

# Developments In Business Simulation & Experiential Exercises, Volume 21, 1994

## IMPLEMENTING MARKETING POLICIES THROUGH A BUSINESS MANAGEMENT SIMULATION

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### ABSTRACT

**THE OBJECTIVE OF THIS PAPER IS TO ANALYZE WAYS OF USING BUSINESS GAMES FOR PREVENTING RISKS IN MANAGERIAL DEVELOPMENT, HELPING COMPANIES TO IMPLEMENT NEW SETS OF MARKETING POLICIES, AND REDUCING UNCERTAINTIES TOWARD THE MARKET. BESIDES THAT, TO PRESENT THE SOLUTION ADOPTED TO OVERCOME IMITATIONS OF THE MODEL ADOPTED, AND REVEALING HOW UP TO DATE IS THE ANCIENT THINKING OF THE CHINESE PHILOSOPHER, CONFUCIUS: I HEAR AND I FORGET; I SEE AND I REMEMBER; I DO AND I UNDERSTAND.**

### INTRODUCTION

Driving to the market managers accustomed for many years to selling products can prove to be as difficult as moving, single handed, a one ton deadwood log. To drag it would be virtually impossible. To roll it by using a lever could work, but would certainly damage it. Besides, movement would certainly stop as soon as the external effort was extinguished. It would be most propitious if we could flood the forest and make this heavy log float, conducting it with a minimum effort to a place from where it could become self driven.

Human nature is somewhat like this whenever one tries to change people's behavior. Habits kept during many years turn into unchangeable attitudes imprinted deep in peoples' mind. As a result, people tend to continue doing what they have been doing for a long time. Habits turn into vices and behavior becomes unconscious. Then a question arises:

***“How to deal with these deadwood logs, so resistant to threatening changes?”***

This study, based in a real situation, describes a way of helping companies deal with resistance toward changes. By reducing the usual defenses and making deadwood logs float, this method can help people find creative new ways of acting. The Business Game learning method gives participants insights that would never be achieved through “on the job” training. By increasing knowledge, developing managerial skills, and inducing changes in the participants' behavior, the Business Game method sets a self learning situation that involves all participants in a simulated and realistic business adventure.

### The problem

Market competition faced by leading companies in their industries is one of the most serious and probably permanent challenges. No matter what their strategy, cost, differentiation or focus, as proposed by Porter (1986), leaders have been converting threats into opportunities, some of them considered virtually impossible. Difficulties are even greater in some industries as technology becomes increasingly important. Some of these industries have

seen specialties turned into commodities over time. Marketers invented a concept called “augmented product” (Kotler, 1979), trying to aggregate a set of intangible characteristics to the traditional tangible aspects of a product. They also adopted techniques, developed comprehensive studies for market administration, and supplied special services as an additional effort for differentiation. However, dealing with the market means that only one piece of a complex problem has been focused on, even if managers try to understand and influence consumer behavior. The organizational structure in a company has segmented the tasks to such a degree that functional employees develop myopia in the name of efficiency. Each of them has been induced to specialization so persistently that some have completely lost the systemic understanding of the organization. Effective help could be given by offering employees an opportunity to get an overview of the entire business, restoring the meaning of each separate task as a part of the company as a whole.

Company policies usually impose many restrictions to make riskless “on the job” training possible. Making manager's work, as directors for one single day would be a dangerous fantasy. Having supervisors play directors roles would be inconceivable, and would probably transform the company into a terminal business.

The sales job for example, has set a strictly functional point of view on the seller's mind as a consequence of filling orders for so many years. The seller's task used to end as soon as he sent orders to the company. Some sellers have been ashamed of their profession, facing for years a conflict of self-esteem studied by Wotruba (1990). Some companies have tried to overcome this problem by increasing sales commissions, offering additional benefits, and stimulating aggressive behavior, just to keep sales and turnover under control. Sometimes the atmosphere shows no improvement, even after all these efforts. Instead, as the level of internal competition increases, the global productivity rate decreases. Other companies adopt exotic names for the seller's function but still force them to “push” goods on the clients. Those companies don't realize that, in their search for competitiveness, they have to adopt concepts and attitudes much different from those adopted by the old fashioned seller, manufacture-oriented, and whose intention was to assure his revenues.

In any way, transforming old fashion sellers, storytellers and skillful order pushers into market-driven professionals will not be an easy task. To imprint new ideas in their minds after so much time of mental bias would demand many years of training. Give them information by talking about new concepts, as we do in lectures for students, in teaching programs that centralize in readings and are oriented by the instructor's experience is not enough. Furthermore, this will not avoid the forgetfulness of those who participate just by hearing. Besides, having access to knowledge and information for decision making doesn't mean having the necessary skill to put them in practice. Even if stimulation was changed from oral to visual illustrations such as pictures, films, and

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Other visual messages, over time one couldn't control the vague memories of all those who participate by only seeing.

Changing people's behavior requires methods that are able to communicate messages without using words. It requires more comprehensiveness, action learning, individual experimentation, and sequential trials to assure internalization of the concepts. Learning by doing, by trial and error, can be a highly motivating process, since it is oriented to the participant who investigates by him/herself and formulate his/her own questions and answers.

The "order-pushers", as sellers used to be called, developed a unique skill as a result of an habitual orientation toward the product, based on their interest in getting commissions. To rebuild a new model in their minds after such a long time will ask for much more than just external stimulation. It will ask for the strongest motive that each participant can find within him or herself.

## **The need for a Marketing training program**

The training manager had decided to invest in establishing a uniform perception in the mind of the company's marketing and sales areas employees, looking for higher integration, and improvements in market planning, operation and control. In the last decade, competitors were threatening company's leadership in product, as competition was increasing. Specialties were rapidly turning into commodities. The company was facing internal needs to change, to eliminate certain behavior and to reinforce others. Talk about market segmentation seemed necessary, but was insufficient to change people's behavior. The target was the relation between seller and buyer and transferring the focal point from the supplier (sales orientation) to the customer (market orientation) would need much more than words. They had already made a short videotape presenting some of the principles of Market Segmentation. Even with visual stimulation, they knew that the "deadwood logs" were extremely heavy. To make them float and move, a tremendous "flood" would be necessary, different from all that had been tried in the past. They were conscious about their multiple purposes because competitiveness could only be maintained with the help of an integrated team, which would do the planning in the office and act consistently on the field. All at them would have an opportunity to remain engaged or quit.

We intended to enhance their perception of their business and help them to learn the impact of their operational decisions in different areas. The main objective of the program was much more than simply talking about the concepts or showing them same elaborate ideas but rather making them understand some of the concepts in Market Segmentation by practicing, making decisions in situations different from those in the real world. Thus, far from the real world threats and participating in a make-believe competition, all of them could feel less defensive and more comfortable to learn. They could be helped in the rebuilding of new models in their minds and as a consequence, practice a new form of behavior in a punishment-free environment.

## **The Business Game Model**

Since the very first moment the program was planned having as the backbone a Business Game. After the Briefing session, a

lecture was presented by a specialist to introduce the Market Segmentation concepts. There is a tendency to for new users of Business Games and Simulations to believe that the more similar to reality the model proposed by the game, the better the learning process will be. In this particular situation, the more similar to reality the proposed environment, the higher the resistance would be since the adopted model would only partially represent a much more complex reality, well known to the participants.

The model intended to adopt for this program - a Brazilian version of the Executive Game by Henshaw and Jackson (1972) - had many of the characteristics desired. The low complexity of the simulated company, the number of variables, the time needed to present and start playing, all seemed to be perfect to the achievement of the proposed objectives.

However, there was a limitation that discouraged the use of the model. The simulated company could only produce one kind of product and sell to one single marketplace. There was a threat to be overcome, since the main objective in this program was to practice Market Segmentation concepts. To try another model would impose a higher complexity to the program and simplicity was important to integrate participants, sales and marketing professionals.

After several meetings and discussions, and a few months later, finally a consistent alternative arose. The model would be kept in its original form and each group would manage two simulated businesses located in two geographically different regions in the same country. By so doing, we were setting two different markets and consumer profiles, and, consequently, consumer behavior, seasonality and the establishment of a whole set of conditions to study the Market Segmentation concepts. Each group had to analyze consumer preferences in both markets and adopt different policies for positioning its product through marketing a mix for two segments, as well as adapt a competitive strategy for each market.

## **Running the Program**

Besides the set of historical data, the learning objectives, the reports and auxiliary forms all set in a folder specially prepared for this program, we tried to simulate as realistically as possible the daily activities of a board of directors by editing a newspaper called "O Vidente Economico" - "The Economic Observer" as a communication vehicle, a media for distributing politics, economics, social, and industry information.

Some Administrators who adopts this method believe that the most important feature of the program is the Business Game Model. Some others focus their attention on the administration process and try to include every particular fact, no matter how insignificant it may seem. For a better performance, it should be kept in mind that the most important aspect to be considered is the learning objective, and it should be monitored carefully. The material for the course, the time for organization, and the ideas, all should be planned precisely to balance the two central targets in a program for Managerial Development. i.e., the technical and the behavioral approaches.