

# Role-Play Exercise: On Command Corp.

## Directions for Instructor

1. Print copies of the role-play exercise pages (one copy of “Background” for each student in the class; one set of the roles for every five students in the class).
2. Develop teams of five students (there are five unique roles in On Command Corp.).
3. Have each student read the “Background” as an introduction to the exercise.
4. Assign each student a role to play and provide the specific role description.
5. Indicate the desired outcome of the process (e.g., press conference, written and/or oral presentation, short-term plan, long-term plan, employee meeting, etc.) and create feedback mechanisms appropriate for the desired outcome.
6. Teams will need at least forty-five minutes to review, discuss, and prepare.
7. Link the key issues to course training and learning objectives.

## Key Issues

Sexual harassment | Employee retaliation | Appropriateness of product

## Background

On Command Corporation (OCC) is a world-leading provider of interactive in-room entertainment, information, and business services to the lodging industry. The company annually serves more than 250 million guests through 950,000 rooms in approximately 3,450 hotel properties. OCC provides on-demand and, in some cases, scheduled in-room television viewing of major motion pictures and independent non-rated motion pictures for mature audiences, for which guests pay on a pay-per-view basis. Depending on the type of platform installed and the size of the hotel, guests can choose up to 50 different movies with an on-demand system, or eight to 12 movies with a scheduled system. In addition to pay-per-view movies, OCC offers other services such as short subjects (such as yoga and sporting packages), Internet services, music, game services, and other hotel and guest services.

OCC obtains the non-exclusive rights to show recently released motion pictures from major motion picture studios during the period after the initial theatrical release and before home video or cable distribution. The company also contracts with a variety of other vendors and distributors of in-room entertainment for the other products it sells to hotels and guests. OCC negotiates contracts with major hotel chains and individual hotels that involve agreement on the type and extent of movies and services that are offered. Programming choices are key for OCC to differentiate itself from competitors.

As guests order movies, they are shown in their rooms and then appear on their bill at check-out. Depending on the contract with the hotel, it may receive some of the profits from the movie ordered. The video games are the least profitable, while adult films are by far the most profitable. Although not disclosed directly, most of the company's revenues are from adult movies. In fact, some analysts estimate that up to 80 percent of the revenues OCC generates are from its adult movie business.

A new management team has come to On Command and is evaluating the company's strategy and business plan. Although the company has been around for 10 years, it has yet to become profitable and is facing increasing competition from streaming providers as guests opt to view entertainment on their laptops, tablets, and smartphones. Three recent events have rekindled discussion about the true nature of the company's products, as well as potential ethical issues.

The first situation arose when several female employees complained to their superiors about feeling uncomfortable in the presence of a certain male colleague, Ted Jones, because of what they say are "lewd" remarks about women. Ted Jones is the senior adult film editor whose job is to edit adult films to reduce graphic sexual content. When approached about his actions, Ted defended himself by denying the allegations. Due to lack of concrete proof, Ted was given a warning and the women who filed the complaint were told just to avoid Ted whenever possible. However, more complaints have surfaced, and the human resources department has decided to conduct an investigation.

The second issue arose from a complaint filed by another female employee, Donna Wilson, working as an administrative assistant. She threatened to file suit against the company because of the way she was treated. She was personally offended by the content of the adult movies. Although she had signed a document that clearly stated the nature of the videos available for viewing in her office upon her hire, she protested and said that the adult portion of the OCC product line should not be viewable in any of the corporate offices because it was sexually offensive, degraded women, and promoted sexual harassment in the workplace. She also insisted that the true extent of the sexual content was not explained to her when she signed the agreement. After hearing her complaint, her supervisor informed her of the release she had signed and also told her she had a clear choice not to work there. Since that time, Donna claims she overheard her supervisor telling other workers to shun her at work because she was a troublemaker who refused to be a team player. She has also been cut out of meetings and claims the supervisor is constantly cutting her down in front of her colleagues.

Finally, it has recently come to management's attention that there has been a drop in revenue due to the deliberate refusal of many hotels to offer adult film products as they would conflict with their quality, "family-friendly" image. The increase in this type of product censorship has led to a drop in revenue for OCC.

At a recent meeting at Liberty Media (OCC's parent company), several questions were raised about the ethical nature of OCC's primary revenue source. Questions such as these were presented during the discussion regarding what to do with struggling OCC. A big question is whether it was masquerading as an entertainment company with many different product offerings to mask the fact that it is really in the adult movie business. Management is not sure whether it would be wise to disclose where most of its revenue comes from. Also, is the nature of how the company handles the editing of adult films internally encouraging sexual harassment and retaliation of female employees?

The management team decided to develop a business strategy they could use going forward.

## Chris, President

You were appointed president of On Command by the Board of Directors less than two months ago. Although you have held many senior management positions, this is the first company where you have been named "President." You are determined to make this opportunity a success for your career, as well as for the company.

Unfortunately, these challenges are posing major problems for you. You are OCC's fifth president in less than three years. The company has gone through many changes over the last year, including a relocation of its headquarters. In general, employee morale is low and tensions are high. The company has had management problems and cannot seem to be profitable. The complaints regarding the ethical nature of how OCC represents its product line are making your job more difficult. In addition, OCC has had serious cash flow problems recently.

Upon your arrival, you examined all areas of the business. One thing that surprised you was the amount of revenues being generated from the adult film business. On most adult films, the company makes around a 55 percent profit. The video games product offering, in contrast, is actually losing money. You also learned that all management employees have televisions in their offices and have access to the same line of products that the hotels have, including adult films.

You fear the popularity of streaming entertainment is a threat to OCC. Your main goals are to get the company financially viable and develop an eventual merger and/or sale for On Command. You know you will have a limited time to do this. You have been hearing that there have been employee complaints including claims of harassment, but you figure this is the problem of human resources. You know that you will have to make the necessary steps to improve revenue, which means avoiding needless distractions.

The annual shareholder meeting is next month. You need to explain the company's strategy going forward and how you are going to turn the company around. You have been discussing these things with the new executive team.

## **Anne, Sr. VP, Marketing & Programming**

You joined the company under the old management team about five months ago and are one of the few executives that remained when the new team was appointed. You are a part of the new “Executive Management Team.” You have extensive experience in marketing and programming in the cable industry. Your main responsibility is to enhance current programming partners and contracts as well as develop new partnerships.

As the Vice President of Marketing & Programming, you receive promotional items from the company's various partners, like branded t-shirts from ESPN. Generally, the company tries to use the items as gifts and incentives for employees. In addition to receiving items from their more “traditional” partners, you also receive adult videos from current and potential partners. While these digital video files are not given to employees, they are used by your team to evaluate and develop partnerships and new product offerings. While some of the content makes you uncomfortable, it is a part of your job.

While most hotels want to offer as many products as possible to their customers for extra revenue, not all want to offer adult films. However, there is no denying that it is OCC's most popular product offering. In fact, you have three employees on your team who are solely dedicated to adult films. Many hotels want the films to be edited before they are shown in their hotel rooms, so you often have to approach the filmmakers to seek permission to edit them. Many hotels have a varying degree of tolerance as to what type of adult film they will distribute. The three employees are charged with deciding upon the appropriateness of the film and—if the creator of the film agrees—making necessary edits.

You are well aware of the challenges OCC faces. You know that your area of programming and marketing is a critical part of making the company successful. You also know many hotels are seeking streaming entertainment options. Chris, the President, has told you that you need to increase programming while also increasing profits for the firm. You are aware of the financial profitability of each of the lines of products being offered, but you are struggling as to what product line you should work on developing more. If you increase the adult film line, it will mean more quick profits for the company, but you have begun to question the ethical implications. You can work to increase the short subject product line, but it takes many more viewers to equal the profits of the adult films.

Chris has expressed to the executive team the pressure they are under to succeed and the opportunities for potential mergers and/or a sale. You are expected to come up with ideas and are considering a proposal by Executive Vice President and CFO Toben about a new package that would offer 24-hours of adult films at hotels.

## **Pam, General Counsel**

You joined OCC at the same time Chris did. You both came from another subsidiary of Liberty Media, the parent company of OCC and several other entertainment companies. Your specialty is more in the contract and merger and acquisition area. However, you have been dealing with a tremendous amount of employment-related issues. The human resources department has been significantly cut, meaning that you must often work in close proximity with Leon, the human resource manager.

Chris has made you aware that all of the offices contain televisions, and employees have the same access as hotel guests. This includes adult films. You have recently begun to research charges brought up by Ms. Wilson. You feel that adult movies should not be watched in the workplace unless they are being edited or viewed for possible selection. You learn that many employees frequently watch adult content in their offices, although most claim they do so during their break time. OCC has about 300 employees in the field who work directly with hotels to install the product as well as perform updates to products. Unfortunately, the system OCC currently uses does not allow for updates to be done electronically. The field service employees see the adult films during the updating process. OCC also manufactures its own “box” that allows the pay-per-view systems to operate. As part of the testing process, the manufacturing employees must test each line of products by watching to make sure they work properly—regular cable, short subjects, games, and adult films. You wonder if there is a streaming entertainment solution.

The human resource manager Leon has provided you with waivers and disclaimers that all employees sign upon hire indicating that they may be exposed to adult film content during their employment. However, Ms. Wilson’s claims have gone beyond simply being offended. Now she is claiming that her supervisor has begun retaliating against her because she complained. This could certainly be grounds for a lawsuit if not handled properly. Leon has also asked you for assistance in handling some potential sexual harassment allegations he has heard.

Since you came to OCC, you have been responsible for collecting and providing due diligence to an outside law firm to review for a possible merger and/or sale. You were intimately involved in the contract to secure an additional \$60 million investment from Liberty Media. You have also been involved in many of the discussions with Chris and executive VP and CFO Toben as to what the company strategy needs to be.

## **Toben, Executive Vice President and Chief Financial Officer**

You joined On Command one year ago. You have worked with CEO Chris and General Counsel Pam at your previous company. Due to some management changes, you have the responsibility for finance and accounting, as well as information technology. In total, you have 13 people reporting directly to you, keeping you extremely busy (and slightly burned out).

Over the past month, you have spent time with different financial reports to find out where the company stands financially, both now and in the long term. You realize that the accounting and finance area is where things are struggling most, at least as far as you are concerned. Invoices totaling \$20 million for April went out almost a month late due to a computer failure. This resulted in little cash flow for May. Vendors are being paid in 60 to 90 days rather than the 15 to 30 days requested, and some are threatening not to do business with OCC anymore. Some vendors are even owed upwards of almost \$1 million. Vendors are unhappy, employees are unhappy, and hotels are beginning to get unhappy. You know you have to do something...and quickly.

The company has reached its maximum debt and cannot get loans from banks. You have worked very hard to secure a \$60 million infusion of cash from OCC's parent company, Liberty Media. However, the money comes at about 1-2 percent interest rates higher than they would from a bank. You know the company needs money to sustain the business and that it cannot get it from other sources at this time, but you remain very cautious about how to use the money.

Since the new management team's arrival, you have been diligently involved with re-forecasting the budget to a more reasonable number and cutting expenses, particularly in HR. Last week, the company announced revised earnings and cash flow projections, and the stock dropped 25 percent in a day. The company has also done away with the Manager Bonus program in favor of a companywide plan. Everyone will receive between a 5 and 10 percent bonus depending on the company meeting its cash flow goals.

Over the past few weeks, you have been actively involved in speaking to analysts and reporters about the company and its direction. Questions have come up about where OCC's revenues come from, including what percent comes from adult movies. You explained that it was not a number the company released to the public. They also asked about OCC's future plans, but you told them you could not speak about it publicly.

Earlier in the day, you began working on a deal with Anne that would increase OCC's revenues quickly without a lot of extra expenses. You received a contract from a major adult film company that seems very promising. You already know that the adult film business is the most profitable for the company. The new deal would allow a hotel guest to have access to 24 hours of adult films for \$43.95. Normally, each adult film costs a guest \$10.99. You are certain this will be good for the company economically and are excited to share this with the rest of the management team at the upcoming meeting.

## Leon, Human Resource Manager

You have worked with OCC in the human resource department for six months. Two months ago, the HR manager resigned, and the department was cut significantly to reduce expenses. You were promoted to HR manager. Although you are excited about the promotion, you are still fairly young and are not sure about taking control of complex HR situations.

You recently received some disturbing news about Ted Jones, the senior adult film editor. Several complaints have filtered up to you that he has been making inappropriate and sexist comments in the workplace that have made female employees feel uncomfortable. Your previous supervisor issued him a verbal warning, but no official documentation was written. To be honest, the last year has been incredibly hard for the HR department, and employee grievances appear to be popping up left and right.

The situation is complicated by the fact that you are a close, personal friend of Ted Jones. In fact, he was the one who recommended you for a position at the company. You know Ted Jones makes lots of jokes that can be construed offensively, but you genuinely do not believe he means any harm. Nobody has yet tried to file a sexual harassment claim against Ted Jones, but you know that if he does not stop his behavior, it is only a matter of time before someone does. And when that happens, it could cause a range of reputational and legal troubles for OCC. While you mentioned this to General Counsel Pam, she is swamped with legal issues, including a retaliation complaint from another employee. She has told you to take care of it. You have never done this before and are not sure how it should be handled.

On the one hand, you do not want to jeopardize your relationship with your friend. Not only would your friendship be at stake, but Ted Jones has the ear of company managers of Liberty Media, OCC's parent company. He's been known to "shoot the messenger." You feel you will have to be very careful in how you approach him if you don't want to cause trouble. You consider giving him another verbal warning and are sure he will listen this time.