THE SALES NEGOTIATION GAME: AN AID TO INTEGRATIVE BUSINESS EDUCATION

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ABSTRACT

Beyond the core classes in business education, instructors of individual classes beyond the core attempt to find means to integrate further learning across discipline boundaries. The Sales Negotiation Game uncovers biases in focus between marketing majors and their non-marketing business major counterparts. Playing the game serves as a reminder to what they already knew, but may overlook. Reflecting over their game performance tends to give them better balance in understanding how various aspects of a firm fit together.

BACKGROUND

In the abstract of a 2008 article in the *Journal of Education for Business*, Athavale Davis & Myring state:

> Constituents often criticize business schools for failing to provide students with a comprehensive understanding of how business organizations function. Business schools have responded to the mandate with attempts to integrate discipline-specific functional knowledge into a coherent understanding of the evolving business organization. Successful integration of the undergraduate business curriculum will result in students who are more directly involved in the learning process and will increase curricular relevance by translating functional knowledge into business skills. However, *curriculum integration is an extensive and potentially disruptive curricular change that may involve cost and is fraught with* pitfalls [1].

The push toward moving business curricula toward an integrated approach has largely been due to beliefs by business partners – potential employers of the graduates of these programs – favoring an integrated approach. Such firms seek student graduates who are facile at working in cross-functional teams, and who have strong presentation skills [1] [4] [5].

But, as is always lamented, integrating a business curriculum at the undergraduate level comes at great cost to the faculty. At the University of Idaho, a year-long, junior-level, 17 semester credit Integrated Business Curriculum (IBC) class was initiated in 1994 [6]. It contained six sequential modules over the course of an academic year.

Each section of the class was taught by a five-member team, with one faculty member from Information Systems, Finance, Management, Marketing and Operations functional aspects of business. A subset of the faculty was present during presentation of all material, and all five professors evaluated in-class presentations of projects by student teams. Additionally, all exams in the course consisted of about five essay questions. Each instructor wrote and graded his/her own essay questions, but all questions used were reviewed by the entire faculty team. A typical exam contained material graded by three faculty members. In addition to presenting and evaluating exam material, each faculty member mentored student teams in six projects throughout the academic year, with one project per sequential module.

Sadly, to many, the University of Idaho taught its last sections of IBC in Spring, 2014. The reason for dropping it were totally unrelated to a change of heart regarding the superiority of integrated teaching. Rather, the faculty costs of IBC were extremely high. Those in IBC spent "excessive" hours in teaching, leaving lesser time for research and other activities desired by the College. Furthermore, those not teaching IBC were constantly churning preps, as IBC-teaching faculty were assigned to lesser courses in their respective majors. This left fewer non-IBC faculty to carry the bulk of delivery of each major.

But, the faculty retained their desire to integrate the business curriculum to the extent possible. Courses, one each at the 100-, 200- and 400-levels were designed and created to expose students to the integrated approach. In those classes, various integrative approaches are utilized, including business simulations, team projects and presentation, and a common thread of teaching them to apply Toulmin's Model [9], as long advocated by Brightman [2] [3] to help students learn to think more critically. However, in addition to those courses which all College of Business and Economics students take, the University of Idaho faculty are strongly urged to employ other integrative means in their individual courses.

The Sales Management Course and the Sales Negotiation Game.

The sales management class covers minimal personal selling, with a large dose of sales management. It attracts about equal numbers of marketing majors, majors from other business disciplines, and those from outside the business school. When asked why they were taking the class, nearly everyone noted having seen at the Career Fair that most employers recruiting at the University sought students for either B2B or retail sales, with possibilities for promotion to other aspect of the firm after having gone through a rotation in sales. They also note the relatively higher compensation offered in B2B sales positions.

During the 1980's John Hallaq, a professor of marketing at the University of Idaho, created a selling game which he used in his sales force management classes. It was/is a pretty simple game, with each student seller in the class choosing 20 products he/she intends to sell to classmates. Students were encouraged to select product bargains, including those on sale. All students acted/act in the capacity of both sellers and buyers. Students are provided with instructions for the game, and are made aware before the game ever starts that they will be graded on net selling margin percent – i.e., (Selling Margin – Buying Margin)/100.

In Hallaq's years student located products in magazines or catalogs, and cut and pasted (rubber cement) various products' ads into a product portfolio. Once the instructor had verified and recorded all offered prices in the ads, the products were returned to the students who removed the advertised prices. Wholesale prices of the products were computed as a percentage of the advertised retail prices, with wholesale a relatively higher percent for products under $100 (65%), than for those at the upper end of the allowable range ($500; 50%). The differences in wholesale percentages simulated actual differences in margins and turnover rates of lesser to more expensive products.

Currently the Sales Negotiation is used toward the beginning of the class, with a goal of having students learn some selling principles through experience, and to reflect on what they learned. With the advent of modern technology, students find their product ads on the internet, and a link to each ad is provided to the instructor. Prices are removed electronically by the students. Rather than turning in signed sales receipts for each product, which the instructor had to enter into his/her spreadsheet, current students turn in a series of Excel spreadsheets, showing updated sales and purchases. The instructor merely concatenates the multitudinous sales, and computes margins.

The last three years the current instructor has noticed an interesting phenomenon: students with various majors show differing trends concerning selling and buying margins. She has also observed differing "insights" – reported in the Sales Negotiation Reflections Paper following the game's end – in terms of selling and buying by the students from differing majors. What she had observed was that marketing majors showed a tendency to seek and obtain larger Selling Margins from their classmates, than did others. Conversely, they appeared to give up larger Buying Margins than did other students. In marketing, much of the focus is on generating high revenues though product differentiation and/or larger number of sales. As such, they become overly fixated on maximizing revenues.

All CBE majors start their curriculum with certain common courses accounting and economics. They all learn to loath the negative bottom line. Excessive costs loom large. For other than marketing majors, that focus seems to remain or be exacerbated by further business education. Operations management, while certainly encouraging good product quality, if often most concerned with issues of efficiency. Such topics as "just-in-time" and "economic order quantity" hammer home the ideas of controlling costs. As such, other CBE majors, relative to marketing majors, may be overly focused on controlling costs. Thus, the following hypotheses were tested, based on observed differences in the focus on their roles as Sellers vs. Buyers in the Sales Negotiation Game.

Hypothesis 1: Relative to the remainder of students majoring in other areas of business, marketing majors are predicted to earn larger Selling Margins in an effort to maximize revenues.

Hypothesis 2: Relative to marketing majors, other CBE majors are predicted to give up smaller Buying margins, in an effort to control costs.

METHODOLOGY

The sales management class was taught in the Spring 2016, Fall 2016 and Spring 2017 semesters. Students were classified into one of three major categories:

1. CBE majors <u>other than marketing</u>, including accounting, economics, finance and operations management,
2. non-CBE majors, including biological sciences, advertising, communications and public relations, tourism, organizational sciences (to name a few), and
3. CBE marketing majors.

All sales transactions for the three semesters for the CBE students were used in the analyses. A MANOVA was initially performed on the series of margins (selling and buying). Following the MANOVA, individual ANAOVA's were performed to test the hypotheses.

RESULTS

To test the observations of the instructor, that there was differing focus on revenues versus cost by the marketing and non-marketing CBE majors, only data from business school data were included in the analyses. MANOVA revealed that the series of margins – Selling and Buying – differed significantly between the two groups (Wilks' Lamda = .656, $F_{2,34} = 8.901$, $p < .01$). This significant result indicated a differing focus on selling and buying by the two groups.

We then performed individual ANOVA's for both Selling Margin and Buying Margin. Both the Selling Margin (i.e., "revenues" – $F_{1,35} = 13.279$, p < p.01), and the Buying Margin (i.e., "costs" – $F_{1,35} = 9.804$, $p < .01$) were significantly higher for the marketing majors, than for the other CBE majors. However, when Net Margin was tested with ANOVA, no significant difference was found between the two groups ($F_{1,35} = .333$, N.S.). A table of means, standard deviations and confidence intervals for all three types of margins – Selling, Buying and Net Margins -- is presented in Table 1.

Table 1. Descriptives of Selling, Buying and Net Margins for Marketing and Non-Marketing CBE Majors

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean Lower Bound	95% Confidence Interval for Mean Upper Bound	Minimum	Maximum
Selling Margin	Non-Marketing CBR Majors	15	29.662120	8.7862402	2.2685975	24.796462	34.527778	16.0000	48.2572
	Marketing Majors	22	40.379986	8.7823392	1.8724010	36.486115	44.273857	26.2000	63.2312
	Total	37	36.034905	10.1721724	1.6722948	32.643334	39.426477	16.0000	63.2312
Buying Margin	Non-Marketing CBR Majors	15	28.294227	10.1284489	2.6151543	22.685279	33.903175	14.7569	47.1558
	Marketing Majors	22	37.330336	7.4438377	1.5870315	34.029924	40.630749	18.2000	45.9678
	Total	37	33.667049	9.6148943	1.5806789	30.461283	36.872814	14.7569	47.1558
Net Margin	Non-Marketing CBR Majors	15	1.367893	10.0008066	2.5821972	-4.170369	6.906155	-18.1865	20.1324
	Marketing Majors	22	3.413286	10.9625626	2.3372262	-1.447242	8.273814	-15.4655	21.0935
	Total	37	2.584073	10.4897737	1.7245082	-.913392	6.081538	-18.1865	21.0935

As a final test of the differences, the Reflections Paper data were also analyzed. Of the twenty-two marketing majors in the sample, twenty indicated they needed to have paid more attention to how much they paid for their purchases. By contrast, only five of the non-marketing CBE students so noted. Turning to the comments concerning selling, fourteen of fifteen non-marketing majors indicated they should have asked for/charged a higher price in their sales. Of the marketing majors, only seven indicated they needed to have started with and/or negotiated for a higher selling price.

CONCLUSIONS AND IMPLICATIONS

Firms seeking to hire business graduates have long indicated the need for integrated business education. Many business professors, including the ones at this University, concur with the value of an integrated approach. Sadly, at the University of Idaho, complete integration at the junior year of instruction was found to be prohibitively expensive. It was costly in terms of not allowing faculty members adequate time for research and other activities, which ultimately led to undesirably high turnover of the younger faculty. However, the desire for integrated integration persists.

Perhaps lured by recruiters at the Career Fair who are looking for those with an interest, aptitudes and skills in sales, some students from all majors within the College of Business and Economics select the Sales Management class, even though it is not required in any of the business majors. Furthermore, others from outside the CBE often find their way to that class. In an interest to allow students to experience selling, and to deduce insights about how to be more effective in it, we continue to use the Sales Negotiation Game.

All business school students share a common business core. Student all are taught that profit results from a surplus of revenues over costs. Yet, as they move from the core business classes to their individual major silos, their focus tends to shift away from a firm view, to that of their major's main focus. Results of this game revealed that while marketing students focus more on revenue-generation, than on cost-control, the students from other majors within the CBE tend to reflect an opposite view. All of them know that profit consists of revenues minus cost. However, the relative salience of revenues versus costs seem to shift with their major training. Mark Hurd, CEO of Oracle, and former CEO of HP, has been known to say (paraphrasing): "Good firms control costs. Other good firms increase revenues. Great firms both increase revenues, and control costs, to maximize profitability" (quotetab.com).

The Sales Negotiation Game appears to serve the major objective for which it was designed: to allow students to learn important selling aspects through first-hand experience, followed by reflection. However, it is that subsequent reflection which seems to remind each of the less salient "other half" of the profit equation. Thus, it appears to go beyond its original goal, and serves as a useful integration tool. And, it appears equally relevant to when Hallaq first introduced it in the 1980's.

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