

Assessment 2b

by Hui Shan Tan

Submission date: 08-Aug-2020 10:09PM (UTC+1000)

Submission ID: 1367263676

File name: 2406575_Hui_Shan_Tan_Assessment_2b_3075186_1962336817.pdf (99.12K)

Word count: 680

Character count: 3948

Case Study Report

Application of Game Theory on Salespeople Management

By Hui Shan, Tan

Introduction

Sales department plays vital role in every organization, salespeople bridge the gap between the needs of potential customers and the product/services offered by the organization, expanding customers database, hence driving revenues. Every organization applies different compensation strategy in managing the salesforce for achieving business goal. An organization imposing behaviour control system is more customers oriented, emphasizing on the customers' satisfaction and long-term relationships between them. Salespeople under the outcome control system work to meet the sales targets and are rewarded for the revenues they bring. Sequential game is used to model the strategy taken by an organisation in managing the sales team.

Discussion

Players and Strategies:

Organization X: Outcome-based, Behaviour-based

Salespeople: Ethical, Unethical

Sequential Game:

Organization X is planning on revising their sales force control system and considering two strategies, outcome-based or behaviour-based. Under outcome-based system, X is offering incentive compensation, variable commission in proportion to the total sales performances, while for behaviour-based, X is offering the fixed salary structure based on evaluation of the salespeople's performance which is based on both objective and subjective measures by the superior, including monitor the customers' satisfaction and retention of the existing customers.

Salespeople have the options to behave ethically or unethically. They are said to be ethical by being honest to the customers about the product, attaining the high level of customers' satisfaction and trust, developing the long-term relationships with them, for the higher level of fixed pay. In contrast, the incentive rewards motivate salespeople to behave unethically, cheating on the possibility of the product in resolving customers' needs, for the purpose of achieving the short-term sales target.

The situation is modelled as the sequential game where the organization X acts first, and the salespeople will behave accordingly to maximize their earnings. The game tree is constructed as below with payoffs stated for each combination of strategies as below:

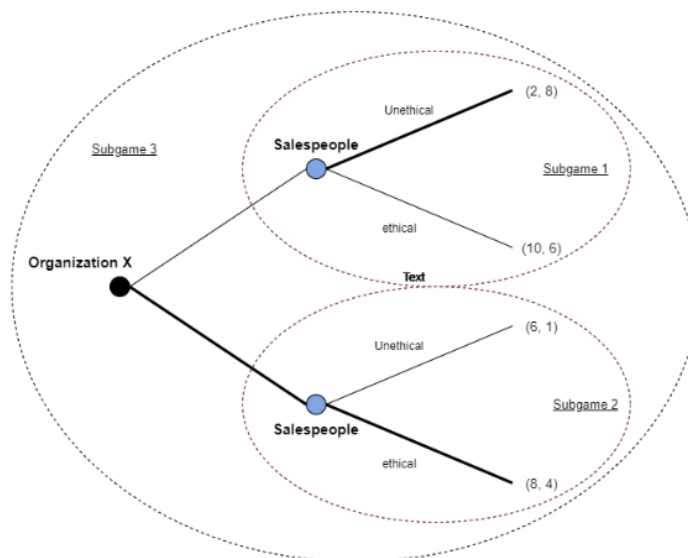


Figure: Game Tree

Looking solely at all 4 payoffs, there is no strategy combination that are mutually the best response for both. X would choose outcome-based strategy for possible maximum payoff of 10, but logically salespeople would not behave ethically for the benefit of company and receiving a lower payoff. X should have considered the possible moves by salespeople in each situation to find the best strategy.

Working backward from the terminal nodes of the game, the salespeople will act at their best interest at each of their decision nodes. In subgame 1, salespeople will behave unethically to meet the sales target since this strategy offers higher pay of 8 (>6 for ethical strategy). Subgame 2, behaving ethically to avoid being penalized gives salespeople higher earnings of 4 (>1 for unethical strategy).

At the X's decision node, organization X is going to make decision from the options: imposing outcome-based strategy and having unethical sales team for a payoff of 2, or behaviour-based strategy and having ethical sales team for payoff of 8. Comparing the X's profit of 2 and 8 for outcome and behaviour based respectively, the organization X decides to impose the behaviour-based compensation strategy.

Conclusion

The game modelled is to outline application of the sequential game theory in the compensation policy and the work ethnics in the relevant department of an organization. Both parties are making the strategic decision that maximize their payoffs. The pure strategy subgame perfect Nash equilibrium in this game is such that organization X chooses the behaviour-based strategy, the salespeople work in ethical manner in response to behaviour-based policy and in unethical manner in response to outcome-based policy.

Reference

1. Madhani, Pankaj M., Managing Salesforce Performance: Behavior versus Outcome Measures (2015). Compensation & Benefits Review, Vol. 47, No. 2, pp. 81-90, 2015, [ONLINE] Available at SSRN: <https://ssrn.com/abstract=2645706> [Accessed 03 August 2020].
2. Alejandro Benet-Zepf., Juan A. Marin-Garcia., Ines Küster. (Jan 2018) Clustering the mediators between the sales control systems and the sales performance using the AMO model: A narrative systematic literature review. [ONLINE] Available at <https://www.intangiblecapital.org/index.php/ic/article/view/1222/721> [Accessed 03 August 2020].

Assessment 2b

ORIGINALITY REPORT

11%	9%	7%	10%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to University of West London Student Paper	6%
2	papers.ssrn.com Internet Source	4%
3	Submitted to University of Durham Student Paper	1%

Exclude quotes	Off	Exclude matches	Off
Exclude bibliography	Off		

Assessment 2b

GRADEMARK REPORT

FINAL GRADE

90/100

GENERAL COMMENTS

Instructor

Nice work - any comparisons of the model results to what we observe in the real world?

G 50

E 20

C 20

PAGE 1

PAGE 2

ANALYSIS

(20) \nIdentify the appropriate game theoretic model to describe the strategic situation

HIGH DISTINCTION (HD) 85-	Accurately identifies/selects (and explains where necessary) all key relevant disciplinary or interdisciplinary knowledge, indicating a breadth of understanding.
------------------------------	---

DISTINCTION (DN) 75-
84 MA

CREDIT (CR) 65-74 MARKS	Identifies/selects (and explains where necessary) some key relevant disciplinary or interdisciplinary knowledge.
----------------------------	--

PASS (PS) 50-64
MARKS

FAIL (FL) >50 MARKS	Does not correctly identify or select relevant disciplinary or interdisciplinary knowledge.
---------------------	---

ANALYSIS

(30) \nApply the appropriate solution to correctly solve the game.

HIGH DISTINCTION (HD) 85-	Insightfully and accurately applies relevant disciplinary or interdisciplinary knowledge, demonstrating a depth of understanding. Demonstrates a sophisticated understanding of how particular local/global contexts impact upon the application of knowledge.
------------------------------	---

DISTINCTION (DN) 75-
84 MA

CREDIT (CR) 65-74 MARKS	Applies relevant disciplinary or interdisciplinary knowledge appropriately but may include minor errors or omissions. Demonstrates a general understanding of local/global contexts in applying knowledge.
----------------------------	---

PASS (PS) 50-64
MARKS

FAIL (FL) >50 MARKS	Does not apply relevant disciplinary or interdisciplinary knowledge accurately. Does not demonstrate an understanding of the local/global context in applying knowledge.
---------------------	---

EXPOSITION

(20) \nDemonstrates proficiency in reading and writing in English

HIGH DISTINCTION (HD) 85-	Excellent word selection, and exemplary grammar and spelling. Excellent structure and organisation. Mainly accurate and adequate referencing. Effectively interprets, translates and paraphrases written texts/spoken language.
------------------------------	--

DISTINCTION (DN) 75-
84 MA

CREDIT (CR) 65-74	Appropriate word selection, grammar and spelling. Clear structure and organisation.
-------------------	--

MARKS
Mainly accurate and adequate referencing.
Effectively interprets, translates and paraphrases written texts/spoken language

PASS (PS) 50-64
MARKS

FAIL (FL) >50 MARKS Inappropriate or inaccurate word selection, regular errors in grammar and/or spelling.
Poor structure and organisation.
Incomplete and/or inaccurate referencing.
Inaccurately interprets, translates and paraphrases written texts/spoken language

EXPOSITION

(10) \nCombines information and communication skills to effectively address a specific audience and purpose

HIGH DISTINCTION (HD) 85- Collects sufficient accurate and relevant information for task.
Discovers and interprets information about audience requirements and preferences, and purpose of communication.
Applies highly effective search and management strategies to obtain relevant and valid information from digital sources.

DISTINCTION (DN) 75-
84 MA

CREDIT (CR) 65-74 MARKS Collects some accurate and relevant information for task.
Discovers and interprets information about audience requirements and preferences, and purpose of communication.
Applies appropriate search and management strategies to obtain relevant and valid information from digital sources

PASS (PS) 50-64
MARKS

FAIL (FL) >50 MARKS Does not go beyond provided sources or collects inaccurate or irrelevant information for task.
Does not seek or use information about audience requirements and preferences, and purpose of communication.
Does not provide evidence of effective search and management strategies for information from digital sources

CREATIVITY

(10) \nIdentifies a creative or complex story about a specific kind of game suitable for critical analysis

HIGH DISTINCTION (HD) 85- Clearly identifies (and accurately explains where necessary) all relevant, key aspects of a problem or issue, and conveys its complexity.
Clearly and accurately outlines purpose of task and method/s of analysis.
Formulates insightful questions and/or comprehensive plan to resolve problems, issues

DISTINCTION (DN) 75-
84 MA

CREDIT (CR) 65-74 MARKS Identifies (and explains where necessary) key elements of a problem or issue, but may not cover all relevant aspects or convey its complexity.
Outlines purpose of task and method/s of analysis.
Formulates appropriate questions and/or plan to resolve problems, issues.

PASS (PS) 50-64

MARKS

FAIL (FL) >50 MARKS Does not clearly or correctly identify or define/explain an issue or problem.
Does not effectively outline purpose of task and method/s of analysis.
Does not formulate appropriate questions and/or plan to resolve problems, issues.

CREATIVITY

(10) \nDevelop well-reasoned, appropriate conclusions or solutions

HIGH DISTINCTION (HD) 85- Presents an insightful / strategic conclusion or solution, well-supported by analysis, evidence, theory and/or research.
Clearly explains and justifies assumptions made in investigation.
Considers and evaluates differing perspectives and alternative strategies, using appropriate criteria / standards.
Acknowledges limitations and constraints of own conclusion / solution

DISTINCTION (DN) 75-84 MA

CREDIT (CR) 65-74 MARKS Develops a sound conclusion or solution, but may contain weaknesses or limitations.
Discusses and justifies assumptions made in investigation.
Considers and assesses differing perspectives and alternative strategies, where appropriate.

PASS (PS) 50-64 MARKS

FAIL (FL) >50 MARKS Does not demonstrate understanding of what information / data communicates.
Does not present a sound, well-justified conclusion or solution.
Does not explain or justify assumptions made in investigation.
Does not assess potential solutions against appropriate.