

Appendices

In-Basket Task #1: Advertising Media Decision @ Mr. Pizza

GND2 [Group, No GBS, Devil’s Advocate Present, and Placebo Information (PI)]

President Pete Smith is going to increase advertising for the firm’s brand, **Mr. Pizza** that consists of franchises of 27 pizza restaurants in St. Louis. President Smith is going to double promotion expenditures.

Fran Jones, the firm’s advertising manager, favors placing 80 % of the additional funds in television and Facebook advertising because of the sales jump experienced in the firm’s restaurants when the brand’s TV commercials appear—sales increase 20–30 % among the stores and profits jump as well.

Tom Hendricks, head of marketing, points out that the firm’s pizza restaurant locations only cover 30 % of the metro area—a lot of television advertising will be wasted. Tom favors using sponsoring events (rock bands and concerts) with the additional promotional funds as a way of increasing brand awareness and acceptance of the firm’s brand. Fran disagrees; she views sponsorships as delivering little direct impact on sales.

President Smith is going to decide this week on spending the additional advertising funds.

GND2

Your consulting report to President Smith:

Your personal secret code:

Number:	Number:	Letter:	Letter:	Letter

- (1) Based on the information available in the case, select **one of the two options** in the case to recommend to President Smith, Fran, and Tom. Your choice: Please tick **ONLY ONE** preferred option here below:

Option	Place your ✓ in this column
Option A: Place 80 % of the additional funds in television and Facebook advertising	
Option B: Use sponsoring events (rock bands and concerts)	

- (2) Provide between one and three reasons to support your recommendation to this firm on deciding on spending the additional advertising funds. (Use the back of this sheet if you require more space.) Your reasons:

Reason 1:
Reason 2:
Reason 3:

- (3) Please indicate how confident you are that your answer is the correct answer. Please tick your level of confidence.

1	Not very confident	2	Somewhat confident	3	Confident	4	Very confident
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- (4) Please indicate how likely you are to stick with your decisions, should you be asked to review them in 2 weeks time. Please tick your option

1	Very likely to change my decision	2	Somewhat likely to change my decision	3	I am unlikely to change my decision. I will stick with my current decision	4	I will not change my decision at all. I will definitely stick with my current decision.
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Exhibit 1(i): Advertising Media Selection

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Please think for a minute or two to yourself on how you might apply the information appearing on this page in making the decision. Also ask yourself: should you apply the information on making a decision that appears on this page?

Advertising media selection is the process of choosing the most cost-effective media for advertising, to achieve the required coverage and number of exposures in a target audience.

5 Steps for Better Advertising Return

If you think that, because your business is small, you can advertise without having a defined marketing strategy, Ed Yeaker disagrees with you. “In the acting business, there are no small parts, only small actors, and there is no small advertising plan, either,” says Yeaker, president of Ed Yeaker Associates, Inc. Advertising and Marketing Services in White Plains, N.Y. “No matter the size of the business, ad budget or extent of activity, the advertising investment is always huge.”

Yeaker, a former adjunct marketing instructor at Pace University, offers five tips for businesses that want to get more *ka-ching* out of their advertising.

1. **Have a Clear Marketing Direction—and Stick to It.** “Advertising helter skelter just because of aggressive media sales reps, friends’ suggestions, status and emotional appeals usually has little or no value, or even hurts the business,” Yeaker says. “Every business, no matter the size, needs a planned approach to marketing-directed advertising that supports the company’s goals and allows it to prosper.” The key elements of a solid plan should include:

- **Situation analysis**, including market data, consumer profiles and attitudes, plus competitive appraisal;
 - **Assessment of problems and weaknesses** along with opportunities and strengths;
 - Review of the overall business and its financial goals; and
 - **Objectives**, strategies and rationale for the money you're spending on advertising.
2. **Distinctive Positioning.** You must separate your business from competitors selling the same thing in a way that is meaningful, memorable and believable. Then you have to apply that identity consistently and visibly in every facet of your business and operation. Strong positioning is at the heart of effective creative strategy for advertising, but only if it is meaningful and memorable. Being believable is at the heart of advertising success. "The stronger the assertion, the greater the disbelief," Yeaker notes.
 3. **It's All About Customer Benefits.** It's not what you have to sell, but what customers need that's important, even if the customer doesn't know (yet) that she needs it. And your advertising's focus doesn't end when you produce the commercial, print ad or Internet campaign. That's just the beginning. Understanding how customers use and experience your product should drive your ongoing promotion. Yeaker notes, for example, that some bedroom furniture manufacturers advertise the benefit of their materials and construction, emphasizing durability. But when he designed a campaign for a client in this space, the consumer promise was "sweet dreams," because research showed a good night's sleep was the key emotional benefit of the product. "Sure, they want a good product and a fair price, but first things first when you're trying to get their attention," he says.
 4. **Integrate All Promotional Activity.** Yeaker suggests you take a top-down approach to your advertising strategy so you get results greater than the sum of the parts. Rather than initially focusing on the individual components of an ad campaign—the media where the ad will run, the creative content, the price you'll pay, the number of customers you will convert, and fitting together all the different types of ads and promotions—think first about the problem you are solving for your business. This is a typical "forest and trees" issue: if you center your attention on the mechanics of advertising and promotion and how well they look and sound individually, you may miss the opportunity (which is really a necessity) of making sure they all add up to a well-integrated whole that delivers new profits for your business. Taking a top-down approach assures "a cohesive look and attitude so that each of your ads is instantly recognized as being uniquely yours in every application, from print media advertising to TV and radio, from mailings to telemarketing, plus sales literature and especially, Internet marketing," Yeaker says.

5. **Accountable Performance.** At its heart, advertising is an experiment. You can't have perfect knowledge of what will work, so it's critical to test your assumptions. There are a couple of key ways to measure and analyze advertising to make it accountable:

- Creative development, with some preliminary research to confirm viable appeals and offers, followed by testing of different messages and executions;
- Testing different messages within each media you use;
- Testing the demographics and psychographics of the lists you use for direct mail and telemarketing; and
- Testing media in print and broadcast—each with virtually infinite variations and combinations.

While all this testing and preparation may sound complex and expensive to do, it's actually much cheaper than doing what most small businesses do: winging it!

Source:

5 Steps to a Better Return on Your Advertising Investment.

By Mitchell York, About.com Guide.

<http://entrepreneurs.about.com/od/salesmarketing/a/AdvertisingTips.htm>;

Retrieved 13 October 2011

Exhibit 1(ii): A Guide to Managing Media and Public Relations

GBF2

Please think for a minute or two to yourself on how you might apply the information appearing on this page in making the decision. Also ask yourself: should you apply the information on making a decision that appears on this page?

1. *Have a strategy.*

Tailor your strategy for each public relations opportunity. Think about the audience you want to reach and how to create excitement. An effective part of your strategy should be to enforce your organization's core messages in all news releases.

2. *Have a good story.*

A news story must have a compelling beginning, middle, and end. Journalists recognize a strong story within seconds, so tell your story quickly and succinctly.

3. *Know your audience.*

You wouldn't follow up on a potential business opportunity without knowing something about their business, so don't call the news media blindly. Before you pitch to any media outlet, study their work. Read the publication, watch the show, and listen to the radio broadcast. Get familiar with the characteristics of the media outlet you are targeting. Find out about their main audience and their likes and dislikes. (Internet message boards are good for this.)

4. *Invest in relationships.*

The more you know about the media organization and your target editor, the better and more confidently you can pitch to them. Building relationships *now* means editors will be more likely to take your call when you've got an important story to tell. Best of all, even if they can't offer you coverage on this particular story, they may refer you to another reporter who can. As with any relationship, building trust is critical. Keep your promises, and be on time. Be upfront about what you can and can't do. You might not be able to do everything, but reporters will appreciate your honesty.

5. *Think before you speak.*

A word of caution: *everything* you say to a reporter is on the record, regardless of disclaimers. You are representing your organization at all times. The impression that you give has a definite impact on how the media views your organization.

6. *Monitor your media coverage.*

Media coverage shows your success. As a media relations expert, the end goal is always positive media coverage for your organization. When your organization is spotlighted in major media outlets, you bring attention and respect to your business

Source:

http://tldp.org/LDP/Linux-Media-Guide/html/howto_maximize.html; Retrieved
13 October 2011

Exhibit 1(iii): Advertising that Expands Consumption

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Please think for a minute or two to yourself on how you might apply the information appearing on this page in making the decision. Also ask yourself: should you apply the information on making a decision that appears on this page?

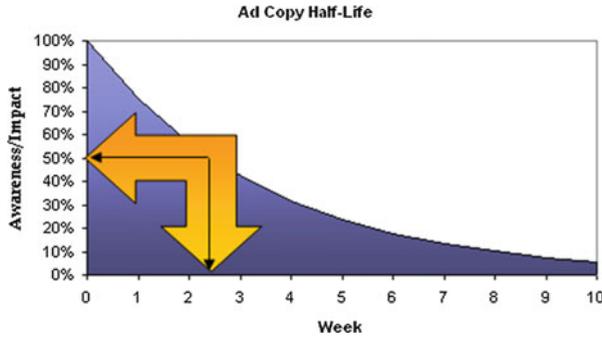
Advertising Adstock is a term coined by Simon Broadbent ^[1] to describe the prolonged or lagged effect of advertising on consumer purchase behavior. It is also known as ‘advertising carry-over’. Adstock is an important component of marketing-mix models. Adstock is a model of how response to advertising builds and decays in consumer markets.

Advertising tries to expand consumption in two ways; it both reminds and teaches. It reminds in-the-market consumers in order to influence their immediate brand choice and teaches to increase brand awareness and salience, which makes it easier for future advertising to influence brand choice. Adstock is the mathematical manifestation of this behavioral process.

The Adstock theory hinges on the assumption that exposure to television advertising builds awareness in the minds of the consumers, influencing their purchase decision. Each new exposure to advertising builds awareness and this awareness will be higher if there have been recent exposures and lower if there have not been. In the absence of further exposures adstock eventually decays to negligible levels. Measuring and determining adstock, especially when developing a marketing-mix model, is a key component of determining marketing effectiveness.

The lagged or decay component of Advertising Adstock can be mathematically modelled and is usually expressed in terms of the ‘half-life’ of the ad copy, modeled using TV Gross Rating Point (GRP). A ‘two-week half-life’ means that it takes 2 weeks for the awareness of a copy to decay to half its present level. Every Ad copy is assumed to have a unique half-life. Some academic studies have suggested half-life range around 7–12 weeks,^[2] Other academic studies find shorter half-lives of approximately 4 weeks,^[3] and industry practitioners typically report half-lives

between 2 and 5 weeks, with the average for Fast Moving Consumer Goods (FMCG) Brands at 2.5 weeks.^[4]



The copy in the above graph has a half-life of 2.5 weeks

References

Broadbent, S. (1979) “One Way TV Advertisements Work”, *Journal of the Market Research Society* Vol. 23 no.3.

Leone, R.P. (1995) “Generalizing what is known about temporal aggregation and advertising carry-over”, *Marketing Science*, 14, G141–G150.

Newstead, K., Taylor, J., Kennedy, R. and Sharp, B., 2009. Single source data: how do findings from individual-level analysis converge with aggregate level advertising experiments? *Journal of Advertising Research* 49 (2).

Exhibit 1A: Evidence on the Relationship Between a ROI and GNF1 Effectiveness of Advertising Campaigns

Please think for a minute or two to yourself on how you might apply the information appearing on this page in making the decision. Also ask yourself: should you apply the information on making a decision that appears on this page?

Return on Investment (ROI) is used to measure the effectiveness of advertising campaigns. ROI is determined by comparing the cost of advertising to either sales or inquiries generated from the advertising effort.

The worst ROI occurs for situations where costs are high and response is low. Television and to some extent radio are the worst ROI advertising options. These are high cost with usually low response. You are reaching a large number of people that are not qualified prospects—in other words, they probably do not want your product or service. It is difficult to provide a clear and effective call for action. This is largely because of the short time you have the prospects' attention. The best advertising ROI is when the cost of the advertising is low and the sales or inquiries are high.

One of the cheapest advertising activities, and therefore likely to be one of the best advertising ROI efforts, for any business is networking. The key for successful networking is to follow up with prospects. Networking efforts likely to result in a high ROI would be a vendor or business booth at a networking event you would be attending anyway. Inexpensive advertising efforts can have good ROI. Being creative when it comes to handing out information and tracking the response from any given effort will show you what works best for your market. You do not have to invest many dollars in advertising to be effective.

<http://www.essortment.com/small-business-tips-worst-roi-advertising-opportunities-23656.html>

Exhibit 2A: Evidence on the Relationship Between Market Share and Profitability, Market Share and Firm Survival

GBF1

Please think for a minute or two to yourself on how you might apply the information appearing on this page in making the Pricing Decision for L-Guys. Also ask yourself: should you apply the information on making a decision that appears on this page?

- Economists frown on competitor-oriented objectives (Mueller 1992). They consider the proper objective of business to be profits, not market share.
- Anterasian and Graham (1989) examined the performance of a sample of 42 businesses drawn from a federal trade commission report. There eight manufacturing industries had experienced a boom-bust cycle from 1974 to 1977. Those firms that sought stability in sales by giving up market share during the 1974 boom in their industry achieved higher profits during the subsequent downturn.
- Studies that have used a longitudinal rather than a cross sectional approach, find a negative relationship between market share and profits. Anterasian and Graham (1989) analyzed data on 42 firms in industries that had cycles; companies that lost market share during growth periods tended to be more profitable over the cycle than firms in the same industry that gained market share.
- Tschoegl and Yu (1990), in a study of the liquor market, found that a higher market share did not help in gaining further share and did not produce stability in the firm's sales.
- Montgomery and Wernerfelt (1991) examine the performance of six large U.S. Brewers from a 1969 to 1979, a period characterized by large changes in market share; using returns on stocks, they concluded (p. 958) that gains in market share were associated with "the destruction, rather than the creation, of firm value."

- In Armstrong and Collopy (1996) follow-up study using data on firm survival rate relating to the firm objectives of the 200 firms in Lancillotti (1958) study, all for profit-oriented firms survived, while four of the six competitor-oriented companies failed. Thus, competitor-oriented firms were less likely to survive ($p = 0.07$ by the Fisher Exact Test).

Reference List:

- Anterasian, C., & Graham, J. L. (1989). When it is good management to sacrifice market share. *Journal of Business Research*, 19(3), 187–213
- Armstrong, J., & Collopy, F. (1996). Competitor orientation: Effects of objectives and information on managerial decisions and profitability. *Journal of Marketing Research*, 33(2), 188–199
- Montgomery, C. A., & Wernerfelt, B. (1991). Sources of Superior Performance: Market Share versus Industry Effects in the U.S. Brewing Industry. *Management Science*, 37(8), 954–959
- Mueller, D. C. (1992). The corporation and the economist. *International Journal of Industrial Organization*, 10(2), 147–170.
- Tschoegl, A. E., & Yu, C.-M. J. (1990). Gibrat's law in marketing: The case of liquor brand sales. *International Journal of Research in Marketing*, 7(4), 249–262.

Exhibit 2B: Information on Setting Price

GBF2

- One of the most difficult, yet important, issues you must decide as an entrepreneur is how much to charge for your product or service. While there is no one single right way to determine your pricing strategy, fortunately there are guidelines that will help you with your decision. Here are some of the factors that you might consider.
- **Positioning**—How do you positioning your product in the market? Is pricing going to be a key part of that positioning? If you are running a discount store, you are always going to be trying to keep your prices as low as possible as (or at least lower than your competitors). On the other hand, if you are positioning your product as an exclusive luxury product, a price that is too low may actually hurt your image. The pricing has to be consistent with the positioning. People really do hold strongly to the idea that you get what you pay for.
- **Demand curves**—How will your pricing affect demand? You are going to have to do some good basic market research to find this out, even if it's informal. Get ten people to answer a simple questionnaire, asking them, "Would you buy this product/service at X price? Y price?" For a larger venture, you will want to do something more formal, of course—perhaps hire a market research firm. But even a sole practitioner can chart a basic curve that says that at X price, X' percentage will buy, at Y price, Y' will buy, and at Z price, Z' will buy.
- **Cost**—Calculate the fixed and variable costs associated with your product or service. How much is the "cost of goods", i.e., a cost associated with each item sold or service delivered, and how much is "fixed overhead", that is, it doesn't change unless your company changes dramatically in size? Remember that your gross margin (price minus cost of goods) has to amply cover your fixed overhead in order for you to turn a profit. Many entrepreneurs under-estimate this and it gets them into trouble.

- **Environmental factors**—Are there any legal or other constraints on pricing? For example, in some cities, towing fees from auto accidents are set at a fixed price by law. Doctors, insurance companies and Medicare will only reimburse a certain price. What possible actions might your competitors take? Will too low a price from you trigger a price war? Find out what extra factors may affect your pricing. (Allen, 2010)

Exhibit Reference

Allen, S. (2010). How much should you charge for your product or service? Retrieved from <http://entrepreneurs.about.com/od/salesmarketing/a/pricingstrategy.htm>

In-Basket Task #2: Pricing Decision

GND2

You are the marketing manager of a manufacturing firm known as L-Guys, Inc. As the company’s marketing manager, you are responsible for all marketing decisions and strategies, including the pricing structure of the firm’s products.

Recently your company introduced a new highly technical product, and you have been asked to set the pricing strategy for this product. You calculate the present value of the total profits expected for your firm over the next 10 years.

You are aware that your main competitor, T-Guys, Inc., intends to introduce a product that is very similar to the one that your firm has just introduced. You should assume that the competitor’s product is as good as yours in every way that is important to the market, and the market is the same for both products. Therefore, the pricing strategy which you formulate for your product might take into account this competitor’s decisions. You estimate the following results for each strategy:

Expected Profits and Market Shares over Ten Years

<u>Outcomes</u>	<u>L-Guys’ Low-Price Strategy</u>	<u>L-Guys’ High-Price Strategy</u>
L-Guys:	\$10.2 million profits 56.7% market share	\$20.4 million profits 48.6% market share
T-Guys:	Profits? 43.3% market share	Profits? 51.4% market share

Note. ? = unknown, profit information on T-Guys’ product are unavailable to L-Guys’ executives.

Your consulting report to L-Guys:

GND2

Your personal secret code:

Number:	Number:	Letter:	Letter:	Letter

1. Which pricing strategy do you select for L-Guys, please tick (✓) one choice:

Option	Place your ✓ in this column:
Option A: The low price strategy	
Option B: The high price strategy	

2. Please provide between one and three reasons for your choice:

Reason 1:
Reason 2:
Reason 3:

3. Please indicate how confident you are that your answer is the correct answer. Please tick ✓ your level of confidence:

1	Not very confident	2	Somewhat confident	3	Confident	4	Very confident
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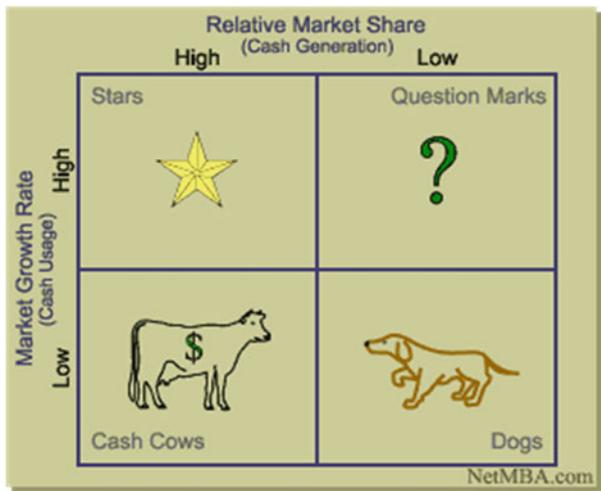
4. Please indicate how likely you are to stick with your decisions, should you be asked to review them in 2 weeks time. Please tick ✓ your option below:

1	Very likely to change my decision	2	Somewhat likely to change my decision	3	I am unlikely to change my decision. I will stick with my current decision	4	I will not change my decision at all. I will definitely stick with my current decision.
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Exhibit 2(i): Boston Consulting Group (BCG) Growth Share Matrix

GBD2

Please think for a minute or two to yourself on how you might apply the information appearing on this page in making the L-Guys Pricing Decision. Also ask yourself: should you apply the information on making a decision that appears on this page?

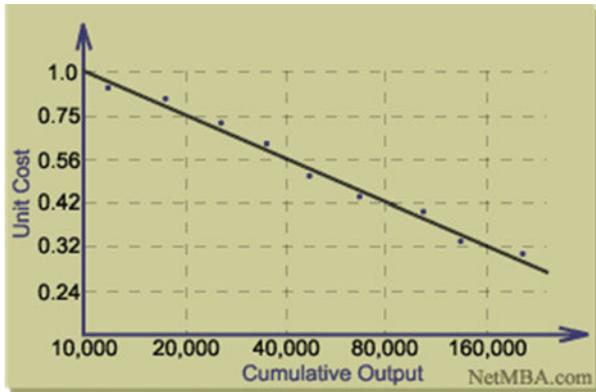


BCG Growth-Share Matrix is a portfolio-planning model developed by Bruce Henderson of the Boston consulting group in the early 1970's. It is based on the observation that a company's business units can be classified into four categories based on combinations of market growth and market share relative to the largest competitor, hence the name "growth-share". Market growth serves as a proxy for

industry attractiveness, and relative market share serves as a proxy for competitive advantage. The growth-share matrix thus maps the business unit positions within these two important determinants of profitability. This framework assumes that an increase in relative market share will result in an increase in the generation of cash. (<http://www.netmba.com/strategy/matrix/bcg/>)

Exhibit 2(ii): The Experience Curve

GBD2



The experience curve has important strategic implications. If a firm is able to gain market share over its competitors, it can develop a cost advantage. Penetration pricing strategies and a significant investment in advertising, sales personnel, production capacity, etc. can be justified to increase market share and gain a competitive advantage.

When evaluating strategies based on the experience curve, a firm must consider the reaction of competitors who also understand the concept. Some potential pitfalls include:

- The fallacy of composition holds: if all other firms equally pursue the strategy, then none will increase market share and will suffer losses from over-capacity and low prices. The more competitors that pursue the strategy, the higher the cost of gaining a given market share and the lower the return on investment.

- Competing firms may be able to discover the leading firm's proprietary methods and replicate the cost reductions without having made the large investment to gain experience.
- New technologies may create a new experience curve. Entrants building new plants may be able to take advantage of the latest technologies that offer a cost advantage over the older plants of the leading firm.

(<http://www.netmba.com/strategy/experience-curve/>).

Task #3: Hotel Selection

Attributes ranked by past participants of RISC Conferences
GBD2

Attribute	Rated Out of 10	Hotel A		Hotel B		Hotel C		Hotel D		Hotel E		Hotel F		Hotel G		Hotel H		Hotel I		Imperial	
		Yes/ No	Arturo Weighted	Yes/ No	Bianca Weighted	Yes/ No	Bianca Weighted	Yes/ No	Domino Weighted	Yes/ No	Domino Weighted	Yes/ No	Enterprise Weighted	Yes/ No	Fargo Weighted	Yes/ No	Gladiator Weighted	Yes/ No	Hilltop Weighted	Yes/ No	Imperial Weighted
Good food, great entertainment and break-away areas	9	-1	-9	1	9	-1	-9	1	9	-1	-1	1	9	-1	-1	-9	1	9	1	9	9
Interesting sights and entertainment in close proximity to the hotel	7	-1	-7	1	7	-1	-7	-1	-7	-1	-1	1	7	-1	-1	-9	-1	-7	-1	-7	-7
Excellent, secure conference facilities	10	1	10	-1	-10	1	10	-1	-10	-1	-1	1	10	1	10	1	10	1	10	1	10
Easy access to trains, buses, parking and transport	6	1	6	1	6	1	6	-1	-6	1	6	1	6	-1	-6	1	6	1	6	-1	-6
Free, fast internet and business support services to access messages and e-mail(s)	5	-1	-5	-1	-5	1	5	1	5	1	5	1	5	-1	-5	1	5	1	5	1	5
Friendly concierge service with good knowledge of local sites and events; friendly local services and vendors.	3	-1	3	-1	-3	1	3	1	3	1	3	-1	-3	-1	-3	1	3	-1	-3	-1	-3

Exhibit 3B: Satisficing as Decision Strategy Useful Rules for Evaluating Hotel Scenarios

GBF1

Please think for a minute or two to yourself on how you might apply the information appearing on this page in making the hotel decision.

Also ask yourself: should you apply the information on making a decision that appears on this page?

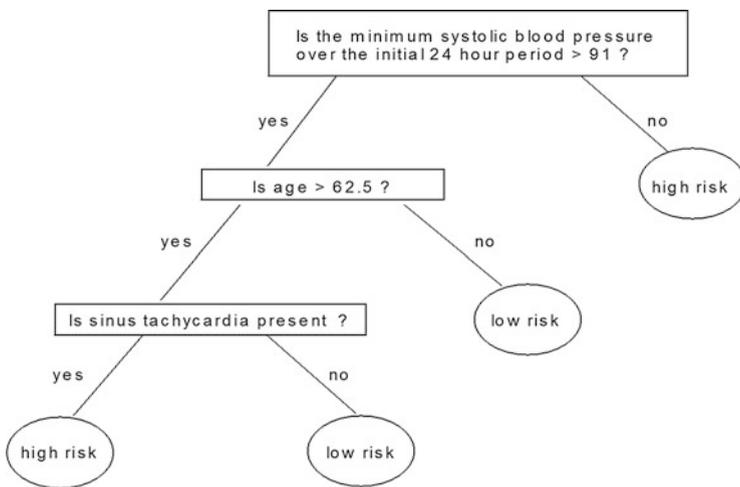
This information sheet is about fast and frugal heuristics for making decisions—how they work, and when they succeed. Humans and animals make inferences about their world with limited time, knowledge, and computational power. Gigererzer and Todd argue that models of much of human reasoning and decision making involve the use of fast and frugal heuristics that make inferences with limited time and knowledge. These heuristics do not involve much computation, and do not compute probabilities and utilities; using such heuristics results in more accurate decisions than fully rational models.

Fast and Frugal Heuristics: Example from the Medical Industry

A man is rushed to a hospital in the throes of a heart attack. The doctor needs to decide quickly whether the victim should be treated as a low risk or a high risk patient. He is at high risk if his life is truly threatened, and should receive the most expensive and detailed care. The doctor does not have the luxury of extensive deliberation: She must decide under time pressure using only the available cues, each of which is, at best, merely an uncertain predictor of the patient's risk level. At the University of California, San Diego Medical Center, as many as 19 such cues, including blood pressure and age, are measured as soon as a heart attack patient is admitted. Common sense dictates that the best way to make the decision is to look at the results of each of those measurements, rank them according to their importance, and combine them somehow into a final conclusion. Consider in contrast the

simple decision tree in Fig. 1.1, which was designed by Breiman and colleagues (Breiman et al., 1993) to classify heart attack patients according to risk using only three variables. If a patient has a systolic blood pressure of less than 91, he is immediately classified as high risk—no further information is gathered. If not, then the decision is left to the second cue, age. If the patient is under 62.5 years old, he is classified as low risk; if he is older, then one more cue (sinus tachycardia) is considered to classify him as high or low risk. The tree requires the doctor to answer a maximum of three yes-no questions to reach a decision rather than to measure and consider 19 predictors, letting her proceed to life-saving treatment all the sooner. And it works!

Figure 1.1 A simple decision tree for classifying incoming heart attack patients into high risk and low risk patients (adapted from Breiman et al., 1993).



This decision strategy is simple in several respects. First, the heuristic ignores the great majority of possible measured predictors. Second, the heuristic ignores quantitative information by using only yes/no answers to the three questions.

Deciding Under Constraints

Satisficing is a method for making a choice from a set of alternatives encountered sequentially when one does not know much about the possibilities ahead of time. Satisficing takes the shortcut of setting an aspiration level and ending the search for alternatives as soon as one is encountered that exceeds the aspiration level (Simon, 1956a, 1990). Satisficing is a way of making a decision about a set of alternatives that respects the limitations of human time and knowledge: it does not require finding out or guessing about all the options and consequences the future may hold,

as constrained optimization does. However, some forms of satisficing can still require a large amount of deliberation on the part of the decision maker, for instance to set an appropriate aspiration level in the first place, or to calculate how a current option compares to the aspiration level (Simon, 1956b). Satisficing limit the search of objects or information using easily-computable stopping rules, and they make their choices with easily-computable decision rules.

Heuristic principles for guiding search. Decisions must be made between alternatives, and based on information about those alternatives. In different situations, may need to be found through active search. The heuristic principles for guiding search for those alternatives are what give search its direction (if it has one). For instance, search for cues can be simply random, or in order of some precomputed criterion related to their usefulness; or based on a recollection about which cues worked previously when making the same decision. The search for alternatives can similarly be random or ordered.

Heuristic principles for stopping search. In our conception of bounded rationality, the temporal limitations of the human mind (or that of any realistic decision-making agent) must be respected as much as any other constraints. This implies in particular that search for alternatives or information must be terminated at some point.

Heuristic principles for decision making. Once search has been guided to find the appropriate alternatives or information and then been stopped, a final set of heuristic principles can be called upon to make the decision or inference based on the results of the search. These principles can also be very simple and computationally bounded. For instance, a decision or inference can be based on only one or two cues or reasons, whatever the total number of cues found during search. A one-reason decision making does not need to weight or combine cues, and so no common currency between cues need be determined. Decisions can also be made through a simple elimination process, in which alternatives are thrown out by successive cues until only one final choice remains.

One of the surprising results reported in empirical studies by Gigerenzer and Todd (1999), is that simple heuristics need not always make tradeoffs in accuracy or quality. These studies show that, when compared to some standard benchmark strategies, fast and frugal heuristics can be faster, more frugal, and more accurate at the same time.

Reference

Gigerenzer, G., & Todd, P. M. (1999). Fast and Frugal Heuristics. In ABC Research Group (Ed.), *Simple Heuristics that Make Us Smart*. New York: Oxford University Press.

Exhibit 3A: GBF1 Decision About Conference Facility Attributes: Studies over a Decade

Please think for a minute or two to yourself on how you might apply the information appearing on this page in making the hotel decision. Also ask yourself: should you apply the information on making a decision that appears on this page?

The event industry is experiencing impressive growth. To facilitate the destination selection process, the planner and host organization should first establish the goals and objectives for the event. With that knowledge, destination selection criteria are easier to establish (Rompf, Breiter, & Severt, 2008). Upchurch, Jeong, Clements, and Jung (1999) note that the organization should create a short list of two or three priorities for site selection. Furthermore, the selection of location also depends significantly on the size and budget of the organization producing the event (Crouch & Ritchie, 1998). According to Churchill (1993, p. 56), “During a recession companies cannot afford to waste time and resources, therefore companies are giving more emphasis to setting clear objectives and high quality standards for their conferences”, he later adds that “valued-added is increasingly the name of the game for management conferences”.

Crouch and Louviere (2004) interviewed 500 meeting planners from the Meetings Industry Association of Australia. Each respondent was asked to make discrete choices on a number of designed scenarios recounting hypothetical convention sites described by site selection attributes. The study reports that participant proximity to the convention site, quality of conference and exhibition space, plenary rooms, break-out rooms, and perceived food quality were important antecedents to site selection. In terms of the convention destination setting, opportunities for entertainment, shopping, sightseeing, recreation and organized tours were found as significant advantages for destinations.

An Australian study by Comas and Moscardo (2005) collect data on the attributes or selection criteria that association planners look for when choosing a host destination for association conferences and meetings. They discovered six key themes among a variety of destination attributes: meeting venue (including size, location, and access), accommodation venue (size of the property, location, and

cost of room nights), convenience (preference of one venue covering a range of facilities including meeting space, accommodations, and conference dinners), quality of technology, price of meeting and accommodation facilities, and overall city atmosphere, including the hospitality of the local residents, safety, and the availability of additional activities, Crouch and Ritchie (1998) identify four major site selection factors to consider when choosing a site: accessibility, local support, extra-conference opportunities, and accommodation facilities, keeping in mind that variations in these dimensions are dependent upon the size and budget of the particular group.

Accessibility refers to the expense of transportation and access, the duration/distance of travel involved, the frequency of connections to the site, the convenience of these connections, and any existing barriers, such as passports or customs procedures, that may hinder the travel experience.

Local support refers to the amount of assistance or backing offered by any local chapters or branches of the group, the amount of CVB/convention center support, and the availability of any subsidies or rebates offered by the destination. *Extra-conference opportunities* refer to activities event participants can take advantage of while visiting the destination, such as entertainment, shopping, sightseeing, recreation, and professional opportunities. *Accommodation* facilities are of particular importance to meeting planners in that they need to know the capacity of facilities, the cost of the accommodations, the perceptions towards standards of service at particular lodging establishments, the assurance of a safe and secure environment, and the availability of the facilities when required (Crouch & Ritchie, 1998).

Both the competitive environment and external forces appear to drive new factors in conference facilities and destination selection, referred to as “Key Event Success Factors.” Those factors/criteria are “overall cost,” “perceived value for money,” “reputation for hosting events,” “image as a desirable place to visit,” “support services for events,” “safety and security,” and “accessibility.”

References

- Churchill, D. (1993). Hangovers are out and cost effectiveness is in. *Management Today*, 00251925, 56–56.
- Crouch, G. I., & Louviere, J. J. (2004). The Determinants of Convention Site Selection: A Logistic Choice Model from Experimental Data. *Journal of Travel Research*, 43(2), 118–130. doi:[10.1177/0047287504268233](https://doi.org/10.1177/0047287504268233)
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- Upchurch, R. S., Jeong, G. H., Clements, C., & Jung, I. (1999). Meeting planners’ perceptions of site selection characteristics: The case of Seoul, Korea. *Journal of Convention & Exhibition Management*, 2(1), 15.

Exhibit 3(i) Steps in Rational Decision-Making/Weighted Priority Matrix

GBD2

- When facing two or more alternatives in solving a problem, transform the information on relative information available on each alternative to standard scores. For example, standard scores might range from 0.0 to 1.0.
- Weight the importance of each piece (cue) of information. For example, assume that you used a constant sum of ten points to apply to three cues. You can assign the ten points evenly or weigh the importance of one cue much more (e.g., 8) than the other two cues; you might assign each of the other two cues a value of 1 each—or weigh the importance of one cue as 2 other cue as zero.
- For each alternative, multiply each cue's standard score by the cues weight and sum across all the weighted cues.
- Select the alternative with the highest sum as your answer.
- **Example:** Jane is deciding on which of two Americans to hire as a project manager to work in her firm's headquarters in Germany: Linda or Tom. She wants to hire the best person for the job—the one that is going to perform the job to the highest level. Linda can read German, but has poor language speaking ability in the German language. Linda graduated from Cambridge University with honors in humanities. Linda's current job is a senior project manager at a small firm in Chicago. Tom is fluent in both reading and speaking German. Tom graduated from the University of Kentucky in the U. S. with a Masters in Business Administration. Tom's current job is a junior project manager in a large firm in Chicago. Jane selected the following cues to evaluating Linda and Tom (and assign the following importance weights to each cue: German language ability (2), University quality (1), relevancy of training to the job (3), job experience (4), and gender (0). (Jane prefers to hire a male but believes that gender is not relevant to the job.)

- Jane uses a 0.0 to 1.0 score to standardize her evaluations of Linda and Tom across the four cues (multiplies each score for each cue by the cues importance weight and sums). The sum of scores for Linda and Tom are close (6.3 versus 6.0); Linda has the highest summed score. Jane selects Linda for the job.

Cue	Cue weight	Evaluation of Linda	Evaluation of Tom
German language ability	2	0.3 [0.06]	1.0 [2.0]
University quality	1	1.0 [1.0]	0.3 [0.3]
Relevancy of training to job	3	0.5 [1.5]	0.7 [2.1]
Job experience	4	0.8 [3.2]	0.4 [1.6]
Gender	0	0.2 [0.0]	0.8 [0.0]
Σ Total		[6.3]	[6.0]

These steps in rational decision-making may be applicable to the pricing strategy problem to help you in deciding which price to set.

In-Basket Task #3: RISC Selection of a Hotel

Sam, a highly successful International Sales Manager for RED, a chain of hair dressing stores in New Zealand and Australia, has approached you for advice. The firm RED has its annual international sales conference in 3 months' time. At this international sales conference which normally runs over 3 days, the Australasian top achieving sales representatives are rewarded and new products are launched. The annual RED International Sales Conference (RISC) is highly prestigious and there is already much excitement amongst the sales representatives to see who will make it through to RISC this year. This year it is planned for a venue in the Pacific Islands. RED's international sales management team organizes many functions every year. Several members of Sam's event planning team have taken business trips to assess a large number of possible hotels. The enclosed list of nine hotels are those pre-screened hotels that meet the minimum requirements to host a conference of this caliber for this number of people.

RED's president, Joe White always takes personal interest in the RISC function. Since the key focus of the coming sales year is on customer care and nurturing existing clients, she has asked Sam's team to find a venue that will demonstrate these qualities. The team has done some preliminary research and has found nine possible hotels RED have used in the past, to host the upcoming RISC function.

Sam needs to make the final decision today since many of the hotels have a minimum lead time and RED's president wishes to announce the venue and key speakers at the director meeting which is tomorrow. Once you have made your recommendation, Sam will have full authority and control over the all-inclusive budget of \$1.7 m to make the decision. His decision will be final.

Sam's event planning team has, over the years of organizing the RISC function, developed a checklist of key attributes to consider. This ranked attribute list was compiled from past top achievers and RISC conference attendees' feedback forms. The factors, issues and attributes of the event and the priority weighting of each factor appear in the second column, labeled *Importance (scored out of 10 by sales staff who attended conferences in the past)* in Table 1.

Your Consulting Report to the RED International Sales Manager

You wish to develop a short-list of one or two hotels to consider. Second, you wish to generate one strength and one weakness for each alternative action. Finally, you want to select one of the alternatives to recommend to Sam and tell why this action is the best one for RED to take.

Your Consulting Report to the RED international sales manager of RISC

GBF1

Your personal secret code:

Number:	Number:	Letter:	Letter:	Letter

1. One to two hotels to consider on the final short-list?

Hotel 1:	Hotel 2:

2. One strength and one weakness for each course of action?

Hotel 1:	Hotel 2:
Strength Hotel 1:	Strength Hotel 2:
Weakness Hotel 1:	Weakness Hotel 2:

3. Final choice of action and why it's best for RED and the RISC function?

Final choice of Hotel: (Write name of Hotel here):
Why it is the best for RED:

4. Please indicate how confident you are that your answer is the best venue for the event. Please tick ✓ your level of confidence:

1	Not very confident	2	Somewhat confident	3	Confident	4	Very confident
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5. Please indicate how likely you are to stick with your decisions, should you be asked to review them in 2 weeks time. Please tick ✓ your option

1	I am very likely to change	2	Somewhat likely to change my decision	3	I am unlikely to change my decision. I will stick with my current decision	4	I will not change my decision at all. I will definitely stick with my current decision.
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(continued)

Instructions (Cont.) Group Rules for Effective Idea Generation



GBF1

Start:

Let the group interaction begin with whomever starts it. No specific “leader” is required.

Stay Focused on the Task:

Concentrate on the problem at hand and avoid engaging in irrelevant thought processes or discussions. When it is necessary to interrupt a group member, say something like:

“Remember that we need to stay focused on our task.”

Ask:

Please think for a couple of minutes:

How might we apply the information on making a decision appearing in the decision aids in making the decision?

Also ask:

Should we apply the information on making a decision that appears on the decision aid(s)?

Do not tell stories or digress into long explanations by one group member:

The group is interested in your ideas and explanations. The group wants logical arguments or evidence to support the choice, suggestion or idea. Allow expansion on why suggestions or ideas are good or bad, but DO NOT allow group members to digress into long-winded stories about their experiences or highly descriptive examples. Say something like:

“We understand your point of view. Can we give someone else a chance to contribute?”

Keep the group interaction going:

During a lapse (of more than 4–5 s) when no one is talking, someone in the group should say something like:

“Let’s see what other ideas we can come up with for (restate the problem). If there is still no further comment, someone should say something like:

“We have not fully discussed option . . .X. . . Any ideas about . . .XYZ?”

Return to Previous Categories:

When the group members are not talking very much, go back to options or suggestions that have already been considered and try to build on these previous ideas. For example, say “Does anyone have any more ideas related to (restate an idea already suggested)?”

If there are no further ideas, ask something like:

“Do you have the necessary information to make the decision? Is everyone ready to complete the decision form?”

If all members agree, disperse to complete the decision form relating to the specific in-basket scenario. If you cannot agree, keep on deliberating until the facilitator indicates the end of the discussion (after 15 min).

There is NO need to achieve CONSENSUS neither is MAJORITY VOTING required.

Select one of the provided options, even if there is no a perfect match to your ideal answer.

Briefing Document (Groups & GBS Only): Objectives & Your Role as Vice-President: XXX



The Objectives

The objective of the in-basket exercise is to assist students to learn how to:

1. analyze available information in order to assess the impact of the context on the business decision.
2. appraise the available information and determine which information to use and which to omit in making an effective business decision.
3. conclude by advising the client of the preferred course of action within the complex business environment.
4. justify or explain why the suggested course of action is the preferred or most effective option.

Your Brief

You are a team of three full-time, independent, strategic management consultants. A new client (Mr Right) is considering hiring your services full-time for 6 months to train the firm's executives in increasing their effectiveness in strategic and tactical decision-making.

Before the final decision on whether or not to hire your team, this new client asks you to complete four executive-decision tasks. The tasks take the form of in-basket simulated problems that need solving today.

The senior executives of the new client firm plans on reviewing your answers tomorrow and you will receive a formal review of your answers and their decision on hiring you before 5 pm tomorrow. Should your firm get this contract, it could be worth \$1.2 m over the next 2 years.

The decisions in your in-basket are the type of decisions you will come across in your future career and will therefore give you excellent insight into general management decision-making scenarios or will assist in preparing you as a professional management consultant.

**Your Role in This Team: (EACH STUDENT ONLY GETS ONE OF THESE)
Please wear the hat and button provided with your pack.**

HR Consultant: Your excellent track record, long-standing experience in management and highly-regarded formal qualifications make you the ideal candidate to be the Human Resource (HR) consultant on the team. You are often referred to as *Vice-President: Talent Development* or Vice-President in charge of human resource acquisition, development and retention. You are known for your outspoken opinions on the importance of hiring and warnings against wrongful firings. Your belief is that all employees have great potential, given the right job, the right training and the right motivation, appropriate for the specific individual.

Marketing Consultant: Your excellent track record, long-standing experience in marketing management and highly-regarded formal qualifications make you the ideal candidate to be the Marketing and Sales consultant on the team. You are often referred to as *Vice-President: Marketing & Sales* or Vice-President in charge of client acquisition, development and retention. You are known for your outspoken opinions on the importance of getting and keeping key clients and building customer life-time value.

Financial Consultant: Your excellent track record, long-standing experience as chief financial officer and highly-regarded formal qualifications make you the ideal candidate to be the Financial Consultant on the team. You are often referred to as *Vice-President: Accounting and Finance* or Vice-President in charge of cash-flow, profit and budgets. You are known for your outspoken opinion that “the business of business is to stay in business”; directly translated that the first goal of any business must be to make profit.

Customer Services Consultant: Your excellent track record, long-standing experience in customer services and your highly-regarded formal qualifications make you the ideal candidate to be the Customer Service Excellence consultant on the team. You are often referred to as *Vice-President: Customer Care* or Vice-President in charge of client care, customer relationships and customer service. You are known for your outspoken opinions on the importance of providing excellent services and recovering from any form of poor service delivery in order to keep clients happy and building long-term customer equity.

Replace with DA if in the Configuration: OTHERWISE Use OPS Below

Operations Manager: Your excellent track record, long-standing experience in business management and highly-regarded formal qualifications make you the ideal candidate to be the Operations Consultant on the team. You are often referred to as *Vice-President: Operations and Processes* or Vice-President in charge of performance and processes. You are known for your outspoken opinions on the importance of effective and efficient processes, quality control and your high performance orientation.

The Objectives: (INDIVIDUALS * ~GBS)



IND1

The objective of the in-basket exercise is to assist students to learn how to:

1. Analyze available information to make a sound business decision.
2. Appraise the available information and determine which information to use and which to omit in making an effective business decision
3. Conclude by advising the client of the preferred course of action within the complex business environment.
4. Justify or explain why the suggested course of action is the preferred or most effective option.

The decisions in your in-basket are the type of decisions you will come across in your future career and will therefore give you excellent insight into general management decision-making scenarios or will assist in preparing you as a professional management consultant.

Process & Procedures

You have 2-h to complete all four in-basket scenarios. Please provide complete answers to each problem in the in-basket. Please take the time that you find the exercises require in answering. After selecting your preferred option, please complete the two questions to justify your decision and to indicate your confidence in

the decision. After completing the **last** Decision Form, please complete the section on Demographic Information and thereafter the final sheet. All answers and personal information is anonymous and will be treated as such throughout the data gathering, data analysis and data reporting stages of this study.

In-Basket Task #4: Performance Management at ABConsulting

You client is **Abe Connor, CEO of ABConsulting**, a business consulting service with 57 consultants and 135 support and administrative staff. **Mary Smith**, National Promotions & Events Manager is normally a star performer in Abe's team at ABConsulting. She is highly competent at running multiple promotional campaigns and projects and although she is not very well liked, is well regarded by her twelve subordinates as a hard-working and strict manager. She is seen by her colleagues as a perfectionist with a keen focus on task and delivering high quality output within tight deadlines. She is responsible for the national promotions and sponsorships of ABConsulting services business, which amounts to approximately 24 projects with a total budget of \$850,000.

Mary was recently asked to not only organize the National Awards for Media Innovation function which is part of her normal function, but in addition present a cheque on the gala evening of the Awards function, of which the firm is the main sponsor. This presentation and executive liaison role would normally be allocated to someone more senior than Mary in ABConsulting. Abe wanted to give her a chance to shine in the limelight and offer her a chance to demonstrate her ability to move up the ranks—one she often expresses a desire for. (In two of her previous bi-annual performance review meetings, the most recent of which was last month, she expressed a need to be promoted into higher paying and more responsible positions).

The Awards function ran smoothly and impressively as per all the promotional campaigns her team executes, but her interface with the top achievers, prize winners, and executives left much to be desired. Abe has first-hand information from a trusted friend that she was rude to the president of Media Inc., the owners and organizers of the event—and one of your most important and most valuable clients—on more than one occasion on the day of the function. She was sulking throughout the evening event function, made harsh, inappropriate remarks to clients and colleagues and was inappropriately dressed for such a glamorous function. In the words of Abe's trusted friend, "She looked like she came straight off the ladder where she was hanging the 'congratulations banner' to present the award, rather

than dressed in smart evening attire, as was specified on the invitations she wrote and printed herself". Even one of her team members said, "I don't think I have ever seen her in such a foul and unaccommodating mood."

It has previously come to Abe's attention that she is first in the office in the mornings and that she never leaves the office before 7 pm and is very often the last person to leave the building. Although she has gained quite a bit of weight, she makes no time for tea or lunch and a senior colleague still sees her running at 6 am every morning on his daily jogs. During her performance review she stated that she is having some personal problems at home and that a promotion "would be just the thing to make me feel valued and appreciated." Abe is concerned about the impact Mary's behavior might have on the reputation and image of ABCConsulting. There is some rumor that Media Inc. is considering taking their substantial business to your main competitor. Which of the following actions should Abe take?

- A. Call Mary and her team in immediately to express his discontent with Mary's type of behavior and warn them all that a repeat performance will lead to a reduction in status or bonus/pay or both and that such behavior at corporate events will not be tolerated. Express the importance of key clients such as Media Inc. to the survival of ABCConsulting and how one event like this might cost you years of good work and hundreds of dollars in real consulting work.
- B. Wait for the next performance review, which is only 2 months away, to address the matter on a formal basis. Ensure that Abe build new criteria into the performance review document for all members of the national promotions business unit. Suggest that Abe phone the president of Media Inc. immediately to apologize and to smooth over any feathers that may have been ruffled. Advise Abe to go out of his way to rebuild the relationship and retain this key client.
- C. Suggest to Abe to find Mary immediately and ask her for her version of the story so that Abe can give her a warning about future non-conformance actions he will take. Give her a formal warning so that he has followed procedure in case there is a repeat performance and he wishes to fire her after the next infringement. Advise Abe to call Media Inc. to resolve any residual unhappiness.
- D. Suggest that Abe call his Media Inc. client to gather more information and to select one of two options. If the president of Media Inc. is seriously considering taking their consulting business away from ABCConsulting, offer to fire Mary in order to retain the business of this key client. If the Media Inc. client is not too mad, suggest that Abe offers his personal apologies and let the issue rest. Suggest that Abe does nothing further after dealing with Media Inc.
- E. You advise Abe to use positive reinforcement. You suggest to Abe to call Mary into his office, congratulate her on another successful event, but explain why she needs to call your Media Inc. to apologize for her behavior. Abe should explain that he relies on her and trust her to follow up with Media Inc.'s president and smooth over any problems. Give her a few pointers on how to deal with irate clients and difficult staff. Ask for feedback after the call.

Your consulting report to Abe at ABCConsulting:

GBF1

Your personal secret code:

Number:	Number:	Letter:	Letter:	Letter

GBF1

1. Which course of action to you suggest do Abe take, please tick (✓) one choice:

Option	Suggestion to Abe of ABCConsulting	Tick your selection
A	Take immediate action and express your discontent to the whole team.	
B	Wait to address the issue with the team. Call the client immediately and rebuild the relationship with the key client	
C	Call Mary in to address the non-conformance immediately. Call the client immediately and rebuild the relationship with the key client.	
D	Call Media Inc and either fire Mary or let the issue rest if the client is not all that upset.	
E	Congratulate Mary on a successful function. Direct her to call Media Inc. Give her some pointers. Ask for feedback	

2. Please provide one to three reasons for your choice here: (Use the back of the sheet if necessary)

Reason 1:
Reason 2:
Reason 3:

3. Please indicate how confident you are that your answer is the correct answer. Please tick ✓ your level of confidence:

1	Not very confident	2	Somewhat confident	3	Confident	4	Very confident
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4. Please indicate how likely you are to stick with your decisions, should you be asked to review them in 2 weeks time. Please tick ✓ your option:

1	Very likely to change my decision	2	Somewhat likely to change my decision	3	I am unlikely to change my decision. I will stick with my current decision	4	I will not change my decision at all. I will definitely stick with my current decision.
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Exhibit 4A: Decision Aid: Information on Retaining Key Clients & Key Staff

GBF1

Please think for a minute or two to yourself on how you might apply the information appearing on this page in making the ABCConsulting decision.

Also ask yourself: should you apply the information on making a decision that appears on this page?

- In the service industry, an average of 95 % of business comes from 15 % of clients. Retaining key clients should be the focus of every manager in the business. Most industries quote the Pareto principle, i.e. 80 % of business comes from 20 % of clients. This 20 % of clients are called key clients.
- Key clients of service organizations periodically review and change their advertising; marketing and corporate communications services business models and supplier relationships. If service organizations are unable to remain competitive or retain key clients, their business and financial results may be materially adversely affected.
- The success of acquiring and retaining clients depends largely on organizations' ability to manage client relationships and retention of key personnel to manage those relationships.
- Organizations' ability to attract and retain key personnel is an important aspect of their competitiveness since employees and key clients are the two most important assets of any business. If unable to attract and retain key personnel, the organization's ability to provide services in the manner customers expect may be adversely affected, which could harm their reputation and result in a loss of clients, which could have a material adverse effect on results of operations and the overall financial condition.
- To develop strong business relationships, key service personnel need to have the interpersonal and relationship-building skills to attract and retain key clients. This is an example of a valuable relational asset as well as a potential source of competitive advantage. Organizations should invest time and money to develop these competencies.

- In many organizations, the most prominent and expensive resource is their employees. As a result, a lot of time is spent on (a) creating processes and conditions that drive and motivate employees; and (b) developing employee competencies and skills to perform effectively and productively in the workplace.
- Starting with the issue of motivation, it is fair to say that this is not an easy task since different drivers motivate different people. The reason: motivation develops internally from a personal desire to achieve goals that are important both to the individual and to the organization. Motivation is the force that prompts them to take action. If a leader or manager is having trouble getting someone to achieve the organization's goals, they are probably failing to understand what the employee's personal goals are.
- Frederick Herzberg, research psychologist and author of "One More Time, How Do You Motivate Employees?" found that rather than working purely for external rewards such as money, people are motivated by challenges, stimulating work and increasing responsibility. In other words, people become frustrated when their work offers little or no opportunity for growth and achievement. While pay, fringe benefits, and working conditions are important, research has shown that absence of these factors produces a lack of motivation, but their presence has no long-range motivational effects. Long-range motivational factors are recognition of a job well done, sense of achievement, growth, participation, challenge, and identification with the company's goals and vision.
- Compassion is caring and empathy in action. It is the ability and willingness to act on feelings of care and empathy for others' feelings and experiences. According to leadership guru Richard Boyatzis, leading with compassion can favorably affect the bottom line. Important organizational results are achieved through compassion: "development of more people as leaders' higher commitment, responsiveness to customers, and a sense of share community and social responsibility" (Resonant Leadership, p. 185)
- They also argue that CRM is particularly concerned with singling out customers who are of strategic importance to the company, having the greatest customer lifetime value. It is with these customers that the company should build strong, interactive and collaborative relationships in order to be able to provide them with personalized offerings, thus enhancing company profitability (p. 14).
- Just as in literature concerning CRM, people are seen as a key success factor in Key Account Management (KAM). In Zupancic's (2008) framework on the operational KAM level, it is of importance to determine the competencies needed to best serve each key account and to nominate the people in the key account team, as well as analyze the individual needs of the people already involved in a particular relationship. Meanwhile, on the corporate KAM level it is crucial to acknowledge the pivotal role of outstanding staff in the success of KAM and continuously analyze their competencies, as well as provide the staff involved in KAM with training and development programmes. It is also within

the realm of corporate KAM to appoint key account managers from within the organization (Zupancic, 2008, p. 31).

- The findings of Brady (2004) and Nätti et al. (2006) highlight the importance of capable staff as a key success factor in KAM.

Exhibit References

Bianchi, Constanza C. (2009) How service companies from emerging markets overcome internationalization barriers: evidence from Chilean services firms. In: 2009 *Strategic Management in Latin America Conference*, January 5–7, 2009, Sao Paulo, Brazil.

Salojärvi, H. Sainio, L.M., Tarkiainen, A. (2010). Organizational factors enhancing customer knowledge utilization in the management of key account relationships. *Industrial Marketing Management*, 39(8), p. 1398

Key account acquisition and retention in the United Kingdom private medical insurance market: case study: AXA PPP healthcare Sini Nordberg. Retrieved on September 29, 2011 <https://publications.theseus.fi/bitstream/handle/10024/28683/Thesis%20S.Nordberg.pdf?sequence=1>.

Exhibit 4(i): Information on Retaining Key Clients

GND2

Please think for a minute or two to yourself on how you might apply the information appearing on this page in making the ABCConsulting decision.

Also ask yourself: should you apply the information on making a decision that appears on this page?

- In the service industry, an average of 95 % of business comes from 15 % of clients. Retaining key clients should be the focus of every manager in the business. Most industries quote the Pareto principle, i.e. 80 % of business comes from 20 % of clients. These 20 % of clients are called key clients.
- Key clients of service organizations periodically review and change their advertising; marketing and corporate communications services business models and supplier relationships. If service organizations are unable to remain competitive or retain key clients, their business and financial results may be materially adversely affected.
- The market place for service businesses is highly competitive. Key competitive considerations for retaining existing clients and winning new business include the ability to develop creative solutions that meet clients' needs, the quality and effectiveness of the services offered the ability to efficiently serve clients, particularly large key clients, on a broad geographic basis.
- While client relationships may be long-standing, companies put their advertising, marketing and corporate communications services business up for competitive review from time to time. The competitive landscape changes often because of these reviews.
- To the extent that organizations are not able to remain competitive, their revenue may be adversely affected, which could then affect their results of operations and financial condition.
- "To develop strong business to business relationships, key service personnel need to have the interpersonal and relationship building skills to attract and retain key clients. This is an example of a valuable relational asset as well as a potential source of competitive advantage."

Exhibit References

- Bianchi, Constanza C. (2009) How service companies from emerging markets overcome internationalization barriers: evidence from Chilean services firms. In: *2009 Strategic Management in Latin America Conference*, January 5–7, 2009, Sao Paulo, Brazil.
- Salojärvi, H. Sainio, L.M., Tarkiainen, A. (2010). Organizational factors enhancing customer knowledge utilization in the management of key account relationships. *Industrial Marketing Management*, 39(8), p. 1398.

The Objectives (GROUP * ~GBS)



GND1

The objective of the in-basket exercise is to assist students to learn how to:

1. Analyze available information in order to make a sound business decision.
2. Appraise the available information and determine which information to use and which to omit in making an effective business decision.
3. Conclude by advising the client of the preferred course of action within the complex business environment.
4. Justify or explain why the suggested course of action is the preferred or most effective option.

The decisions in your in-basket are the type of decisions you will come across in your future career and will therefore give you excellent insight into general management decision-making scenarios or will assist in preparing you as a professional management consultant.

Process & Procedures

You have 2-h to complete all four in-basket scenarios. Please use eighteen (18) *minutes* to discuss a scenario and seven (7) minutes after each discussion to complete the Decision Form for each scenario. Please complete the relevant Decision Form before moving to the next in-basket scenario. After the group discussion, each group member completes his/her own Decision Form by providing/indicating the group decision. After selecting the group option, please complete the two questions to justify the decision and to indicate your confidence in the decision. After completing the **last** Decision Form, please complete the section on Demographic Information and thereafter the final sheet. All answers

and information provided is anonymous and will be treated as such throughout the data gathering, data analysis and data reporting stages of this study. The researchers will not attempt to link answers with individual respondents at any point throughout the study.

The Devil’s Advocate’s Perspective (GROUP)



GND2

An excellent track record and long-standing experiences in a variety of management roles and highly-regarded formal qualifications make a manager the ideal candidate to be the devil’s advocate on any team.

Colleagues often refer to this type of person as The Devil’s Advocate or *Vice-President: Caution*. According to creative thinking guru Edward de Bono, **Black Hat Thinking** explores ways that an idea may not fit the situation, problems we may need to overcome, faults, or why something or a line of thinking may not work. During *Black Hat Thinking* we consider obstacles, existing or potential downsides, and concerns. The single word that best describes the nature of the Black Hat is “caution.” If we are not cautious, we risk damage, danger, and disaster both for ourselves, our organization and for others. The *Black Thinking Hat* protects us from harm. Black Hat Thinking can discover potential problems that might arise. The Black Hat helps us improve on an idea by drawing attention to the faults in the idea.

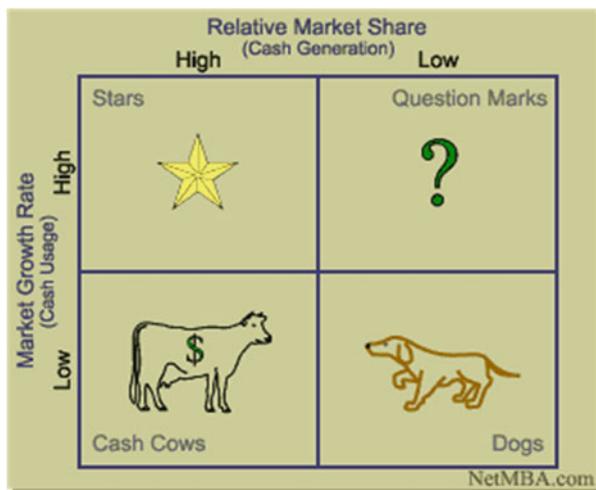


Black Hat
Difficulties, potential issues. Why a solution may not work

During your deliberations and decision-making processes, please consider the role and perspectives of a devil's advocate. Please wear the black hat provided by the facilitator when considering the black hat perspective.

Source: <http://www.debonoonline.com/black-hat-thinking.asp>

Briefing Document: Objectives & Hats You Need to Wear (INDIVIDUALS *GBS)



IBD1

The Objectives:

The objective of the in-basket exercise is to assist students to learn how to:

1. Analyze available information in order to assess the impact of the context on the business decision.
2. Appraise the available information and determine which information to use and which to omit in making an effective business decision.
3. Conclude by advising the client of the preferred course of action within the complex business environment.
4. Justify or explain why the suggested course of action is the preferred or most effective option.

The decisions in your in-basket are the type of decisions you will come across in your future career and will therefore give you excellent insight into general management decision-making scenarios or will assist in preparing you as a professional management consultant.

Your Brief

You are a member of a team of four full-time, independent, strategic management consultants. A new client (Mr Right) is considering hiring your services full-time for 6 months to train the firm's executives in increasing their effectiveness in strategic and tactical decision-making.

Before the final decision on whether or not to hire your team, this new client asks you to complete four executive-decision tasks. The tasks take the form of in-basket simulated problems that need solving today.

The senior executives of the new client firm plans on reviewing your answers tomorrow and you will receive a formal review of your answers and their decision on hiring you before 5 pm tomorrow. Should your firm get this contract, it could be worth \$1.2 m over the next 2 years.

Your other five team members are not available today. The report is due before they will be back in office, so it is important to consider the perspectives they might have had on the decision. Also remember the perspective of the devil's advocate.

You Need to Consider Your Answers, but Reviewing the Information from Four Different Perspectives

HR Consultants' perspective: Their excellent track records, long-standing experience in management and highly-regarded formal qualifications make HR consultant's perspectives valuable as Human Resource (HR) consultant on the team. This type of executive is often referred to as *Vice-President: Talent Development* or Vice-President in charge of human resource acquisition, development and retention. They are known for your outspoken opinions on the importance of hiring and warnings against wrongful firings. HR consultants believe that all employees have great potential, given the right job, the right training and the right motivation, appropriate for the specific individual.

Marketing Consultant's perspective: Their excellent track record, long-standing experience in marketing management and highly-regarded formal qualifications make marketing consultant's perspectives valuable as the Marketing and Sales consultant on the team. This type of executive is often referred to as *Vice-President: Marketing & Sales* or Vice-President in charge of client acquisition, development and retention. They are known for your outspoken opinions on the importance of getting and keeping key clients and building customer life-time value.

Financial Consultant's perspective: Their excellent track record, long-standing experience as chief financial officer and highly-regarded formal qualifications make financial consultant's perspectives valuable as the Financial Consultant on the team. They are often referred to as *Vice-President: Accounting and Finance* or Vice-President in charge of cash-flow, profit and budgets. They are known for

your outspoken opinion that “the business of business is to stay in business”; directly translated that the first goal of any business must be to make profit.

Customer Services Consultant’s perspective: Their excellent track record, long-standing experience in customer services and your highly-regarded formal qualifications make them valuable as the Customer Service Excellence consultant on the team. This type of executive is often referred to as *Vice-President: Customer Care* or Vice-President in charge of client care, customer relationships and customer service. They are known for your outspoken opinions on the importance of providing excellent services and recovering from any form of poor service delivery in order to keep clients happy and building long-term customer equity.