

# **MGST 451**

## **Corporate Governance and Ethical Decision-Making**

**Lecture 4 – Winter 2019 L01-L03**

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- **Format of case reports in MGMT 451**
  - Identification of the key issues (problem definition)
  - Conclusion / recommendation(s)
  - Relevant facts
  - Analysis / rationale
- **In-class activity 1: the Sunrise Sport Wear Case**
  - Read the case
  - Ask yourself what kind of advice you would provide to the owners of the business to improve its performance
    - Find the key issue/problem (or a few of them)
    - What is your key recommendation for improvement
    - Structure problem  $\leftrightarrow$  facts  $\rightarrow$  rationale  $\rightarrow$  recommendation

## **Problem definition**

- SSW must determine the next course of action to implement in order to address various issues that have arisen.

## **Relevant facts**

- SSW has been in business for some time and commiserate with that time period, typical management problems have arisen that could have severe financial implications if not addressed.

## **Analysis**

- ...

## **Recommendations**

- Clearly, Swank needs to immediately review its operations and implement the processes recommended above. Such actions will result in dissolution of many of the firms current financial woes. It is further recommended that the executive compensation plan be overhauled to align with the desired outcomes.

# Read and mark the report of analyst B

## Problem definition

- Sunrise Sports Wear must reduce their dependence on operating lines of credit.

## Relevant facts

- Firm sales have grown at an average of 8% per year. Most recently the firm expanded their operations to include a new warehouse and inventory to accommodate web-based ordering.
- Management has indicated that they wish to keep the warehouse and a good portion of the inventory. They also recognize that they need to act quickly in improving their performance in order to keep both the creditors and private shareholders content.

## Analysis

- ...

## Recommendations

- Sunrise Sports Wear must investigate what inventory can be readily sold at favourable terms and begin paying its suppliers within 45 days. The managers can implement both actions immediately and the results should be apparent on the operating line of credit within a few months. Once the inventory has been reduced, the firm can look to the possibility of short term sub-leasing warehouse space.

## Problem definition

- State clearly the problem that can be solved and when solved will lead to the greatest performance improvement.

## Conclusion / Recommendation(s) – a ‘plan’ is good

- Need to be actionable: concrete + specific to problem.
- Obvious link to and by-product of analysis.

## Relevant facts

- Facts relevant to business context + justify/rank problem.
- Secondary issues are briefly listed.

## Analysis

- Use facts to develop arguments and rationale leading to recommendation(s).