

**Malcolm Wiener Center for Social Policy
John F. Kennedy School of Government
Harvard University**

**Apache Manufacturing Company
A Teaching Case Study in Tribal Management**

by

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PRSC-8

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APACHE MANUFACTURING COMPANY

Marilyn Endfield almost spilled her coffee when the phone rang. The ringing startled her because she was in an empty office, staring at the phone and expecting the call with great anticipation. The voice at the other end was that of the Council Secretary of the White Mountain Apache Tribe (WMAT). After an exchange of greetings, the Secretary said, "The Council has just finished its discussion of your proposal and is ready to disclose its decision to you. Can you be here in 15 minutes?" Marilyn responded that she would leave her office immediately and be at the WMAT Headquarters Building within 15 minutes. She then thanked the Secretary and hung up the phone.

Earlier that morning, Marilyn had made a formal presentation to the WMAT Council that outlined her request to be given a ninety-day trial as the manager of the Apache Manufacturing Company (AMC), one of several enterprises that were wholly owned and managed by the WMAT. Marilyn believed that she was ready for the challenge of turning around the small manufacturing business. AMC had been in operation for two years, but had yet to earn a single dollar of profit for the Tribe. In fact, the Tribe had been required to subsidize \$300,000 in losses. At the present time, AMC operations were temporarily suspended as the WMAT Council considered alternatives for the future. As she grabbed her brief case and left the office, Marilyn hoped that the Council had been favorably impressed with her presentation and answers to their questions. Most of all, she hoped that the Council would give her the trial period as manager.

The Endfield Family

In the late 1800s, Marilyn's ancestral family was known as "Band A-64". In those days, the Bureau of Indian Affairs identified each Indian family unit in alpha-numeric fashion. Finding this system unsatisfactory, the BIA "ordered" each family unit to choose its own name. After thoughtful consideration, Marilyn's grandfather chose the name of what, in his opinion, was the best firearm available, the British-made "Endfield" rifle. Thus, "Band A-64" became known from that point forward as the "Endfields".

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The Importance of Education

Marilyn's grandmother, Rose Bonito Clarkson, was a "shaman" (doctor) in the White Mountain Apache Tribe. This essential healing skill was passed on to Marilyn's mother, Mary Clarkson who continued to practice as a shaman for her Tribe. In addition, Mary Clarkson placed great value on education, both for herself and later for her children. Marilyn vividly recalls the following story often told by her mother:

Mary Clarkson attended BIA Boarding Schools as a child. At these schools, Native American languages were forbidden to be spoken by the Indian children. Once, when one of Mary's classmates was having difficulty understanding a lesson, she decided to help out by translating the particular idea into the Apache language for her fellow student's benefit. Having no idea what was being said and what Mary's motives might be, the BIA teachers punished her severely. Mary was made to sit motionless on the floor for several hours and not permitted to move for any reason. Mary Clarkson decided that there was an important lesson to be learned from this terrible experience. The lesson was that education must be of tremendous value in the Anglo culture - so important that they were willing to punish severely to force it upon others. If it was that important, Mary decided that she must accumulate as much of this "education" for herself as she could.

Thus, the pursuit of learning both for herself and later for each of her children became a life-long quest. Mary graduated from Albuquerque Indian High School and then went on to earn an Associate of Arts degree from Albuquerque College. After completing her AA degree, Mary Clarkson returned to her home in Whiteriver, Arizona. She ran for and was elected to office in the WMAT Council, a position she held for the next 40 years. During this period, Mary Clarkson, served under 12 different Chairs.

Soon after her return to Whiteriver, Mary met Raymond Endfield. Raymond lived in Cutter, Arizona and was a member of the San Carlos Apache Tribe. The two fell in love and were married. Then, according to Apache custom, Raymond left his people to come live with Mary's family on the White Mountain Apache Reservation.

Mary Clarkson and Raymond Endfield raised nine children, six of their marriage and three who were "adopted" by the couple. All nine children graduated from high school. Eight of the nine attended college for some period of time. Two earned AA degrees from community colleges in Arizona. Genny Endfield graduated from Northern Arizona University (B.S. Education) and Raymond Endfield graduated from the University of Arizona (B.S. Economics) and completed two years of law school. Marilyn's father, Raymond,

obtained a high school diploma through the GED program and attended college throughout his later adult years. At the time of his death, he was attending Northland Pioneer College.

With the importance of education inculcated in her family life, Marilyn never questioned that she should continue through school as long as possible. Marilyn attended school in Whiteriver and graduated from Alchesay High School in 1975. After high school, Marilyn attended Northern Arizona University and earned a B.S. in Sociology in 1979. During her senior year, Marilyn worked as an intern for Arthur Young and Company, a Phoenix consulting firm. Following graduation, Marilyn joined the administration of the WMAT where she worked for the next seven years, primarily in social services.

Cultural Background

Providing their children with a strong background in the history and culture of the Apache people was also extremely important to Mary Clarkson and Raymond Endfield. Marilyn recalls:

First as a child, then as a teenager, and later as an adult, I was taught to respect the earth as a living thing. I learned to appreciate the movement of the wind in the trees, the flow of the river, the fertility of the land. I learned that even the rocks were alive. Raised in the traditional Apache way, I learned to respect and accept the unknown and to trust in my feelings and intuitions, especially when making important decisions regarding my life's path or when others were involved.

In 1986, Marilyn returned to Northern Arizona University to obtain a Master of Business Administration degree. The pursuit of the technical master's degree was a very difficult experience for Marilyn. She remembers those days:

At the beginning, I was definitely not one of the strongest performers in the MBA program. The quantitative and analytical skill development courses were especially difficult. I struggled and became extremely frustrated. Finally it began to dawn on me that I was "blaming the numbers" for my difficulties. Analytical, logical, mathematical solutions to situations were in complete contradiction to my background. As an Apache, I had learned to accept and respect the "unknown". In the MBA courses, I was being required to discover and find answers to "unknowns", make decisions and "prove" my position through the use of numbers and analytical techniques. I trusted my feelings and intuitions, but not numbers and logic. Once I fully

understood the source of my difficulties, I was on the way to a successful completion of the program. I did seek help from the faculty and other students. But most of all, I reached deep within myself and drew upon the courage and confidence that my parents had instilled to work through those trying months. I refused to lose confidence in myself and with help from others and hard work on my part, I made it through the program.

After completing the MBA course work and receiving her diploma in 1988, Marilyn returned to Whiteriver where she accepted a position as Marketing Manager for the Tribe's Economic Development Department.

When asked why she chose to return to the reservation, rather than accept one of the attractive opportunities in industry that were becoming available to highly qualified minority women, Marilyn replied:

When I finished the MBA, I wanted a situation where I could be passionate about my work. On the White Mountain Apache Reservation, I would be near my streams to go fishing; near my mountains to go skiing; near my ceremonies so that I could dance. If I had these things to support me, I knew that I could also be passionate about my work.

Start Case Story.

Apache Manufacturing Company

The Apache Manufacturing Company (AMC) existed as an idea for almost two years before it became a reality. In 1987, the White Mountain Apache Tribal Council, led by Chairman Reno Johnson, initiated discussions about forming a private enterprise that would focus on manufacturing operations. The principle employment opportunities for Tribal members were to be found at two distinctly different WMAT enterprises - the Ft. Apache Timber Company, a lumber harvesting and sawmill operations, and the Sunrise Ski Resort. The enterprises were similar in that neither required a highly skilled worker. Beyond these two businesses, there were few job opportunities. Thus, the twin problems of a high unemployment rate and a lack of jobs utilizing and providing technical skills were plaguing the reservation residents. To begin to find a solution to these problems, the Tribe hired Donald Booker as a management consultant. Booker's primary responsibility was to build the foundation for a new Tribal enterprise which focused on manufacturing employment with a long run potential for bringing high tech skills and the resulting higher pay jobs to the work force.

More on Booker ("The Guru")

B

Booker had extensive experience in working with Native American tribal governments and businesses. He had served as the Director of Accounting and Finance for the Pueblo of Zuni and held the same position of the Ute Mountain Ute Tribe. Booker had worked for three years as the Business Manager of the San Carlos Apache Tribe and for almost six years as the Economic Development Planner for the White Mountain Apache Tribe. In 1982, Booker was named to the position of Tribal Administrative Manager for the white Mountain Apache Tribe and held this position for two years. Then, in 1984, Booker left to start his own business, a travel agency located in northeast Arizona.

Prior to Booker's arrival, the McDonnell-Douglas Helicopter Division (MDHD) moved its manufacturing operations from Culver City, California to Mesa, Arizona. Seeing this as a prime opportunity, Booker and the WMAT contacted MDHD and expressed interest in developing a business relationship. As a major recipient of U.S. Department of Defense contracts, MDHD was required to "sub-contract" a substantial portion of its government business to small businesses. It was further to MDHD's advantage to sub-contract to minority businesses. A manufacturing operation located on the WMAT reservation and managed by Native Americans would immediately qualify for business under Indian preference regulations. If successful, the new enterprise could seek to qualify for participation in the Small Business Administration (SBA) Section 8(a) program. For MDHD, a liaison with a minority business located only 100 miles from Mesa was an excellent idea. In fact, it was probably the persistence of MDHC that made the relationship bloom.

In a move designed to push the WMAT to act, MDHC made the first financial commitment, a \$13,000 grant for training personnel in the basic techniques required to manufacture thermal insulation blankets and wooden shipping/storage crates. These two products were to be the basis for business between MDHD and the Tribal enterprise.

Hopes were high that a new company would be an instant success. A business plan was developed in June 1988 by the United Indian Development Association (UIDA) with inputs Booker and MDHD. The business plan forecast impressive revenue and profit growth for AMC during its first three years of operation. **Table 1** below summarizes these projections.

**Table 1 - Apache Manufacturing Company
Proforma Income Statements
First Three Years of Operations**

	<u>1989</u>	<u>1990</u>	<u>1991</u>
Revenues			
Insulation Blankets	\$210,435	\$273,540	\$252,480
Ship/Storage Crates	<u>97,290</u>	<u>174,870</u>	<u>233,160</u>
Total Revenues	307,725	448,410	485,640
Cost of Goods Sold	<u>214,107</u>	<u>310,421</u>	<u>334,312</u>
Gross Profit	93,618	137,989	151,328
Operating Expenses	<u>90,439</u>	<u>95,162</u>	<u>100,163</u>
Profit (Loss)	\$ 3,179	\$ 42,827	\$ 51,165

In April 1989, after lengthy negotiations with MDHD, coordinated by Booker, the "Apache Manufacturing Company" was founded and recognized as an official enterprise of the White Mountain Apache. The fact that the new enterprise would create employment and was projected to earn a small profit in its first year were instrumental to gaining the approval of the WMAT Council. At this time, the first employees at Apache Manufacturing began a training program to learn techniques essential to manufacture the two products for MDHD.

In August 1989, AMC began to manufacture the wooden shipping/storage containers and thermal insulation blankets for MDHD. Both products were basically labor intensive in manufacture. The production of the wooden shipping/storage crates was a "saw and assemble" process while the thermal insulation blankets was a "cut and sew" process. Neither process required any high-tech skills on the part of the labor force.

The optimistic projections of the business plan were not to be realized. During its first fiscal year (FY 1989), which was only ten months in length and ended on March 31, 1989, AMC provided jobs for 11 employees but lost \$27,000 on sales revenues of \$184,000. During its next fiscal year (FY 1990), AMC employed 21 people, but losses soared to \$273,000 on sales revenues of \$205,000 (See **Table 2** below.).

**Table 2 - Apache Manufacturing
Actual Operating Information**

<u>Fiscal Year</u>	<u>Sales Revenues</u>	<u>Net Income (Loss)</u>	<u>Employees</u>
1989	\$184,000	(\$ 27,000)	11
1990	205,000	(273,000)	21

Marilyn's Experience at AMC

During the time that Apache Manufacturing was being created, Marilyn Endfield was employed as the "Marketing Manager" for all Tribal enterprises and worked out of the Tribal Economic Development Office in White River. In this capacity, Marilyn was very interested in and aware of most of negotiations between the WMAT and MDHD, but was not an active participant in the process.

Marilyn had worked with Donald Booker several years before and respected his abilities and dedication to the Tribe. From her perspective as the WMAT Marketing Manager, she began to raise questions to Booker regarding the strategic direction that he (Booker) foresaw for AMC. Booker acknowledged Marilyn's concern that the company lacked a clear marketing focus. Believing that she could make a difference in the future of the company, Marilyn asked Chairman Reno Johnson to reassign her to AMC.

In November 1989, the company was more than half way through its second year (FY 1990) and it was apparent that AMC was not on the fast growth path originally projected. As she had requested, Marilyn's job was restructured to give her a direct role in the operation of AMC. She maintained the title and duties of the Marketing Manager for WMAT, but also assigned to be the AMC on a half-time basis. In this latter capacity, she worked in a staff relationship with Booker.

Prior to her assignment at AMC, Marilyn had begun the process of developing a knowledge base regarding the aerospace industry, and in particular, the helicopter industry. She frequented libraries to find and read industry trade journals. She spoke with the MDHD employees when they visited the AMC plant in Whiteriver. She also made trips to Mesa for discussions about the helicopter business. In addition, Marilyn attended professional trade meetings of the helicopter industry and began to develop a "network" of acquaintances beyond MDHD. It was during this period that Marilyn became acquainted with Charles Brown, President of MDHD in Mesa.

While working as the Marketing Manager for AMC, Marilyn became very active in moving the company into position for the attainment of 8A Certification. At that time (1989), in order to be granted 8A Certification, Tribal enterprises were required to meet several arbitrary standards. The most difficult of these were that the Tribal enterprise had to have been in continuous "successful" (profitable) operation for at least two years, and be currently managed by a member of the Tribe.

These requirements represented a "catch 22" situation for AMC; that is, in order to gain the necessary volume of business to survive, the company needed to hold 8A Certification, but in order to become certified, the company had to have already shown that it could survive. Together with representatives from the 13 Tribes that constituted the Native American Industry Trade Association (NAITA), Marilyn lobbied the Congress of the United States to "soften" the requirements for 8A Certification, so that fledgling companies like AMC could take advantage of this legislation. NAITA's efforts were rewarded. Several restrictions were relaxed, including those requiring two years of successful operations and a Tribal member as CEO. With these changes, new Tribal enterprises (like AMC) could be used as suppliers to companies participating in U.S. Department of Defense contracts.

In addition to these "political" activities, Marilyn and Brown testified before various committees of the Federal Government regarding a creative new idea involving defense contractors and minority managed businesses. It was called the "Mentor-Protege" program. Using the MDHD ("mentor") and AMC ("protege") relationship as an example, Marilyn and Brown argued for the benefits that would accrue to both companies if a subsidized program of technology transfer could occur.

For the next several months, Marilyn concentrated her efforts on understanding the internal operational structure and external business environment at AMC, not just the marketing function. What she learned was discouraging, but in retrospect, not entirely surprising. The lack of an external marketing focus she knew about. Her investigation brought out several other critical weaknesses, primarily in the areas of information systems, cost analysis, and the bidding methodologies being employed.

WMAT Enterprise Problems

Regrettably, the severe losses being suffered by AMC were not the only business problems that beset the WMAT in first few months of 1990. The two principle revenue producers and major employers on the reservation, the Ft. Apache Timber Company and the Sunrise Ski Resort, were both experiencing large operating losses. Against this difficult environment, Ronnie Lupe was elected Chairman of the WMAT in April 1990. By June 1990, the situation facing the WMAT enterprises had deteriorated to the extent that the Tribe could no longer meet its payroll obligations. In an attempt to buy some time to study the situation and develop some alternative plans for action, Lupe used his executive power to shut down all WMAT enterprises for the last two weeks of June 1990.

Marilyn's Decision

During the two-week period that AMC was shutdown, Marilyn and Donald Booker continued to meet. They had many intense discussions about what it would take to get AMC back on track to be a successful enterprise. Marilyn organized her ideas for implementing a "turnaround" strategy and discussed these with Booker. After hearing Marilyn's ideas and sensing her enthusiasm, Booker asked Marilyn, "You want me to leave, don't you?" Marilyn replied, "Yes, but I hope that you would stay long enough to help me get started, if the Tribe agrees to name me the new General Manager."

While Marilyn had great respect for Booker and acknowledged his commitment to the WMAT, she believed that his continued presence would only jeopardize her chances for success. Marilyn had to "sink or swim" as the new General Manager on the basis of her own ideas and actions, especially on the basis of her ability to lead. Booker's resignation to Chairman Lupe was accepted in late June 1990. Marilyn immediately asked Lupe for an opportunity to address the WMAT Council. She indicated that she intended to make her case for being named the new General Manager for a 90-day trial basis. Lupe agreed to allow Marilyn to meet with the WMAT Council and make her presentation.

The Turnaround Plan

Marilyn's proposal to the WMAT Council was thorough, but not highly technical or complicated. She was convinced that she had the trust of a majority of the Council. But trust would not be enough. She had to demonstrate an ability to communicate the difficult problems facing Apache Manufacturing with clarity. Furthermore, she had to provide solutions to these problems. Her proposed solutions had to be possible, given the present employees of the enterprise and the existing business relationships. Finally, her solutions had to be financially responsible, not requiring large sums of money for consultants and capital equipment.

In addressing the WMAT Council, Marilyn emphasized that AMC was suffering significant losses for three reasons:

1. Sales revenues were substantially below what had been forecast (See **Table 1**).
2. Personnel had been hired and trained in anticipation of the forecast sales revenues and this was driving labor costs out of control.

3. The bidding process did not have its foundation built on accurate estimates of labor and materials cost.

Bids were made by "guessing" what the manufacturing costs might be. Often, major items (like shipping costs) were unaccounted for in a bid because no one remembered to include them. On one occasion, a large order was bid without any consideration of cost. Instead the product was bid at "what was necessary to get the order". Only crude records were available on completed jobs. As a result, AMC could not identify the cost of its completed products or the cost of related product sub-assemblies. Marilyn suggested that if the ailing AMC was to continue, its name should be changed to reflect a new beginning and a more focused direction.

Finally, Marilyn argued that the enterprise needed to be continued because of its great potential to provide immediate employment and ultimately high tech skills. What AMC needed was a new manager who believed in its potential, a leader who had a vision for the future.

Marilyn stated that her belief that she was the person to assume leadership of AMC and proposed the following specific actions:

1. Sales revenues had to be increased. MDHD had not kept their part of the "implied" bargain. A recession in the aerospace/defense industry had slowed their manufacturing and subsequently caused a slowdown in the business they gave to their supplies, e.g. AMC. MDHD had to be shown that they were in part responsible for the current plight of the company. The marketing thrust necessary would take the form of a public relations campaign to establish an atmosphere of trust and mutual respect between MDHD and AMC. Marilyn would take full responsibility for this marketing thrust with the intent to build sales revenues to a level that could sustain the enterprise.
2. Given the level of sales that AMC could expect, the number of employees had to be reduced by 10-12 people. Regrettably, several dedicated employees would have to be terminated. Marilyn would take responsibility for identifying the individuals and further, she would handle the termination conferences.
3. All future contracts (bid or negotiated) would be based on a careful examination of the labor and materials required. Clerical personnel would be dedicated to getting the information from the production employees and maintaining the information in a usable form. Marilyn

would attempt to renegotiate some of the existing contracts with the goal of raising the product price to at least equal the full cost of production. If necessary, and with the counsel of the WMAT legal staff, Marilyn would consider removing AMC from contracts in which it was impossible for the enterprise to break-even and where the contractor showed no inclination to renegotiate the contract.

4. To save additional money, Marilyn proposed that her salary be reduced to one-half of the present level during the 90-day trial period.

At the end of her presentation, Marilyn handed each Council member a copy of her current resume (See Exhibit 1). She then asked that the WMAT Council give her a ninety-day trial period as the Manager of AMC. At the end of the trial period, if substantial progress had been made toward establishing company profitability, she would ask for an extension. Marilyn then answered the questions of the Council members. When there were no further questions, Marilyn excused herself from the Council Meeting and returned to her office to await their decision. She was told that the Council would give her their answer later that morning.

Exhibit 1

Marilyn Rose Endfield

P.O. Box 276
Whiteriver, Arizona 85941
(602) 338-4601

Objective: To provide the framework and direction for the overall operation of the Apache Manufacturing Company.

Experience:

May 1988 Apache Manufacturing Company/Tribal Economic
to Development
Present Whiteriver, Arizona

Marketing Manager

Provide the analysis, planning, implementation, and control of programs designed to create, build, and maintain beneficial exchanges with target buyers for the purpose of achieving business objectives.

November 1986 Sunrise Resort Hotel
to McNary, Arizona
June 1987

Auditor

Audit of daily transactions for 95 hotel rooms, one restaurant and two bars; producing sales reports, bank deposits and trial balance sheet. Provide supervision and training for six employees.

December 1985 White Mountain Apache Tribe
to Whiteriver, Arizona
April 1986

Business Planner

Intense monitoring of cost, developing aggressive marketing strategies and Plan of Operation for Economic Development grants.

August 1979
to
August 1980
Social Service/Behavioral Health
Investigation and reports to Court on Family
Violence. Individual and group counseling.
September 1978
to
June 1979
Arthur Young and Company
Phoenix, Arizona

Account Planner
Services in data gathering, compilation,
interpretation and analysis to Arizona Indian
Tribes on Federally Mandated Health Plans.

Education: Northern Arizona University
Flagstaff, Arizona

Degree
Awarded Master of Business Administration (1988)
Emphasis in General Management
MBA Association
Native American Business Students
Association
Delta Sigma Pi

Degree
Awarded Bachelor of Science - Applied Sociology (1979)
Emphasis in Social Planning

Graduate Studies on Native Americans Issues:

Endfield, Marilyn

1985a Management Control System: Case study of the Fort
Apache Timber Company
1985b Computer Information Systems Analysis: White
Mountain Apache Tribe Payroll System
1987a Marketing Economic Development on U.S. Indian
Reservations
1987b Opportunity Cost: A study of the White Mountain
Apache Tribe
1988 Indian Self-Determination: An Economic Analysis

Hobbies: Reading, Active in Apache Cultural Activities,
Downhill Skiing

INSTRUCTOR'S MANUAL

Apache Manufacturing Company

Case Overview

Marilyn Endfield, a recent MBA graduate, has applied and interviewed for the CEO position at Apache Manufacturing Company (AMC). AMC is a manufacturer of thermal insulation blankets and wooden shipping containers located in White River, Arizona and owned and managed by the White Mountain Apache Tribe (WMAT). AMC's principle customer is the McDonnell-Douglas Helicopter Division (MDHD).

The WMAT has had to subsidize \$300,000 in AMC losses during the first two years of its operation. The original CEO has recently resigned, and the Chair of the WMAT has shut down AMC due to its poor financial performance. Endfield, a member of the WMAT earned a MBA degree and returned to White River to work in the service of her nation. For the past six months, Endfield has been assigned to work within AMC, as the "marketing manager".

Endfield formulates a turnaround strategy for AMC which she believes will have the company earning a profit within the next 12 months. She presented this strategic turnaround plan to the WMAT Chair and Council as a part of her interview for the CEO position. As the case study ends, Endfield awaits the WMAT leaders' decision.

The case study begins with a description of the Endfield family history, the family and cultural values that influenced Marilyn. The importance of education and Marilyn's educational background is included. Following this, the development of AMC is detailed - from the original idea, through meetings with the MDHD, to its startup, to the conditions which led to its poor initial financial performance. Endfield's entry into AMC and her interactions with the original CEO are then described. Endfield's analysis of the reasons for AMC's poor operating performance and her strategy for implementing a turnaround are then described. Finally, Endfield's "job interview" with the WMAT Council is presented.

Objectives of the Case

The case study is the result of field research conducted at the Apache Manufacturing Company (later renamed Apache Aerospace Company) in White River, Arizona. One meeting with several members of the WMAT Council and Chairman, Ronnie Lupe was held early in the "data gathering" part of the project. Numerous meetings and interviews with Marilyn Endfield followed this over the next two years.

The case study is "decision-oriented" and the major objective for the student is to reach a decision regarding the application of Marilyn Endfield for the position of AMC's CEO and beyond this the future of AMC. Other objectives include: First, providing the student with a description of Endfield's cultural, educational, and business experience background as these relate to her potential to be successful as the CEO of a Tribal owned manufacturing enterprise. Second, providing the student with information to analyze the operations of AMC during its first two years of operation, leading to a set of reasons why the company is failing. Third, providing the student with Endfield's proposal to turnaround AMC for the purpose of evaluating how effective her plan might be.

Courses and Levels

The case study is intended for use in a senior level undergraduate course in business policy. It would also be especially relevant in a course in economic development on American Indian reservations.

Suggested Teaching Approach

The case study has been used as a discussion case in a classroom environment employing the "Discussion Questions" listed below. Approaching the issues by assigning students questions for written responses would also be appropriate. Written assignments could be either for individual or small group analysis and write-up. Based on the authors' experiences with the case study, students find the descriptive material very interesting and the section on Marilyn Endfield and her family quite unique. The description of the start-up and poor operating performance of AMC is not overly complex and was easily within the grasp of the authors' audience.

Discussion Questions and Answers

1. Describe Marilyn Endfield's cultural, family, educational, and business background. In what ways are these assets or liabilities for the position she is seeking (CEO of AMC)?

Based on information contained in the case narrative, Marilyn Endfield is a member of the WMAT, has been raised on the reservation in or near White River, Arizona and has been deeply influenced by the traditions and ceremonies of the Apaches and loves the reservation. Beginning with her maternal grandmother and up to the present, the Endfield family has been committed to providing and encouraging the attainment of formal education provided by the anglo culture. Marilyn has recently completed the MBA Program at Northern Arizona University. She admittedly struggled with the analytical segments of the program. Marilyn's business background is quite meager, limited to her experiences while serving for the past six months as the marketing manager at AMC.

While Marilyn is already acquainted with the employees at AMC and the WMAT Council and Chair, the fact that she is an Apache would help her understand her subordinates and superiors much better than the former CEO. As an Apache, she would probably have a decided advantage in representing the interests of the WMAT in interactions with the principle customer (MDHD). The MBA training would help Marilyn understand the many of the complex issues that the CEO of the failing enterprise must face and resolve. Her complete lack of previous business experience is the major liability that Marilyn would bring to the CEO position, and this could present a major obstacle to her approval. By itself, Marilyn's inexperience could be enough of a liability to deny her the job she seeks.

2. What do you consider the major successes and mistakes made by Donald Booker, the AMC CEO?

Booker's major success is that the enterprise was initiated and was tied to a nationally recognized, reputable corporation. Booker's mistakes are many: First, the proforma income statements that were a major part of the basis for WMAT Council decision-making are seriously lacking in necessary substantiation and detail. Regarding the revenue figures, what assurances did MDHD offer that the sales levels would be met? Regarding the cost figures, there is no separation of fixed and variable costs which would allow the calculation of a break-even point. The proforma income statements are based on point estimates of revenues. Are these "optimistic" projections? Based on the results for the next two years, they must have been. The point is, the WMAT Council and Chair are relatively unsophisticated in dealing with business risk and making decisions regarding projected revenues, costs and profits. They would have been much better served with "best-case" and "worst case" and "break-even" scenarios. This have allowed them to better understand the riskiness of the proposed business venture. Booker did not have the necessary information systems in place after two years of operation. These systems should have been operational prior to the start up of the enterprise. Finally, Booker brought additional employees into the enterprise even though revenues were declining. Was this the result of decisions being made by the WMAT Chair? Regardless of the possible political pressure, it is Booker's responsibility to resist any actions which are clearly detrimental to the survival of the enterprise.

3. Develop a list of causes that you believe account for the \$300,000 in losses suffered by AMC during its first two years?
 - a. Sales revenues did not keep pace with projections.
 - b. Costs were not understood or controlled.
 - c. Competitive bids were made without adequate information.
 - d. Employees were added without the justification of additional sales.

4. Explain how Marilyn Endfield's turnaround strategy does or does not address the causes of AMC's poor performance.

Endfield's four part proposal to initiate a turnaround for AMC deals with each of the causes listed in question 3. above. The strongest element of her proposal is the plan to increase sales revenue. It acknowledges the recession in the aerospace/defense industry as the major cause of the sales revenue shortfall, but goes beyond this in requiring MDHD to recognize a responsibility to AMC. Finally, Endfield recommends a public relations campaign "to establish an atmosphere of trust and mutual respect". Appropriately, she agrees to take personal responsibility for increasing sales revenues.

5. Assume that you are a member of the WMAT Council. How would you vote on Marilyn Endfield's request to become CEO of AMC? Explain in detail why you would vote this way.

Students seem to be inclined to "vote" in favor of Marilyn Endfield. They either completely ignore or discount her major drawback, the lack of business experience outside of the brief time at AMC (albeit a poorly run business). The arguments in support of Endfield focus on her cultural and educational background, familiarity with the situation, and her desire to take over the enterprise. The turnaround plan she suggests addresses all of the major causes for the losses at AMC. Finally, since there is no other person seeking the job, it comes down to a choice for the WMAT leadership between naming Endfield CEO or continuing to keep AMC shutdown, either for the short run or permanently.

Epilogue:

The WMAT Council and Chairman hired Marilyn Endfield as the CEO of Apache Manufacturing Company for a trial period of six months. One of her first acts was to change the name of the company to "Apache Aerospace". Endfield argued that her assumption of leadership at the enterprise was a new beginning and this necessitated a new name. With a new name, the verbal association with the failed enterprise could be broken. At the end of her first six months as CEO, the company was still operating at a loss, but enough progress had been made that the Tribal leaders renewed her employment for an additional six months. After this additional trial period (FY1990), Endfield had gained the support of the company's employees, the WMAT Council and the Chair, even though the company was still operating at a loss. At the beginning of FY1991, Endfield was hired as the "permanent" CEO of Apache Aerospace. In her second full year as the leader of the company, Apache Aerospace showed only a small loss.

In fiscal year 1992, Endfield's tenacity and dedication together with the faith that the WMAT Council and Chair placed in her finally paid off. For the first time, Apache Manufacturing Company/Apache Aerospace earned a profit, almost \$100,000.

In June 1993, Marilyn Endfield was invited to participate in a one-year executive leadership program at Harvard University. She accepted and resigned her position as CEO in order to advance her education and develop a new network of successful colleagues. Following her resignation, a new manager was hired at Apache Aerospace. Although he was a graduate engineer and experienced in the product lines at AA, he was unsuccessful in maintaining the progress begun by Endfield. He resigned in October 1994. Apache Aerospace has struggled since that time.