



This complimentary article is brought to you by EDLS and is intended for your personal use only. Distribution is strictly prohibited.



HBR CASE STUDY AND COMMENTARY

Should Shirley simply moderate the debate or recommend a course of action?

The experts respond.

## Play It Safe or Take a Stand?

by Trish Gorman Clifford and Jay Barney



For further copies or for information on licencing please contact EDLS at (416) 510-1458 or [info@edls.com](mailto:info@edls.com)

All materials are copy protected and remain the property of Harvard Business Publishing.



**Harvard  
Business  
Review**

[www.hbr.org](http://www.hbr.org)

HBR CASE STUDY AND COMMENTARY

---

Should Shirley  
simply moderate the  
debate or  
recommend a course  
of action?

The experts respond.

# Play It Safe or Take a Stand?

by Trish Gorman Clifford and Jay Barney

*The CFO charged with analyzing the pros and cons of a new product line wonders whether it's time for her to stop facilitating—and start leading.*

HBR CASE STUDY

---

# Play It Safe or Take a Stand?

by Trish Gorman Clifford and Jay Barney

Shirley Rickert sighed as she realized that she had no hope of making the 7:10 express tonight. She turned back to the reports she was reviewing at the request of her CEO, Carl Switzer.

As the chief financial officer of HGS, a large plastics and packaging materials company, Shirley was accustomed to having the occasional fire drill disrupt her routine. This time it involved an increasingly heated internal debate that Carl wanted her to help moderate.

The good news was that HGS's research-and-development department had stumbled upon a new plastic polymer that was stain-resistant, wrinkleproof, and virtually indestructible, and yet looked, felt, and draped just like cotton—a perfect material for making men's dress shirts. The bad news was that senior executives in the company were bitterly divided over whether and how to use the fiber—now referred to internally as “Plastiwear”—as a means to enter the apparel industry.

Shirley allowed herself a moment to stretch. As she rolled her neck, wincing, she heard voices in the hallway outside her office.

“He'll tell you he's an 11 handicap. You can bet on that. Hey, I'll catch you later, Carl. Just need to grab Shirley for a minute.”

She looked up to see Scott Beckett, the vice president of HGS's most profitable division, Oil and Gas Products, filling her doorway. “Hope I wasn't too abrasive today,” he opened. “It would be a shame to get people all riled up just when we need a balanced and rational review of the facts.”

“Oh, Scott, we expect straight talk from an old oil and gas man. I think you made your position on Plastiwear quite clear—again.” Shirley motioned for him to sit.

“I'll keep saying it, but I don't get the feeling everyone is listening.”

“Well, some people around here like the idea of investing in a patented technology that could

---

*HBR's cases, which are fictional, present common managerial dilemmas and offer concrete solutions from experts.*

open up new and exciting businesses for us. But I understand your reluctance to wade into the unknown.”

“It’s not the unknown. It’s an intensely competitive market!” Scott scoffed. “Look at the forces at work in men’s shirts. The suppliers are an oligopoly, buyers are large and ruthless about pricing, and there’s no way to create any customer loyalty in such a crowded playing field. Even if we partnered with an existing shirtmaker, our patent on the fiber would be ridiculously expensive to defend, so in no time we’d be in price wars with copycats all over the place.”

“Well, that certainly sounds like a textbook no-go. I’m sure the VC firms that turned down Starbucks came up with a similar analysis of the coffee shop industry.” Shirley said this with a smile, but Scott still grimaced. “Look, I do understand your point of view. We’d struggle to compete on our own in retail, and it would be tough to manage outside partners in a business we don’t know. There’s no question it would be an uphill battle. But some people think it’s a battle we should fight. And not just inside these walls. You know MG Management has been buying up our shares, and a lot of people think it’s with a takeover in mind. They’re meeting with Carl next week to discuss taking two board seats and addressing our ‘failure to leverage new technology,’” she said, making air quotes as she cited the letter the private equity firm had sent Carl. “Don’t you think they’ve somehow learned enough about Plastiwear to smell money?”

“Those guys might see themselves making billions with shirts—or some other Plastiwear-based product line. And maybe they could take us over and pull it off. But at what cost? Everyone is already working flat out to get Green-Plastics off the ground—and doing amazingly well, I might add. Preorders are already in the tens of millions, and we make even more if we deliver early. And don’t forget about the Cleveland plant expansion. Do we really want to divert our people, our time, and our money away from these projects? And, longer term, if we chase this Plastiwear pipe dream, how many other opportunities in our existing—I’ll say it again—*successful* B2B businesses, investments with less risk and more reward, will we miss out on?”

Scott rose and moved to the door. “I don’t want to keep you, Shirley. I just want to make

sure a few of us have our heads screwed on straight and won’t be squandering our shareholders’ money on a doomed venture. Good night.”

Shirley let him go, neither confirming nor denying that she’d oppose the Plastiwear project. In fact, she could easily make a case either way, and she’d asked her team to model a break-even scenario. But Carl wasn’t requesting that she take a side. As always, he was relying on her to give him levelheaded, rigorous analysis, to vet the due diligence, and to clearly articulate the different points of view.

She excelled at this sort of facilitation, and in every review she’d had since joining HGS, Carl and other colleagues had told her it was what they valued most about her. She was fair and balanced, without any agenda except the financial health of the company.

Sometimes, of course, the answer to a question was so obvious that presenting the facts was tantamount to making a recommendation. But the Plastiwear decision wasn’t clear-cut, and there would be serious political fallout for backing either Scott or his opponent on the issue, Walter Albright, VP of research and development. Both were highly influential at HGS, and she’d once heard Carl remark to a board member that he could see either man in the CEO seat one day.

Shirley shook her head as she tossed her laptop, BlackBerry, and files into her oversize handbag. If she hurried, she would just make the 7:45 train.

## A Miracle Opportunity

In the lunchroom the next day, Walter Albright and Jerry Tucker, one of the senior R&D scientists, were seated and deep in conversation when Shirley set her tray on the table and circled back for salad dressing and extra napkins. When she returned, they were eager to draw her in. “So glad you suggested we meet to discuss Plastiwear,” Walter began. “The models you were asking about are quite conservative, as you probably noticed.”

As Walter paused to sip his coffee, Jerry nodded and chimed in. “The revenues could easily be twice our projections, and the growth rapidly accelerates as you goose up marketing. Even with a much tougher hurdle rate and a higher initial investment, the payoff is terrific.”

Shirley smiled. A few years ago she would have rolled her eyes at the lab-geek enthusi-

---

**Trish Gorman Clifford** is the managing partner of Clifford Strategic Services and an adjunct professor of management at the Columbia University School of International and Public Affairs. **Jay Barney** holds the Chase Chair for Excellence in Corporate Strategy at the Fisher College of Business at Ohio State University. They are coauthors of *What I Didn't Learn in Business School: How Strategy Works in the Real World* (Harvard Business Review Press, 2010).

*“If we chase this pipe dream, how many investments with less risk and more reward will we miss?”*

asm. But these guys knew what they were talking about. The last time she’d questioned one of their new-product proposals—and indeed shown Carl where she thought they’d gone wrong in their estimates—they’d secured approval for a pilot anyway and outperformed even their own expectations. Walter wasn’t the “I told you so” type, but Shirley had worried about offending him ever since.

“I noticed that you built the dynamics into the spreadsheet,” she said. “Nice work. But my questions aren’t about the mechanics of the model. I want to hear more about the commercialization process. Now that you’ve invented this miracle fiber”—she nodded to Jerry, who was commonly acknowledged as the genius behind Plastiwear—“do you foresee any difficulties in scaling up production?”

“Commercialization should be easy,” Walter said. “You know we’ve got a great track record of moving new ideas from the lab to full production. To us, this isn’t much different. We have a winning formula, and the prototypes are terrific.”

“But this is obviously a very different type of product for us,” Shirley replied. “So, looking back, what’s the closest precedent we’ve had?”

The two men didn’t answer directly but instead spent the next 20 minutes sharing stories of their various experiences turning new discoveries into highly profitable business lines. “And so,” Walter concluded, “the point we’re trying to make by giving you all these examples is that—even though it’s a totally new market for us, given our history—we think we can do the same thing with Plastiwear.”

Jerry glanced at his watch. “Sorry, I have to run to a meeting, but let me know if I can get you any more information.”

“Thanks. I’ll be in touch.” Shirley turned to Walter. “It sounds like you two have been really thorough in your cash-flow projections. I’ll admit I thought they might be overly optimistic, but your logic seems solid. Of course, you know that Scott Beckett has concerns about our managing an apparel business. He projects substantial losses if we go down the path you suggest.”

Walter gave her a patient smile. “Yes, I realize that if you load up the front end with environmental regulation compliance; big investments in property, plant, and equipment; and sales that are slow to ramp up, the net present value you get will indicate that this is a losing

bet. And I know it’s hard to imagine a plastics and packaging company doing fashion well.” His honest appraisal took Shirley by surprise. “But you know Scott has an agenda. There are ways to make it work, and we really don’t see how it could play out badly.

“Besides, beyond the numbers, you must realize this is a great opportunity to reenergize HGS. We stumbled upon this fiber, and it really is near perfect, with so many possibilities for us. Imagine stainproof shirts that look as good as anything you get at Thomas Pink. Imagine indestructible canvas tents. Imagine...” Walter caught himself and looked at Shirley. “I’ll stop. But I hope you and Carl understand how important this could be for us.”

“I see what you mean,” Shirley said, rising to bus her tray. “Thanks for taking the time to chat.”

### Upping the Stakes

Shirley clicked off the timer on her BlackBerry more brusquely than she’d intended and drew a deep breath. “Can we sum up for today? I think we’ve made some good progress.”

Brian Hanrahan, a senior financial analyst and Shirley’s go-to number cruncher, volunteered. “In summary, MG Management wants to acquire a substantial stake, and we have no direct way to block them. However, if we make a public announcement of a revised dividend policy, an acquisition in one of our core areas, or a large near-term investment decision, they might back off a bit. We could also quickly sell off the rights to Plastiwear or jump into a joint venture.”

Shirley’s regularly scheduled meeting with her staff had been co-opted to discuss the private equity firm’s recent share purchases and the possibility of a takeover attempt. “Keep this discussion quiet,” she reminded the group, “and take care you don’t leave these documents out where anyone might see them, in or outside this building.”

She left the room last, walking slowly and thinking about Plastiwear. Deciding what to do was complicated enough, with some of the most powerful people at HGS making strong, albeit self-interested, cases on both sides of the argument. MG’s involvement only increased the stakes, and she had no doubt that Carl would want her analysis of the situation on his desk first thing in the morning.

Back in her office, she sat down at her com-

puter and began typing out a neutral executive summary page. After a minute she stopped.

Was her usual impartial approach really adequate in these circumstances? Wouldn't it be better to not only evaluate the options and provide perspective but also make a recommendation about a course of action? Wouldn't it be better to show Carl and the other senior executives that she could make tough choices, too?

The problem was, the models weren't giving her an answer. All the outcomes (profit, loss, breakeven) were feasible. This was a difficult strategic decision, fraught with political risks. Supporting either faction would mean alienating the other, perhaps irreparably damaging relationships and, as a result, limiting her career options at HGS.

Besides, even if she did offer Carl advice, there was no guarantee he would take it. He was famous for "going with his gut."

Would he respect her more for going with hers? Or for presenting both sides of the argument so that he could make his own decision?

With gnawing unease, she looked at her screen and deleted the text she'd drafted. Should she rely on her traditional strengths or demonstrate new skills?

---

**Should Shirley simply moderate the debate or recommend a course of action?** • The experts respond.

See [Case Commentary](#)

## Case Commentary

by Blythe McGarvie

### Should Shirley simply moderate the debate or recommend a course of action?

This case reminds me of a situation I once faced. When I worked at Sara Lee, the president and CEO wanted to make an acquisition in Finland to secure a major share of the Scandinavian underwear and hosiery market. After finishing my due diligence on the deal, I realized that the company would be better off forgoing it. I did what my boss asked me to do—the financial analysis—but I also wrote a 10-point memo clearly explaining why I thought the acquisition would damage our long-term value.

Shirley should also do what Carl, her boss, asked—analyze and explain the financial and market implications of the possible scenarios: (1) not doing anything with Plastiwear, (2) finding a partner to enter the business with, (3) entering it without a partner. She already has her team creating a model for what would be required to break even, but she should spell out very clearly which three to five key assumptions drive the model (such as pricing; cost of raw materials, which in plastics depends on volatile oil prices; and distribution and marketing costs). Most important, as part of her analysis, she should indicate what the company could learn if it did go into a test market. If HGS makes a small investment now to learn how consumers respond to Plastiwear, it will avoid a big write-off later or will obtain valuable information for a successful product launch. Competitors might learn of the product but would not be able to duplicate the technology if it is patent-protected.

Carl expects Shirley to play a certain role, and doing his bidding will build trust between them. But at Shirley's level of management,

her job involves coming to informed conclusions. She is not a functionary but a thinker, a chief financial officer expected to offer smart recommendations to the leadership team. As such, she needs to have a point of view. If she disagrees with powerful colleagues or even her boss, but does it politely and with finesse, she won't lose her job. But she needs to present her case in a persuasive manner, covering the assumptions, the analysis, the company's competitive situation, and its vision for future growth in her arguments.

Shirley should also have her staff provide what I call "bookends"—two other scenarios, which look at what the worst and best cases will be if the key assumptions happen to be wrong. Her boss may not follow her advice—that's his prerogative—but Shirley will at least know that she tried her best by presenting a thorough, logical argument to support her position.

It appears that Walter and Scott have their own agendas. Yet the only agenda that matters is finding a way to build the business and getting others to buy into the strategy or explain why it won't work. If Plastiwear isn't the answer, what are the alternatives? If the company's senior executives can't articulate how and with whom they might prosper, the company deserves to be taken over!

---

**Blythe McGarvie** is the CEO of LIF Group and serves on the boards of Accenture, the Travelers Companies, Viacom, and Wawa. She was previously the CFO of Société Bic and of Hannaford Brothers, and is the author of *Shaking the Globe: Courageous Decision-Making in a Changing World* (John Wiley & Sons, 2009).

*At Shirley's level of management, her job involves coming to informed conclusions. She needs to have a point of view.*

## What Would You Do? Some advice from the hbr.org community

Carl depends on Shirley to find and organize important data regardless of lobbying from opposing factions. She shouldn't undervalue the importance of that. Her impartiality allows her to be credible in her role, and she's in a unique position to facilitate brainstorming by the management group and examine blind spots in the group's thinking. I'd hire her in a heartbeat.

**Roz Dieterich**, consultant and psychotherapist, *In Your Corner Coaching and Consulting Services*

I can see Shirley taking a stand on something she really believes in, but that doesn't seem to apply in this case. Given that, why should she take a strong position here when it's not her job? She could easily lose out, even if the boss goes in the direction she recommends, because that's apparently not what people want from her.

**David Dillard**, software engineer, *Symantec*

## Case Commentary

by Mia de Kuijper

## Should Shirley simply moderate the debate or recommend a course of action?

Shirley Rickert must stop vacillating. As chief financial officer, she is morally (and legally!) obliged to safeguard shareholder value and the financial health of HGS. Her success will be measured by her ability to lead others toward actions that strengthen those two aspects of company performance. Merely moderating a debate between self-interested management team members is not good enough. Scott and Walter might want to throw temper tantrums at each other in the boardroom (I've seen many in my time as a corporate executive and adviser), but Shirley must move the conversation to focus on value creation.

Two issues demand her immediate attention:

First, it is imperative that she take a position on the investment in Plastiwear. The short-term political risk of angering powerful colleagues does not stack up against her accountability to shareholders and her reputation as a leader in the long run. Shirley needs to evaluate the potential profit power of the new project against that of other opportunities in the pipeline. However, there is no way that she can take a stand at this point, because she has failed thus far to aggressively gather insights from outside the company. CFOs (and CEOs, for that matter) cannot rely only on "facts" and spreadsheets offered up by in-house factions promoting their own agendas. Shirley and her team must reach out to external experts in the apparel industry to get their take on the challenges and opportunities offered by Plastiwear and to test the assumptions and projections made by Walter and his team.

As Scott pointed out, she must also take note of the competitive forces at work in the apparel industry. In particular, she should un-

derstand HGS's "power nodes"—the sources of profit power that make the company indispensable to and give it leverage over its suppliers, partners, or buyers. Power nodes can be a variety of things: unique skills, special ingredients, hubs or network dynamics, brands, the ability to distribute. They allow companies to retain the largest share of profits and manage their risks while making sure that the broader group of players with whom they interact also benefit. In today's transparent business environment, where competitive information is free-flowing and even large companies have the freedom to play with their business models, HGS needs to concentrate its activities on its power nodes.

Second, Shirley's leadership is required not only on the Plastiwear decision but also on potential responses to the looming takeover of HGS. It appears that buyers of a minority stake may be getting undue influence. With a solid understanding of the profit power of her company, Shirley can play a leading role with Carl Switzer and the HGS board to devise a posture to safeguard the interests of all shareholders.

**Mia de Kuijper** is the CEO of the strategy advisory firm de Kuijper Global Partners, a fellow of Cambridge University, and codean of the Duisenberg School of Finance in Amsterdam. She is also the author of *Profit Power Economics: A New Competitive Strategy for Creating Sustainable Wealth* (Oxford University Press, 2009).

Reprint [R1011N](#)

Case only [R1011X](#)

Commentary only [R1011Z](#)

To order, call 800-988-0886

or 617-783-7500 or go to [www.hbr.org](http://www.hbr.org)

*Shirley's leadership is required on potential responses to the looming takeover of HGS.*

## What Would You Do? Some advice from the hbr.org community

Shirley's reticence most likely stems from her own insecurities about venturing into the murky and uncertain human side of decision making; she seems more comfortable behind a spreadsheet. It seems that most of the facts are on the table. Now it is time for her to step up, share her perspectives, and encourage others to come together in seeking the best solution.

**Betty Shotton**, partner, Berkana Consulting

Shirley's principal role is to manage risk. She will display leadership by focusing on her strengths (regardless of her personal opinion in this circumstance), respecting boundaries, and allowing others (such as Carl, the CEO) to fulfill their own roles with their own strengths. It is incumbent upon all of us, no matter what our rank or position, to lead where we are.

**Paul Tzanos**, CFO, Sports Science Institute of South Africa