



**Alabama SHRM State Conference
Concurrent Presentation
Wednesday, May 19, 2010
12:45 p.m. to 1:55 p.m.**

So, You Think You Can HR?

An in-depth case study discussion

Presented by:

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Assisted by Forrest Cook and Tim Calhoun

Sue Hengel, SPHR, is a SVP in Corporate Training with Regions Bank. Janet Parker, SPHR, is an EVP in HR with Regions Bank and John Faure, SPHR, is a Senior HR Partner with Protective Life. Each has 20+ years of HR and business experience. Forrest Cook is VP/HR with NCP Holdings, Inc. and Tim Calhoun is in Corporate Training at Regions Bank.

Put your business knowledge and HR skills to the test in this interactive case study program where you will be called upon to advise Chris Pike, the HR Director of Red Mountain Distributors, which has just “merged” with its largest cross-town competitor, Jones Valley Products. Like HR practitioners the world over, Chris (played by Sue Hengel) is facing a few challenges. Janet Parker and John Faure will serve as discussion moderators, with Janet representing the Jones Valley “side” and John the Red Mountain “side”.

Learning Objectives:

1. Practice identifying and prioritizing the most critical business issues that arise in a complex organizational situation
2. Apply critical thinking skills in a real-world situation in which you don't have all the facts
3. Practice incorporating financial information in HR decisions

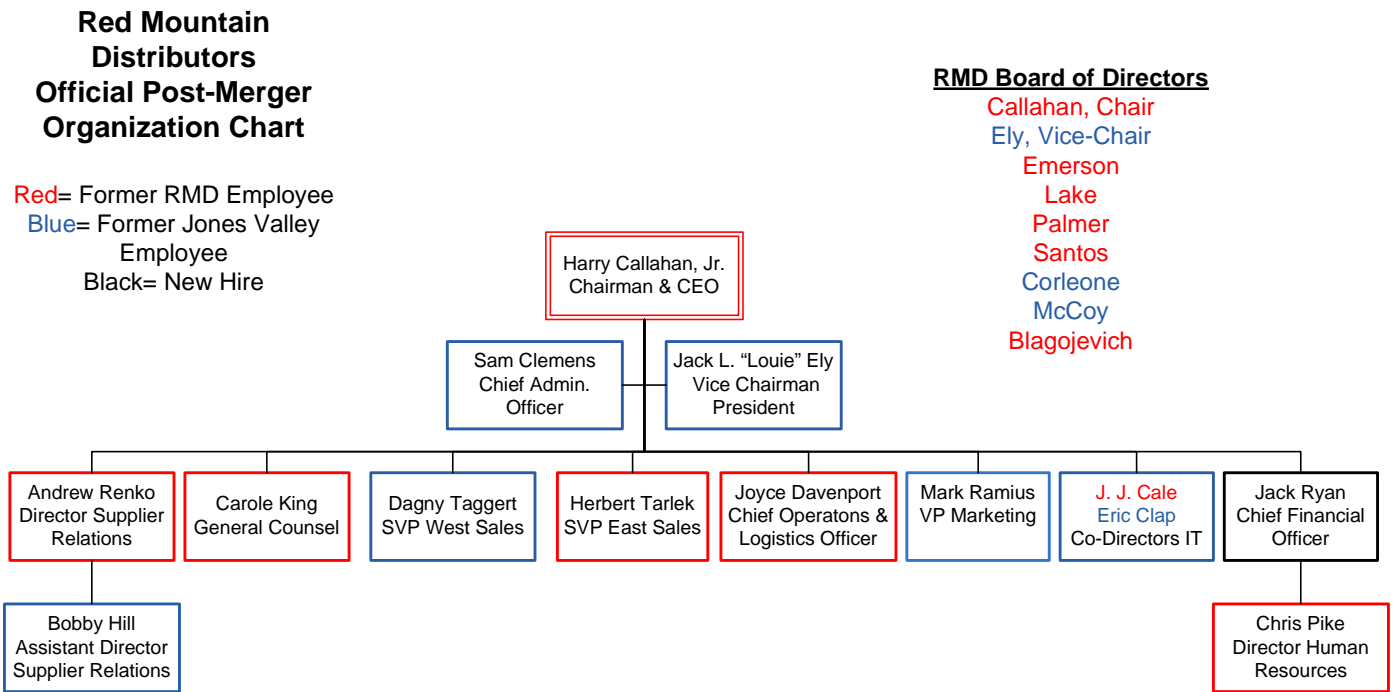
This interactive session is most appropriate for currently practicing or aspiring HR generalists.

Please read the following materials

CASE BACKGROUND:

Red Mountain Distributors (RMD) was founded in 1946 by Harry Callahan, Sr., who grew the company steadily and took it public in 1966. His son, Harry Callahan, Jr., was named President in 1981 and took over as CEO upon his father's retirement in late 1989. While growth has been slower under "Junior", by last year the company had expanded into 6 states, employed 375 employees, had sales of \$85 million and was first in market share. Six months ago the company announced a "merger of equals" with privately-held competitor Jones Valley Products, which was third in market share and had 155 employees. After a somewhat protracted negotiation process, the merger was finally completed last month with the new company keeping the Red Mountain Distributors name. The "new" RMD employs 530 people in 14 facilities in 8 states.

In the media release announcing the merger, RMD CEO Callahan was named Chairman & CEO of the new company while Jones Valley CEO Jack L. "Louie" Ely was named Vice-Chairman & President. Two Jones Valley investors and Louie Ely were named to the now 9-member RMD Board of Directors. Under the legal terms of the merger, RMD purchased 100% of the outstanding common stock of closely-held Jones Valley Products with a mix of RMD stock and cash. Louie Ely is now RMD's single largest shareholder.



The Players:

Harry Callahan, Jr., Chairman, President & CEO, age 62

- Affable, generous, always-good-natured guy with strong connections in the local community
- Knew virtually every RMD employee by name and made it a point to attend employee birthday parties.
- Very risk-averse, management style is "hands off"
- Strong relationships with RMDs customers and suppliers
- Chris likes Harry but has been frustrated at his unwillingness to address what she considered to be problems in the management team

Louie Ely, Vice Chairman, age 51

- Bought into Jones Valley 11 years ago and quickly took it from a small niche player to a major competitor of RMD
- Was a significant shareowner in Jones Valley
- Harvard MBA, type-A leader, will share his strong opinions on just about every subject with anyone willing, or compelled, to listen
- Hires good people and pushes them very hard
- Jones Valley known as an aggressive competitor whose motto was “Whatever It Takes”
- Duties at the combined company are ill-defined, doesn’t maintain regular office hours, spends lots of time sailing
- CEO Callahan hasn’t defined exactly what Ely’s job is
- Former Jones Valley executives seem to be very loyal to Ely, often congregate in his office whenever he is in town

Andrew Renko, Director Supplier Relations, age 32

- Viewed as Harry Callahan’s protégé, as Harry personally hired him 4 years ago
- HR Manager Pike sees him as a very average contributor with a modest – on a good day- work ethic
- CEO Callahan is very protective of Renko
- Supplier Relations function not viewed as progressive or especially effective
- Renko seems intimidated by his new #2 person, Bobby Hill, former head of this function at Jones Valley; relationship seems to be strained

Bobby Hill, Assistant Director Supplier Relations, age 45

- Headed Supplier Relations at Jones Valley
- Almost 20 years experience in this field
- Supplier Relations function at Jones Valley recognized as progressive/leading edge
- Hill currently serves as volunteer chair of national supplier relations professional association
- Very mature and level-headed; seems to be trying hard to work with Andrew Renko

Carole King, General Counsel, age 52

- RMD’s lawyer for over 20 years
- Very smart, was the chief negotiator in the merger
- CFO Jack Ryan wants Chris to work more closely with Carole; Chris not sure how to make that happen as Carole is aloof and unapproachable

Dagny Taggert, SVP West Sales, age 34

- Was head of sales at Jones Valley, reporting to then-CEO Jack Ely
- Word is that she was seen as his Ely’s successor
- Very intelligent, organized, focused and knowledgeable of the business
- HR Manager Pike believes Dagny is not happy having to share the sales function with RMD’s Herb Tarlek; gets complaints that the 2 of them clash frequently
- Pike sees Taggert is by far the stronger of the 2 sales heads; Callahan dismisses Taggert in favor of Tarlek
- Spends a lot of time with Louie Ely

Herbert Tarlek, SVP East Sales, age 51

- With RMD for 25 years
- Was in Harry Callahan's college fraternity; proper and conservative in his management of the sales function
- Not known for being innovative
- Has developed strong & deep relationships with customers over the years.
- Was a vocal critic of Jones Valley's sales techniques pre-merger; viewed them as hard sell/borderline unethical
- Pike finds Herb self-absorbed and difficult to work with
- Harry Callahan won't accept any criticism of Herb

Marko (Mark) Ramius, VP Marketing, age 41

- Was Jones Valley's head of marketing prior pre-merger
- Assumed his current role when RMD's marketing VP chose to retire just before the merger
- Reported to Dagny Taggart at Jones Valley and is very close to her
- Ramius and Herb Tarlek have very different ideas on marketing strategy; each are pushing Harry Callahan hard to accept their plan
- Both are frustrated that Harry has not made a decision

Joyce Davenport, Chief Operations & Logistics Officer, age 46

- With RMD for 7 years, and until the merger was Chris Pike's boss
- Smart, capable, was very well regarded within RMD
- Strongly opposed the merger, advocating a different strategic path to Harry Callahan
- Very practical, pragmatic executive with good people skills
- Viewed the HR function as a support function; did not encourage or support Chris to progress to a more consultative HR role

Jack Ryan, CFO, age 57

- Was hired by the RMD Board after they pushed Harry Callahan to fire the previous CFO
- Background as consultant and CFO of a number of companies
- Harry Callahan had not met him until the day he was hired
- Seems very capable; has been pushing Chris to take a more strategic role in the company
- Chris Pike has not been able to spend much time with Jack, as he has been spending many hours going over the company's financial records and talking to Board members
- Ryan recently told Chris that overall expenses would have to be reduced a minimum of 20%

J. J. Cale, Co-Director of IT, age 36

- Was RMD's head of IT for just a year prior to the merger
- Capable, technically savvy, has shown good people skills
- He and Clap knew each other before the merger

Eric Clap, Co-Director of IT, age 36

- Was Jones Valley's head of IT for several years, former entrepreneur
- Strong technically, decent people skills, great speaker and presenter
- Writes iPhone applications on the side
- Collaborated with Cale to propose IT business plan for combined company on the day of the merger agreement; no response to date from Callahan

Sam Clemens, Chief Administrative Officer, age 60

- Was with Jones Valley for 20+ years.
- RMD role undefined
- When asked about Clemens' role, Callahan just gives vague answers and refers to Jack Ely

Chris Pike, Director Human Resources, age 38

- Joined RMD 7 years ago as HR manager reporting to “COL” Joyce Davenport.
- 5 years of HR experience prior to joining RMD
- RMD responsibilities had centered around recruiting, benefits administration, payroll, employee relations and workers comp
- Not a part of the RMD Management Committee, so she was not directly involved in the merger process except in support role
- Once the merger was announced and Jack Ryan joined the company, Chris was promoted to Director; her reporting relationship changed from Joyce Davenport to Jack. Chris's responsibilities have significantly expanded as a result of the promotion

Income Statement Summary (\$ in millions)

	RMD				RMD-Brazil		Jones Valley			
	2007	2008	2009	1Q10	2009	1Q10	2007	2008	2009	1Q10
Revenue:	78.0	83.0	85.0	20.0	12.0	2.0	29.0	36.0	44.0	13.0
Expenses:										
Comp. & Ben.	23.0	27.0	29.0	7.0	1.5	0.3	6.1	9.0	10.5	3.0
Cost goods sold	30.4	32.4	33.2	7.8	2.0	0.2	9.3	12.0	15.0	4.3
Facilities	3.0	3.0	4.0	1.0	1.0	0.3	2.0	2.0	2.8	0.8
Legal	1.0	1.0	1.0	0.8	2.5	0.9	1.0	1.0	2.0	0.7
IT	2.0	2.0	2.0	0.7	0.5	0.2	3.0	4.0	4.0	1.2
Overhead/Other	5.0	6.0	6.0	1.0	2.0	0.6	2.0	2.0	3.0	0.9
Total Expenses	64.4	71.4	75.2	18.3	9.5	2.4	23.4	30.0	37.3	10.9
Pretax income	13.6	11.6	9.8	1.8	2.5	(0.4)	5.6	6.0	6.7	2.2
Income taxes	4.5	3.8	3.3	0.6	0.5	0.1	1.9	2.0	2.2	0.7
Net Income	9.1	7.8	6.6	1.2	2.0	(0.5)	3.8	4.0	4.5	1.4
FTE Count	340	350	360	375	50	45	130	145	150	155

Employee Benefits Comparison

RMD	Jones Valley
100% Company Paid, \$100 Deductible \$10 co pay	85/15, 300 Deductible \$30 co pay
100 % paid by the Company Dental, Vision, Short Term and Long Term Disability	Dental and Vision provided by Company STD and LTD can be purchased by employee
Child Care Center	Dependent Spending Account
Insurance paid by Company Life 2x A D & D	Insurance paid by Company Life 1x AD & D
Pension Plan	-
401-K-Dollar for Dollar match up to 4%	401-K \$.50 match up to 4%
Fitness Center	-
On-site cafeteria, employee discount 40%	-
EAP with Concierge Service	Basic EAP

Executive Benefits

RMD	Jones Valley
Use of Corporate Plane	Financial Planning
Corporate Apartment in Brazil	Annual Physicals
Company Car	
Quarterly trips for Executive and Significant Other	
Annual Physicals	
Financial Planning and Tax Preparation	
Home protection system	