

## **FLOWERS AND MORE**

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*J. J. Hartwell is the epitome of the modern entrepreneur, with five domestic and international businesses. Inherent in managing these diverse enterprises are problems with human resources, regulatory agencies, monetary exchanges and ever-changing customer wants and needs. These problems are further compounded by differences of culture and distance since there are locations in the U.S., Central American and Europe.*

*This multi-dimensional case offers students an opportunity to utilize decision making, critical thinking and perception skills to examine enterprises under varying conditions, both cultural and economic. These issues are diverse and include leadership, management style, management philosophy, motivation, power and entrepreneurship. Each of these issues has international and intercultural ramifications. Other more basic problems include organizational behavior, international management, HRM, acct/fin, marketing and principles of management. By utilizing problem solving models, students should gain a clearer understanding of how to identify problems plus be able to develop, select and apply alternatives leading to more efficient and effective management.*

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### **INTRODUCTION**

This case follows a journey from tragedy to opportunity by showing how a man of enterprise stepped in to create five businesses that have global as well as domestic management implications, issues and challenges. In 1985, Anston Jamison was reported lost in a boating accident off the coast of Costa Rico. He left a young wife to handle his estate and business affairs, which included farming and export interests in the Costa Rican territory. She had neither experience nor management training that would help her in taking care of business affairs. This situation was further complicated by diverse language, legal, cultural, financial, managerial, human resources, marketing, economic, political and educational factors. Nonetheless she faced the task of making critical business decisions about the farm and interrelated operations.

Enter J.J. Hartwell, entrepreneur extraordinaire, who relished telling the story of his

childhood experiences that put him on the road to entrepreneurship. The story was that he joined his brother and sister in a lemonade stand venture that made two dollars the first day. They quit after the first day, but he continued for five days to make ten dollars. He never did understand why they quit! J.J. and the widow Jamison grew up in the same small North Carolina town and resumed their friendship after Anston Jamison was lost in the boating accident in Costa Rica. The plot thickens when J.J. marries the widow and takes over the farming interest in Costa Rica.

Entering J.J.'s office is akin to making a visit to a museum or shrine. Everywhere there are reflections of his character, personality and his true identity. He is a man who is willing, able, and driven to take charge. There are many symbols that provide a tribute to a man of action who is willing to accept challenges and take risks. One such symbol, a top of the line Harley Davidson motorcycle, is parked next to his spacious and ornate desk. This massive machine is but one of the grand statements about his propensity for risk and showmanship. One office wall is literally covered with pictures and memorabilia depicting the car racing period of his life and his other life involvements in community projects. As with most of his interests they display how deeply he was involved and the extent of his investment of time, money, emotion and energy. His involvement was never superficial or understated in any way.

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### **CHRONOLOGY OF COMPANIES**

There are currently five entities owned entirely or in part by J.J. Hartwell and his family. What follows is a brief description of each company.

*Ferns*, the oldest of the businesses, was formed in 1977 in Costa Rica. *Ferns* is a farming operation that raises ferns for sale to Europe. The firm was originally formed by Anton Jamison and his wife inherited the business upon his death in 1985. She married J.J. Hartwell in 1987 and the firm is currently owned jointly by Mr.

and Mrs. Hartwell, employing 70 people at the Costa Rican site. This employment level is down from a high of 250 people several years ago.. Because Ferns is a Costa Rican company, owned by Americans and selling in Europe, various international issues exist. The firm must deal in three currencies: Costa Rican colones, American dollars and European euros. Problems occur because of differing tax systems and fluctuating exchange rates. Differences in cultures and legal systems further complicate the business.

*North Carolina Floral Management and Financial Services* is a North Carolina partnership that was formed in 1992 by Mr. and Mrs. Hartwell. North Carolina Floral has an agreement with Ferns to market products and to give Ferns financial and horticultural advice.

*Mountain Flowers* is a North Carolina limited liability corporation that was formed in 1998. There are seven permanent employees at Mountain Flowers. It hires private contractors to collect wild greens which Mountain Flowers processes and sends to Holland. Mountain Flowers is half owned by Mr. Hartwell and half owned by his European customer who resides in Holland. The primary product is galax, a wild green that is collected from private and public lands by independent contractors who then sell the product to firms like Mountain Flowers. Less than ½% of galax is cultivated; most of the product grows wild. Each of the pickers pays \$12 per month for a permit to harvest the product and Mountain Flowers pays them up to \$.60 per bunch of galax. The product is packaged 25 leaves in a bunch, 10 bunches to a bag and 10 bags to a box. Mountain Flowers ships via refrigerated trucks to Florida and from there to Amsterdam, Holland. The product will stay fresh up to six months. There are five large buyers of galax and the harvest season begins mid-June and ends the following April. Gathering is suspended in order to protect the new product during the spring growing season.

*Southern Roofing* was organized in 2004 as a North Carolina limited liability corporation. The company was originally begun as a joint venture with Mrs. Hartwell's brother, Neil, who had experience in the roofing industry. The firm installs all types of commercial and residential roofing – shingle, metal and rubber. The Hartwells quickly realized that Neil's experience as an employee in another roofing company did not translate into managerial expertise or entrepreneurial ability. The Hartwells bought out Neil and Mrs. Hartwell is now the majority owner. There are currently 30 employees and the firm plans to add another 10 employees within the next two months.

*North Carolina Landscaping and Concrete Design* was formed as a North Carolina

limited liability corporation in 2005. The majority of the company is owned by Mrs. Hartwell with the remainder owned by Mr. Hartwell. This company qualifies as a minority-owned business. There are four full-time employees, a landscape horticulturalist and three landscapers. The economy has hurt this business and its revenues are only 30% of last year. Mr. Hartwell stated, "Because of our fixed expenses, it's hard to move on any job of less than \$5,000. We may have to put the business to sleep and move the employees to the roofing business." There are currently four employees at North Carolina Landscaping and Concrete Design who may be moved to another business.

### **J. J. HARTWELL'S PHILOSOPHY**

J.J. Hartwell's success in business can't be debated, but his philosophy and practices are sometimes unorthodox. J.J. believes that the key to success in business is producing quality and being "good to your word." He believes that traditional marketing has no place in his businesses and is a waste of time. His opinion is that advertising is best done by word of mouth. "Do a good job, be on time, do what you say and you'll grow."

Hartwell's goal is that quality comes first and an entrepreneur must know his business from the bottom up. A former auto racer, J.J. says, "If you can service your car blindfolded in the dark, you're getting close." Not included in his list of priorities are traditional management tools such as an organizational chart or an Employee Handbook. None of his companies has a mission statement or an external board of directors.

While the operations for Ferns are located in Costa Rica and the operations for Mountain Flowers are located in the mountains of North Carolina, all other organizations are operated from a central facility in north-central North Carolina. This proximity allows J.J. to move employees from one company to another as they are needed. Employees might be asked to work in landscaping for a time and then move over to the roofing business if they are needed there. Unemployment is very high in this part of North Carolina and employees would have a hard time finding another job in this area. J.J. tries not to seasonally adjust the workforces and moves them between companies to provide reasonably steady employment. J.J.'s views about benefits are summed up in his statement, "There aren't any." Employees provide their own health care and are expected to provide for their own retirement. The only paid holiday is Christmas. His view is that he tries to pay more than a fair wage, but "at the end of the week, we're done." J.J. pays only those benefits required by law such as social security and unemployment taxes.

## **CHALLENGES**

Mr. Hartwell summed up his three biggest problems as: taxes, international issues, and family. Since J.J. is a U.S. citizen, he pays U.S. income tax on his worldwide income, although he does get a credit for taxes paid to foreign governments. Several years ago, a major chemical company supplied chemicals that almost destroyed the Costa Rican farm. When the chemical company settled with J.J., the IRS claimed that all of the settlement was taxable to J.J. as ordinary income for lost profits, which he disputed. A lawsuit followed and the settlement caught the attention of the IRS. J.J.'s accountant encouraged J.J. to allow him and the lawyer to handle the problem, but J.J. believed he would be better off meeting with the IRS himself. In hindsight, he says this was a mistake which cost him a lot of money. The settlement contained a nondisclosure agreement.

Regulations and laws from Costa Rica, the United States and Europe create additional layers of complexity. Workers in Costa Rica who were paid an average of \$20 per week in 1984 were paid \$150 in 2008. In 1977, there was a bonus paid to corporations by the Costa Rican government of 25% of gross sales. The bonus has been repealed and these sales are now taxed by the Costa Rican government at 30%. Overall, costs are up 500% in the period that J.J. has been operating in Costa Rica and families who walked, biked, or bused to work now have become 2-car families. The Costa Rican business culture still includes bribery but now also includes licensing and documentation fees for exports. Social benefits paid by employers are approximately 52% of wages, another cost of doing business that seems to keep going up.

J.J. and his wife have employed various family members over the years. Her brother, Neil, was one of the original owners of Southern Roofing and his brother, Allen, worked for North Carolina Floral Management and Financial Services. Neil was included in the roofing business because he knew roofing and construction, but the Hartwells decided that this knowledge did not offset his inexperience as a manager and they forced him to sell his portion of the company to them. Allen had majored in Business Administration and obtained an M.B.A. degree. Allen's specialty was financial planning and his skills seemed perfect for N.C. Floral Management and Financial Services. Although he had no ownership in any of the businesses, J.J. was grooming Allen to take over the North Carolina businesses. What J.J. did not count on was that Allen viewed himself as an employee who was entitled to weekends off and felt he should receive basic benefits from the company. J.J. expected Allen to work as hard as he did, even though Allen was never offered an ownership interest. Family relationships have been strained since Neil and Allen left their jobs.

Both Mr. and Mrs. Hartwell say that the cost paid by the entrepreneurial family is

quite large. The family must take a back seat with J.J. missing holidays and regular family time. He has traveled a lot and left Mrs. Hartwell to take care of the family. Even though the costs are substantial, so are the benefits. The family has traveled extensively and the Hartwells think their children have been enriched by the cultural opportunities. There are also the rather substantial financial rewards which have provided the family with a comfortable lifestyle and excellent educational opportunities for the children.

There is currently no succession plan for the Hartwell enterprises. Until four years ago, there was a large insurance policy which was in place to provide liquidity and protect the family from the company liabilities in the event of J.J.'s death. This insurance policy was dropped when J.J. became ill and felt that the cost had become prohibitive. J.J. says that "exit planning should begin the day you begin a business," but there doesn't seem to be an exit plan in place. None of the couple's children shows any interest in running the businesses.

### **INSTRUCTIONS FOR STUDENTS**

1. J.J. has not previously engaged in formal planning. What advice can you offer?
2. What advice can you give J.J. about organizational structure, mission statements, and the benefits of an advisory board?
3. J.J. has no Employee Handbook. Do you believe that this is an important document? If so, what should be included in an Employee Handbook?
4. What advice can you give J.J. about employee benefits as part of a total compensation package?
5. Does J.J. exhibit typical characteristics of an entrepreneur?  
Are entrepreneurial characteristics different from/similar to leadership characteristics?
6. What would the future hold for the businesses if J.J. were unable to run them?

### **ADDITIONAL READINGS**

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