the market. The dividends of Mattel grew over the past 5 years at the rate of nearly 16 percent per year. This rate however is not expected to continue over the next 5 years due to market conditions and the economic outlook for the industry.

The appropriateness of each valuation model under these circumstances should be considered as a value estimate is developed. Then, once a value estimate has been developed potentially profitable trading strategies should be recommended based on the value estimate and using various types of financial instruments.

THE CHALLENGE

As an equity analyst your task is to estimate the value of Mattel and recommend profitable strategies which could be used based on the value estimate. Your analysis should include the following:

1. *Evaluate the prospects for Mattel on each of the variables in Porter's "5-Forces Model".*
2. *Analyze the ROE, Profit Margin and ROA using the DuPont identity.*
3. *Calculate the expected return for MAT stock.*
4. *Evaluate the value for MAT stock using the constant growth model.*
5. *Determine the value estimate using the Price/Earnings valuation approach.*
6. *Find the value estimate for Mattel using the two-stage Dividend Discount Model.*

7. *List the investment options you as an equity analyst could consider and then indicate (based on the analysis listed above) which of those options you would recommend, and why*.

Table 2
Company Specific and Market Data for Mattel, Inc.

Beta Coefficient for MAT	**.91**
Recent Price/Earnings Ratio For MAT	**15.2**
Return on S&P 500	**12.0**
Recent Price for MAT	**15.00**
Current Dividend	**.91 in 2017**

IS IT SEX DISCRIMINATION? SOME REAL CASES FROM THE US BUSINESS ENVIRONMENT

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CASE DESCRIPTION

The primary subject matter of this case is sex discrimination, which is protected under title seven of the Civil Rights act of 1964. Historically speaking, sex equality is a somewhat recent phenomenon as it was established by the CRA of 1964; long after the industrial revolution. Until then, women faced discrimination in their private lives as well as their professional lives. Women were considered inferior and were therefore prevented from holding offices and pursuing various professions. Women were also prevented from rising to higher positions within their employing organizations. Hence, this case aims to educate about Sex discrimination by outlining real world examples based on potential violations of the CRA of 1964. This case has a difficulty level of three intended for an upper division undergraduate course. This case is designed to be taught in one class hour, and is expected to require two to three hours of outside preparation by students. Upon completion of this case assignment, students should be able to recognize and evaluate the circumstances which establish a discrimination case. Furthermore, students should learn to evaluate the potential harm and risks to the organization. Last students should be able to create company policy and manuals that aim to prevent such discrimination cases.

These cases lend themselves to role playing exercises which may increase student engagement.

CASE SYNOPSIS

This case begins with an explanation of The Equal Pay Act of 1963, Title VII of the Civil Rights Act of 1964, with specific emphasis on sex discrimination as well as the Pregnancy Discrimination Act of 1978. This is followed by the description of three actual workplace situations that resulted in claims of sex discrimination. Students are asked to determine which of the cases is sex discrimination and which is not.

INTRODUCTION

Several federal laws protect against discrimination on the basis of sex. The first of these laws is the Equal pay act. Passed in 1963, this act prohibits companies from paying differential wages for men and women in the same job (The Equal Pay Act, 2011). Shortly after this was passed, congress passed the Civil Rights Act of 1964. Title Seven of this act addressed workplace discrimination, and broadly prohibited employment discrimination based on basis of race, color, religion, national origin, or sex. The act was not limited to wages, but was instead focused on a variety of employment conditions, ranging from selection, placement, training, promotion, wages and benefits, work assignment and other terms and conditions of employment. (Title VII, 2011). In 1978, the Civil Rights Act was amended by the Pregnancy Discrimination Act. This law had the effect of extending sex discrimination law to include pregnancy and childbirth related conditions (The Pregnancy Discrimination Act, 2011). These laws, together, have the net effect of greatly restricting the ability of employers or their agents to discriminate based on sex. However, in spite of these laws, sex discrimination does still take place, requiring the intervention of the EEOC or the courts. In the following section, several actual cases are presented. Form the information in the case; you are to determine whether there is a legitimate case of discrimination.

CASES TO EXAMINE

You have recently been hired into an HR department at a major corporation. In order to teach you about sex discrimination, your company has given you three cases, each describing a situation that potentially could involve sex discrimination. Examine the following cases, and answer the questions that follow for each case.

Case 1:

Old Dominion freight line is a nationwide company involved in the hauling and delivery of packages. They employed a woman named Deborah Merritt as a long-haul, over the road truck driver. For several years, she worked as a long-haul (city to city) driver. She eventually expressed interest in a pickup and delivery position (within one city) so she could spend nights and weekends at home. When a position became available in her home city of Lynchburg, VA, she applied for it. The terminal manager claimed he did not have the authority to fill the position, but then hired a less experienced male driver. This happened again the next year. She was told that “it was decided and they could not let a woman have that position”, “the company did not really have women drivers in the city”, “the Regional VP was worried about hiring a female pickup and delivery driver because women were more injury prone and he was afraid a female would get hurt” and lastly that “the VP didn’t think a girl should have that position”. Finally, on her third attempt, a year later, Merritt was given a pick-up and delivery job. However, unlike male hires, she was put on a 90 day probationary period and informed that she could lose her job if performance problems arose. Her male counterparts were not held to this standard (Simon, 2010). More than two years after she had taken the pick-up and delivery position and performed it without problem, Ms. Merritt injured her ankle. Her doctor recommended light-duty work for a couple months then gave her a full approval to return to work. However, instead of allowing her to return to her job, the company required her to take a Physical Ability Test (PAT). Male employees were not required to take this test after injuries. She failed the test; however, reasons given included her inability to place a box on a shelf that was too high for her to reach. Ms. Merritt is 5”1’. On another test, she was hindered by people bumping into her while she attempted the test. During the case, it also was pointed out that Old Dominion had 3100 Pickup and delivery drivers. Six of them were female. (Searcy, 2010)

Questions

1) Is there a prima facie case of discrimination?
2) Do you think the employee has a winnable case of sex discrimination?
3) What could the company have done to eliminate sex discrimination problems if there are any?

Case 2:

On October 4, 2008 maximum security prisoner Joshua Duane Barnes escaped from the Potter County Detention Center in Amarillo, TX. (Gamm, 2010). Prison guard Ruth Martinez, a Hispanic female guard, was fired as a result of the breakout. She alleges that the firing was discriminatory. A second guard who was also on duty at the time, Wade McLaughlin (a white male), was suspended for one day and reprimanded, but did not lose his job (Gamm, 2010). The prisoner, Mr. Barnes, has a history of escaping from custody, with this being his second successful attempt (Pittman, 2010). However, the prison indicates that Ms. Martinez had improperly left her post without authorization; leaving Mr. Barnes unsupervised while he escaped. (Detention center, 2008). The county alleged that Martinez was a "marginal employee, who failed to closely monitor Barnes before he escaped from a jail recreation area (Gamm, 2010). While Martinez was on her "unauthorized break," Barnes climbed up a corner to the roof, peeled back layers of sheet metal, and escaped through the hole he created (Netter, 2009). It was estimated that this breakout took approximately 30 minutes to accomplish (Gamm, 2010).

Questions

1) Is there a prima facie case of discrimination?
2) Do you think the employee has a winnable case of sex discrimination?
3) What could the company have done to eliminate sex discrimination problems if there are any?

Case 3:

In 1997 Randall Oakstone and Ramona Philbrook were in a romantic relationship while working together at the USPS. Not unlike many other relationships, theirs did not last. In fact, the break up was ugly. The bad blood between them during the break-up has even negatively affected their work environment. However, there was not much contact between the two employees in the aftermath of the break-up. Nevertheless, Ms. Philbrook's EAP (Employee Assistance Program) counselor told her to stay away from Mr. Oakstone. Some time later, Mr. Oakstone began seeing other women and eventually got married to his current wife. When Ms. Philbrook found out, she cooled considerably.

In early 1999 Mr. Oakstone learned of a position at the Postal Service which recently opened up. Mr. Oakstone had been interested in such a position for some time, because it would provide overtime opportunities and a higher pay rate. The "Expeditor" position would have Oakstone's work hours coincide with Ms. Philbrook's. Consequently, Ms. Philbrook expressed her objection against working alongside Mr. Oakstone. In the past, Mr. Oakstone had repeatedly requested training for such an expeditor position with the post office, but was denied due to the aforementioned problematic working relationship with Ms. Philbrook. However, Mr. Oakstone was promised some training in the inside expeditor position at the earliest opportunity. In this position, Mr. Oakstone would have had the opportunity to earn the desired overtime pay; a privilege withheld from other employees currently in this position. Mr. Oakstone was given a limited assignment to this position, although this required him to be in contact with Ms. Philbrook through a walkie-talkie. Ms. Philbrook subsequently expressed her opposition to Oakstone's assignment and informed her supervisor of their past romance and intimacy. Further, she had expressed this to the manager of distribution operations Mr. Smith. She became visibly upset and told the manager that Mr. Oakstone had been abusive and she was afraid of him. After this claim was investigated, the manager determined that this claim was a false claim.

Ms. Philbrook threatened the Postal Service to take the case to her lawyer and before the EEOC. Shortly thereafter, Mr. Smith held a meeting with Mr. Oakstone and Ms. Philbrook and pointed them toward the Employee Labor Manual, which expressed that employees must interact in a professional manner. Mr. Smith had meanwhile expressed to another manager that he felt that there was nothing that could be done and management needed to avoid having Oakstone and Philbrook work together. Hence, Mr. Oakstone was denied his requests to work in the "Expeditor" position. Concurrently with this dispute, increased automation in the package sorting department basically eliminated Mr. Oakstone's job.

Mr. Oakstone could have been reassigned but was not. Instead, he was given a lower level position. At the same time two women were trained in Oakstone's former position. One of them received training while Mr. Oakstone's request for training was pending. Mr. Clark, Mr. Smith's successor, denied Mr. Oakstone the requested training based on the spoiled relationship with Philbrook.

Questions

1) Could either party (Oakstone or Philbrook) establish a prima facie case of sex discrimination?
2) Did sexual harassment occur?
3) What, if anything, could the company have done prior to prevent this situation?
4) What, if anything, could the company have done to manage the situation better?

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USING MANAGEMENT PRINCIPLES TO BETTER ACCULTURATE STUDENTS TO CLASSROOM BEHAVIOR: A PROFESSIONALISM STATEMENT

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ABSTRACT

In an era of increasingly diverse student populations, multi-format MBA programs, and seemingly unrestrained social media discourse, institutions need to establish a code of behavior or expectations for students in the classroom. A professionalism statement is needed, both for inclusion in course syllabi as well as reinforced verbally at the first-class meeting (as well as potentially periodically throughout the program) as a way of acculturating students newly returning to a classroom at the graduate level. In addition to helping insure that all concerned have an environment where they can contribute to case and other topical discussions it sets the behavioral and attitudinal expectations of the faculty, so all can get the most out of the educational experience. The current paper presents such a drafted, faculty discussed and approved statement.

The content of the professionalism statement is deconstructed and discussed by linking it to management best practices. Lastly, the statement is evaluated through role theory to indicate how the change of roles between students and instructors occurs in a graduate program. Not meant to represent or replace separate and perhaps more significant organizational policies on bullying, sexual harassment, or even microaggressions, the professionalism statement attempts to strike a balance on the issues and topics that are appropriate for detailed delivery in the MBA level syllabus.

INTRODUCTION

Attempts to establish behavioral and procedural norms in classrooms is nothing new. Often it is one of the first topics addressed at the beginning of the school year (Nasreen, 2012). Many examples are readily accessible from kindergarten through middle and high school in the internet (for examples see Figure 1.)

The differences of what form those norms should take between kindergarten, grade school, middle school, high school, and college is more about degree and degree of specificity than coming up with entirely new approaches. If we add graduate school to the mix however, we may add the likely new element of the passage of time. More specifically, a key element in most MBA programs is that entering students have been in the workforce for some time and are returning to a classroom environment. At most business schools entry into the MBA program occurs at several points throughout the year. Additionally, these same institutions typically offer a choice of formats for students. Whether full-time or part-time programs or those that meet during the day, in the evenings or on weekends, each format poses challenges to acculturate an increasingly diverse student population to one with a shared environment that both respects and encourages interaction and consideration for others. One only has to look as far as the current political, television, and social media environments to acknowledge that some form of a professionalism statement would benefit classroom discussions for those returning to an educational environment (see Figure 2).

Figure 1.
CLASSROOM ACCULTURATION EXAMPLES

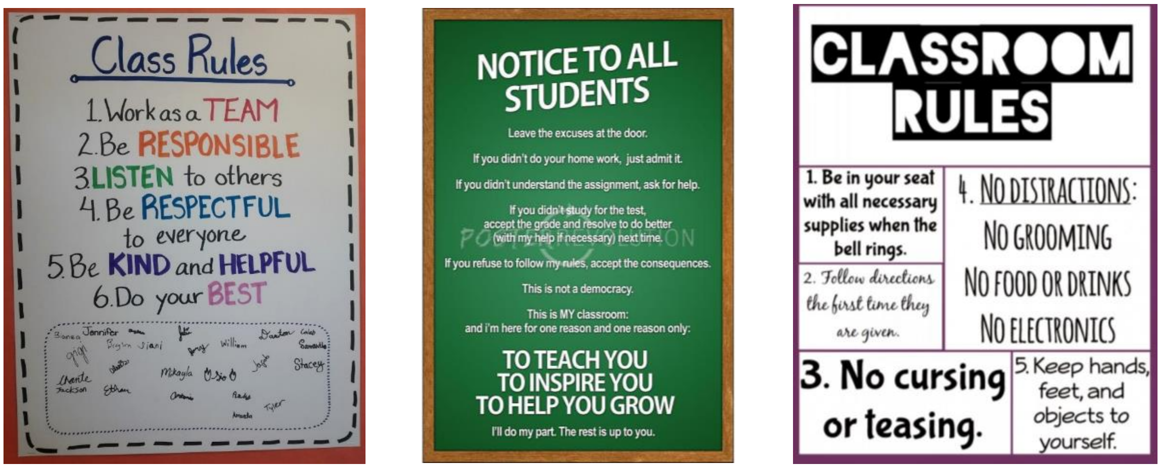

Figure 2
Professionalism Statement

A positive and participative learning environment is crucial to your educational experience. The goals of Bellarmine's MBA program include developing your willingness and ability to contribute to discussions by expressing and defending your position on a variety of topics. This may involve overcoming a sense of shyness. It may involve your willingness to take risks and leave your "comfort zone." While there are many informal situations in which people have neither the desire nor the right to prescribe how others ought to behave, the classroom is unique, and requires the establishment of a culture that respects the learning process and every individual in it.

Professionalism is a significant component part in determining your overall grade in every course. The evaluation of professionalism starts with the proposition that if you attend all scheduled sessions, come to class prepared, participate actively and frequently, make meaningful comments that contributes to your classmates' education, interact professionally with faculty and classmates, hand in all required work on time, participate in the teaching evaluation process at the end of the course, and observe class guidelines established by the instructor, your score will be assessed as "average" or at a numerical level of roughly 85% (a "B"). Adjustments either up or down from this starting point are at the discretion of the instructor – to recognize superior effort and performance or to acknowledge deficiencies in your approach to your responsibilities.

Given the hours you spend preparing for class discussions, reading articles and text material, analyzing case studies, and working on individual and group projects, as well as the significant financial commitment you (and/or your organization) are making to undertake graduate study, you are responsible for creating and maintaining this professional environment. For these reasons, the following guidelines/expectations are provided:

> Your <u>physical presence</u> in the classroom is a prerequisite for active participation. If you come late or are not prepared to begin when class starts this can disrupt the class. Please make every effort to arrange your schedule so that you arrive early enough to take care of any personal or non-class related activities and are ready when class begins.
>
> While we expect your attendance at each class session, we understand that it may not always be possible. If you are unable to attend a session you should handle the issue professionally. Contact the instructor ahead of time – as soon as you are aware that you will be unable to attend. Absences that cannot be discussed beforehand due to emergencies must be cleared up at the earliest possible opportunity. Each instructor sets their own policy on how to address student absences. That policy will be listed in the course syllabus and/or discussed at the first class session.
>
> Your <u>mental presence</u> as well as physical presence is necessary for everyone to get the most out of the classroom experience. Our MBA classes are interactive forums. Your activities, both positive and negative, have an effect on the class. Please focus your attention and energies on our class exclusively when the class is in session.
>
> Your <u>overall demeanor</u> as you interact with other students, guest speakers, faculty, and staff, whether face-to-face or with e-mail or other technology is also a reflection of your professionalism.

Observing these guidelines is the minimum expectation of the faculty. While the specific audience for this message constitutes a small percentage of all students, everyone benefits from a clear statement of expectations.

Practicing professionalism will make you more productive and will lead to the achievement of your individual and group goals. You will also find that the attitude of professionalism you develop here will benefit your larger life at work and your personal life.

Welcome to the course!

Serving to solve both potential teaching and management issues this professionalism statement's various parts were carefully crafted to generate buy-in from students. At the same time the statement needed to be sufficiently structured to be useable in all MBA courses and syllabi, while also satisfying faculty desires to be flexible. This statement was developed by the business school's graduate curriculum committee of a small private university in Kentucky and was approved by the business school faculty. To examine the statement more closely each section of the statement is presented and then explored as to how its content is related to management and leadership principles.

DECONSTRUCTION

Paragraph One

> *A positive and participative learning environment is crucial to your educational experience. The goals of Bellarmine's MBA program include developing your willingness and ability to contribute to discussions by expressing and defending your position on a variety of topics. This may involve overcoming a sense of shyness. It may involve your willingness to take risks and leave your "comfort zone." While there are many informal situations in which people have neither the desire nor the right to prescribe how others ought to behave, the classroom is unique, and requires the establishment of a culture that respects the learning process and every individual in it.*

The first sentence frames the statement as making the classroom and more general educational culture one of positive change through the participation of both the students and the instructors. This statement sets the tone for the culture that is expected to develop in the program.

Because students enter the MBA program from diverse work backgrounds they are often at different places in their careers and have varied experiences. Within their respective organizations and roles they understand how their interactions should occur with others however, they may have forgotten how interactions differ in a classroom environment. As a result it is necessary for students to relearn the appropriate roles within the academic environment. This is made more complex because in graduate level programs, the roles are different than those encountered in undergraduate classes.

Role theory is based on a theatrical production, where everyone must learn to play an assigned role (Solomon, Surprenant, Czepiel, & Gutman, 1985). This new role governs the interactions of the players based on the social cues prevalent in the situation. The Professionalism statement helps to establish the basic roles that are to be played in the classroom setting. Particularly, the idea that all comments and experience may be seen as equally valid under differing circumstances. While many of the students may be new to managerial positions or taking the class in hopes of becoming managers, others may be at mid- to upper-levels of management and may revert to those roles if their viewpoints are challenged (Solomon et al., 1985).

The professionalism statement is intended to be positive in terms of motivating and leading students. The use of positive psychology has been a key area of research not only in the field of psychology but also in the field of organizational behavior. The primary aspect of this positive behavior is to grow and maintain a positive culture and framework for the students that will lead to enhanced learning (Fredrickson & Joiner, 2002; Boyatzis & McKee, 2005).

This area also belongs to what might be called soft or "people" skills and are part of what Goleman calls social intelligence (Goleman, 2006) which deals with interpersonal relationships and emotional competencies that may be a key to both management and leadership.

In learning to deal with new people and ambiguous instructions, students learn to build on their competencies and stretch their knowledge to include new ways of doing things and seeing beyond their own mental boundaries (Boyatzis & Saatcioglu, 2008). As they note, "one of the primary objectives of training and graduate management education is to prepare people to be outstanding managers, leaders and professionals (Boyatzis & Saatcioglu, 2008)."

The other aspect that is part of this statement is that as managers and leaders, there must be a form of control that is exercised in the organization. Henri Fayol, one of the historic figures in the field of management, developed a list of fourteen points (Rodrigues, 2001) that cover what he believed were necessary skills for management. One of these points, included the need for formal and informal authority, another the establishment of clear rules, and a third the need for a single plan and authority. While Fayol's points are still in existence today, they have morphed into a newer format that address the changes that have occurred in both society and in the competence of the employees. This is especially true given the rise of social media such as Twitter, Instagram and other services that allow individuals to push their issues out to others who may be like minded. This change has resulted in decisions being pushed downward in the organization and empowerment of the individual employee or employee groups to create and maintain their own discipline as needed. This is the system that is being created in the MBA program though the first paragraph of the professionalism statement.

Paragraph Two

> *Professionalism is a significant component part in determining your overall grade in every course. The evaluation of professionalism starts with the proposition that if you attend all scheduled sessions, come to class prepared, participate actively and frequently, make meaningful comments that contributes to your classmates' education, interact professionally with faculty and classmates, hand in all required work on time, participate in the teaching evaluation process at the end of the course, and observe class guidelines established by the instructor, your score will be assessed as "average" or at a numerical level of roughly 85% (a "B"). Adjustments either up or down from this starting point are at the discretion of the instructor – to recognize superior effort and performance or to acknowledge deficiencies in your approach to your responsibilities.*

The second paragraph of the statement continues to move through the issue of motivation and control, providing the students with clear information on how they can influence their own grades in terms of professionalism. This statement helps to build peer-driven controls that influence how the teams in the classes work and focuses the students on the pathway that they can follow to build on their own success. This moves the sense of empowerment from the professor to the students and indicates a commitment by the school to the students and vice versa.

It is also clearly laying the ground rules for the pedagogical structure of the class. The class is meant to question and engage in discussions while maintaining the decorum that is to be expected of professionals. Again, the main thrust is that the engagement is to be positive, building on the strengths of the students while allowing the professors to draw students into the discussion in a positive manner while reducing the incidence of negative emotional responses (Boyatzis, 2008 and 2011).

Paragraph Three

> *Given the hours you spend preparing for class discussions, reading articles and text material, analyzing case studies, and working on individual and group projects, as well as the significant financial commitment you (and/or your organization) are making to undertake graduate study, you are responsible for creating and maintaining this professional environment. For these reasons, the following guidelines/expectations are provided:*

This passage once again touches on the control aspect of management along with the motivation aspect of leadership. Each student is responsible to drive the work to completion as either an individual or as part of a team. This appeals to the cognitive ability of the student and indicates that the goals in the class are driven not by the professor, but by the values and philosophy of the student. It also acknowledges that the student needs to spend time and effort on the process of learning not only new knowledge, but how that knowledge might be applied to add value to their organizations. It also encourages the students to acknowledge that there is a need to spend time and effort on learning, but it does so in a positive sense of encouraging the behaviors that are being fostered in the class setting.

Paragraphs Four and Five

> *Your physical presence in the classroom is a prerequisite for active participation. If you come late or are not prepared to begin when class starts this can disrupt the class. Please make every effort to arrange your schedule so that you arrive early enough to take care of any personal or non-class related activities and are ready when class begins.*

This passage points out that the student is responsible for scheduling and planning how to perform the work that is expected. As in most workplaces, managers and employees are frequently pulled in different directions when opportunities or problems crop up at the work place or in their personal lives. The students must learn to expect ambiguity and make use of the formal and informal structures that are in place to communicate within and between various groups.

A major point in the concept of resonant leadership is the need to reduce dissonance and the negative emotional states that often prevail in a dissonant relationship (Boyatzis & McKee, 2005; Boyatzis, 2013). While dissonance may create a window for change, the level of dissonance must be controlled to prevent the development of what is essentially an emotional "death spiral" leading toward negativity. It is important to maintain a positive outlook and positive emotional energy within the classroom to reduce the effect of negative moods.

> *While we expect your attendance at each class session, we understand that it may not always be possible. If you are unable to attend a session you should handle the issue professionally. Contact the instructor ahead of time – as soon as you are aware that you will be unable to attend. Absences that cannot be discussed*

> *beforehand due to emergencies must be cleared up at the earliest possible opportunity. Each instructor sets their own policy on how to address student absences. That policy will be listed in the course syllabus and/or discussed at the first class session.*

This paragraph details expectations of the faculty and is akin to expectations that a manager would have of their employees. In making the statement, faculty are aware that conflicts can and do occur in any class due to illness, work commitments, and other outside commitments that might result in interference in the learning environment. The need to address these in a professional manner is detailed so that students will understand that much as an absence at work can create undue tension and lead to disruption of the workplace, the same occurs in the class. Student groups may need to handle presentations with a member missing and the missing member also will have difficulty in understanding future discussions since they may miss critical data that came out during a discussion.

Paragraph Six and Seven

> *Your mental presence as well as physical presence is necessary for everyone to get the most out of the classroom experience. Our MBA classes are interactive forums. Your activities, both positive and negative, have an effect on the class. Please focus your attention and energies on our class exclusively when the class is in session.*
>
> *Your overall demeanor as you interact with other students, guest speakers, faculty, and staff, whether face-to-face or with e-mail or other technology is also a reflection of your professionalism.*

These two passages represent an additional discussion of the issue addressed in paragraph five concerning missing class. The concern is that the mood of a class is reflected in the students and when students miss classes, even if only infrequently, there will be a deterioration of the class culture and a shift in the mood of the class. This can be more apparent in groups and teams, where the missing individual may be viewed as shirking their commitment to assist in the learning process of their teammates. This deterioration may grow to active dissonance in cases where an individual member is perceived as not "pulling their weight." Once a decline into dissonance begins, it is difficult to move the class back to a positive framework. This may also lead to negative discourse by students in social media concerning other students, the institution, and/or instructors who they may believe to be unwilling or unable to control situations that arise in the classroom.

Paragraph Eight and Nine

> *Observing these guidelines is the minimum expectation of the faculty. While the specific audience for this message constitutes a small percentage of all students, everyone benefits from a clear statement of expectations.*
>
> *Practicing professionalism will make you more productive and will lead to the achievement of your individual and group goals. You will also find that the attitude*

of professionalism you develop here will benefit your larger life at work and your personal life.

The rationale for the above two passages is to both reassure students that there is not a large-scale problem at the heart of the program that necessitates this statement and to provide an additional rationale, one beyond the classroom, for buying-in to the statements and its precepts. It also points to the need for people to adjust their behavior by taking on roles very different than those that they might normally be comfortable with. This same issue was noted in the information systems world as various roles between end users at different levels and providers (Galleta & Heckman Jr., 1990). Here the issue is that there is a need for students to learn the expected role of students and researchers looking into how to best make use of knowledge that they may not have known and how to integrate such knowledge into their own business cultures.

Paragraph Ten

Welcome to the course!

The final paragraph included in the professionalism statement, or more accurately, the last sentiment is one of inclusion. It is an attempt to inject a personal note of invitation and encouragement to what could otherwise be a somewhat dry statement of expectations and rules for the classroom and beyond. While the process of acculturation does require a statement of rules and expectations the lack of a personal touch to the document could actually create a barrier where none is desired.

CONCLUSION

Given the changing environment of the classroom, along with changes in society related to social media and expression in the culture in general, there is a need for continuous change in the MBA curriculum to address the requirements that are essential to complete the coursework in an orderly manner that will satisfy the need of students to learn and apply knowledge.

The use of sociological and psychological theories such as role theory are extremely useful for understanding how individuals interact and how to aid individuals in learning how to interact in an academic setting as opposed to a typical business setting. Particularly, individuals must learn to put aside the diverse backgrounds that they have become used to in their work environments and adapt to an environment that is very different than they may be used to. Role theory offers a rich literature to aid in making such changes by serving to allow the individual actors to assume a new role that addresses this different environment (Solomon et al., 1985; Galleta & Heckman Jr., 1990).

Future iterations of this professionalism statement will likely have to address online, hybrid, and flipped classrooms as they make more significant inroads into the teaching environment. While online and hybrid courses allow more flexibility for students, they are more demanding for the faculty as there is a greater amount of preparation needed to develop and implement a class. Establishing and maintaining a learning culture there will by its very nature be different. In these formats, the faculty must be able to anticipate specific issues and questions that might arise and prepare the materials to address them. Much as we see in making decisions, there are often unintended consequences that arise when an action is taken. This will doubtless occur more frequently if the faculty attempt to anticipate questions or issues that might arise. If we consider the class as a system, we can apply a lesson from the work of Walter A. Shewhart who noted that there is common cause and special cause variation (Levine, Stephan, & Szabat, 2014). Common cause variation is caused by noise in the system and attempting to control this noise without a careful analysis of the system results in the noise increasing. In other words, when you try to control chance occurrences, it creates a chaotic system.

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ENTREPRENEURSHIP EXPERIENTIAL EDUCATION TEACHING CASE: THE $20 BUSINESS EXERCISE

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CASE DESCRIPTION

The subject matter of this case concerns experiential education methods in teaching entrepreneurship. It provides students real world experience in a very brief time in many aspects of the startup process. It is not intended to provide a complete entrepreneurial experience, but rather "throws the learner into the pool" to force them to swim. The exercise has a difficulty level of one (freshman) through six (second year graduate) and is best used with students who are beginning to learn about entrepreneurship. The exercise has been effectively used in classes such as New Product Development, New Venture Creation, and Fundamentals of Entrepreneurship. It is also applicable to high school entrepreneurship camps and/or classes. The exercise occurs over a 4 to 5 week period and the work is generally done outside of class. The amount of time for the students varies greatly depending on the size of the student teams (if there is a team) and the level of commitment on the part of the students.

CASE SYNOPSIS

Scott Berkun, in his book, The Myths Of Innovation, says "However, it's often not until people try their own hands at innovation or entrepreneurship that they see past the romance and recognize the challenges for what they are." This statement represents the heart of the $20 Business Assignment. This case involves throwing the students into the pool of entrepreneurship to in order to bring a bit of reality and hands on experience to entrepreneurship classes. It quickly moves the students to action and accelerates entrepreneurial learning. One of the challenges of teaching entrepreneurship is moving the students from a point of learners and knowers to that of doers. The goals of this exercise are as follows:

- *To highlight the importance of problems and opportunities in entrepreneurship.*
- *To force students to make their ideas tangible.*
- *To market quickly and cheaply.*
- *To use constraints to promote creativity and resourcefulness.*
- *To make the lean startup process real.*
- *To separate ideas about entrepreneurship from the reality of entrepreneurship.*
- *To develop presentation and pitching skills.*
- *For students to gain insights about themselves.*

This is a fun and fast-paced activity that is challenging yet not "life or death" in terms of startup failure. It requires the students to reach within themselves and utilize their resources and resourcefulness. Students become highly engaged in the process and because there is a time limit, the students learn to use the constraints to their advantage. The exercise ends with a pitch of the

$20 Businesses where classmates ask questions and provide feedback. The $20 business activity can also be integrated into other opportunities by preparing students to participate in local 60-second pitch competitions, enter their $20 business ideas into project competitions within schools of business, or modifying the exercise to include use of a makerspace if available.

CASE BODY

In this Experiential Teaching Exercise the student will start a business with only $20 to discover, build, and market an idea in around one month's time. Students are required to identify a problem/opportunity, create a solution, and market and sell the product/service within a four-week timeframe.

Assignment Parameters

Timeframe: 4 weeks

Students will have four weeks to determine a business idea, develop a product/service, and market the product/service in order to make as much revenue as possible.

Team Formation or Individuals

Students may be divided into teams or pursue the exercise on their own.

Capital: $20

Students can invest no more than $20 total to get the idea off the ground. If students work on teams the budget remains $20 total, not $20 per person. Students can reinvest any profits they make back into the company, but the guidelines state that they can invest no more than $20 to start.

Pitch

At the end of the four weeks, students will be assigned a day and time to pitch and discuss the results of their $20 Business Project. Students will be notified of the amount of time and any content requirements necessary for the pitch.

Written Assignment (Optional)

Students will individually write a Startup Whitepaper. It is a formal document, not a printout of the final presentation. The Startup Whitepaper will utilize data that will be in the presentation, but it is written in paragraph and narrative form, not in bullet points. Imagine if one were unable to attend a student's presentation, think about what kind of information would need to be in this document so that others can have a clear understanding of the $20 Business and the student's process and insights. Provide information on the following sections.

- Business idea and why you chose it
- A detail of your product/service
- Customer focus
- Your marketing strategy
- A discussion of the economics of the business with basic financials included
- Your major challenges
- Your 3 biggest insights about entrepreneurship
- Your biggest insight about you

Technical Rules

- Your business cannot involve alcohol
- If you sell food you must abide by local/state Cottage Food/Health Department laws (if applicable)

ADOPTION OF VIRTUAL REALITY IN LEARNING AMONG HBCU STUDENTS

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ABSTRACT

As the benefits of virtual reality are increasingly apparent, its adoption in learning is rapidly increasing. The study investigates HBCU students' intention to adopt virtual reality technology in their learning with the Technology Acceptance Model framework. The results show that entertainment characteristics of virtual reality has the strongest influence on all of the constructs (ease of use, perceived usefulness, and intention) in the research model. However, ease of use and perceived usefulness failed to show significant impact on intention to adopt virtual reality. Virtual reality as a learning tool can appeal to students. But further research need to be conducted to have a better prediction on student intention to use virtual reality for their learning.

INTRODUCTION

The trend of virtual reality (VR) has increased rapidly in the recent years along with the development of technology and easy access to the compatible devices (CubicleNinja, 2019). The number of VR devices are expected to increase 85 percent by 2020, with gaming and educational applications driving most of that growth (Craig and Geogieva, 2017). This trends is also true in education as more companies participate in the VR device market, contents for education applications, and etc. (Craig and Geogieva, 2017). This new and trending technology will surely increases the student's concentration and attention towards education as it did for entertainment. Student would be more likely to learn and know about anything by experiencing with VR (Molfino, 2015). Positive impacts of VR has been demonstrated by many researchers (e.g. Krokos et. al., 2018).

Although, the benefits of VR has been demonstrated in educational settings, it is still considered as an entertainment tool or a training tool in some limited areas, rather than a device that can be adopted in educational environment for improving student learning. It will be interesting to study the perception of HBCU students using VR as a learning tools.

The purpose for this study is to investigate factors that affect students' intention to use VR in the learning. This study views VR as a new technology that is gaining popularity in various areas, especially in education. To be specific, TAM (Technology Acceptance Model) framework was adopted to exam the possible factors that may influence HBCU students' adoption of VR in their learning process.

LITERATURE REVIEW

The use of VR in education can be considered as one of the natural evolutions of computer-assisted instruction or computer-based training (Serafin et al., 2017). Through VR, a learning system can stimulate learner motivation while helping learners visualize and develop abstract concepts (Christopoulos et al, 2017). In addition, VR features can be used to create a situated learning environment whereby the learner will have the perceived usefulness of VR.

According to Richards (2017), physical schools are becoming almost obsolete. It is apparent that compared to other industries the education sector adoption of VR will eliminate the need for physical contact between students and the teachers. The other industries such as media, retail or manufacturing sectors get the VR helping them to improve on controls and production. The use of VR technologies provides a way to build a low-cost alternative learning environment.

The reasons to use VR in education and training relate particularly to its capabilities. VR can promote the best and probably only strategy that allows students to learn from direct experience. A large number of may fail because they do not master the symbol systems of the disciplines they study, although they are perfectly capable of mastering the concepts that lie at the heart of the disciplines. However, VR can provide a route to success for students who might otherwise fail in our education system (Winn, 1993)

One major advantage of using VR to teach objectives is that it is highly motivating. According to the investigation of Mikropoulos et. al., (1998) on attitude of students towards VR in education, they found students had a favorable attitude towards VR in the education process. This has been documented in the reports of several research studies. Students find it exciting and challenging to walk through a three dimensional environment, and create and interact their own (3D) worlds. Similarly, VR motivates students. It requires interaction and encourages active participation. Some types of VR, for example, collaborative VR using text input with virtual worlds, encourage or require collaboration and provide a social atmosphere (Pantelidis, 1995). Similarly, VR can be used to motivate students by making things more interesting and fun Clark (2006). With VR, students can have experience that are previously impossible.

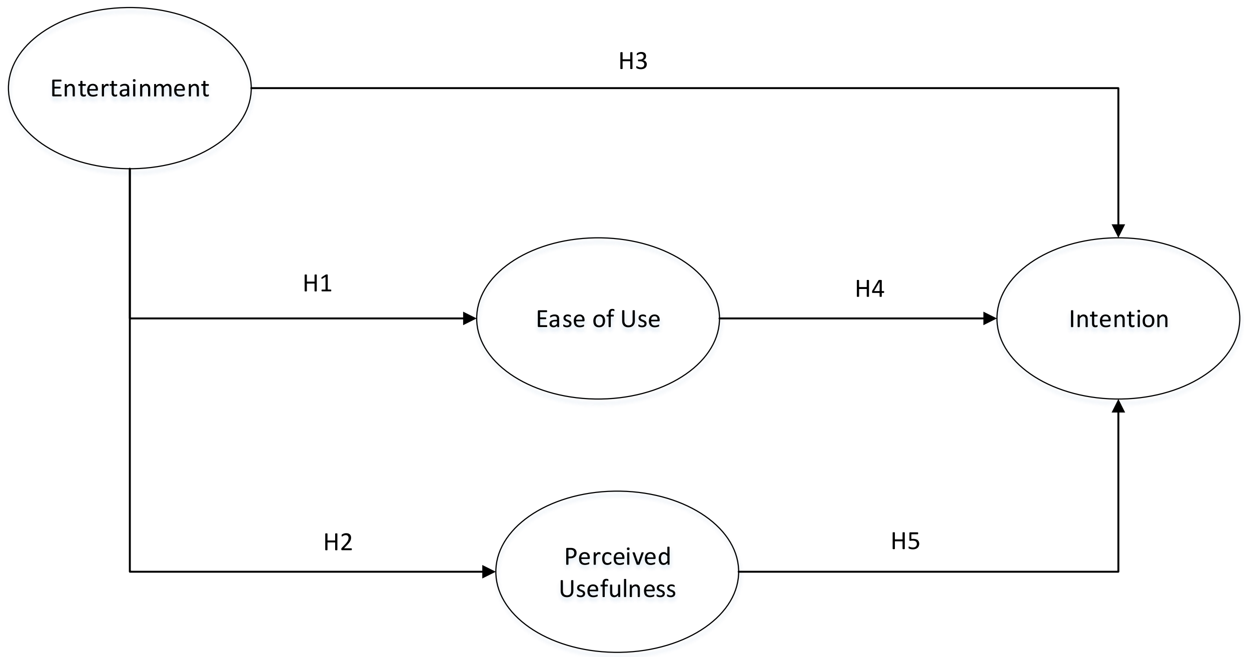
However, the benefits of using VR may be just temporary phenomenon. Where interaction with a computer replaced customary routines such as listening to the teacher and writing notes, the learning process seems more exciting and fun. Nevertheless, student’s novelty faded since such computer-use might itself become routine. Relations with teachers were more relaxed. It is possible that any observed improvements in performance and engagement in students that use VR would be due to the novelty effect, which is the tendency for performance to improve initially when a modern technology is instituted (Molfino, 2015 2017).

A great deal of research has been conducted on the topic of end-user acceptance with the Technology Acceptance Model (TAM) framework (Stylianou and Jackson, 2007; Venkatesh, et.al., 2003). According to Davis (1986, 1889), the TAM model is a structure where attitude, ease of use, and usefulness are the most important factors that influence user behavioral intention, which is a precedent of actual adoption of technology. The TAM model is also left open to additional variables, such as some demographical variables and factors unique to the system in question. This study develop a research model that predicts that entertainment from using VR affect all of ease of use, usefulness and behavioral intention. And ease of use and usefulness independently are predicted to affect behavioral intention.

The TAM model (David, 1989) predicts end-user acceptance of a system based on two factors: perceived usefulness and perceived ease of use. Perceived usefulness was defined as the degree to which a person believes that using a system enhanced his or her job performance. Perceived ease of use was the degree to which a person believed that using a particular system would be free from effort. Users tend to use a system if it is perceived to be useful and easy.

Entertainment in this study, can be defined as entertaining nature of VR that makes students feel fun and engage in learning. Although student’s novelty fade away, studies repeatedly show that VR improve student attitude and engagement in learning. With VR, students can stay away from one directional lecture and experience previously impossible. Figure1 shows the research model based on the factors discussed above.

Figure 1. Research Model



METHODOLOGY

Data was collected from a survey questionnaire that was administered to students enrolled at a HBCU located in a metropolitan area. The student sample comes from random interactions with students in various school facilities on campus and various classes ranging from freshmen classes to graduate classes.

The survey instrument was developed by modifying the survey from Davis' (1989) study that has been widely cited in the technology adoption literature. The instrument consisted of questions regarding demographics of respondents. The survey includes questions to measure the constructs in the research model, which are four items for perceived ease of use, four items for perceive usefulness, four items for entertainment, and two items for intention.

The hypotheses shown in the research model were tested, using the Partial Least Squares (PLS). PLS has been used to assess various types of construct models (Wetzels, et. al., 2009). PLS, as a structural equation modeling technique, consists of two-part testing of a predictive model: measurement model and structural model testing. The measurement model was tested to evaluate the validity of the questionnaire. And the structural model was examined to test the hypothses in the research model (Barclay et al., 1995). In this study, the model assessment was conducted using the PLS software, Smart PLS2.0.

The Measurement Model

According to Fornell and Larcker (1981), the relationship between constructs in a research model and items used to measure them can be specified as either formative or reflective. Formative items are considered causes of the construct. Reflective items are considered effects of the construct. In order to specify the relationship, theoretical knowledge must be applied as much as possible (Lohmoller, 1981). Lohmoller also suggests that exogenous constructs (independent variables) should be modeled with formative items (multiple items form a construct) and endogenous constructs (dependent variables) should be modeled with reflective items (a construct is reflected in multiple items) when theoretical knowledge about the construct does not exist. For the proposed model shown in Figure 1, the items measuring all of exogenous constructs were considered formative, whereas the items measuring all of endogenous constructs were considered reflective (see Table 1 below).

Table 1. Measurement Model

Constructs	Model	Relationship
Entertainment	Exogenous	Formative
Ease of Use	Endogenous	Reflective
Perceived Usefulness	Endogenous	Reflective
Intention	Endogenous	Reflective

The Structural Model

The test of the structural model is to investigate the significance of the hypotheses in the research model. The results show the strengths (coefficients) of relationships specified in the model and the significance level of the relationship between the constructs in the research model. In addition, the test shows R^2 value of the dependent variables, which indicates the amount of variance explained by the model. In other words, the test show the predictive power of the model. The hypotheses were tested by assessing the significance of the relationships between the constructs.

RESULTS

Profiles of the Samples

Table 2 shows some demographic information about the respondents. The sample consisted of 54 percent females and 46 percent males, with average age of 28 years. Computer Information Systems appears to be the biggest major with 41percent, although the majority came from various majors. Approximately 54 percent of the students have used VR for their learning. In addition, the majority of students prefer learning environment where they have access to visual aids or hands on activities.

The following sections describe the evaluations of the proposed constructs and the research model; that is the impact of predictor variables on student’s intention to use VR as a learning tool.

Measurement Model

The measurement model addresses the relationship between the constructs and the items used to measure them. The test of the measurement model consists of the estimation of the convergent and discriminant validity of the measurement instrument.

Table 2. Demographic Variables

	N=138(%)
Gender:	
Male:	63(46)
Female:	75(54)
Average Age:	28
Major:	
Computer Information System:	41(30)
Biology:	20(15)
Business:	19(14)
Social Work:	10(7)
Forensic Science	20(14)
Criminal Justice	10(7)
Educational Studies	11(8)
Math	7(5)
Have you used Virtual Reality?	
Yes	75(54)
No	63(46)
Have you ever used Virtual Reality for your learning?	
Yes	54(39)
No	84(61)
What is your learning style?	
I learn best if I use visual aids	46(33)
I learn best if I listen lectures	27(20)
I learn best if I see people doing tasks	13(9)
I learn best with hands on activities	52(38)

Convergent validity refers to the extent to which alternative measures of the same construct are related to each other. Three tests have been used to estimate convergent validity: (1) composite reliability; (2) factor loadings of the items; and (3) average variance extracted (AVE), which indicates the capacity of the manifested variables (measurement items) to describe the related latent variable (construct). The composite reliability was assessed using the criteria (.70) suggested by Fornell and Larcker (1981). Average variance extracted (AVE) of 0.50 or above has also been used to support the convergent validity of the constructs (Fornell and Larcker, 1981). Factor loadings of at least 0.70 are considered to be acceptable (Barclay et al., 1995). However, it has been suggested that absolute value of factor loadings of .30 are considered to meet the minimal level, loadings of 0.40 are considered more significant, and loadings of 0.50 or greater are considered very significant (Hair et al., 1998).

As shown in Table 3, the composite reliability of all reflective constructs is above 0.80 or very close to 0.80. These values are greater than the cut-off value of 0.70 suggested by Fornell and Larcker (1981). This shows strong internal consistency. Table 3 also describes average variance extracted for the constructs of the model. All of the reflective constructs are over 0.50 for the average variance extracted. In conclusion, the convergence validity appears to be strong.

Table 4 shows that majority of the reflective constructs had loadings of over 0.70 except for two items. In order to achieve discriminant validity, no item should load higher on other constructs than it is on the construct it is intended to measure (Hair, et al., 1998). All items loaded highest on their target construct. Overall, the analysis shows positive results of the reliability and validity of the items to measure the constructs.

Table 3. Average Variance Extracted and Reliability

Constructs	AVE	Composite Reliability
Entertainment		
Ease Of Use	0.56	0.82
Intention To Use	0.65	0.79
Perceived Usefulness	0.82	0.95

Table 4. Discriminant Validity

Items	Entertainment	Ease Of Use	Intention to Use	Perceived Usefulness
ENT1	**0.91**	0.70	0.48	0.70
ENT2	**0.91**	0.71	0.45	0.70
ENT3	**0.92**	0.67	0.41	0.77
ENT4	**0.83**	0.53	0.43	0.73
EOU1	0.10	**0.35**	0.08	0.03
EOU2	0.49	**0.77**	0.29	0.41
EOU3	0.67	**0.88**	0.39	0.57
EOU4	0.70	**0.87**	0.40	0.52
IU1	0.30	0.21	**0.70**	0.23
IU2	0.47	0.44	**0.91**	0.35
PU1	0.75	0.55	0.32	**0.90**
PU2	0.74	0.54	0.34	**0.93**
PU3	0.74	0.48	0.35	**0.90**
PU4	0.69	0.57	0.34	**0.88**

Structural Model

Figure 2 shows the significance and the strength of the relationships between the constructs. It also shows R^2 which indicates the predictive power of the model. Entertainment shows significant impact on both Ease of Use and Perceived Usefulness, with path coefficients of 0.73 and 0.81 respectively (H1 and H2). Also, Entertainment is the only significant predictor of

Student Intention to use VR for their learning, with path coefficients of 0.45(H3). However, Ease of Use and Perceived Usefulness, which have been most important predictor of intention, failed to show significant impact on Student Intention, with path coefficients of 0.15 and -0.08 respectively (H4 and H5). Regarding the explanatory power of the research model, Ease of Use, Perceived Usefulness, and Student Intention shows R^2 of 0.54, 0.65, and 0.26 respectively. Table 5 shows a summary of the hypotheses testing along with the t-statistics.

Figure 2: Path Coefficients and R^2

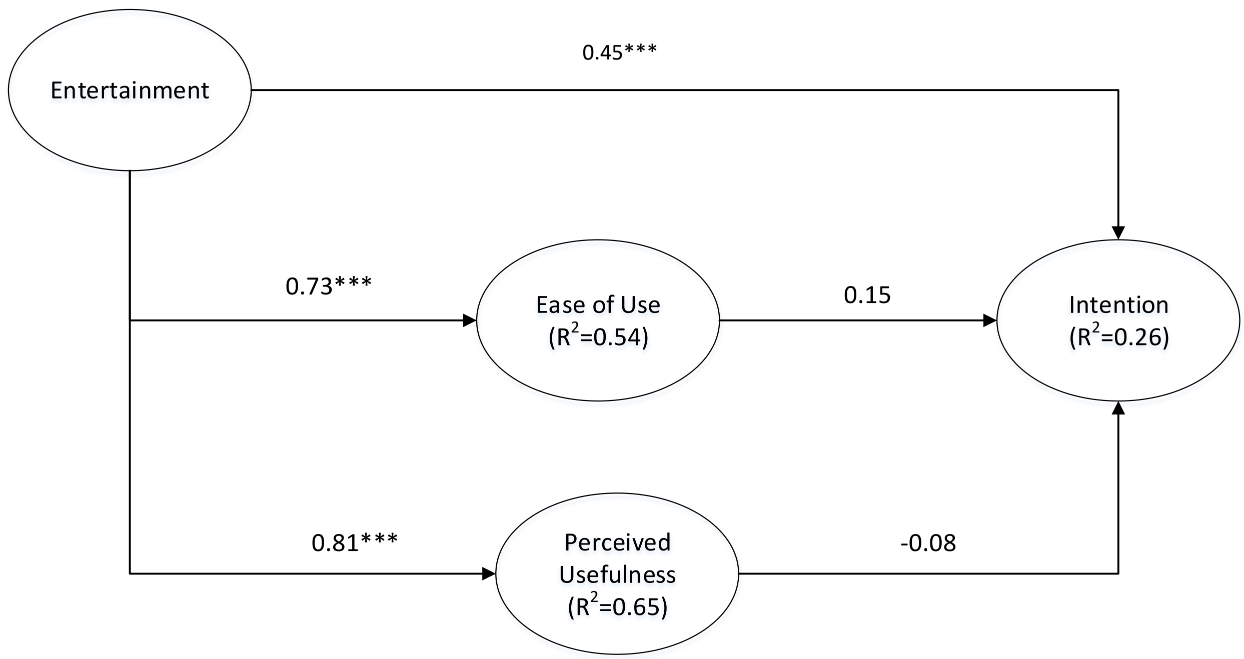


Table 5. Hypotheses Test Results		
Hypotheses	t-statistics	Results
H1: Entertainment aspect of virtual reality will influence students' perception of ease of use.	19.05	**Supported**
H2: Entertainment aspect of virtual reality will influence students' perceived usefulness.	6.21	**Supported**
H3: Entertainment aspect of virtual reality will influence students' intention to use virtual reality.	14.94	**Supported**
H4: Students' perception of ease of use will influence student intention to use virtual reality.	1.02	Not Supported
H5: Students' perception of usefulness will influence student intention to use virtual reality.	0.49	Not Supported

CONCLUSION

This study investigated HBCU students' adoption of VR for their learning, based on the Technology Adoption Model. The findings showed that entertaining nature of VR is a significant predictor for all variables (ease of use, usefulness, and intention to adopt VR) included in the research model. Surprisingly both ease of use and usefulness, which are historically the most significant factors, failed to be significant predictors for the intention. This may be because surveyed students do not consider VR as a learning tool. Nevertheless, the raw data revealed that students are willing to use VR for their education.

It should be noted that the student demographic data matches statistics reported by the Board of Regent which oversees the school where student sample is from. These students are mature non-traditional students who work before and after school. Anecdotal evidence shows that they are very disciplined and successful in traditional classroom settings, although the results show they prefer classes with hand-on activities and visual aids. Maybe they don't care much about entertaining nature of VR when it comes to their education.

Another major issue in the study is the research model that might be over simplified and omit other important factors such as culture, that are demonstrated as important factors in recent the TAM model related studies. Although application of VR is rapidly expanding in various areas, especially education and training, many schools are adopting VR in some limited classes only. Additional studies can extend this research by examining compatibility between VR and course contents. Finally, it may be useful to wait until students gain some experience with VR in classroom environment and instructors accept this new technology as a new course delivery method.

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INTRODUCING ADVANCED EXPLORATORY DATA ANALYSIS TOOLS IN AN MBA PROGRAM

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ABSTRACT

This paper proposes an approach which business analytics instructors can utilize in order to incorporate advanced exploratory data analysis (EDA) tools into an MBA analytics course. With the recent rise of analytics in business and industry, a new set of advanced analytics tools have proved significantly more effective than simple statistical techniques traditionally used in practice. We address the challenge for academia to augment the students' data analysis skills and to equip them with the analytics tools that prepare them for their future careers.

We, specifically, demonstrate applications of partitioning analysis and association rules mining techniques. Partitioning enables students to incorporate multiple variables into the analysis and obtain results that are easy to interpret. Association rules mining helps enhance the EDA and obtain deeper insights into the relationships among several categorical variables using fundamental concepts of probability theory. We motivate the students' learning by analyzing a practical and relatable dataset which pertains to the railroad safety.

We believe this approach will help promote the pedagogy of business analytics and data science in academic institutions.

***Key words**: Exploratory Data Analysis; Association Rules Mining; Partitioning Analysis; Railroad Safety*

INTRODUCTION

In this age of rapid technological advancements, organizations have become able to collect increasing amounts of data. They eagerly are looking for ways to capitalize on their databases to promote data-driven decision making and enhance their business. It is not surprising that demand for skillful data analysts, who are well trained in utilizing advanced analytics tools, is rising.

The analytics and data science academics have already realized the call for integrating quantitative analysis into their courses (McClure and Sircar, 2008). To practitioners, using data to support and improve the decisions is not new. Traditionally, practitioners have successfully used a number of elementary statistical tools. For example, histogram, control chart, Pareto chart, scatter plot, multi-vari charts and star plot, among others, have been used to seek the root causes of operational problems. However, in recent years the effectiveness of simple tools has been increasingly challenged by growing volumes of operational data containing numerous variables. With the recent rise of analytics in business and industry, a new set of advanced tools for data analysis have proved effective and become readily accessible to practitioners. The challenge, therefore, for data analytics instructors is to not only help students learn fundamentals of statistics and data analysis, but also to enable them to utilize advanced analytics tools (Aasheim et al, 2015; Chaojiang et al, 2015).

The need for introducing data analysis courses in the MBA programs, in particular, has been well recognized. Warner (2013) suggests further that the topics may be covered in one course or spread through several courses within the program. Soule et. al (2018), for example, describe how they created a data analytics course at Nicholls State University in Louisiana. We have taken a similar approach in developing business analytics courses in the Business Analytics concentration of our MBA program. In this paper, we demonstrate how we have utilized a real-world dataset to incorporate advanced exploratory data analysis (EDA) tools into an MBA statistics/analytics course.

The urgent need to revise the first course in statistics has been a long-standing debate within the statistics and quantitative education community. The traditional approach favors mathematical foundations of statistical inferencing and confirmatory analysis (p-values, significance testing, and cookbook formulas for analysis) as opposed to skillful analysis of real life datasets through graphical data visualization.

Horton (2015) advocates revising the first course in order to (1) broaden the role of multivariate thinking and the basics of confounding, (2) develop data-related skills early, and (3) expand the role of simulation and computation. Hartenian and Horton (2015) describe a case study to illustrate how to incorporate these ideas into an introductory level course. They use the Rail Trail and Property Values dataset which includes information on a set of n = 104 homes which were sold in Northampton, Massachusetts in 2007. The dataset contains house information (square footage, acreage, number of bedrooms, etc.), price estimates (from zillow.com) at four time points, location, distance from a rail trail in the community, biking score, and walking score. The dataset is amenable to use with EDA in courses with a focus on visualization, multivariate analysis and sophisticated graphics.

In this paper, using a real-world data set with similar features to those of the dataset used by Hartenian and Horton (2015), we show how graphical data analysis, recursive partitioning and association rules mining can help explore and understand a set of complex data, and shed light on the main drivers of a defective outcome. Specifically, we illustrate the use of partitioning analysis to explore the cost drivers of railroad accidents in the U.S. Partitioning enables us to incorporate multiple variables into our analysis, and obtain results that are easy to interpret by students. Furthermore, we show how association rules mining can be utilized as an efficient tool for discovering and analyzing relationships among numerous categorical variables using fundamental concepts of probability theory. The association rules analysis allows us to augment our EDA and obtain deeper insights into the railroad incidents.

It is worth mentioning that incorporating partitioning analysis and association rules mining into an MBA statistics/analytics course provides a great opportunity for us to enhance students' knowledge of advanced analytics software packages as well. We, specifically, have used R and JMP for the association rules mining and partitioning analysis, respectively. R can be downloaded for free at https://cran.r-project.org/ and it is one of the most-widely used statistics and analytics software packages. Using R effectively, however, requires competency in its scripting language. JMP is a commercial software package by SAS Institute (https://www.jmp.com/). It offers powerful functionality from data visualization through high-end predictive modeling. In general, students are able to gain faster competency with JMP owing to its user-friendly features. Using both R and JMP provides a nice balance between software packages' availability and ease-of-use, which have extensively been discussed in the literature (Liu, 2016; Warner, 2013; Meyer, 2016). We note, however, that both association rules mining and partitioning analysis can be conducted in either R or JMP effectively. Both features are available in other software packages as well (e.g., SAS, SPSS, and Python).

In what follows, we first discuss the dataset we have used and the goals of the analysis. Next, we demonstrate some graphical data analysis. Then, we present the partitioning and association rules analysis in details. Finally, we conclude by summarizing the value each of these advanced tools can add to any MBA curriculum.

DESCRIPTION OF THE DATA

In competitive business environments, companies strive to find ways to differentiate from competitors. This is true for railroad companies as they face stiff competition from within the railroad industry and other transportation industries such as trucking, air, and marine. Safety is one of the key performance indicators of a railroad company, and receives a great deal of attention from the public and the shareholders as well (Basch, 2018). In our EDA, we examine the recent railroad incidents in the U.S.

We obtained our dataset from the Federal Railroad Association (FRA) website (https://www.fra.dot.gov/Page/P0037). The dataset –which we occasionally refer to as “railroad incidents dataset” hereafter—is developed based on the safety reports that every railroad company has to submit to the FRA through the 6180.54 form on a regular basis. The 6180.54 form includes more than thirty variables of study ranging from incident number, company name, type of accident, and type of rail to weather condition and visibility at the time of incident (accident). The variables which we refer to in our analysis are described in Table 1.

It is worth noting that railroad incidents dataset offers features of typical datasets encountered in business applications: It contains more than a dozen variables with mixed types, i.e., qualitative and quantitative, and provides a good opportunity for students to apply their analytics skills to practical business situations. Moreover, the context of the application is readily relatable by students irrespective of their past training and experience. The learnings from this example can be generalized to other situations as well.

Table 1
Main variables of interest in the railroad incidents dataset

Variable	Description
TypeOfAccident	Has 13 options including derailment, head-on collision, read-end collision, side collision, highway-rail crossing, obstruction, explosion, and others
TypeOfEquip	Has 14 options including freight train, passenger train pulling, single car, yard/switching, and others
TypeOfTrack	Either main, yard or siding
TrackClass	Dictates the maximum speed allowed
HIGHSPD	The maximum speed allowed by the Federal Track Safety Standards for freight trains on the track where the accident occurred (this speed depends on the track class as described in Table 2)
ACCDMG	The total reportable damage in dollars on all reports submitted for the accident/incident
ACCAUSE	One of the 390 causes that can be used to characterize the main cause of the accident/incident
CauseCode	Either E (electrical), M (miscellaneous), T (track), S (signal), or H (human)
AMPM	Time of the accident/incident: either AM or PM
Visibility	Either Dawn, Day, Dusk, or Dark
Weather	Either Clear, Cloudy, Rain, Fog, Sleet, or Snow
Temp	Temperature in Fahrenheit at the accident site at the time of accident
Season	Spring, Summer, Fall, or Winter
TOTINJ	Total number of people injured in the accident
TOTKLD	Total number of people killed in the accident
SourceName	The railroad company which were involved in the accident and reported it

Table 2
Maximum speed allowed for freight trains based on the track class

Track Class	x	1	2	3	4	5	6	7	8	9
Max Speed	10	10	25	40	60	80	110	125	160	200

Having carried out a significant amount of data pre-processing and cleaning, we prepared a dataset containing 12,847 records (rows) where each record (row) of data represents an incident occurred in the 2008-2017 period. We focused on the incidents which have occurred on commercial tracks (i.e., main, yard, siding) and where the Class 1 railroad companies were involved. We focused on these companies because over 90% of the freight revenue is generated by few Class 1 companies which include: BNSF Railway Company (BNSF), Canadian Pacific Railway Company (CP), CSX Transportation (CSX), Kansas City Southern Railway Company (KCS), Norfolk Southern Railway Company (NS), Union Pacific Railroad Company (UP). A Class 1 railroad is defined as of 2016 as “having operating revenues of, or, exceeding $453 million annually” (american-rails.com).

GOAL OF THE ANALYSIS

In this section, we provide a brief overview of what EDA is and how incorporating partitioning and association rules mining can create a synergy between multiple topics in an MBA program.

Exploratory Data Analysis (EDA) is a data analysis approach which uses a variety of techniques, mostly graphical, to:

- Gain insight into the dataset,
- Uncover underlying structures (e.g., association between variables),
- Identify important variables,
- Detect outliers and anomalies,
- Test potential underlying assumptions.

By its very nature, the main objective of EDA is to openly explore the data in order to gain new and often unexpected insights into the underlying operations. This is why EDA has traditionally been taught using popular graphing techniques like bar charts, boxplots, histograms, scatterplots, pivot tables and basic trend analysis. We suggest that adding advanced yet easy-to-use tools such as partitioning and association rules mining to the list of EDA techniques taught in an MBA course will significantly promote the students' EDA skills.

Relevance to practice has proved effective in facilitating the learning process and motivating the students. To this end, we believe using data similar to the railroad incidents dataset is highly beneficial in teaching the analytics methods like EDA while reinforcing the concepts such as business performance measure. For example, considering the railroad incidents dataset, an MBA instructor can motivate the analysis by discussing the fact that safety is a crucial performance metric in the railroad industry, and thus, examining the railroad incidents can provide some important insights into the industry's (or a particular company's) performance. This helps students develop an applied understanding of the links between business concepts and methods of analysis.

The next three sections of the paper are organized as follows: First, we present some graphical data analysis using conventional EDA tools. In the two sections following graphical analysis, we describe our partitioning and association rules analysis, respectively, and discuss how they can be useful for the analytics pedagogy.

GRAPHICAL DATA ANALYSIS

Graphical presentation of the data helps students (and professionals) develop an initial understanding of the underlying activities visually. Figure 1 displays the number of railroad accidents and the resulting damage (in millions of dollars) by month for the period 2009 through 2017.

Even though both variables exhibit considerable variation, they generally remain stable over the observation period without an apparent trend or a shift. The monthly number of accidents (total damage by month) typically varies between 90 ($7 million) and 150 ($40 million) with an average of 120 ($20 million).

As mentioned before, the dataset contains information on 12,847 incidents. Figure 2 displays the distribution of damages at the accident level. Individual accident damages typically range from about $1,000 to amounts well in excess of $10 million.

Considering accidents as safety failures, in order to improve safety as one of the most important performance measures, business executives would naturally wish to investigate the factors involved in the costly damages.

In order to identify the main drivers of the damage associated with railroad accidents, we consider a set of potential factors (or explanatory variables) displayed by Table 3 (see Table 2 for the explanations of these variables.)

In EDA, a great deal of insight can be obtained through appropriately constructed data graphs and their interpretation. Figure 3 displays the graphs constructed to examine the associations between a subset of the variables in Table 3 and accident damages.

Figure 1
Number of railroad accidents and total damage by month (2009-2017)

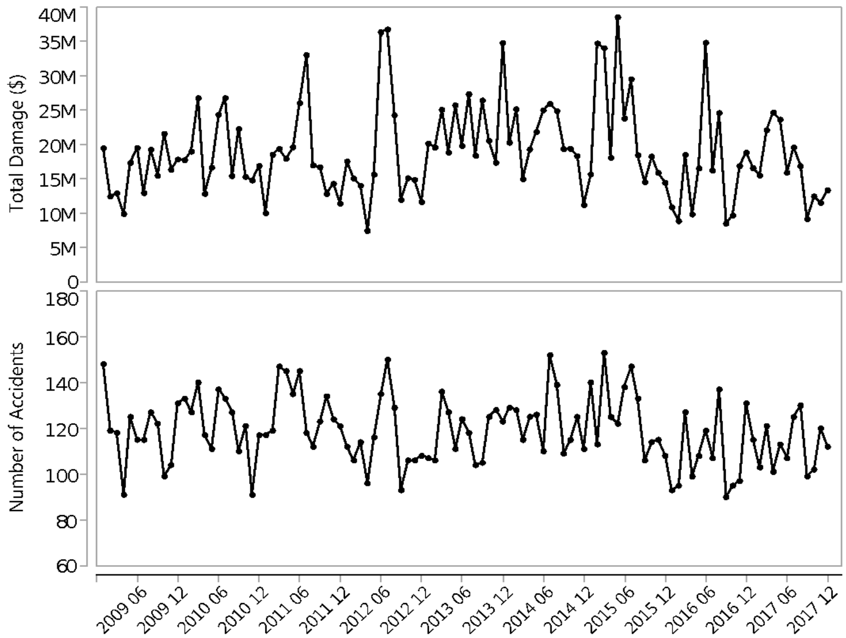


Figure 2
Distribution of individual accident damages ($1000)

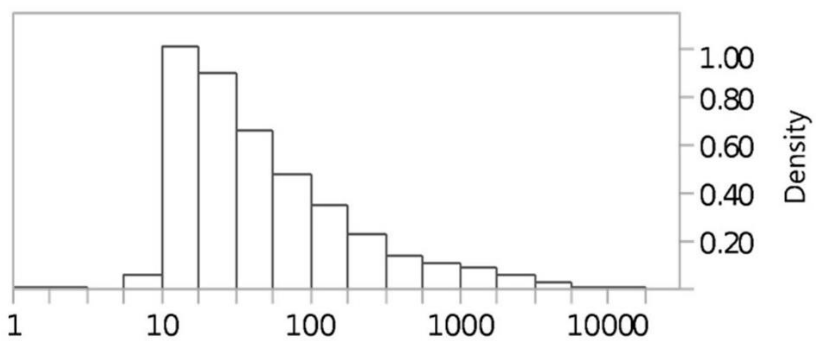


Table 3
Potential factors that affect cost of damage

CauseCode	AMPM
TrackClass	HIGHSPD
TypeOfAccident	Temp
TypeOfEquip	Season
TypeOfTrack	TOTINJ
Visibility	TOTKLD
Weather	

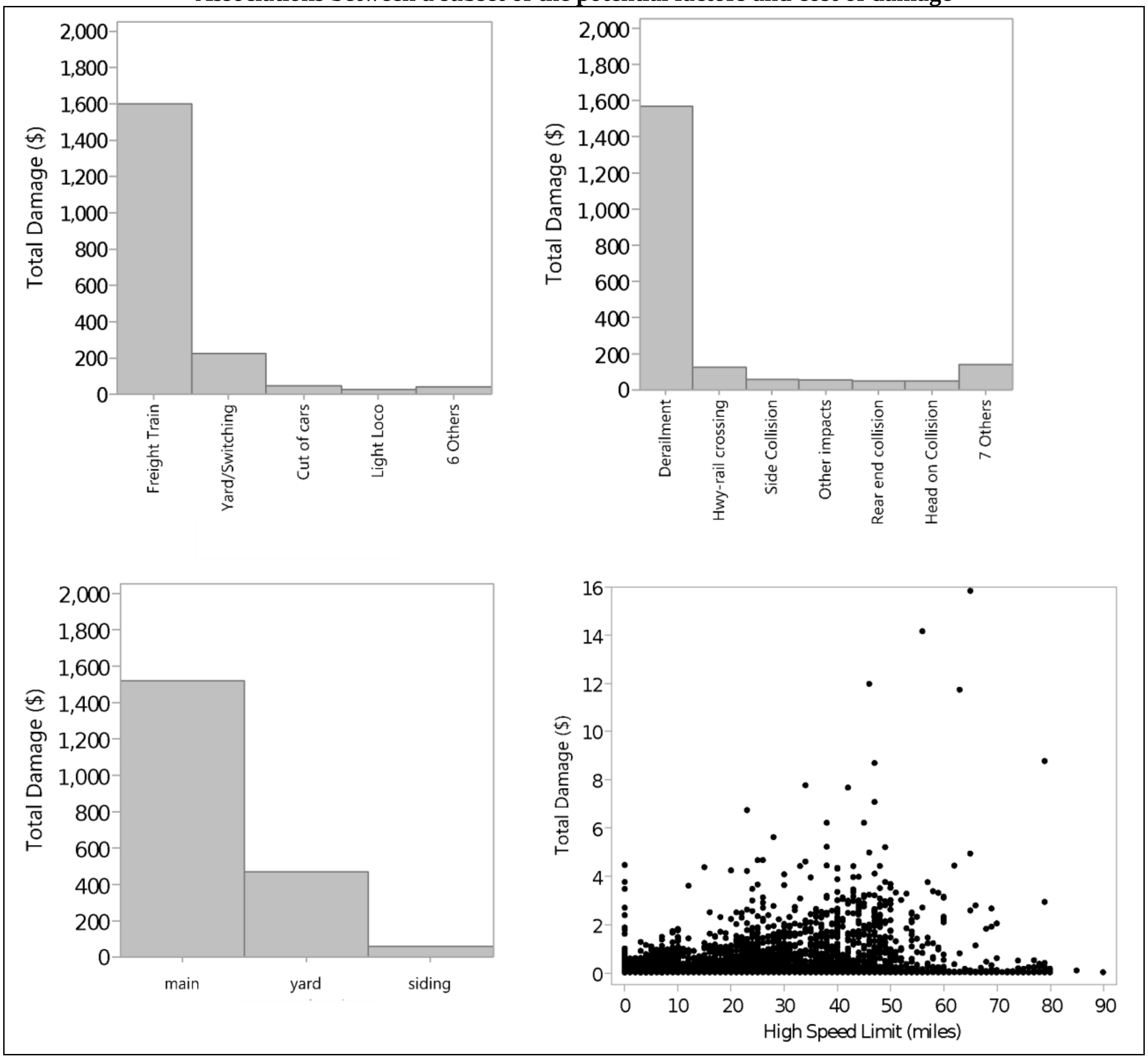
The graphs in Figure 3 show that a major portion of damages could be attributed to accidents that involve

- freight trains (82% of all damages),

- derailments (76%), and
- main track (74%).

The scatter plot between speed and damage shows that the propensity for high damage tend to increase at high speeds. The scatter plot also shows a curious grouping of relatively high cost accidents at near zero speeds, which we discuss in the next section on partitioning analysis.

Figure 3
Associations between a subset of the potential factors and cost of damage



Even though these observations provide useful initial insights, they are far from being definitive. They offer fragmented insights into the relationship of each variable with total damage one variable at a time. Further exploration of the data is called for in order to attain a more coherent and holistic understanding of the variable associations. Among other things, one of the important paths to analyze the data is to consider multiple explanatory variables simultaneously. For example, it would be of interest to explore the association between speed and damage by accident type and equipment type. However, as the number of variables under consideration increases, such analyses could become highly painstaking. We offer partitioning analysis as a useful tool to gain early insights

EDA USING PARTITIONING ANALYSIS

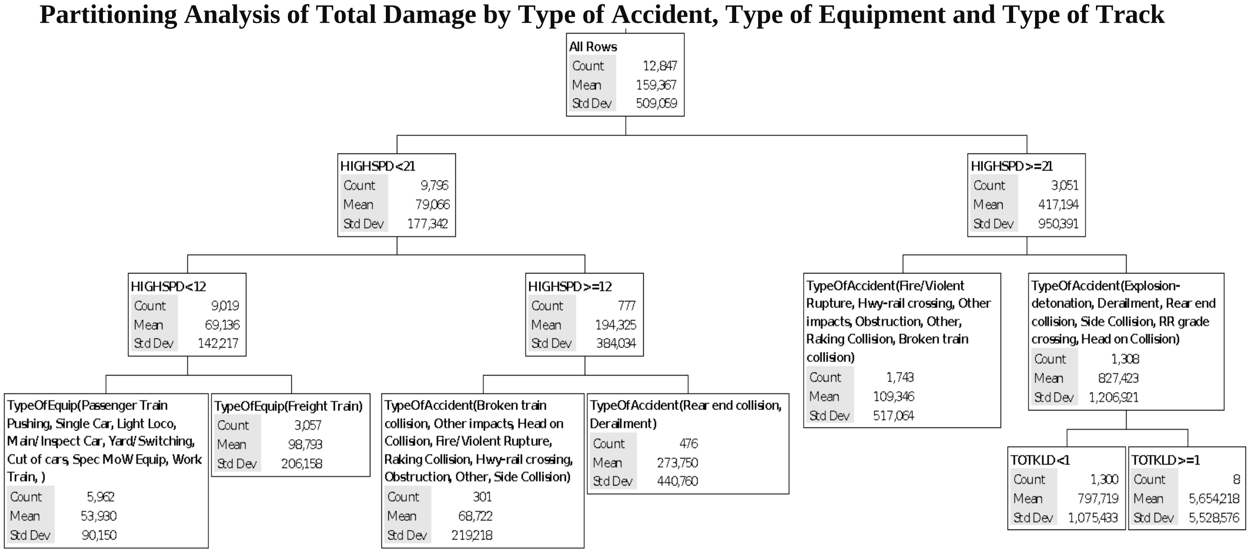
Partitioning analysis is a popular advanced method for data mining and exploring unfamiliar datasets. It is increasingly becoming available in statistical software packages, which provides a great opportunity to teach students this technique using an applied approach. MBA students, in particular, with a solid understanding of the underlying business concepts, can conduct this analysis efficiently, and interpret the results fairly easily.

For the analysis described here, we used the JMP software. The R package rpart can be used to conduct a similar analysis.

A recursive partitioning analysis was performed on the data. In this analysis, the variables displayed in Table 3 were used as independent variables and the total damage was the dependent variable. The results are shown in Figure 4.

Partitioning analysis systematically examines each of the independent variables to identify the variables and the associated cut-off value that splits the data set into the two most dissimilar partitions with regard to the total damage. The process gets repeated on each partition (see, for example, James et al. 2017).

Figure 4
Partitioning Analysis of Total Damage by Type of Accident, Type of Equipment and Type of Track



The top box in Figure 4 provides the summary statistics for the entire sample (n=12,847 accidents with an average damage of $159,367). We consider the accident damage (cost in dollar amount) as our response variable. Partitioning analysis hierarchically divides the observations into two non-overlapping groups (nodes or partitions) based on a rule defined by a predictor variable identified by the method. The predictor variable picked to split the observations is the one that maximizes the difference between the average values of the response variable (here, damage) of the observations assigned to the two nodes. Continuous predictors (e.g., speed) are split according to a threshold (or cut) value. Qualitative predictors (e.g. accident type) are split based on their levels. In general terms, the partition tree displayed in Figure 4 is referred to as a regression tree since the response variable of this application is continuous. Partitioning analysis can also be used with a categorical response variable which results in a classification tree.

The partition tree is fairly self-explanatory:

- The top variable identified by partitioning is the speed limit. Specifically, the average damage of accidents that occurred on tracks with speed limits less than 21 miles was $79,066 (n=9,796). For speeds exceeding 21 miles, the average cost was $417,194 (n=3,051).
- At speed limits less than 12 miles, the most important factor with regard to accident damage is the type of equipment. The more costly accidents on low speed tracks involved freight trains with an average damage of $98,793 vs. the average damage of $53,930 of accidents involving other types of equipment.
- At medium speed limit (12 to 21 miles) tracks, the type of accident was the key factor. In this case, the higher cost accidents involved derailments and rear-end collisions. The average damage of such accidents was $273,750 vs. $68,722 of other types of accidents.
- Likewise, for accidents that occurred on high speed tracks, accidents involving explosions, collisions and grade crossings incurred higher damages (average damage of $827,423 vs $109,346 of other types of accidents.)
- On average, the highest damages are associated with accidents on high speed tracks that resulted in fatalities (average damage $5,654,218 vs. $797,719 for accidents with no fatality.)

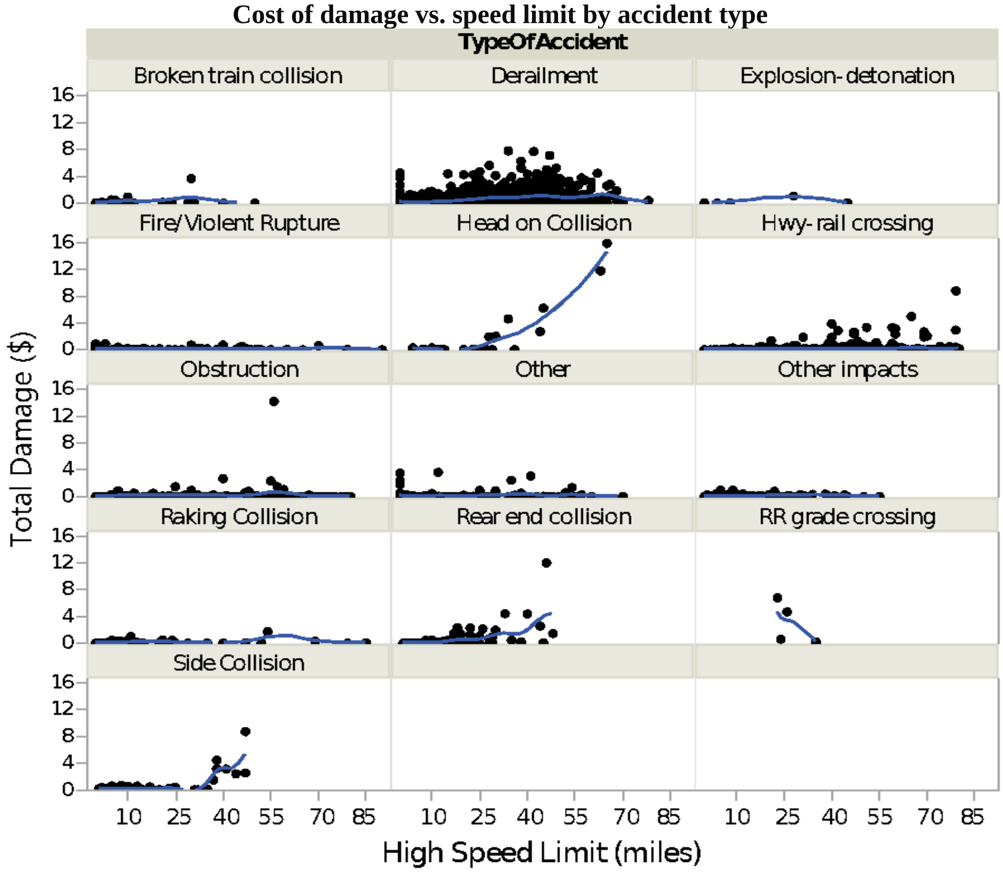
As the example shows, the partitioning analysis is easy to interpret. It provides an insightful description of the way in which multiple variables jointly act on the response variable (damage). For example, the association between accident type and damage depends on the speed limit. At speed limits lower than 12 miles, type of accident does not appear to have a marked effect on damage. Damage depends on type of accident at speed limits exceeding 12 miles per hour. Partitioning often leads to further follow up with graphical analysis. For example, consider the association between speed and damage. Our earlier examination of Figure 3 did not lead to a straightforward interpretation. Partitioning suggests that the effect of speed depends on the type of the accident, as depicted by Figure 5.

The results in Figure 5 lend themselves to an easier interpretation than Figure 3. It is now evident that the nature of the association between speed and damage depends on the type of accident. For most accident types, there is no discernible association of speed with cost of damage. The most notable effect is with head-on collision in which case the cost of damage increases proportional to speed; an association which also makes sense on intuitive grounds. This perspective on the data also shows that the high-cost accidents at near-zero speeds resulted from derailments.

It is worth noting that it often is desired to further explore the insights resulted from partitioning analysis. Regarding the analysis conducted on the railroad incidents data, we note that HIGHSPD, TypeOfAccident, TypeOfTrack, and TypfOfEquipment are picked as main factors driving the cost of damages (Figure 4). It may be beneficial to examine the association between these variables and other variables of study in the dataset to gain further insights. For example, one may seek to examine whether there is any strong relationship between type of accident with other factors such as type of track, weather, and visibility or whether there are certain causes responsible for particular types of accidents. This may help executives make more informed decisions as they try to prevent or reduce the likelihood of accidents.

In the next section, we describe how association rules mining can help discover the relationships among several qualitative variables.

Figure 5
Cost of damage vs. speed limit by accident type



EDA USING ASSOCIATION RULES MINING

In this section, we present our analysis of associations among a number of important variables in the railroad incidents dataset. Note that our dataset contains a large number of categorical variables, which hampers use of some common methods developed to explore relationships among numeric variables such as pairwise correlation analysis. Association rules mining, however, enables us to analyze the associations among qualitative variables. In our analysis of the accidents data, it also helps provide further insights into the partitioning analysis.

Association rules are probabilistic if-then statements intended to uncover the associations among seemingly independent variables within large transactional datasets (Camm et al. 2017). That is, association rules indicate if a certain transaction item occurs, then how probable it is for another item to occur as well.

In the marketing discipline, this method is known as market basket analysis by which marketers examine the customer purchase transactions and study the likelihood of particular products being purchased together. For example, consider this rule: If a customer buys orange juice, then there is an 80% probability that he buys ice cream. The “if” part is called “antecedent”, and the "then" part is called the "consequent" of the rule. The 80% conditional probability is called "confidence" in association rules mining. Clearly, the association rules that apply to more frequent transactions have a larger scope of impact. The frequency of transactions is known as "support." For example, a support of 20% for the above-mentioned rule indicates that in 20% of purchase transactions orange juice and ice cream are bought together. In other words, the joint probability of a customer buying orange juice and ice cream is 20%. Now suppose the frequency of orange juice and ice cream purchases are 25% and 40%, respectively. If the two items were assumed independent, one would expect that only 40% of the customers who bought orange juice would buy ice cream as well, (or alternatively said, they would be purchased together only 10% of the time). But, according to the association rule between orange juice and ice cream, the probability is 80%, rather than 40%. Therefore, the analysis of association rules has doubled the confidence in this case. This added value, i.e., 80%/40% = 2, is called "lift ratio." Clearly, higher lift ratios indicate stronger associations.

Although extensively used in marketing, association rules mining has applications in several other disciplines. For example, it can help medical researchers identify how likely it is for an illness to occur if certain symptoms are observed.

In order to shed light on the relationships among important categorical variables within the railroad incidents dataset we utilized association rules mining considering each accident as a transaction, similar to purchase transactions in market basket analysis. The categorical variables that we included in the analysis were: SourceName, TypeOfAccident, TypeOfTrack, Visibility, Weather, TypeOfEquipment, TrackClass, and ACCAUSE. Note that this set of variables include four main predictors in the partitioning analysis, i.e., TypeOfAccident, TypeOfTrack, TypeOf Equipment, and HIGHSPD (there is a direct relationship between TrackClass and the highest speed allowed on a track, as described in Table 1).

We used R package arules to conduct the association rules analysis. Table 4 demonstrates the top 20 rules that resulted from the analysis.

It is worth noting that the number of possible associations among the categorical variables included in the analysis can be so high that it becomes almost impossible for anyone to evaluate the associations manually. However, the Association Rules mining tools enable us to overcome this computational hurdle and conduct the analysis efficiently.

Consider rule 7 in Table 4. It implies that if an incident occurs on a class-4 track, it is 98.3% likely that the type of track is main track. This confidence is boosted by the lift ratio of 2.63. It, therefore, implies that the probability of an incident occurring on a main track is 98.3% / 2.63 = 37.37%. But, if we know that it has happened on a Class-4 track, then we are 98.3% confident that it has taken place on a main track. The support of 0.14 indicates that this rule can be applied to 14% of transactions, i.e., the portion of transactions on which the incident has occurred on a track which is both a Class-4 and a main track.

Not all association rules provide new insights. Marketing professionals know this well. For example, suppose this rule has resulted from a market basket analysis: If a customer buys salsa, there is a 90% chance that he buys chips. This rule is fairly obvious and unable to provide novel information. However, it suggests that the analysis has been conducted properly.

Rule 20 in Table 4, for example, seems like an obvious association: If the equipment involved in the incident is yard/switching, then the incident must happen in the yard. However, even this obvious rule may be useful. A natural question regarding Rule 20 may be why the confidence is 96.4%, rather than 100% then? A follow-up examination shows that the reason is the missing data points on the type of track in the dataset. Specifically, for a few incidents where type of equipment is yard/switching, the type of track, which must be yard, is not recorded. This can eventually result in a root-cause analysis of missing data and potentially improving the data entry/gathering process.

Table 4
Association rules for the railroad incidents data

	Antecedent		Consequent	Support	Confidence	Lift
1	{TypeOfAccident=Hwy-rail crossing}	=>	{CauseCode=M}	0.10	0.999	4.00
2	{TypeOfAccident=Hwy-rail crossing,TypeofTrack=main}	=>	{CauseCode=M}	0.10	0.998	4.00
3	{TypeOfAccident=Hwy-rail crossing}	=>	{TypeofTrack=main}	0.10	0.985	2.64
4	{TypeOfAccident=Hwy-rail crossing,CauseCode=M}	=>	{TypeofTrack=main}	0.10	0.985	2.64
5	{Weather=clear,TrackClass=4}	=>	{TypeofTrack=main}	0.12	0.985	2.64
6	{TypeOfEquip=Freight Train,TrackClass=4}	=>	{TypeofTrack=main}	0.14	0.984	2.63
7	{TrackClass=4}	=>	{TypeofTrack=main}	0.18	0.983	2.63
8	{TypeOfEquip=Freight Train,CauseCode=M}	=>	{TypeofTrack=main}	0.11	0.878	2.35
9	{TypeOfAccident=Derailment, TypeofTrack=main}	=>	{TypeOfEquip=Freight Train}	0.16	0.869	1.83
10	{Visibility=dark,TypeofTrack= main}	=>	{TypeOfEquip=Freight Train}	0.10	0.837	1.76
11	{Source.Name=UP,TypeofTrack= main}	=>	{TypeOfEquip=Freight Train}	0.11	0.817	1.72
12	{TrackClass=4,TypeofTrack=main}	=>	{TypeOfEquip=Freight Train}	0.14	0.782	1.65
13	{TrackClass=4}	=>	{TypeOfEquip=Freight Train}	0.14	0.782	1.65
14	{TypeOfEquip=Yard/Switching, TrackClass=1}	=>	{TypeofTrack=yard}	0.28	0.982	1.64
15	{Source.Name=CSX,TypeofTrack= yard}	=>	{TrackClass=1}	0.10	0.964	1.64
16	{TypeofTrack=main}	=>	{TypeOfEquip=Freight Train}	0.29	0.775	1.63
17	{Source.Name=UP,TypeOfEquip= Yard/ Switching}	=>	{TypeofTrack=yard}	0.11	0.971	1.63
18	{Visibility=dark,TypeOfEquip= Yard/ Switching}	=>	{TypeofTrack=yard}	0.13	0.968	1.62
19	{Weather=clear,TypeOfEquip= Yard/ Switching}	=>	{TypeofTrack=yard}	0.20	0.965	1.62
20	{TypeOfEquip=Yard/Switching}	=>	{TypeofTrack=yard}	0.30	0.964	1.61

Although, association rules mining may result in several obvious associations, the goal is to find a few rules that can provide beneficial insights. We found rule 1, for example, interesting and insightful. It suggests that if the type of accident is rail-highway crossing, it is almost certain that the cause code is M. An interesting note is that the M code refers to "miscellaneous." This rule by itself does not shed much light on the rail-highway crossing accidents. Nevertheless, if examined in more depth, it leads to an insightful result. Given the high lift ratio and confidence, further investigation of the rule seemed to be worth pursuing. We conducted a focused analysis on the incidents with miscellaneous causes and found out that, in fact, in most highway-rail crossings the car driver was at fault. This suggests that defining a separate cause code for car driver's fault, rather than putting that under the miscellaneous category, may be more illuminating.

It is noteworthy that highway-rail crossing is one of the influential factors in determining the accident damage according to our partitioning analysis. Association rules mining essentially provides deeper insights into this particular factor by enabling us to analyze and discover the associations among several categorical variables efficiently.

As a pedagogical learning point, we note that if a data analyst (or student) sought to analyze the associations between TypeOfAccident and ACCAUSE using conventional cross-tabulation techniques such as Pivot Table, they would end up having to analyze a 13×389 matrix, since type of accident and accident cause can take 13 and 389 different (qualitative) values, respectively. It would, therefore, be burdensome to gain any insights from such a large table, whereas association rules analysis can be carried out in seconds using software packages like R. This is a great opportunity to discuss the advantages of advanced EDA tools in our classrooms. Association rules mining, in particular, also provides a nice applied framework for reviewing basics of probability theory such as joint probability, conditional probability, Bayes' Theorem among others, in an MBA class where students are already familiar with the theoretical concepts.

CONCLUDING REMARKS

The recent growth in businesses' abilities to collect increasing amounts of data, and their strive for promoting data-driven decision making have led to a rising demand for competent data analysts. This, in turn, has called for enhancing academic curricula in order to equip students with the advanced tools that have proved effective in practice.

We propose an approach for incorporating advanced EDA tools in an MBA statistics/analytics course. We, specifically, use a real-world dataset to teach partitioning analysis and association rules mining techniques. Partitioning analysis is a popular, advanced method for data mining and exploring unfamiliar datasets. It enables students to incorporate multiple variables into the analysis and obtain results that are easy to interpret. Association rules mining helps analyze and discover relationships among several qualitative variables, which can enhance the EDA and provide richer insights into the data using fundamental concepts of probability theory. The availability of both methods in multiple software packages provides a valuable opportunity to help students become familiar with different packages. We have used JMP and R for partitioning analysis and association rules mining, respectively.

Using a practical and relatable dataset, like the railroad incidents dataset that we have used for our analysis, motivates students' learning significantly. It also provides the opportunity to help students develop an applied understanding of the benefits of advanced analytics methods in examining business performance metrics like railroad safety.

We believe that our suggested approach can help bridge the gap between academia and practice and hope that it will be utilized as an effective approach for enhancing the students' data analysis skills in other academic institutions.

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