TEACHING OVERVIEW ON SOY-DRI

The Soy-DRI behavioral simulation was designed with the goal of improving student skills, confidence, practice, and efficacy with respect to ethical decision making. The simulation centers around a product misuse allegation and the pending broadcast of an investigative report examining the case. To complicate the situation, the CEO is out of town and has given decision authority to a group of five to seven employees. Specifically, Soy-DRI involves a firm which manufactures three products, all soybean derivatives, and markets them to three distinct target markets.

The students’ recommendations and discussion should involve issues related to evaluating packaging, labeling, pricing, product color, and consistency issues in the short- to mid-term, as well as whether a product recall should be implemented. More mid- to long-range issues should involve the manner in which information is provided from distributors and retailers back to the manufacturer. In addition, the need to implement a comprehensive ethics and compliance program for all Soy-DRI employees and customers should be evaluated. New risk areas have emerged with this recent issue, and they need to be addressed with all employees.
Soy-DRI*

Background
(everyone reads)

Two former employees of a large chemical manufacturer founded Soy-DRI (Soybean Derivative Research Initiatives) in 1985. One of the company’s product lines consists of three soy-based powders with additives to enhance their moisture-absorbing properties. The products are used to absorb and eliminate excess moisture in a variety of consumer and organizational settings. In their powdered form, Soy-DRI products can absorb as much as ten times their weight in moisture. The products are environmentally friendly, a critical value of Soy-DRI. The company has been acknowledged for accomplishments in the area of environmental sensitivity.

Initially, Soy-DRI targeted the industrial market with the Slab-Dri brand. Slab-Dri is marketed primarily to commercial establishments for the purpose of eliminating moisture and oil from paved surfaces. The product soaks up spills and can then be swept dry. The product is white to enhance its visibility and ease of removal. Slab-Dri is distributed in 64-ounce tin containers with adjustable lids for application. The retail price of Slab-Dri is $2 per 64-ounce container, with a product cost of $1.50. The product is available to industrial buyers through catalogs and, more recently, through AutoZone, Discount Auto Parts, and other consumer automotive outlets. Slab-Dri generates the company’s second highest sales levels.

In 1990, Soy-DRI expanded its product line with two new products targeted at distinctly different end users. The first of these new products is Pet-Dri, which is used in pet litter boxes to facilitate moisture and odor absorption. Pet-Dri has the same formulation as Slab-Dri, but the product is beige so that it blends with other pet litter products. The product is available in a 32-ounce plastic container with an adjustable lid for application. Pet-Dri is distributed through major discount stores such as Wal-Mart, Target, Kmart, and supermarkets. The suggested retail price is $4.00 per 32-ounce container, with a product cost of $1.25. Pet-Dri has become Soy-DRI’s best-selling product.

The final derivative product is Baby-Dri, which is used in place of traditional baby powder. As a relatively new addition to Soy-DRI’s product line, Baby-Dri has the lowest sales. Because tests of Soy-DRI’s first two products indicated that their high moisture absorption properties cause rashes and irritate babies’ skin with prolonged use, Baby-Dri’s moisture-absorbing properties were modified to make it absorb five times its weight in moisture. Baby-Dri is also purified to meet federal regulations for consumers’ personal use. The product is white in color, the same as Slab-Dri. Baby-Dri is sold in 8-ounce plastic containers for a suggested retail price of $4.00, with a product cost of $2.00. Baby-Dri is distributed through major discount chains such as Target, Wal-Mart, Kmart, Toys ‘R’ Us, supermarkets, and baby supply stores throughout the country.

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You are the general counsel for Soy-DRI. You report directly to the CEO and work closely with the human resources managers who deal with compliance issues (e.g., equal employment, safety) as well as the vice president of international operations. You have just been informed by the CEO that consumers are buying Pet-Dri and, in some instances, Slab-Dri for use as a baby powder on their children. The CEO wants an action plan from several key executives and managers within the organization to address this issue.

You are deeply concerned about this revelation because the moisture-absorbing properties of Soy-DRI’s three products differ even though the ingredients listed on each product’s label make them appear identical. Everyone in the company is well aware that Slab-Dri and Pet-Dri are not intended for the same use as Baby-Dri, which is why Baby-Dri is a reformulated product. You are concerned not only about consumers misusing the product and the long-term implications of such use, but also about the potential for civil litigation. The company never placed any kind of disclaimer on the packaging stating that Slab-Dri and Pet-Dri were not intended for use on people. You are currently conducting an investigation into the alleged incidents of product misuse.

Right now, you are checking to see what the company has done to prevent any product misunderstanding:

1. Different labeling
2. Different packaging
3. Different pricing
4. Varying channels of distribution
5. Derivative names

Your greatest concern lies in the fact that the company was aware that Slab-Dri and Pet-Dri are too harsh for use on babies, but the products are not specifically labeled to discourage customers from using them on their children. Looking at the list of ingredients on the packaging, the products appear basically the same in composition and formulation.

The CEO has also informed you that the news program 1-Hour is preparing a story on the product misuse, which will air in the next several weeks. As the company’s legal counsel, you are mindful of the company’s need to act quickly and responsibly to protect consumers, distributors, and the owners. You have called an emergency meeting to discuss the issue.
You are the chief financial officer for Soy-DRI. You have traditionally managed the company’s financial, accounting, and auditing operations with a firm hand. You were hired right after the company introduced Slab-DRI and deftly guided the company through its initial public offering three years ago. You look forward to presenting information on Soy-DRI’s continued financial success with shareholders at the annual meeting next month. In addition to the re-election of two officers (including yourself), one of the issues on the agenda is the issuance of stock to support future research and development efforts and expansion of the -Dri product lines and applications.

Your previous position was with a major producer of soy, the primary ingredient in all of the Soy-DRI brand products. You were hired for your reputation as a cost-cutter. Because you have so much responsibility for the financial success of Soy-DRI, you are insistent that the sales force and sales management meet their sales and market share goals. Fortunately, you have a great relationship with the vice president of sales and marketing.

Late yesterday, you received a communication from the general counsel indicating there may be a potential problem with customers’ misusing Slab-Dri and Pet-Dri. The CEO has requested that you meet to come up with a comprehensive action plan to resolve this matter.
Marketing Manager
(only the student assigned to this role reads this page)

You are the marketing manager in charge of overseeing the design and implementation of marketing strategies for Slab-Dri, Pet-Dri, and Baby-Dri. You have been with the company since graduating from a prestigious business school and aspire to move into executive management one day. Additionally, your grandfather is one of the founders of Soy-DRI. You have three product managers who report to you, one for each of the different products within the product line. Traditionally, you have favored a rather “hands-off” approach when working with your product managers, in order to grant them greater flexibility, autonomy, and creativity. The product manager for Pet-Dri, for example, recently implemented sales incentives for wholesalers to better support the product line. The product manager for Slab-Dri has created an innovative online coupon for distributors to relay to customers through their corporate web sites. Although you have a good working relationship with most employees at Soy-DRI, you believe the chief financial officer and vice president of sales and marketing do not really understand the long-term priorities of “new marketing” approaches.

You prefer a relationship-building approach with customers, rather than an insistence on immediate sales, and you believe that the best way to build relationships with large retailers and wholesalers is by developing new products and applications on a regular basis. You enjoy working closely with the director of research and development on new product development. The director of research and development actually came up with the idea that led to the start-up of Soy-DRI.

Last month, at a trade meeting, a few of your distributors indicated that some customers are using the -Dri products in ways in which they were not intended to be used. Because you were aware of only a few incidents, you did not report the misuse or document it in any manner.

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You are the director of research and development at Soy-DRI. Your mission is twofold: (1) to locate and identify the best environmentally sensitive resources and processes for all of the products Soy-DRI manufactures, distributes, and sells, and (2) to come up with at least one new product (or derivative/alternative use for an existing product) every two years.

You have been with Soy-DRI almost since its inception, when you were a struggling graduate student. The company funded your biohazard research and your still-unfinished doctorate. You have been a pacesetter with the organization, but are looked upon with some disfavor. You are often criticized for your overzealous push for innovation in product development. Some think you are too big a risk-taker for the well-being of the organization, and many in the organization complain bitterly about the elitist compensation and benefits you have at your disposal for yourself and your department. You take it all in stride, knowing that Soy-DRI’s market expansion is due in large part to your creativity and that of your staff.

You were also a key figure in supporting the entire environmental initiative, and had to fight an uphill battle to convince other executives that the cost to produce a line of environmentally sensitive products was worth the endearment it would earn in the eyes of customers and the government. Your biggest complaint now is that the global market has opened doors to some low-cost soybean growers whose use of toxins is unrestricted. Soy-DRI has been purchasing soybeans in areas where certain pesticides and herbicides have been linked with exceedingly high rates of some cancers and skin ailments.

Soy-DRI went public three years ago and has performed well since, a fact that should sit very well at next month’s shareholders’ meeting. One of the issues on the agenda is the adoption of tighter corporate governance mechanisms, including methods for incorporating stakeholders’ concerns into Soy-DRI’s strategic planning efforts.

Late yesterday, you received a communication from the general counsel indicating there may be a potential problem with customers’ misusing Slab-Dri and Pet-Dri. The CEO has requested that you meet to come up with a comprehensive action plan to resolve this matter. A meeting has been scheduled.
Vice President of Sales and Marketing
(only the student assigned to this role reads this page)

As vice president of sales and marketing, you are responsible for, essentially, the economic viability of Soy-DRI. You find that not everyone in the organization recognizes how much pressure you are under for the success and failure of new products such as Baby-Dri. With more than fourteen years of sales and sales management experience, you have been with the company for more than six years. Since joining Soy-DRI, you have risen from regional sales manager to vice president.

You were heavily involved with every aspect of developing and testing the Baby-Dri product. You recognized the potential for the consumer application for such a product and helped foster buy-in for the product idea from many departments throughout the organization. In fact, you were instrumental in rushing the product tests to get the introduction off on schedule.

You have a tenuous relationship with the marketing and research and development departments, mainly because you feel they do not always understand the realities of selling products in intensely competitive consumer markets and retailers (i.e., national discount chains) who put enormous pressure on you to trim your margins. So, while you and your salespeople are out selling the product, you feel that others in the organization, including the marketing manager and product managers, are often disconnected from the pressure and responsibility to achieve sales and market share objectives.

Late yesterday, you received a communication from the general counsel indicating there may be a potential problem with customers’ misusing Slab-Dri and Pet-Dri. The CEO has requested that you meet to come up with a comprehensive action plan to resolve this matter.
You are vice president of international operations. You have been with Soy-DRI for six years, two in your current position. Your job is to ensure Soy-DRI’s international profitability. Your area of responsibility includes manufacturing, distribution, and sales in the European and Asian sectors. The directors of sales, marketing, and manufacturing (one each in Asia and Europe) report to you.

At a recent meeting, the board of directors decided to establish a new manufacturing facility in northwestern Argentina. The company’s business has grown rapidly, especially in Western Europe and Asia, where Soy-DRI has been made welcome by the various governments. You hope the company’s ventures into Latin America will be just as successful.

In terms of the -Dri product line, Slab-Dri, Pet-Dri, and Baby-Dri are popular among Europeans. Baby-Dri sells well in Asia, but Pet-Dri and Slab-Dri are not faring so well in Asian markets. The entire -Dri product line can be manufactured in parts of East Asia at a fraction of domestic operations costs, such that even with high distribution costs, it is still cheaper to manufacture the products in Asia and export them to other markets.

Although you stand behind Soy-DRI’s domestic and foreign operations, when your own children were born (two in the past five years), you and your spouse bought another company’s baby powder, rather than Soy-DRI’s. Something about using a garage floor grease absorbent or litter box odor absorbent powder on your own children—despite the extra processing—never sat well with you.

You have been a pacesetter with the organization since you joined, and are looked upon with favor by most. However, you are often criticized for overlooking the demands, needs, and responsibilities of domestic operations in favor of operations overseas. You take it all in stride, however, knowing that globalization is a significant source of any corporation’s competitive advantage.

Late yesterday, you received a communication from the general counsel indicating there may be a potential problem with customers’ misusing Slab-Dri and Pet-Dri. The CEO has requested that you meet to come up with a comprehensive action plan to resolve this matter. A meeting has been scheduled.
You are the assistant to the CEO of Soy-DRI and have been with the company since its inception. Late yesterday, you received a communication from the general counsel indicating there may be a potential problem with customers’ misusing Slab-Dri and Pet-Dri. The CEO has requested that you meet to come up with a comprehensive action plan to resolve this matter. The CEO is overseas and has therefore instructed you to attend this meeting as her/his representative to ensure that Soy-DRI stakeholders’ interests are represented. The CEO, remembering the scandal surrounding BeechNut, the company that promoted fake apple juice as “100% natural,” is concerned about the impact any bad publicity could have on the company.

Soy-DRI has long valued the environmental sensitivity and health and safety of its products, especially Baby-Dri. Soy-DRI puts no additives into its products, but instead uses complex processes to remove the unhealthy additives present in its raw materials prior to their delivery to Soy-DRI.

From the general counsel and CEO, you have heard that some lower-income families and cost-conscious adults are using the less inexpensive Pet-Dri and Slab-Dri in lieu of Baby-Dri. The CEO wants you to remind the meeting attendees that product liability juries generally find in favor of the plaintiff where babies and toddlers are concerned, even in the face of evidence of the plaintiffs’ own culpability. You are also to make sure they remember the shareholders’ meeting coming up next month and the CEO’s strong position that good ethics is good business.