



Excel Industries, Inc.

TEACHING NOTE

Purpose of the Case Study

To give students an appreciation for executive decision-making under conditions of uncertainty.

To help students understand the role of a Board of Directors in the governance of a business enterprise.

To provide students with an understanding of the value of solid community relations before a problem arises.

To assist students in diagnosing issue management vs. crisis management.

To provide students with some understanding of how multiple audiences can focus on the same set of facts and arrive at entirely different conclusions.

To help students understand the role of the news media in focusing public attention on a business issue.

Identifying the Business Problem

Excel Industries operates a daycare facility. The operation is subsidized to near \$300,000 annually. Less than 7 percent of those enrolled are children of employees; the larger portion of the enrollment is from the community at large. Financial pressures have caused management to consider closing the facility.

This teaching note was prepared by Lisa Gollan under the direction of James O'Rourke, Concurrent Associate Professor of Management, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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Forecasting the Most Desirable Outcome

Excel Industries pursues a path with the daycare facility that is more financially sound than present, and avoids adverse community reaction.

Identifying the Critical Issues

These issues are at the heart of the case:

- Protecting the corporate image
- Maintaining community relations
- Managing employee relations
- Managing investor relations
- Limiting media focus and impact on stock price

Listing Possible Solutions to the Business Problem

Reasonable observers of the events described in the Excel Industries (A) case might well conclude that a corporate enterprise such as Excel Industries has neither a legal nor an ethical obligation to provide either daycare or pre-school instruction for the children of its employees. By the same token, however, the same observers might see the value in doing so. The operation of a learning center such as the one described at Nyloncraft, Inc. might well provide the firm with:

1. A loyal, stable workforce that develops strong emotional ties to the company. Reduced turnover, diminished recruiting and retraining costs, and lower absenteeism and tardiness might well result from such emotional bonds.
2. Favorable community relations and an enhanced image as a “good corporate citizen” within the area served by the company.
3. Enhanced recruiting advantages, as the company seeks out new workers to replace those who move, retire, leave the firm, or are promoted.
4. Stronger ties to shareholders because of the reduced likelihood of strikes, job actions, and general employee dissatisfaction. This assumes, of course, that the operation of the learning center would not adversely affect the firm's profitability.

Explaining How to Communicate the Solution

A reasonable observer of the events described in this case might also conclude that communication is at least as important as noble intention. Corporate communication strategy is also just as relevant as corporate actions in judging whether managers have followed an ethical course. Careful planning in the corporate communication process might have suggested a plan of action that would include:

1. Separate messages for separate audiences. Shareholders are interested primarily in the impact of the learning center on profit, whereas parents are interested primarily in the welfare of their children. Carefully crafted and internally consistent messages, focusing on the primary concerns of each group would not be difficult to formulate and deliver.
2. Management cannot say fundamentally different things to different groups, but can easily focus on each group's special interest in the decisions of the corporate leadership.
3. A detailed description of efforts to secure alternative daycare arrangements for both employees and nonemployees who use the learning center. Even unsuccessful attempts to improve the circumstances of these parents are worth discussing, if only to assure them that the company's management cares about them and their families.
4. Face-to-face interaction with those people most directly affected by the decision to close the center. A letter, memo, or general notice is likely to be perceived as distant, cool, and uncaring.
5. Careful timing of the release of messages related to the decision so that parents don't learn of the action through the mass media. Corporate management should never use the news media to communicate with people who expect to hear from them directly.
6. Messages that focus on the ethical, positive, and human-responsive actions of management. The news media, by their very nature, will focus on the exception, the aberration, or the unusual in depicting the day's events. Coverage will tend to depict, more often than not, what's gone wrong rather than what's gone right in situations involving conflicting rights or interests. Furthermore, in a time when nearly two-thirds of all adults in the United States say they get most or all of their news from television, management should expect the public's understanding of a story to be incomplete at best.

Television is, by nature, shallow, simplistic, and superficial, concentrating on visual imagery, quick changes of scene, and fragmentary, almost mosaic impressions. Details, analysis, perspective, and depth are left to the more serious newspapers and weekly news magazines that are read by just a fraction of the population. The perceptions left by journalists who employ a "hit and run" methodology as they dash from one story to the next, will often leave interested viewers with fragments and snippets of fact, stitched together with opinions that are often gathered at random.

Reasonable observers might further conclude that, in the minds of many who will learn of and follow the details of a case such as this while it unfolds, perception can equal reality. For many, in fact, perceptions may form the basis for both attitudes and action, even when the perceptions are false.

Good deeds that go unnoticed are still good deeds. But when the general perception of a company's actions is that management is behaving badly or behaving in a cold, uncaring way toward its employees, perceptions can wrongly destroy a company's reputation. This is particularly unfair when the perceptions – gathered in large part from the news media – are unbalanced, untrue, or incomplete. James Forestall, an American cabinet official in the Truman Administration once remarked: “You must not only do a good job, but the public must also know that you are doing a good job.”

Teaching the Case

One week prior

Distribute *Part A* of the case at least one lesson before you intend to discuss it in class. Tell the students that you intend to focus on several matters during the discussion, including:

- Executive decision-making under conditions of uncertainty;
- The role of a Board of Directors in the governance of a business enterprise;
- The value of solid community relations before a problem arises;
- Issue management vs. crisis management;
- How multiple audiences can focus on the same set of facts and arrive at entirely different conclusions;
- The role of the news media in focusing public attention on a business issue.

First 30 minutes of class

Spend the first 5-10 minutes of the class session briefly recapping the facts of *Part A* of the case.

Then, for the next 20 minutes, have the students identify the following:

- The critical issues involved in Jim Lohman’s decision;
- The stakeholders in this case and their separate interests; review the pertinent assumptions made by each of the stakeholder groups;
- Decision options open to Mr. Lohman by February of 1991.

Use the Questions for Discussion to aid student discussion, if needed.

Each of the above categories will be affected, to some degree, by the figures contained in the Summary Balance Sheet and Income Statement (see Attachment A). By December of 1990, Nyloncraft was still not profitable.

Next in class

Elicit reaction from the class. Show them how one set of stakeholders – whom Lohman believed to be peripheral to the decision – have hijacked the process, focusing public attention on their interests, to the exclusion of others.

Summarize their responses

Following a review of the first video clip and local community reaction to the decision, ask students for a plan. What would they have done during 1990, if they had been in Jim Lohman's shoes?

Issues to consider include:

- *Strategic communication objectives.* What are Excel's strategic business objectives and how can we link them directly to our communication objectives?
- *Audience analysis.* Who are we most concerned about reaching? Why do we want to communicate with them? What outcome do we hope for when we reach them?
- *Message construction.* What do we want to say to each of these audiences? Will our messages differ from one set of stakeholders to another? How simple or complex should the message be?
- *Medium selection.* How should we try to reach these stakeholders? Should we consider electronic means? How about print means? Should we telemediate our message through the press? Should we try to communicate directly with one or more of the stakeholder groups?
- *Measurement of outcomes.* How will we know if we have succeeded? What criteria should we use to determine success? If we're not successful, what should we consider changing first: medium, message, audience, or objectives?

Last 15 minutes of class

Continue the discussion by showing the second video clip and by distributing *Part B* of the case, which explains Lohman's decision to close the Nyloncraft Learning Center. Ask class members if they would have made a different decision, and why. Get them to think about how strategic planning could possibly have led to different outcomes, or at the least, different public reaction to Excel's decisions.

Conclude the discussion by showing the third video clip and by distributing *Part C* of the case, which explains the final resolution of the problem. Ask students at this point if their judgment regarding earlier decisions has changed in any way.

The key to this case, as with nearly all other management communication cases, is to let students speak freely, but guiding their comments toward the problems facing Mr. Lohman and the situation he faced during 1991.

A Timetable of Events and a list of suggested Questions for Discussion follow for your teaching reference.

Timetable of Events

Date	Events
April 1988	Excel Industries, Inc. completes the purchase of Nyloncraft, Inc. of Elkhart, Indiana.
June 1988	Excel Industries, Inc. Board of Directors approves the investment of \$200,000 in the Nyloncraft Learning Center to upgrade facilities and improve educational programs.
August 1990	Senior management reviews the \$300,000 annual subsidy to the Nyloncraft Learning Center and elects to discontinue financial support for its programs.
September 1990	Excel Industries, Inc. Board of Directors approves the management decision to close the Nyloncraft Learning Center. Senior management decides to seek a buyer for the facility.
February 1991	After nearly a year, no suitable buyers or sub-contractors are found to operate the facility. Excel management contacts parents, telling them the Learning Center will close on April 1, 1991, just two months off. Alternative daycare arrangements are sought for the children of Nyloncraft employees.
February – April 1991	Parents who are not employed by Excel Industries contact local news organizations, notifying them of the decision to close the Nyloncraft Learning Center, and complaining of unfair treatment. Local newspapers, radio, and television outlets cover the story, focusing primarily on the plight of non-employees who have few alternatives for daycare.

Questions for Discussion

1. What obligations, if any, did Excel Industries have to the women who were employed there? Is an employer obligated to provide daycare for its employees' children? In this particular case, is adequate childcare for employees' children simply a fringe benefit, or has it become a condition of employment? Does an employee have a right to expect anything more from an employer than a paycheck and safe, humane working conditions?
2. What obligations did the firm in this case have to the community? Having once opened its doors to the children of nonemployees, was the firm obligated in any way to continue caring for them?
3. Could a firm such as Excel Industries easily sidestep issues associated with daycare altogether by recruiting either male employees or women past childbearing age?
4. What responsibilities does Mr. Lohman have as Chief Executive Officer to the shareholders and debt holders of Excel Industries, Inc.? Does his obligation to maximize shareholder wealth and minimize debtholder risk conflict with an obligation to provide a

safe, comfortable working environment for female employees who may be concerned about childcare?

5. Once it became apparent to Mr. Lohman that the Nyloncraft Learning Center could no longer be economically justified, what obligations did he have to the employees whose children were enrolled there? Do his responsibilities to employees of the firm exceed those to parents who are not employed by Excel Industries?
6. What role should Corporate Communication and the public news media play in communicating this decision to Excel employees? What role should they play in communicating the decision to the community at large?
7. How should communication strategy align with corporate strategy in this case? In what ways are they compatible? In what ways are they seen to be at odds?
8. Who should speak for Excel Industries? What are the most important audiences a corporate spokesperson must reach?
9. When a corporate representative speaks, should the message be different for each audience? What measures of feedback should the corporation look for? In explaining the decision to close the Learning Center, how much detail is the company obligated to reveal? Is the community or are his workers entitled to an audit of the Learning Center's resources?
10. What vested interest do you suppose the community of Elkhart, Indiana, has in the continued operation of the Nyloncraft Learning Center? Do any reciprocal obligations exist between the community and the employers for the proper care, feeding, and education of preschool children whose parents are employed in the community? Has Excel Industries violated any “unspoken pact” between management and its workers, or between the company and the community?