

ROTTERDAM SCHOOL OF MANAGEMENT, ERASMUS UNIVERSITY

▶ **Materials handling centre: making business more efficient**

by Brian Bollen

▶ **Environmental capabilities and corporate strategy**

by Luca Berchicci

▶ **The challenges and benefits of idea management**

by Dirk Deichmann

▶ **The perceived fairness of performance evaluations**

by Frank Hartmann

▶ **The systematic instability of consumer preferences**

by Stijn van Osselaer

▶ **Why team reflexivity works**

by Michaéla Schippers





## Contents

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▶ Page 05

### **Materials handling centre: making business more efficient**

by Brian Bollen

The aim of the Materials Handling Forum at RSM is to narrow the gap between research and practice by promoting and disseminating academic knowledge, sharing innovative ideas, generating research questions, and co-developing new research themes with industry partners.

▶ Page 08

### **The perceived fairness of performance evaluations**

by Frank Hartmann

When it comes to procedural justice, Management Accounting and Human Resources functions have to get closer to create systems of performance evaluation that are perceived as fair – and that also take uncertainty into consideration.

▶ Page 12

### **Environmental capabilities and corporate strategy**

by Luca Berchicci

Green thinking that would have met with nothing but contempt three decades ago is now firmly on the agenda of corporate boardrooms. Green thinking is increasingly having a clear impact upon how companies in a wide range of sectors across diverse geographies formulate and implement their long-term strategy and short- to medium-term tactics.

▶ Page 14

### **The systematic instability of consumer preferences**

by Stijn van Osselaer

Contrary to conventional thinking, research has shown that consumer choice is a motivational and dynamic process based on goals and 'circumstances'.



▶ Page 18

### **Why team reflexivity works**

by Michaéla Schippers

Assessing a situation before acting may seem like common sense. After all, many languages have an equivalent of the English proverb: 'look before you leap'. However, people rarely apply this in their daily working lives; we seldom make time to stop and reflect on our processes, and most teams and organisations are action-orientated.

▶ Page 20

### **The challenges and benefits of idea management**

by Dirk Deichmann

For organisations to sustain success in their markets, and in order to survive, they need to utilise their workforce as effectively as possible. By stimulating and implementing employees' ideas for improvement and innovation, idea management encourages people to participate in the organisation, beyond the scope of their job. The results not only benefit the organisation, but also contribute to employee satisfaction.

## Introduction

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While giving his *Dies Natalis* address recently, RSM's Dean, Professor Steef van de Velde, laid the foundations of RSM 3.0. Where RSM 1.0 was mainly a teaching-based business school, and RSM 2.0 the research-driven business school we know today, RSM 3.0 will evolve beyond both.

The editorial team of *RSM Insight* has noticed a similar process of development with this magazine. *RSM Insight* is one of a number of instruments that help showcase the academic leadership of our esteemed faculty members while presenting to the corporate world the practical relevance of their research. In the first editions, (RSM Insight 1.0) articles primarily served as extended summaries of research papers that offered a high level of managerial relevance. They were the low-hanging fruit, if you will. In raising our editorial sights higher (RSM Insight 2.0), we then sought to distil the essence of the managerial relevance conveyed in research that our faculty members had published in top-tier academic journals.

RSM Insight 3.0 takes us beyond this. Valid and rigorous research is still integral to our editorial vision, but articles now allow our faculty members to highlight their academic leadership and showcase the value of their involvement with the corporate world more clearly. Today, the school increasingly engages with the corporate world through the Academic Centres that come under the umbrella of Erasmus Research Institute of Management (ERIM). Therefore, we will feature the latest developments from one of these centres in every issue. And, in acknowledgement of the fact that our young researchers are the academic thought leaders of the future, we will also turn the editorial spotlight on to a promising PhD study.

The editorial team of *RSM Insight* is proud to contribute and be part of RSM 3.0 – the internationally focused business school that thinks and lives in the future.

**Henk W. Volberda**

Professor of Strategic Management  
and Business Policy &  
Editor-in-Chief, *RSM Insight*

Rotterdam School of Management,  
Erasmus University  
**Email:** [hvolberda@rsm.nl](mailto:hvolberda@rsm.nl)  
**Tel:** +31 (0)10 408 2761

# Materials handling centre: making business more efficient

by Brian Bollen

**The aim of the Materials Handling Forum at RSM is to narrow the gap between research and practice by promoting and disseminating academic knowledge, sharing innovative ideas, generating research questions, and co-developing new research themes with industry partners.**

The work of the Material Handling Forum (MHF) has begun in earnest. The practical phase of the first significant project undertaken by the body set up to bridge the gap between science and the business world concluded in the middle of November. The next stage is to study and analyse the data gathered during what was a significant order picking experiment, with publication of the results and findings expected to appear by the middle of 2013.

The MHF, which is comprised of academic and company partners, provides a meeting platform for academics, industry partners, and administrations. Company partners can co-develop the research agenda with respect to both applied and more fundamental research.

'We have provided speakers for seminars organised by the MHF, and we find these seminars are very effective in communicating information about the logistics industry to our members,' says Pieter van der Base, who is responsible for consultancy matters at the Zoetermeer-based logistics industry trade body EVO.

'The MHF is an important and excellent information distribution channel for the sector.'

'Logistics services have to deliver products on time and at the lowest cost,' says Arjan Dibbink, manager of warehouse operations at Nissan, which supplies car parts to the Nissan global network out of the Netherlands. 'You can only do that if you know what is going on in the market. The MHF keeps us up to date with new thinking, new tools and new projects. I personally have learnt a number of valuable lessons, starting with the commonality of elements across major projects. You will find the same problems occurring in different projects,' he says.

'You find you need to look for other opportunities to change things significantly to get results,' Dibbink believes. 'It is reassuring, even stress-reducing, to know that other people with experience of running major projects encounter similar problems. The MHF allows industry players to discuss problems and opportunities with one another, to see those problems from a different perspective, and to identify solutions you might not otherwise think of.'

## Research funds

Part of the function of the MHF is to help lobby for additional research funds ▶

# Materials handling centre: making business more efficient (continued)

by Brian Bollen

from international bodies, redressing the research funding imbalance that the industry sees between transport and logistics. Under the Horizon 2020 programme, the EU has budgeted around €80bn for research in transport and logistics starting from 2014, notes Professor René de Koster, the MHF's leading academic figure and its chairman.

Transport research currently consumes the lion's share of those funds, Prof. de Koster says. This is partly because of the greatly fragmented nature of the logistics industry. 'There are many small companies in different sectors that need information and help with improving their logistics,' he says.

Logistics is in total one of the largest industries in the Netherlands. It comprises an estimated 400,000 people in ten thousand companies working in an estimated 50,000 warehouses. This inevitably makes

it difficult, even impossible to lobby effectively for the industry's greater good. The MHF can increase the industry's capabilities, influence and profitability by channelling efforts through a single focal point.

'No-one currently recognises material handling, or facility logistics, in its own right as an important area for academic research, and this has consequences in terms of accessing research funds,' says Prof. de Koster. 'We want to change that by raising awareness of facility logistics as an industry, and by keeping track of innovative thinking and practical developments in logistics around the world.' The MHF's programme of regular seminars and round tables to discuss selected issues are already proving popular.

Dedicated research could, he argues, help the logistics industry develop new ways to tackle the problems caused by the growing

shortage of space and suitably trained staff in important areas like the Netherlands, as well as the problems presented as staff grow older and become less physically able, and the ever-growing emphasis on safety.

## Practical perspectives

Arjan Dibbink notes that there are three distinct elements to the MHF: users, suppliers and science/education. Nissan's status as a user colours his views with a very practical and business-oriented perspective. 'We helped establish the MHF and are one of the first users of it. One of our prime goals is to keep track of developments around the world, but if science can also demonstrate an objective understanding, then it's also a platform to improve appreciation of our discipline. Scientific proof of gut instinct would be very helpful.'

Dibbink also says of the MHF: 'It could be of genuine practical help in maximising the performance of our logistics operations not just in terms of delivering on time but in doing so at a lower cost. You can only do that when you know what is going on elsewhere in the market. The MHF keeps us up to date with new thinking, tools and projects. It is an effective way to observe theory and practice operating side-by-side.'

*"The MHF keeps us up to date with new thinking, tools and projects. It is an effective way to observe theory and practice operating side-by-side."* Arjan Dibbink, manager of warehouse operations, Nissan



## Practical research

MHF's first major experimental project, the Order Picking Experiment (OPE) referred to earlier, was conducted on Nissan's premises and serves as an excellent example of the forum in action. Says Dibbink: 'RSM and the MHF studied not only productivity enhancements but also looked at how to make economic improvements and heighten job satisfaction.

Devised in the spring, and launched in September, the project came to the end of its practical phase in mid-November, and it will take six months or so to study and analyse the results.

The OPE focused on practical experiments using four principal order picking tools: picking by light, picking by voice, picking by paper, and picking by radio-frequency terminals, in combination with three order picking methods: parallel picking, zone picking and dynamic zone/bucket-brigade picking. Three populations carried out the experiments: RSM students, students from vocational logistics training, and professional warehouse workers. Preliminary results show differences between these populations and some clear differences between tools and methods.

Looking ahead, Anton van Loon, director of BMWT (Bouwmachines, Magazijninrichtingen, Wegenbouw-machines en Transportmaterieel), with

responsibility for organising the triennial Logistica trade fair for the Benelux countries, points to the MHF's rolling four-year research calendar to demonstrate its longer-term credentials. At a time of deep recession, when markets are struggling and revenues are weak, it is nothing short of remarkable that the MHF already has 12 partners and 30 members. This reflects his belief in the merits of methodical and sustained study of the dynamics of internal logistics.

'There are clear benefits to be gained from improving internal logistics, and

those improvements will in due course help improve corporate revenues,' he states. If he is correct, then bridging the gap between academia and the corporate world will deliver commercial returns as well as intellectual returns. Progress so far, he suggests, indicates that the MHF is a move in the right direction. ■

More information about the Materials Handling Forum, including an overview of research themes, MHF members and partners, and future events, can be found at: [WEB www.erim.eur.nl/mhf](http://www.erim.eur.nl/mhf)

*"There are clear benefits to be gained from improving internal logistics, and those improvements will in due course help improve corporate revenues."* Anton van Loon, Director, BMWT

# The perceived fairness of performance evaluations

by Frank Hartmann

**When it comes to procedural justice, Management Accounting and Human Resources functions have to get closer to create systems of performance evaluation that are perceived as fair – and that also take uncertainty into consideration.**

The conclusion of the research paper *The perceived fairness of performance evaluation: The role of uncertainty* that my colleague Sergeja Slapničar and I published in the journal *Management Accounting Research* begins as follows:

*An important, desired outcome of any performance evaluation system is to invoke positive work attitudes and behaviours of managers, and to increase their motivation and performance. Positive perceptions of procedural justice of the performance evaluation procedures [within an organisation] contribute to this type of outcome.*

*“Part of the complexity lies in the awkward relationship between HR and Management Accounting.”*

So, that’s simple – no one will question why procedural justice is important, or how it creates a better culture within a firm.

What makes the results of our paper a unique contribution to the whole question of procedural justice is that it is the first time that management accounting studies on fairness have applied a formal theoretical basis to their analysis. Further, we measure “process” or behavioural characteristics in addition to the “metric” characteristics typically measured by management accounting systems.

## Venus and Mars

It seems simple: the Human Resources (HR) function needs performance evaluation systems that are perceived as fair to keep managers motivated and happy, and the Management Accounting function should be able to create “fair” accounting systems that measure the economic performance of managers, ensuring that they are contributing to the financial “bottom line” of the firm. Together, the HR and Accounting functions should be able

to demonstrate that pay increases or bonuses, for example, are fair and based on managers clearly meeting their Key Performance Indicators. But we discovered – proved – that the issue is much more complex than that.

Part of the complexity lies in the awkward relationship between HR and Management Accounting. This is like Venus and Mars in terms of performance evaluation. In HR, people look at *process* characteristics. Psychology is important here. In HR, it is perceived as important that people have a say in their evaluation process, for example.

In Management Accounting, we look at *metric* characteristics. We all know what accounting is – it is a financial language, so it is able to express some important parts of firm performance, like revenue and profitability. Management Accounting is a system that tries to assess the economic performance of the firm for internal stakeholders and managers who need to take decisions, in consideration of the bottom line.

## No ‘one size fits all’

However, using that information to also assess the performance of individuals is quite a different affair. That’s how we propose to add insights with this research. The way we see accounting systems is not as straightforward as some of the more technically





oriented accountants think. We want to build a bridge between HR and Management Accounting.

So, we designed our accounting study around four characteristics: two metric characteristics and two process characteristics. The metric characteristics were *outcome vs. effort metrics* and *diversity of metrics used by superiors*. The process characteristics were *formalisation of process* and *voice of subordinate* in the performance evaluation process.

With our research, we are making the claim that both characteristic types are important, saying that 'good accounting systems bring them together'. In addition, we want to add a bit more realism to the accounting system's actual use. This is where *task uncertainty* and *tolerance for ambiguity* come in play.

### **Uncertainty and tolerance**

In the perception of procedural justice, *task uncertainty* has an increasingly

important part to play. In general, business is going through an uncertain time; tasks of managers may change from day to day or hour to hour. This reflects in *task uncertainty*.

If you are in a stable position so that you know what input leads to what output, that mechanistic aspect means that your performance is easy to measure. However, if you are in sales or marketing, for example, you have a very uncertain task. You never know what you'll be doing the next day, ▶

# The perceived fairness of performance evaluations (continued)

by Frank Hartmann



*“The way we see accounting systems is not as straightforward as some of the more technically oriented accountants think.”*

so getting a very clear picture of your performance is hard. We argue that in this case, for example, *diversity of metrics* may be particularly important as well as *voice of the subordinate*.

On an individual level, *tolerance for ambiguity* really colours the perception of justice in performance assessment. It's a classic psychological variable: how you are able to handle a variety of different informational cues while holding straight to your course. So our research, and the literature, shows that people good in accounting are

typically bad with ambiguity – they like to see figures, they like the bottom line, the predictable; while artists, for example, will score high in tolerance for ambiguity. Thus, the “good accountant” may be more comfortable with a more *formalised* assessment process, based on *outcome/effort* metrics.

Therefore, we have to take these factors – psychological factors – into account. Circumstantial differences in managerial settings may cause a different weighting to the four

focus on investigating management control system design. He has published widely on this topic both nationally and internationally, and teaches the subject in post-graduate and PhD programmes in various countries. He is also Chair of the Department of Accounting and Control. [EMAIL fhartmann@rsm.nl](mailto:fhartmann@rsm.nl)

This article is based on the paper *The perceived fairness of performance evaluation: The role of uncertainty*, which was written by Frank Hartmann and Sergeja Slapničar (University of Ljubljana, Faculty of Economics) and published in *Management Accounting Research*, 23 (2012) 17-33.

metric and process characteristics factors, so that characteristics may be more important in some situations than others depending on the *task uncertainty* or *tolerance for ambiguity* of an individual in their particular function. ■

**Frank Hartmann** is Professor of Management Accounting and Management Control, Department of Accounting and Control, Rotterdam School of Management, Erasmus University. His research activities

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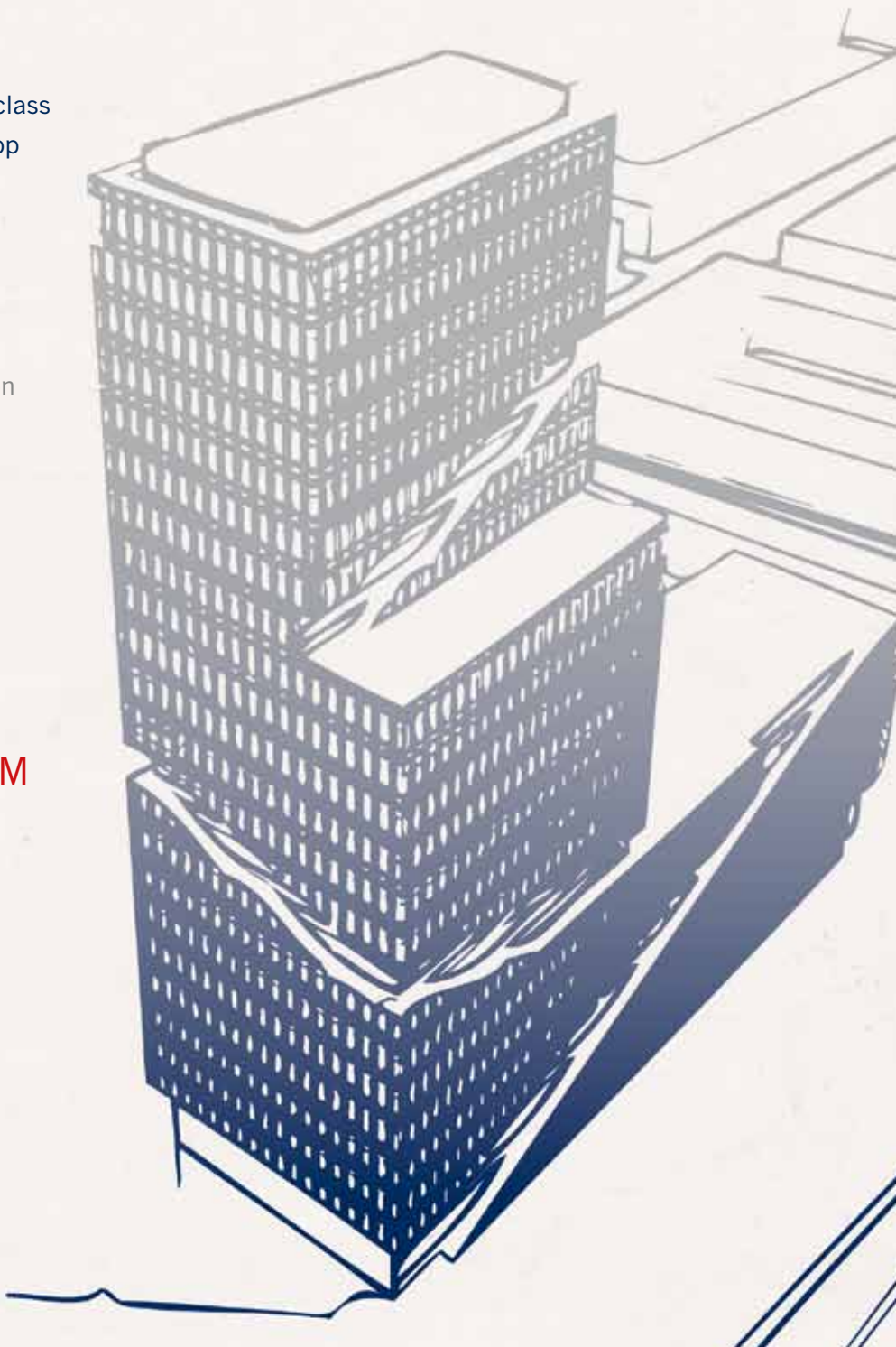
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ROTTERDAM SCHOOL OF MANAGEMENT  
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# Environmental capabilities and corporate strategy

by Luca Berchicci

**Green thinking that would have met with nothing but contempt three decades ago is now firmly on the agenda of corporate boardrooms. Green thinking is increasingly having a clear impact upon how companies in a wide range of sectors across diverse geographies formulate and implement their long-term strategy and short- to medium-term tactics.**

A growing number have embraced the challenges presented by the new reality and devised ways and means of making their business not only greener but also more cost-effective and ultimately more profitable, in what I would suggest is a classic case of a win-win scenario.

life demands that companies build or acquire a new set of what are often referred to as “environmental capabilities”. Environmental capabilities can be briefly summarised as a new set of routines and norms that will help companies behave, and evolve, to cope with the additional responsibilities

## *“To what extent does it pay for a company to be green?”*

Governments and regulators are happier because their edicts have changed behaviour in the positive way that they envisaged. The public are happier because their environment is more conducive to good health and the collective conscience is salvaged. Companies and shareholders are happier because they have met their obligations while enhancing income.

**Environmental capabilities**  
Adapting to the new way of corporate

thrust upon them, and to sustain themselves environmentally and commercially in the long term. Some companies, as one might expect, are adapting well. Others are struggling to do so.

In this context, several questions suggest themselves. To what extent does it pay for a company to be green? Does it have any impact on the bottom line? Will additional layers of regulation necessarily improve a company’s competitiveness by

delivering enhanced performance? Does the need for environmental capabilities trigger a search for them if a company doesn’t possess them? Does it make sense to go looking for them elsewhere rather than try to build in-house capabilities?

There is, of course, an obvious short cut to plugging any gap in a company’s environmental capabilities: go down the time-honoured route of buying a rival company, plant or other facility which already has them in place. A recent paper that I co-authored - *Environmental capabilities and corporate strategy: exploring acquisitions among US manufacturing firms* - examines how acquisitions act as a transmission mechanism for environmental capabilities.

Why would environmental capabilities matter in acquisitions? At minimum, firms assess a potential target’s environmental records as part of the due diligence process in order to minimise the possibility of acquiring a target that has significant potential for environmental liabilities. Discussions with managers who have been involved with numerous acquisitions indicate that environmental issues are commonly considered in the pre-acquisition phase.

Environmental issues are not the primary driver of acquisition choices, as firms generally choose targets that fit



their strategic needs (eg, allowing them to gain access to a product or service market). However, environmental due diligence can either alter the terms of a deal or cause the firm to cancel a planned acquisition all together.

Increasingly, firms are assessing environmental performance to determine if a facility is undervalued and whether its performance can be improved through post-acquisition capability transfer. In 2000, for example, energy company Kerr-McGee acquired a facility in Savannah, GA, that had been cited for environmental and safety concerns. In making the acquisition, Kerr-McGee explicitly cited its ability to fix the facility and bring it into line with the performance of its other facilities.

In order to understand more fully how environmental performance plays a role in acquisitions, my co-authors and I held informal interviews with managers and performed an archival search for discussion of these issues. A more thorough discussion of our findings is available in Appendix A of our paper.

What we have found is that relative environmental performance between acquirers and targets matters for acquisition. Firms with stronger environmental capabilities tend to buy targets with weaker ones and vice versa. We claim that, beside cleaning

or operational costs, a transfer of environmental capabilities could explain certain acquisitions.

Such transfers are strengthened by the proximity between the acquirer and the target; a purchase, if properly executed, efficiently integrated and subsequently well managed, should enable the transfer of the environmental capabilities that are embedded in the target into the purchaser. I call this a green target to brown acquirer transfer. Likewise, they can move in the opposite direction in a green acquirer to brown target transfer. We see green to brown transfers in cases where companies that possess well-developed environmental capabilities buy companies that lack them.

Interestingly, our findings imply that the (hypothesized) transfer of environmental capabilities increases its diffusion within the industry making it “greener”.

I believe, then, that green considerations have a much more significant impact today, at a higher level within the corporate management hierarchy, than at any time in human history. Green considerations have moved rapidly from being a superficial add-on to being an essential component in corporate life, helping to drive corporate strategy.

Implemented intelligently, and successfully, green management

can deliver production that is more efficient, reduce waste, drive down costs, and push up profitability. My research, observations and experience all combine to prompt me to make a suggestion that might merit further study because, quite literally, it can pay to be green. ■

**Luca Berchicci** is Associate Professor of Entrepreneurship and New Business Venturing, Department of Strategic Management and Entrepreneurship, Rotterdam School of Management, Erasmus University. His research interests focus on understanding how managers develop and make use of firm's capabilities to achieve greater performance. He also studies how firms acquire capabilities that allow them to improve their performance relative to new criteria. [EMAIL lberchicci@rsm.nl](mailto:lberchicci@rsm.nl)

*Environmental Capabilities and Corporate Strategy: Exploring Acquisitions Among US Manufacturing Firms* (August 24, 2011) is written by Luca Berchicci, Glen Dowell and Andrew A. King – Johnson School Research Paper Series No. 33-2011. It is available at SSRN: <http://ssrn.com/abstract=1916306>

# The systematic instability of consumer preferences

by Stijn van Osselaer

**Contrary to conventional thinking, research has shown that consumer choice is a motivational and dynamic process based on goals and ‘circumstances’.**

Traditionally, it is assumed that consumers purchase products based on their attributes, notably brand name and what the product contains, and that these preferences are “stable”. That may be true when predicting the choice between similar brands (such as Coca-Cola and Pepsi) within a single product category. However, this traditional model breaks down when it comes to making more subtle predictions such as choices between products from different categories (for example, coffee versus cola versus mineral water), or even subcategories (such as Belgian Wit beer versus Tripel).

The reality is that consumers are not interested in the characteristics of a product, but in what it does for them. In the case of a soft drink like cola, consumers are more concerned with its functional aspects, such as whether it gives them a buzz or helps them stay awake, rather than the fact that it contains caffeine.

## Meeting goals

In other words, consumers mainly pick a product in anticipation of the goals

it will fulfil. However, these goals and their importance are highly situation-specific. The importance of the goal to stay awake, for instance, is greater when driving late at night, than, say, in the morning. This increases a preference for coffee over mineral water regardless of a consumer’s ‘general’ preference for coffee or mineral water. This also makes preferences inherently “unstable” and situation-specific.

Nevertheless, this is no reason to stop trying to predict consumers’ choices. Crucially, the variability in consumer choice is not random, but systematic. We just need to determine which goals will be most important in which buying situation.

To determine this, we need to know what drives this importance. One obvious driver is the consumer’s level of goal-related deprivation or satiation. Once a goal has been satisfied, its importance level falls. In contrast, if a goal has not been fulfilled in a while, consumers feel deprived and the importance level rises.

For example, if we have taken a satisfying drink, the thirst-quenching

goal is fulfilled and the importance of whether a drink can slake our thirst or not is lessened. However, if we become thirsty later, or if it is very hot outside, our hydration levels will drop and the desire to satisfy our thirst becomes more important, giving a big edge to products that we think will satisfy this goal.

Thinking systematically about satiation and deprivation does not completely solve the problem in many situations, however. Even when satiation and deprivation are taken into account, there are often many goals that could potentially determine





*“The reality is that consumers are not interested in the characteristics of a product, but in what it does for them.”*

choice. For example, drinks differ in their ability to: warm you up or cool you down; give you a pleasant taste experience; promote healthy living; make you look cool to others, or give you a buzz.

Which of these many goals is most the important also depends on which one is “activated” or highlighted in a

consumer’s memory. Of course, the most obvious way of activation is by directly bringing the goal to the consumer’s attention – though an advertisement, for instance. This type of “goal priming” can even take place subconsciously. For example, consumers surreptitiously primed with words related to the goal to save

money (for example, “frugal”) are, in a later unrelated task, more likely to choose cheaper products.

Other ways in which goals can be activated are through being a specific buying context or by the presence of other products in the buying situation. In these cases, goals that have historically been salient in that situation will be activated automatically and consequently have a greater impact on choices made.

### **Know your consumers**

This model of goal-based selection offers a structured way of thinking ▶

# The systematic instability of consumer preferences (continued)

by Stijn van Osselaer

about consumers and their choices. Although this requires study and practice, several guidelines should apply broadly:

1. In predicting consumers' choices, do not simply measure supposedly general preferences out of context. It is better to either measure preferences in multiple situations that mimic different buying situations as closely as possible, or determine which goals are most salient in the relevant buying situations and then measure the extent to which consumers feel your product and competing products will satisfy those goals.

your brand and its attributes or make-up, they will automatically link them to the related goals.

4. Remember that you compete for goals: it is often the case that a goal can be satisfied by several quite different products (for example, cola, coffee and fresh air will wake you up or keep you awake), and different goals are important in different situations. Furthermore, the alternatives on display in the buying situation will highlight their own goals to the consumer. Therefore, think about the *competition for goals* and the *specific buying situation*.

**Stijn van Osselaer** is Professor of Marketing, Department of Marketing Management, Rotterdam School of Management, Erasmus University. His main research interests are in branding and the influences of learning, memory, and cognition in consumers' decisions.

**EMAIL** [sosselaer@rsm.nl](mailto:sosselaer@rsm.nl)

This article draws its inspiration from *A Goal-Based Model of Product Evaluation and Choice*, which was written by Stijn van Osselaer and Chris Janiszewski and published in *Journal of Consumer Research*, Vol. 39, No. 2 (August 2012), pp. 260-292.



*“This model of goal-based selection offers a structured way of thinking about consumers and their choices.”*

2. Highlight those goals, relevant to the buying situation, where your product is more appealing than the competition.
3. Explicitly tie your product to important consumer goals. Do not assume that if consumers know

5. Finally, understand your consumers – see the buying situation from *their* perspective: what goals matter to them at that moment; how well do they think your product satisfies those goals, and which alternatives could achieve the same goals? ■

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# Why team reflexivity works

by Michaéla Schippers

**Assessing a situation before acting may seem like common sense. After all, many languages have an equivalent of the English proverb: ‘look before you leap’. However, people rarely apply this in their daily working lives; we seldom make time to stop and reflect on our processes, and most teams and organisations are action-orientated.**

Team reflexivity, the extent to which teams collectively reflect upon and adapt their working methods and functioning, is an important predictor of team outcomes, and most notably innovation. I believe there is enormous scope for this in today’s hectic business environments.

Along with my co-researchers – Michael West of Lancaster University and Jeremy Dawson of the University of Sheffield, both in the UK – I wanted to show how team reflexivity is strongly related to innovation and team performance in general. Teams are too often inclined to follow routines.

*“We fundamentally believe that highly reflexive teams will be more innovative than teams low in reflexivity, especially when faced with demanding work environments.”*

Why is teamwork better and more effective than individual acts and innovation? Individuals within a team can be highly reflexive, but if they keep their ideas to themselves, nothing is going to change at the team level. People need to share and discuss their beliefs. And it needs to be accompanied with real change.

That may work in a safe, unchanging environment where the same tasks are carried out every day, but in volatile, high-pressure environments, teams need to innovate to become more effective.

There hasn’t been much research into how people deal with the issues that arise in their work environment;

it’s mostly been about teams and organisational processes. So, we decided to look into this in more depth. The results of our study (*Team Reflexivity and Innovation: The Moderating Role of Team Context*) were published recently by the *Journal of Management*.

We developed and tested a team-level contingency model of team reflexivity, work demands, and innovation. We fundamentally believe that highly reflexive teams will be more innovative than teams low in reflexivity, especially when faced with demanding work environments. So for the fieldwork we selected 98 primary healthcare teams within the UK’s National Health Service (NHS). The NHS is the perfect high-stress environment, with a high turnover of patients, and teams need to cope with this on a daily basis.

There were many differences between the teams we studied. Some had state-of-the-art equipment and modern buildings. Others had to deal with old equipment and shabby working environments. But if you have a limited budget and resources, it becomes even more important to stop and reflect on how to organise these.

When we examined the results in the context of the need for reflexivity and innovation among work teams facing high demands, we found there



was a link. Higher levels of reflexivity and work demands (higher patient-to-doctor-ratios) produced higher levels of innovation. Moreover, we also discovered a link between reflexivity, the quality of the physical work environment (PWE – the spaciousness and quality of the working area, facilities, and general condition of the building), and innovation. A poor PWE coupled with high team reflexivity resulted in even higher levels of innovation.

This link is especially helpful when work demands are high. All-too-often, in stressful environments, the first reaction of a team to any challenge is to work harder and stick to routines. But that doesn't always work. Our study identified ways in which teams can learn to work "smarter", and showed it is possible to make the best of adverse conditions by reflecting and innovating.

Healthcare is a specialised and intense working environment, but these basic principles can be applied elsewhere. In order to overcome fundamental problems, people need to take the time to reflect before acting. It is much better to change a way of working to cope with the load, rather than burn out.

There are wider benefits to this. As Scientific Director of Erasmus Centre of Behavioural Operations Management, I'm looking into how people make decisions. The default seems to be that people always make the same basic mistakes and errors. Reflexivity is a good way to eradicate default errors and make better decisions.

We are also looking at how students can benefit from guided reflection. Last year, we implemented an online goal-setting programme for all first-year students. The aim is for them to reflect

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on, articulate, and plan their desired future in a broad way. Taking time to think about what they want to achieve in life, both in work and in their free time, improves academic performance and student retention.

In the future I intend to extend this study to schools in the Rotterdam area. Furthermore, we are starting an exercise in which student teams reflect on how they will work together in their course, ie, a team charter. This will be piloted in a large first-year course.

All this builds on the work of Amy Edmondson and Anita Tucker of Harvard Business School, who showed that instead of finding root causes of problems, people often found ad hoc solutions and workarounds. But this just papers over the cracks, and it blocks learning from failures.

The bottom line is: if you look for the source of the problem, it may take more time initially to solve, but the problem won't resurface time and time again. Processes will be much smoother as a result. ■

**Michaéla Schippers** is Scientific Director, Erasmus Centre of Behavioural Operations Management, and Assistant Professor, Department of Decision and Information Sciences, Rotterdam School of Management, Erasmus University. [EMAIL schippers@rsm.nl](mailto:schippers@rsm.nl) [WEB www.irim.eur.nl/ecbom](http://www.irim.eur.nl/ecbom)

# The challenges and benefits of idea management

by Dirk Deichmann

For organisations to sustain success in their markets, and in order to survive, they need to utilise their workforce as effectively as possible. By stimulating and implementing employees' ideas for improvement and innovation, idea management encourages people to participate in the organisation, beyond the scope of their job. The results not only benefit the organisation, but also contribute to employee satisfaction.



Capturing ideas can be done in different ways. Recent research into behaviour within organisations brings to light some surprising facts, and points to how idea management programmes could be used to

increase the proportion of successfully implemented projects based on ideas contributed voluntarily by employees.

Based on data covering 12 years of idea management experiences within four large European organisations,

observations show that the programmes tend to fall into two different categories.

One type of programme, generally initiated by Human Resources departments, produces ideas for small, incremental improvements. This has the function of engaging and involving employees in the everyday processes and life of the company, and achieves easily implemented changes on the “yes or no” decision of the immediate manager. Large companies often set up a database to capture these ideas and share them on the intranet within their organisation.

These ideas generally do not require further development, so no major investment of time and money is needed for implementation. Nonetheless, they can deliver cost savings, or lead to increased customer satisfaction. Perhaps their greatest benefits are happier employees in a good environment, with greater co-operation, better workflows, more efficient processes, and fewer errors.

## Innovations

The second type of programme is linked to Research & Development. This kind of initiative is intended to stimulate big ideas, radical innovations that could fundamentally change how the business operates, or the type of products it produces.

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Within the framework of the system, anyone can propose ideas, whether they are engineers or sales people, administrative staff or technical experts. Such big, radical ideas can lead to the development and implementation of totally new products, or the identification of new and distinctly different markets.

The key word here is development. Often, it is impossible to assess at the beginning whether a radically new concept is practicable. It may require a lengthy process of analysis and development to assess its feasibility. The decision-making process therefore frequently lies outside the scope of the idea owner's immediate supervisor or manager.

to the goals of an idea management programme and are interested in making personal contributions to it is, however, influenced by the leadership style. Transformational leaders, for example, by inspiring their staff to perform beyond expectation, increased the employees' commitment to an idea management programmes.

However, this works only when the transformational leaders also identified with the organisation, ie, when they were proud of their organisation's reputation or concerned about its status and their own involvement with it. Thus, as role models or by articulating a vision, they used their leadership style to motivate employees to commit to and engage in idea management programmes.

*“Surprisingly, research shows that rejection of an idea does not necessarily deter people from submitting new ideas.”*

### **Motivational leaders**

In terms of management of the idea generation process, the leadership style favoured by the immediate managers of the idea owners has no apparent direct influence on the quantity of ideas generated. Whether employees truly commit themselves

Consequently, the employees were much more motivated to contribute ideas towards the improvement or furthering of their organisation. In one organisation where this type of programmes was observed, a massive 200,000 ideas were generated in the course of a year.

### **Failure breeds success**

Where R&D initiates idea management programmes and the focus is on innovation and radically new ideas, the quantity of ideas generated tends to be relatively low. On average, the programmes observed generated around 200 ideas a year, of which approximately 10 per cent were implemented. On the other hand, the value of these ideas can be invaluable. In one case, an idea was proposed by the employee of a large oil company for a new material that would bind waste, thus creating a new product at the same time as offering a solution to an environmental problem.

Surprisingly, research shows that rejection of an idea does not necessarily deter people from submitting new ideas. Since putting forward ideas is a voluntary activity, the fact that employees came back with more ideas despite prior failure is good news. It suggests they felt safe to propose new, even crazy ideas, and probably enjoyed the process. The reverse was also true: people whose ideas were accepted didn't come back often – although in this case, the pattern showed a higher likelihood of repeated success.

### **Experienced creativity**

The challenge of idea management is to encourage successful idea generators ▶

# The challenges and benefits of idea management (continued)

by Dirk Deichmann

to return more frequently, and to help unsuccessful idea generators learn from the process. One conclusion drawn from the experience of the idea owners who enjoyed repeated success is that the concept development process resulted in better, more thoroughly prepared idea proposals the second time around. By giving more feedback about the process that underlies successful idea generation and implementation, unsuccessful, yet highly active and motivated idea owners could also learn to – repeatedly – propose practicable ideas.

their experience with accepted ideas, because they knew what was expected.

Additionally, they have a better idea of which different stakeholders will be involved, and how to develop the idea through different stages. With more knowledge of the process, they produce better plans. A suggestion here might be to bring together the experience of those employees whose ideas are repeatedly not accepted, yet who maintain the motivation to try again and again, with those who succeed, but seem to quickly lose the motivation to try again.

implementation, since it is only then that their full potential materialises.

With encouragement, employees voluntarily share ideas that enhance their working environment, and improve the organisation's way of working, its products and processes. In more ways than one, idea management provides much food for thought for forward-looking organisations. ■

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**Dirk Deichmann** is now Assistant Professor, Faculty of Social Sciences, VU University, Amsterdam.

**EMAIL** [d.deichmann@vu.nl](mailto:d.deichmann@vu.nl)

*“The challenge of idea management is to encourage successful idea generators to return more frequently, and to help unsuccessful idea generators learn from the process.”*

Of course, other factors contribute to the success of the idea owners, as observed in my research. Those who succeed have an ability to gather others around them who help make an idea a success the next time, too. They are also able to attract new people, thus gaining new insights for future ideas and development while retaining the ‘old’ team in a dynamic network. Successful idea owners implement

One major finding of the research is that people who come forward with ideas care deeply about their organisation. Idea management provides the support such employees need for their expertise and creativity to be recognised, developed, and successfully implemented. Future research will explore how organisations can further nurture and steer breakthrough ideas towards



**René de Koster**

Scientific Director, Materials Handling Forum, and Professor of Logistics and Operations Management, Department of Management of Technology and Innovation

▶ Email: rkoster@rsm.nl

▶ Personal home page

▶ Materials Handling Forum

**Frank Hartmann**

Professor of Management Accounting and Management Control, Department of Accounting and Control

▶ Email: fhartmann@rsm.nl

▶ Personal home page

▶ Department of Accounting and Control

**Luca Berchicci**

Associate Professor of Entrepreneurship and New Business Venturing, Department of Strategic Management and Entrepreneurship

▶ Email: lberchicci@rsm.nl

▶ Personal home page

▶ Department of Strategic Management and Entrepreneurship

**Stijn van Osselaer**

Professor of Marketing, Department of Marketing Management

▶ Email: sosselaer@rsm.nl

▶ Personal home page

▶ Department of Marketing Management

**Michaéla Schippers**

Scientific Director, Erasmus Centre of Behavioural Operations Management, and Assistant Professor, Department of Decision and Information Sciences

▶ Email: schippers@rsm.nl

▶ Personal home page

▶ Erasmus Centre for Behavioural Operations Management

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**EDITOR-IN-CHIEF**

Prof. Henk W. Volberda  
(hvolberda@rsm.nl)

**EDITOR**

Russell Gilbert  
(editor@englisheditors.nl)

**RSM POLICY DIRECTOR**

Wilfred Mijnhardt  
(wmijnhardt@rsm.nl)

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(wkoolhaas@rsm.nl)

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Marianne Schouten  
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UNIT20.

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