Case A: Learn Lessons from Enron Failure

Sources:　Mulern, A. C. (2002), Enron Failure Stirs Debate over Regulating Retirement Plans, *Knight Ridder Tribune Business News;* Washington; Jan 20, 2002[1]

Enron employees who lost their money had it invested in what's commonly known as a 401(k) plan[2]. That's different from a traditional pension plan, in which the employer invests money and pays a benefit when the worker retires. Those are insured by the government and workers get paid even if the company goes bust. There is no such assurance with a 401(k) plan.

Right now, 401(k) programs are voluntary. Employers decide whether to offer the plan and employees decide where to invest the funds they contribute. Employers must offer a wide variety of investment choices, but they cannot offer advice about where to invest the money. Given that structure, very few companies limit how much of an employee's portfolio can be made up of company stock.

Enron workers on average had about 54 percent of their retirement portfolio in company stock, said David Wray with the Profit Sharing/ 401(k) Council of America. The average for all people who work for public companies ranges from 30 to 40 percent, depending on the survey. Both levels are much higher than the 20 percent cap most financial planners recommend.

Enron workers could not sell the stock the company had given until age 50, which meant they were helpless to act as the stock price plunged. In Enron's case, employees had an additional barrier. The company also was switching plan administrators, which blocked employees from selling during a blackout period this fall. The timing of that blackout is being investigated.

But barring employees from selling company-contributed stock is not unusual, and helps the company limit stock volatility. Lockheed Martin will not allow its employees

[1] This case is factual. The companies' names, Enron and Qwest, haven't been changed.
[2] 401(k) plans are kind of deferred compensation plans which allow employees to postpone income taxes on a portion of salary if that salary is contributed to a qualified plan.

to sell company-contributed stock until the worker is age 55. Qwest has a similar restriction for union workers.

Qwest management employees, however, can sell that stock almost immediately. That meant union employees were barred from selling part of their stock as the price fell from a high of $58 in July 2000 to a low of $11.51 in November 2001.

Qwest spokesman Tyler Gronbach said union employees have the different stock-sale policy because their contract was negotiated when the company was still U S West. Qwest and U S West merged in July 2000. The union will have to renegotiate that issue, Gronbach said, as part of its contract talks next year.

Given the Enron situation, union spokesman Ellingson said, employees will definitely want to renegotiate that issue. "If we had the options that the corporate leadership does, it would be a different ballgame," Ellingson said.

Lawmakers will also look at how much information employers should be required to give workers about the financial condition of the company. In Enron's case, for example, chief executive officer Kenneth Lay told workers the company was rebounding as the stock price dropped.

Questions: 作答時用中文或英文均可，不用抄題，但請註明題號

A. What happened to Enron's employees? Why are they worse than just losing their jobs? (20%)

B. Could the Enron-like tragedies happen to workers in ***Taiwan***? Why? (15%)

C. If you were the HR director at Qwest, how would you negotiate with union representatives about their stock sale policy? (15%)

管理個案分析　試卷二

Case Scenario:

In 1993, Lockheed Corporation was a leader in the aerospace and electronics industry. However, as much as 70 percent of Lockheed's revenue at that time came from Department of Defense (DOD) contracts with the U.S. government. This was not good news. Because of the breakup of the Soviet Union, industry analysts in 1992 were forecasting that DOD procurement and funded research would drop from $117 million in 1990 to $68 million by 1995--a 42 percent reduction, some analysts in 1993 were arguing that cost competitiveness and affordability would be the keys to success in this industry, as the same number of defense contractors vied for a reduced amount of business. Other analysts argued that a downsized military would be smaller but more technologically sophisticated, and hence companies that were the most innovative would survive.

To enhance its ability to generate innovative products, Lockheed merged with Martin Marietta in March 1995 to form Lockheed Martin, the biggest aerospace company in the United States, with $23 billion in annual revenue. Then in June 1995 the new Lockheed Marietta announced that, to reign in costs, it would lay off 19000 workers over the next five years- 5000 would be let go in 1995, 3000 in 1996, and the remaining 11000 between 1997 and 1999. In all, the company plans to close 12 plants in the United States and 26 field offices all over the world. The cuts are expected to initially cost the firm $1.7 billion in 1995 and 1996, but it is anticipated that they would save the company $1.8 billion annually by 1999.

The nature of the government contracting business also means that the cuts could increase revenue. That is, because most government contracts are structured to pay for firms' expenses and overhead, the downsizing means lower overhead. This will enable Lockheed Martin to generate lower bids and win more work. In recent years, both Lockheed and Martin Marietta had lost key government contracts because of inefficiencies and inflated cost structures.

According to CEO Dan Tellep, "These cuts reflect a continuing adaptation to he sharp reductions I DOD and NASA contracts. I the long run, these cuts will benefit our customers, shareholders, and the great majority of our employees. "Of course, the company was not unaware of the problems this downsizing effort created for the employees whose jobs would be lost . indeed, one of the major expenses incurred by the downsizing effort was $2 billion in severance pay, As Tellep noted, “We have great sympathy and concern for the employees affected by this plan, but we have an obligation to the employees who will remain with us .”

Questions: (請根據上述個案來分析兩個問題，每題各佔 25 分)

1. Assume you were the vice-president of human resources for Lockheed in 1995 and Tellep asked you for an analysis of the human resource implication s of this merger and Downsizing effort. In your opinion, what would be the major human resource challenges confronting this newly forged firm?

2. Assume that Lockheed Martin’s campaign is successful and the firm winds up winning many new contracts. In fact, the volume of new contracts is so high that the firm is now faced with a shortage of labor. How should this shortage be addressed, given the inherent nature of this industry?