FEATURE

Benefits of Competition

Competition between rival companies increases the value of employees.
UNC Kenan-Flagler professors are known for conducting important research that is published in top academic journals. But the impact does not end there.

Welcome to the second edition of R.O.I. This magazine is a way for us to increase the impact of our faculty’s work. It shares research insights that will provide you, business leaders and policymakers, with innovative ideas that you can use. In the articles that follow, you will gain useful insights that are based on rigorous research and reflect on two questions: What is new in this research? And what are the implications for business and policy?

We also honor faculty whose research makes an impact on the business world. We awarded the second annual Bullard Research Impact Award to Jan-Benedict E.M. Steenkamp, who is the Knox Massey Distinguished Professor of Marketing and marketing area chair. He researches global marketing; branding, private labels and new products; interorganizational relationships; and marketing research techniques. You can read more about his work and its impact on the back cover of R.O.I.

Our annual research impact conference is another way to innovate and extend the impact of our work. We will host the second annual conference focused on “Innovating the Global Supply Chain” April 7-8 in collaboration with UNC-CIBER and the Kenan Institute of Private Enterprise in Chapel Hill. CEOs of Fortune 500 firms and faculty from top schools already have confirmed their participation. Please contact me if you would like more information.

Thank you for your interest and involvement with UNC Kenan-Flagler.

Sincerely,
Jayashankar M. Swaminathan
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Employees who believe their company recognizes their value tend to work even harder. When they can share in the success that their efforts created for the company, they feel valued. And happy, motivated employees are more productive than unhappy ones.

The relationship between high-value employees and successful companies is reciprocal. An employee who generates innovative IP that the company can turn into sold-after products makes himself valuable to his company, and in so doing, increases his own market value, too. In a competitive environment, such as the technology hubs of Silicon Valley and Boston’s Route 128, where many companies competing for talent in a particular field cluster together, the high-value employee has multiple options of where to work. The firm might have to pay more compensation to keep him, but he also will work hard to increase his status as a high-value employee.

Take away that competition, Fulghieri said, and an employee would feel like he was working for a corporate bureaucracy. If he feels stuck and has nowhere else to go, his motivation to keep working hard at producing innovative IP erodes.

The very existence of technology hubs supports Fulghieri’s point. Companies in a particular industry tend to cluster in one area, which makes it easier for employees to move from one company to another. They don’t have to pack up their household and move to a new home when they change companies, for example.

“If companies producing similar products in a hub don’t merge,” Fulghieri said, “it is, in part, because they recognize a clear benefit from preserving competition. The profit they would gain from increasing their market power can be less than the benefit they get from maintaining a competitive environment.”

Many companies in a hub have dropped non-compete clauses from their hiring terms because they found such strictures put them at a disadvantage when recruiting the best talent. If an employee feels trapped at a firm, she will become less productive and lose value over time.

Picture a company that commercialized a technology innovation. Despite being a thought leader, it never included a non-compete clause when hiring employees. Now, former employees are developing products that compete with the company’s line. Critics might say that argues against competition. But others would contend that some of the top talent might never have joined that company in the first place if it had used a non-compete clause. In the long run, the company might have been much less innovative and entrepreneurial if it had hired only people who would agree to use their talents only within the original company.

Companies and industries with innovative products go through a cycle. Fulghieri said. Initially, a company might hold a monopoly on a product because it has the proprietary knowledge of the IP. As new companies produce new products that compete with the original, the industry becomes more competitive, and all companies can benefit from that competition. The original firm needs to accommodate the entry of the new firm by adopting compatible technologies or choosing similar industry standards. As the product matures and promoting innovation becomes less critical, a wave of consolidating mergers might follow to increase a company’s market power. And if the reduced competition erodes employee motivation, some companies might generate competition by spinning off a division into an independent entity. The spin-off company competes with the parent company for talent in the labor market, and that creates the reciprocal relationship that keeps high-value employees motivated and happy.

Such stand-alone companies competing in the product market and labor market can lead to greater profitability, Fulghieri found. The positive effect is most pronounced in early-stage industries of smaller size and with a lower probability of success. In industries with a large market size and low risk of failure, however, mergers have a positive effect on innovation for a while because employees of the newly merged companies initially compete to stand out. Also, merging provides a co-insurance benefit to the company by having two employees to develop a product where before the merger there was only one. The company can develop an innovation as long as at least one employee is successful; increasing the number of employees to accomplish that task increases the probability of success. But over time, if these competing employees have nowhere else to go, the innovative output diminishes.

In highly innovative industries, there is a unique mix of human capital and financial capital,” Fulghieri said. “The challenge is to come up with a successful mix.”

**Key take aways**

- Competition stimulates innovation.
- A merger can increase a company’s market share, but it can reduce employees’ incentive to stretch their creative thinking.
- Companies in highly innovative industries can benefit from being in a hub of competitors.
After the final buzzer sounds at the NCAA men’s basketball Final Four, fans send payment to the league lottery for tickets to next year’s tournament. Months later, the lucky receive tickets. Everyone else gets reimbursed and must buy tickets on the private market, often at inflated prices.

Marketing professors Sridhar Balasubramanian and Barry Bayus and Preethika Sainam (PhD ’08) now at Indiana University developed a mathematical model of the league’s ticket-pricing decision to devise alternatives to the lottery that will reduce scalping and increase the likelihood that fans who truly intend to go to the games receive tickets.

They adapt and apply the options and forwards concepts from the financial field to consumer markets. “Both options and forwards, as mechanisms, create more flexibility for the consumer,” Balasubramanian said. “The option mechanism is not in use in consumer markets, and our research is ahead of the curve, whereas the forward mechanism is already out there.”

They wrote about consumer options in the Journal of Marketing Research, and now they are working on a consumer forwards project. Their work is the first to build the concept of consumer options and analyze forwards’ empirical performance in consumer markets.

Options and forwards can mitigate risk. In the financial market, for example, an option could take the form of a contract between a buyer and a seller that gives the option holder the right to buy an asset at a specified future date at an agreed-upon (strike) price. The buyer pays a fee for the opportunity. The buyer is not required to buy the asset, but if the strike price is lower than market value on the agreed-upon date, the buyer would want to purchase the asset and lock in the profit. Options don’t control the price of the asset, but they can protect the holder from the risk of investing heavily in a risky asset.

A forward operates in a similar manner, but the buyer is required to purchase the asset on the agreed-upon transaction date, regardless of whether the agreed-upon price is lower than market value at that time.

The researchers used Final Four tickets to create a model for applying options and forwards in the marketing arena. The options model would appeal to UNC fans who want to go to the Final Four only if UNC makes it. They would pay a fee for the option to buy tickets once the playoff teams were known and have until a preset date to buy them. If they decided not to buy them, they would lose only the fee paid to hold the option and the league could sell them to someone else.

A forward in a sports market is always associated with a specific team. A fan holding a UNC forward would be required to buy the ticket only if UNC makes the Final Four. As soon as UNC secured a spot, the forward holder’s credit card would be charged. If UNC did not make the Final Four, the forward would expire. A forward fee is usually lower than an option fee because a fan holding a forward on a team would not have the luxury of deciding not to purchase the ticket if the team made it through.

“Options and forwards complicate pricing, of course,” Bayus said. “Now we have more tools, databases and processing power to handle more complicated pricing models.” According to their research, however, consumers seem to understand the consumer options and forwards concept.

Consumer forwards can benefit the market’s demand and supply sides. On the supply side, forwards could allow firms to conditionally sell the same seat multiple times to fans of different teams. Only the fan whose team makes it to the Final Four pays the exercise price and occupies the seat. Other forwards on the seat expire. On the demand side, fans can invest modestly to reserve a seat, subject to their team making it to the game, and are not left scrambling to buy a seat or sell a costly ticket that has little interest once their team is eliminated.

The researchers analyzed data from a firm that introduced consumer forwards in the Final Four market. The firm operated a marketplace where consumers could buy or resell forwards on specific teams. The researchers’ analysis of empirical data uncovered key influences that drive consumer behavior in the sports forward market. They also discerned insights about how consumers can moderate their reactions to emerging information, including recent team performances, so that they buy or resell forwards at the optimal points in time, rather than under- or over-react to such information.

The general principle of forwards can be applied across multiple product and service markets. Hotels near the basketball arena over a Final Four weekend could use forward pricing to make sure that fans with tickets had places to stay. A ski resort could sell forwards conditional on the presence of at least six inches of snow on the slopes.

Forwards are simpler to apply than options, Bayus said, because capacity management becomes easier with forwards.

“Options are like overselling airline seats,” he said. “Sometimes it works out, but sometimes people get bummed. Forwards are much more tightly managed. You can sell the same seat multiple times over with confidence, because only two of the teams are going to make it. The others automatically lose the right to buy the seat.”

Options and forwards can limit scalping by reducing the amount of time that tickets are in play. Forwards offer other mechanisms to ensure that the ticket buyer is the same as the person sitting in the seat. For instance, in order to enter the stadium, the ticket holder would have to swipe the same credit card used to buy the seat.

“Risks can impede market efficiency,” Balasubramanian said. “Managing risks through options and forwards protects buyers and sellers, at the same time it brings more customers into the market and ensures that the fans who most want to see those specific teams play are the fans ultimately sitting in the seats.”

Key take aways

- Options and forwards are not just financial instruments. They can and should be applied in many market contexts.
- Pricing with options and forwards creates flexibility for buyers and sellers.
- The use of consumer options and forwards can be a win-win; they are profitable for companies and desirable by consumers.

“Both options and forwards, as mechanisms, create more flexibility for the consumer.”
They compared and contrasted the groups’ responses to find clues about what caused them to return. Management might learn about internal policies or practices that could be driving away valued employees, and then take steps to improve them. They might also gain insights into new ways to bring valued employees back to their organization.

Even though valued employees know they are welcome to return, companies want to avoid being used as a “revolving door” by their former employees. “Boomerangs are really smart negotiators,” Rosen said. “They know the upside of the company, and they know the dark side as well. They have a realistic idea of what they are returning to, and they negotiate hard to get terms that will make it more attractive to them to stay.”

From a long-term perspective, turnover might not be as detrimental as it seems on the surface. A new generation of employees, motivated by the desire to self-actualize and self-direct their lives and careers, move between organizations frequently to pursue new goals, responsibilities and rewards. They might represent a growing trend in the workplace. Ironically, valued employees who leave the earliest are most likely to return. Companies that recognize the benefit of good employees returning to the firm keep positive connections alive.

“If you want someone to come back,” Rosen said, “keep the door open.”

**Key take aways**

- Boomerang employees allow a company to recoup some of its investment in recruiting, training and developing staff.
- Boomerang employees bring new perspectives acquired in other work environments and more social capital back to the firm, and tend to be more loyal upon their return than those who never left.
- Boomerang employees are savvy negotiators in establishing the terms for their return.

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**The Benefits of Boomerang Employees**

When valued employees announce their resignation, their employer is often sorry to see them go. And for those people, the company should keep its doors open for their return.

Not everyone quits a job by grabbing a beer and jumping onto the emergency exit slide as did the JetBlue flight attendant in a dramatic departure from the airline. Some people, when they announce their resignation, leave their employer sorry to see them go. And for those people, the company should keep its doors open for their return.

Organizational behavior professor Ben Rosen conducted a study aimed at helping companies reduce the expense of high turnover. He discovered that one cost-effective method was to tap into the resource of what he calls Boomerang employees, those valuable workers who leave the company but at some point are open to rejoining.

Rosen co-authored “Resignation and Return: Extending the Unfolding Model of Turnover by Considering Boomerang Employees” with Abbie J. Shipp (UNC Kenan-Flagler PhD ’06) and Brad Harris, both of Texas A&M University, and Stacie Fest-Holloway (UNC Kenan-Flagler PhD ’01) of the University of Cincinnati.

While other studies examine what leads to turnover, the research team considered the implications for how the conditions of turnover lead to subsequent recruitment.

Using the contact database of employees who had left a large corporation that had had significant turnover in the years before the recession, Rosen and his team surveyed two groups:

- “Alumni” who left the company and did not return (about 3,200 of the 19,000 former employees responded)
- “Boomerangs” who left the company and were hired back (452 of 980 contacted answered the online survey)

**Key take aways**

- Boomerang employees allow a company to recoup some of its investment in recruiting, training and developing staff.
- Boomerang employees bring new perspectives acquired in other work environments and more social capital back to the firm, and tend to be more loyal upon their return than those who never left.
- Boomerang employees are savvy negotiators in establishing the terms for their return.
Off-shoring Evolves

When is it best to outsource? How does the strength of your rivals affect pricing and differentiation?

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When is it best to outsource? How does the strength of your rivals affect pricing and differentiation?

Lu Xiaoyuan, an assistant professor at UNC Kenan-Flagler, has delved into the impact of off-shoring on global corporations. Her research has focused on the role of design in this scenario because the OEMs can save on design costs. Lu wanted to determine when it was most advantageous to outsource design outsourcing might dilute product differentiation and intensify market competition raises an interesting managerial question: Would OEMs become reluctant to outsource design because of ODMs’ resource pooling practices? Lu explored the strength of bargaining power of the OEM in relation to the ODM and the OEM’s rivals when negotiating an outsourcing contract. She analyzed the OEMs’ equilibrium sourcing decisions under various scenarios.

Lu’s research showed that an OEM is more likely to outsource design when the OEM’s rivals had strong bargaining power compared to the ODM. Lu call this the subtle effect of bargaining.

By providing the design as well as the manufacturing service, the ODM climbs the value chain. It can charge more per unit because it holds the intellectual property and offers more than a supplier responsible only for manufacturing. And it gains some bargaining power vis-à-vis the OEM.

Ultimately, the bargaining power of OEMs relative to their ODM supplier affects their profit margins, which in turn determines their design outsourcing decision. Outsourcing allows OEMs to keep costs lower, and it is most attractive for them to outsource when their profit margin is thin.

When two competing OEMs both have strong bargaining power, both can negotiate a relatively low price from the ODM. But that only drives the OEMs to raise their prices even further. If the strong OEM were to outsource in this situation, the strong OEM has the flexibility to keep the design process in-house, thus being able to incorporate some unique features that would allow it to raise the price. If the strong OEM were to outsource in this situation, it would lose some of its bargaining power by shifting the control of the product design and the associated intellectual property to the ODM.

This business model that shifts the control of product design and intellectual property to the suppliers raises an important managerial question: How would design decisions change when product design is outsourced to an ODM?

An OEM might benefit from being weak in bargaining with an ODM. A decrease in an OEM’s bargaining power increases the price charged by an ODM, which in turn softens the price competition between rival OEMs and increases the overall profit of the supply chain. Moreover, as the OEM’s bargaining power decreases, the ODM has an incentive to design more differentiated products. Thus, shifting bargaining power to ODM suppliers can be used by OEMs as a lever to exert some control over the design of an outsourced product.

“Design outsourcing is relatively new in practice and even newer in the academic literature,” Lu said. “We want to do more to understand its strategic implications and managerial issues.”

Key takeaways

- Outsourcing design to ODMs (original design manufacturers) raises concerns among OEMs (original equipment manufacturers) about a decline in product differentiation that would intensify competition.
- When both OEM rivals have strong bargaining power with an ODM, outsourcing is in the best interest of both OEMs. When there is a bargaining-power disparity between OEMs, the weaker rival gains more from outsourcing.
- Shifting bargaining power to ODM suppliers can be used by OEMs as a lever to exert more control over the design of an outsourced product.

If one OEM has strong bargaining power and its rival does not, the strong OEM could price the weak one out of the market.
A New Yorker cartoon shows a father telling his teenage son, “You can learn from your own mistakes once you can pay for your own law.”

In a similar vein, accounting professor Robert Bushman argues that banks should be allowed more discretion in reporting loan losses only if they have the capital to cover any potential crises.

As the world ducts itself off after the near-implosion of the global financial system, many people—investors, bankers and taxpayers—are debating what must be changed to avoid another banking scare in the future. Many politicians and financial industry professionals argue that, before the crisis, banks didn’t have enough discretion in how they reported potential loan losses, claiming that if they’d had more discretion, they could have conveyed a more accurate assessment of the risks they were taking.

Bushman’s research found that, on the contrary, banks in countries that allowed more discretion used it to create more opacity, not less.

“One of the arguments is that if you give banks discretion, they’ll use it for truth, light and justice,” Bushman said. “They’ll more accurately reflect future loan losses. They’ll create more forward-looking estimated loan losses by bringing in a broader base of information.”

“We’re finding no evidence of that.”

Bushman co-authored “Accounting Discretion, Loan Loss Provis- 

ioning, and Discipline of Banks’ Risk-Taking” with Christopher Williams (UNC Kenan-Flagler PhD ’08), an accounting professor at the University of Michigan.

Using a large sample of banks located in 25 different countries, Bushman examined whether accounting discretion permitted to banks under existing regulatory regimes enhances or impedes the ability of regulators and outside investors to monitor and discipline bank risk-taking. He connected the balance sheets and income statements that banks report and linked them to the disciplinary process of overseeing banks to investigate the relation between the observed transparency of banks and the rigor of the external discipline imposed on banks’ risk-taking behavior.

He discovered that in regimes where banks are given a large amount of discretion in how they report their loan losses, the discipline over bank risk-taking is substantially weaker than in countries where banks have little discretion. And banks that have more discretion in reporting also shift more risk onto taxpayers by increasing risk without providing adequate capital, and the disciplinary force to prevent such risk-shifting in such regimes is so weak that the banks are getting away with it.

“If you’re going to argue that banks should have more discretion, you’d better be very careful,” Bushman said. “Because we just showed that the existing discretion is not being used to create sunshine. It’s blocking sunshine.”

Banks use the money they receive from shareholders, lenders and depositors to make loans and other investments. A bank’s capital is the equity it holds to protect depositors against losses. As the risk of the bank’s loan and investment portfolio increases, the bank should be required to hold more capital. That concept, known as risk-adjusted capital, is one of the most fundamental in bank regulation. Ideally, a bank should have enough capital to backstop any potential losses.

But the federal government in the United States and many other countries take on that backstopping role by reimbursing depositors should the bank fail. Taxpayers ultimately cover the money the government has to kick in. To mitigate the risk of such losses being dumped on taxpayers, regulators want an accurate assessment of the risk of a bank’s loan and investment portfolio and they want that information early in the cycle while there is still time to protect against loss to taxpayers. As bank risk increases, well-informed regulators and outside lenders would pressure the bank to immediately increase its capital before loan losses occur and capital becomes difficult to come by. Proponents of giving banks discretion in reporting their loan losses say that straitjacketing banks with an abundance of rigid reporting rules prevents banks from using their underlying judgment in making loan-loss assessments and communicating all the information they know. But that must be balanced against the propensity of banks to use discretion to hide excessive risk-taking behavior that ultimately would be imposed on taxpayers.

“The law of unintended consequences,” he said, “is always ready to pounce.”

Key takeaways

- Banks given more accounting discretion in reporting loan losses in hopes of creating more transparency tend to use the discretion to create less transparency.

- With less transparency, regulators can’t effectively monitor risk-shifting.

- If disciplinary forces are weak, enabling banks to get away with shifting risk to taxpayers, it’s in the bank’s best interest to take more risk in hopes of reaping a higher payoff.

The main issue is whether accounting discretion enhances the transparency of a bank’s risk or obscures such risk. Transparency of a bank’s risk facilitates the ability of investors and regulators to impose discipline over risk-taking behavior by ensuring that the bank maintains adequate capital levels. From the perspective of the bank’s owners, capital is expensive, so a natural incentive exists to increase bank risk without commensurately increasing capital levels.

And these risk-taking incentives snowball as losses loom. If a bank has insufficient equity to cover potential losses—it has no skin in the game, so to speak—and losses threaten to pull the bank under, the bank has incentive to make even riskier loans. Risky loans have a higher payoff to compensate for the greater chance that they will fail. It’s like gambling with someone else’s money, Bushman said.

“If I’m almost at the point where I have to declare bankruptcy, I’m going to gamble with the money that’s left,” he said. “If I win, I stay alive. If I lose, well, it’s not my money.”

In essence, shifting the risk to taxpayers may be a good business decision, and banks with significant discretion over loan-loss accounting may exploit it to avoid reporting excessive risk that ultimately would limit such risk-shifting. This is precisely the behavior that Bushman’s evidence documents, finding that discretion degrades the transparency of banks and thereby weakens discipline exerted over banks’ risk-taking.

History attests to the influence of crisis and scandals as an impetus for regulatory change. Bushman’s paper shows that accounting discretion is a double-edged sword and that any changes in allowable discretion for banks must carefully balance perceived gains against potential losses in bank transparency due to opportunistic choices.

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"We’re looking at banking and asking, how does that balancing act work?" Bushman said.

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Simpler Strategy

The Power of role in effective strategy.

experience is different and occurs with different people at different times for different reasons. Executives must learn from these experiences to benefit from efficiency, but also be flexible to adapt to what is unique.

Bingham likens learning from heterogeneous experiences to parents who over-generalize lessons from their first child. They come to understand that even though what worked with the first child doesn’t necessarily work with the second, there are still guiding principles that carry from one child to the next. “As an executive, you’re trying to figure out which guidelines are generalizable across a lot of dissimilar experiences,” Bingham said. “As you start accumulating more and more acquisition, alliance or country entry experiences, you have to pare back structure to focus on the few things that are generalizable. You end up with a core set of simple rules that work across a lot of these varied experiences.”

Bingham wrote “Rational Heuristics: What Firms Explicitly Learn From Their Process Experiences” with Kathleen Eisenhardt of Stanford University. Slated for publication in the Strategic Management Journal in 2011, the paper already has won several prestigious awards.

They used a novel method to measure what tech-based entrepreneurial firms from Singapore, the United States and Finland learned as they entered new countries. Based on their growth experiences of what they did first, and then eliminate some over time.

Firms learn portfolios of heuristics that have a common structure and are readily understood by firm members operating in different parts of the world, Bingham observed. Firm members translate their process experience into specific types of heuristics that relate to opportunity capture. For example, one firm adopted the heuristic of “enter English-speaking markets first.”

“This heuristic put boundaries on which countries to enter and which not to enter,” Bingham said. “But there’s a lot of latitude – they can enter the U.K., Australia or Canada – and there’s flexibility to adapt within that structure.”

Bingham found that firms learn these opportunity-capture heuristics in a specific developmental order.

Heuristics provide some structure and take advantage of the limited information people do have. And within that structure, people have room to adjust rather than be hampered by rigidity. People can still process the nuances of situations.

The more fundamental implication, Bingham said, is the existence of multiple kinds of strategic rationality. “Comprehensive logical analysis with extensive information might be the rational approach for decisions when there is high homogeneity in experiences,” he said, “but heuristics might be the rational approach for decisions when there is high heterogeneity in experiences – attributes of most strategic decisions.”

Key take aways

- In complex environments, the best strategies are often the most simple.
- Firms engage in simplification cycling. They begin with a few heuristics, elaborate their heuristics, then pare back their heuristics in later experience. The result is a small, useful, robust heuristic portfolio.
- Firms increase the level of abstraction in key heuristics; creating coherence across an increasingly diverse set of experiences.

Intriguingly, some companies thrive in such situations. Christopher Bingham, strategy and entrepreneurship professor, looked at their strategy for success, and found that companies that do well frequently rely on heuristics – simple rules of thumb.

“Pressure is a way of life in many companies – especially high-tech, young and entrepreneurial firms that often make decisions in complex, dynamic environments with limited time and information.”

Bingham’s research is important because it contradicts the psychology literature on heuristics, which posits that heuristics are biased and lead to non-optimal solutions. He argues that psychologists reached this conclusion by testing people in lab settings and asked binary choice questions that have a definitive correct answer, such as: Which German city has the highest population, Munich or Düsseldorf? Psychologists say that people often base their answer on the city that is most familiar to them, creating a heuristic of answering what first comes to mind, which might not lead to the correct answer.

“Yet in real life, strategists rarely face such clear-cut situations,” Bingham said. Lab studies often stack the deck against heuristics by putting people in unrealistic situations. But by viewing heuristics in the context of the unpredictable environments in which firms compete, Bingham argue that heuristics can be rational and even optimal strategy.

“Three heuristic categories exist,” Bingham said, “procedural heuristics (heuristics that carry from one child to the next), selection heuristics (heuristics that address single opportunities, such as which entry mode or sales approach to use), and temporal heuristics, such as how to move from one opportunity to another. Learning about relationships among multiple moves requires greater expertise, where as learning about time often begins later because indi

Bingham’s finding contrasts with other research suggesting that managers use lengthy manuals to spell out strategic growth processes such as acquisitions, product development, internationalization or alliances.

But manuals aren’t much help when executives need to learn from a series of heterogeneous experiences, such as varied acquisition targets, alliance partners or new products or countries. Each experience is different and occurs with different people at different pressures.

Firms succeed in dynamic environments with limited time and information. Pressure is a way of life in many companies – especially high-tech, young and entrepreneurial firms that often make decisions in complex, dynamic environments with limited time and information. Bingham’s research is important because it contradicts the psychology literature on heuristics, which posits that heuristics are biased and lead to non-optimal solutions. He argues that psychologists reached this conclusion by testing people in lab settings and asked binary choice questions that have a definitive correct answer, such as: Which German city has the highest population, Munich or Düsseldorf? Psychologists say that people often base their answer on the city that is most familiar to them, creating a heuristic of answering what first comes to mind, which might not lead to the correct answer.

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Jan-Benedict E.M. Steenkamp received the second annual Bullard Research Impact Award, which recognizes a professor whose research has had a broad impact on the field, industry and society.

Steenkamp is the Knox Massey Distinguished Professor of Marketing and area chair of marketing at UNC Kenan-Flagler. He has made a significant impact on executives and managers through his book, "Private Label Strategy: How to Meet the Store Brand Challenge," which describes the strategies for private labels that retailers are using, challenges brand manufacturers to develop effective responses and provides actionable strategies for competing against — or collaborating with — private label purveyors. This important book has sold over 12,000 copies in English; and translated into simple and complex Chinese, Portuguese and Polish; translation rights for Spanish and Russian have been sold; and MacMillan published an Indian edition.

Steenkamp has shared his research at major corporate and industry seminars and events around the world, including events organized by Procter & Gamble, Colgate Palmolive, Kraft, Bristol-Myers Squibb, General Mills, Johnson & Johnson and AllianceBernstein.

The Bullard Research Impact Award was created through the generosity of Clif Bullard (BSBA ’76), CEO of Bullard Restaurant Group and Iroquois Bio-Energy Company LLC. Bullard established the award in 2009 to provide incentives for and inspire faculty members to consider impact on the business world as they choose research topics and communicate their results.