Simplification: A Catalyst for Employee Engagement and Operational Excellence
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Simplification: A Catalyst for Employee Engagement and Operational Excellence

David Eskew, MBA Candidate, Lauren Moser, MBA/MDiv Candidate, Josh Arnold, JD/ MBA Candidate, Troy Baker, MBA Candidate, and Russell Webb, MBA Candidate

Complexity threatens organizational competitiveness. Nearly 70% of executives attribute rising costs to excessive complexity (Gottfredson and Aspinall 2005). Many firms are aggressively combating complexity, and suppliers are gearing up to assist. For example, enterprise software publisher SAP’s Run Simple initiative is built around the idea of streamlining business processes without losing sophistication (SAP 2014).

Of course, no one intends to build overly-complex systems. Complexity is often the byproduct of well-intentioned business decisions. For example, real estate agents may utilize a combination of third-party software products for client relationship management (CRM), to market their listings online, and for direct-mail marketing. These products provide concrete benefit to the agent: targeted and qualified leads are conveniently managed. However, because the software products are available through separate providers, they are not integrated, leaving the agent to bear the burden of shifting between systems. The challenge of assimilating a variety of Multiple Listing Services (MLSs) may contribute to the lack of integration. Product lines may proliferate to serve additional customer segments. Processes become more cumbersome, IT systems are tweaked, and more people are needed to manage the activity (Einhoff and Rey 2011). Organizations often find that complexity absorbs resources that could be better used to support new initiatives (Gottfredson and Rigby 2009, Gottfredson 2012).

Not all complexity can or should be eliminated (Birkinshaw and Heywood 2010). Neither the complexity imposed by laws and regulations nor that inherent in certain lines of business, such as banking or manufacturing, can be eliminated. Complexity that supports competitive differentiation is often valuable. However, unnecessary complexity is a hindrance that businesses can eliminate. Complexity in real estate can be a deterrent to the adoption of tools and systems that would be value-additive to both the agent and the buyer/seller. Consider the way brokerage firms train real estate agents. Because agents are typically independent contractors, they are free
to select the CRM system of their choosing. But because brokers cannot compel agents to attend scheduled computer system training, they then typically expend additional resources to provide one-on-one training when the agent realizes she needs the training.

About the Research

To learn more about how companies target and eliminate unnecessary complexity, we conducted in-depth interviews with project managers at twelve companies engaged in strategic simplification. The companies ranged in size from a small, locally owned manufacturing business to Dallas-based Coldwell Banker Apex to Fortune 500 companies across multiple industries, including retail (Wal-Mart), telecommunications (AT&T), computer/IT (Microsoft, HP, Dell, Sony), manufacturing (Honeywell, Otter Products), automotive (Ford), and philanthropic (The Bill & Melinda Gates Foundation). Our contacts within these organizations were selected for their expertise and experience in leading projects to reduce complexity. We conducted semi-structured interviews where each interview lasted approximately forty-five minutes. To ensure that we fully captured the respondents’ comments, we recorded and transcribed the interviews. We asked respondents to describe what simplification means to their companies, how they identify projects for simplification, instances where they saw success in implementing simplification, and their perspective on simplification for the future. In addition, we interviewed twelve thought leaders known for their leadership in ways to reduce complexity.

The Simplification Journey

While the path to simplification will vary by organization, our research respondents emphasized actions all organizations must take. Simplification projects must be prioritized based on the potential for resource savings or for improving the client experience. Leaders must inspire employee engagement through clear communication. And leaders must guard against complexity again taking hold.

Our respondents identified four fruitful targets for simplification.

*Product Line Presentation.* A real estate brokerage discovered that prospective agents (recruits) were overwhelmed by the firm’s array of product lines and offerings. Firm leaders distilled the offering to key value propositions centering on what matters most with these recruits: firm philosophy and benefits. Similarly, streamlining product lines can sometimes benefit customers. A research respondent explained how his organization’s complex product lines confused the sales team who, in turn, confused clients with vague product descriptions. The product offering was simplified in a way that made it easier for the sales team to learn the intricacies of each offering. Sales representatives were better able to communicate the details to their clients and clients were able to make better purchasing decisions.
Processes. Employees are often in the best position to identify avoidable process inefficiencies. One company we interviewed required signatures from dozens of managers before the development team could begin a new project. After consulting with those directly involved, it became clear that many of the required authorizations were redundant. The process was streamlined by eliminating nearly half of the approval signatures. Projects were implemented more quickly. Another area ripe for process improvement: managing multiple offers. The process is chaotic for listing agents and creates fear and mistrust for the buyers and buyer agents. The right software could make the process transparent, and creating more satisfied buyers and sellers.

Strategy. Fuzzy organizational strategy makes it difficult for employees to focus on what’s important. A real estate brokerage firm with multiple metrics discovered the power of emphasizing the key metrics that drive profitability and de-emphasizing other metrics. In another company, an employee engagement survey revealed that many employees did not understand the overall strategy of the organization. The complex planning and measurement apparatus with layers of goals, milestones, and other metrics had obscured the company’s direction.

Organizational structure. Most real estate firms enjoy relatively flat organizational structures and minimal bureaucracy. That’s good because too many layers can stifle innovation. One firm we interviewed flattened the product innovation department’s organizational structure. Product inception to market introduction time was cut by nearly 25%. Some sales organizations, like real estate brokerage firms, have a flat organizational structure so agency leaders may feel stretched thin. Finding the sweet spot of the organization’s hierarchy does not necessarily mean a totally flat organizational structure.

Our respondents emphasized the importance of being clear about what simplification will involve. A senior manager described a corporate simplification mandate to reduce advertising costs. The divisional advertising managers responded by bidding for media time slots more aggressively. But, divisions frequently bid against each other and inadvertently drove up the price. Once project leaders clarified that simplification was to occur across divisions, managers were able to improve performance.

Leverage Simplification as a Catalyst for Engagement

Simplification involves change. Some employees will have more responsibility, others less. Jobs may be eliminated. Yet simplification depends on the very employees whose autonomy and security may be threatened. Simplification thrives in an atmosphere of trust. A respondent commented, “If employees don’t have trust in the organization’s leadership, you might as well
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turn the lights out.” Clear internal communications are crucial. Employees will be more willing to take risks if they understand the “why” behind the “what,” respondents emphasized.

While simplification can be threatening, we discovered that paradoxically it can also energize employees. Employees who are freed from unnecessary processes can better focus on their responsibilities. Employees’ emotional connection with the organization is magnified by contributing to redesign initiatives.

We conceptualize trust, simplification, and employee engagement as a hot air balloon. Employees climb aboard when trust is present. Simplification is the lever that controls the gas, lifting organizational productivity and promoting employee engagement. Engaged employees feel empowered to make wise decisions and are freed to invest their time in value-creating activities.

Complexity didn’t happen overnight and is unlikely to be eradicated instantly. But with time and persistence and the commitment of employees throughout the organization, simplification can be woven into the cultural fabric of the organization.

Notes

This research was designed to explore how companies can leverage trust and engagement to drive simplification and combat complexity. The project was sponsored by SAP. The authors thank Ann M. Mirabito, PhD, Associate Professor of Marketing, Hankamer School of Business, Baylor University, for her direction and support throughout the project.

References


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Value-Developing Skills
Charles Fifield, MBA

Interpersonal selling should be both a well-orchestrated interactive value-building process for the salesperson and a positive value-adding experience for the prospective buyer. The seller performs the role of a guide, leading the buyer through a series of pre-conceived value-building activities designed to yield a quality purchase decision (or what might considered the end-in-mind). Concomitantly, the buyer is consciously and unconsciously making an evaluation of the perceived incremental value gained. The two key value questions buyers want the salesperson to answer are:

1. Why should I buy from you?
2. What’s in it for me?

Answering these two questions necessitates developing your value offering collaboratively with the buyer, through the entire buyer-seller engagement, and well into implementation. Delivering your value proposition should not be simply another step in your sales process! In other words, the concept of developing value for a buyer in order to gain a purchase decision should not be thought of as a static event or a single step in the selling endeavor, but rather a critical and dynamic factor, or a process, which is the common thread throughout your entire interactive engagement. At some point in our buyer-seller process, we will likely offer a summation or a quantifiable presentation of the financial results, but this should be viewed as just one linkage in our value-development chain.

A buyer’s value-analysis thinking can take many forms and have myriad contributing factors, but for sales purposes, it can be summarized as the measure of the net benefit (the difference between a buyer’s evaluation of benefits and costs or price, or simply \( V = B - C \)) that may be gained from the purchase of the offered goods and/or services. Of the two key value assessing components, perceived benefits are what the salesperson must focus on throughout the sales call interaction leading to the buyer’s value-adding conclusion.
What are Benefits and How are They Developed?

Benefit development is the critical factor to a salesperson’s ability to establish value gains and is largely a matchmaking process: the seller is matching his or her available capabilities with what the buyer is indicating he or she is looking for in a buyer-seller relationship. Early in the engagement, the seller is largely focused on relationship or personal factors, such as trust and likeability. This is very important to gaining a foothold to answer the question, “Why should I buy from you?” This question is the “elephant in the room” during the entire buyer-seller interaction. It’s there at the beginning when you make the first impression. Later, through various investigative techniques, the salesperson learns what the buyer wants and why, and then must lead the exchange into value-adding opportunities that focus primarily on the question, “What’s in it for me?” This question is more often answered while presenting “products” during the engagement. Neil Rackham and his Huthwaite, Inc. organization term this the demonstrating capability phase of the buyer-seller interaction (Rackham 1988).

Benefits are to be clearly distinguished from either features or advantages of a product or service that you are representing. Understanding features or characteristics and advantages, which is what a product or service can potentially do for any buyer, is critically important to the salesperson’s value-adding capabilities; however, when in a buyer-seller interaction, you have to focus the discussion on only those features/advantages that have potential value-adding consequences for that specific buyer. To do otherwise is commonly called feature dumping, and when practiced, loses the buyer’s attention and interest because you have now become irrelevant.

Whenever a seller can successfully match a buyer’s want to a feature or capability of his product, service, or relationship, you have the ingredients for developing a benefit. While guiding a buyer through this matchmaking process, the seller needs to emphasize what the offered feature will do for the buyer in terms of benefit. This is called using what’s in it for you or WIIFY-styled language. Summarizing the benefit and then gaining agreement are important confirmations that the seller is remaining aligned and relevant to the buyer’s wants. It is also a method of developing buying signal confirmations. If the buyer’s verbal and/or non-verbal communication indicates disagreement, confusion, or a lack of congruence, the seller should stop immediately and begin probing to assess the cause. To move further without consistent buying signals is largely a waste of time for both parties since it leads too often to buyer-seller frustration.

Earlier we discussed a simple cost-benefit formula for value, \( V = B - C \). The key component for creating value-adding results is clearly perceived benefits, especially when a salesperson has little-to-no ability to manage or set price. There are primarily two types of benefit generators: financial and emotional. The financial impact is often enumerated in some type of financial summary or projection of the results in a format consistent with the buyer’s preferences. The financials are usually essential to convincing the buyer to seriously consider a change and as a consequence, a purchase decision. On the other hand, the emotional element is what ultimately triggers the buying decision. Once you see the signs of the buyer being comfortable with the
proposed change or solution, it is time to move forward. If executed correctly, the ideal next step is gaining commitment, the end in mind when we started this process, and the salesperson should not be surprised if the buyer says something like, “This looks great, what do we need to do in order to get this implemented?”

**The Value-Building Sales Process**

The seller’s process should be inherently value driven from beginning to end, and for optimal results, the seller should attempt to get the buyer actively involved in a learning exercise. For best results, the value-building process should begin with the salesperson’s quality pre-call preparation. Since the end in mind is to offer the buyer a value-building proposal that you believe the buyer will want to purchase, your proposal needs to be shaped from the buyer’s perspective with minimal “telling” and an abundance of active listening. The biggest single complaint about salespeople from both prospects and customers alike is that they talk too much.

After the preliminaries, including the introduction, a first impression and rapport building, all of which can have meaningful value-building impacts, the seller should engage in a seven-part value-connecting process:

1. Deliver an attention getter to establish a theme and to summarize what benefits you hope to develop for the buyer in either statement or question form.
2. Learn who is involved in the buying process (the buying center) and the recommended decision-making process to be followed.
3. Diagnose and then summarize the buyer’s want(s) and why(s) through a series of questions delivered in an active listening and empathetic format.
4. Show or demonstrate specifics about how the offer will work by engendering benefits to build value.
5. Summarize the benefits gained and obtain the buyer’s confirmation.
6. Discuss or illustrate projected incremental value gained in a customer-defined format.
7. Be sensitive to reasons to buy now and gain commitment to the next step to earning the order as prescribed by the buyer during the buying center confirmation (step 2 above).

**The Seller’s Mindset or The Inner Game of Selling**

A salesperson’s preparation and anticipation can be significant to determining the buyer’s ultimate value to be gained. It commences with the seller’s mindset that you’re not selling to the buyer, but rather helping them to make a value-adding purchase decision. This reiterates habit #2 of Stephen Covey’s *The 7 Habits of Highly Effective People*, “Begin with the end in mind.” In other words, the seller has to empathetically make a value analysis from the buyer’s perspective before making a win-win purchase proposal (the end in mind). This should be the Salesperson’s Golden Rule: Propose unto others only what you would want others to propose unto you.
Beginning with the end in mind can be a significant challenge since pre-call effort may be limited by your lack of understanding regarding the buyer’s needs, wants, challenges and conditions. On the other hand, experienced salespeople do have the benefit of valuable references or models gained through their previous training and work with other similar, like-minded, but different buyers. Although every buyer is unique, all buyers do have similar pre-existing resistance factors that are integrated into the buyer’s initial value-analysis evaluation.

Pre-existing resistance factors include, but are not limited to, the following:

1. Buyers don’t want to be sold, and potentially experience buyer’s remorse.
2. Buyers generally don’t enjoy implementing change decisions.
3. Buyers don’t want to do business with salespeople whom they don’t like.
4. Buyers are generally risk-averse.
5. Buyers want to make cash flow (which holds for business prospects in both for-profit and not-for-profit enterprises).

The salesperson should be very mindful of each of these natural sales call barriers or conditions precedent to both the buyer-seller relationship and the value-building process.

**Think Like a Doctor Examining a Patient Using Good Bedside Manner**

Another significant factor to a salesperson’s capacity to build value is her ability to concentrate on the buyer’s dynamics instead of being pre-occupied by her own egocentric factors or fears. Concentrating on the buyer encourages empathy and nurturing, which are so important to building buyer value. Zig Ziglar once expressed it this way, “People don’t care what you know until they know that you care.”

An analogy to consider is a physician performing a physical exam on you while being overly concerned about his self-importance or the “what ifs” should something go wrong. “What if” thinking is very important, but it should be assessed long before the patient and certainly the doctor ever entered the examination room. Even worse would be having the examining physician spending a patient’s valuable time trying to impress with credentials and medical knowledge.

In interpersonal selling, a one-size-fits-all approach will not bring nearly as many closed deals as a more customized approach. For the medical practitioner, every patient is certainly physically
unique, but all male or female patients have generally similar physical compositions. This consistency principle actually simplifies the examination process and enables the physician to better perform specialized professional services for the well-being of the patient.

Physicians can be masters at performing their professional work in a standardized, almost structured fashion, while the patient feels unique and even “special.” That’s another one of the salesperson’s value-building challenges. How a buyer feels during the sales interaction is very important to his ultimate value analysis. Don’t forget that feelings, not facts, are what drive the purchase decision. Medical professionals have had to learn this difficult lesson in recent years.

Lastly, all exams or visits to your attending physician tend to follow a similar, almost standardized, step-by-step process to minimize oversights and risks and to maximize win-win patient care success. Salespeople should approach prospective buyers in a similar process-minded fashion for most effective value building and sales results. Especially on an initial sales call, keep the customization largely to the need to adapt to the prospect’s personality or social style and stay on your proven process/diagnosis track to more effectively and efficiently discover what concerns the buyer and why.

**Understanding Your Prospective Buyer’s Wants**

A significant part of earning a buyer’s likeability is a salesperson’s ability to stay aligned or relevant to the buyer’s needs and wants. Tim Sanders emphasizes outlines four key components to likeability in his book, *The Likeability Factor*:

<table>
<thead>
<tr>
<th>Friendliness</th>
<th>Your ability to communicate liking and openness to others.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevance</td>
<td>Your capacity to connect with others’ interests, wants and needs.</td>
</tr>
<tr>
<td>Empathy</td>
<td>Your ability to recognize, acknowledge and experience other people’s feelings.</td>
</tr>
<tr>
<td>Realness</td>
<td>The integrity that stands behind your likeability and guarantees its authenticity.</td>
</tr>
</tbody>
</table>

Gaining relevance would seem to be a fairly easy to accomplish task; however, the buyer is often not of a mindset to “lay his cards on the table” or divulge his “problems,” especially if the buyer-seller relationship is less developed. In addition, the buyer is oftentimes not even aware of meaningful issues, either present or prospective. If buyers had all of the answers, then why would they need a salesperson’s recommendations? On the other hand, they did invite you in for a visit. Therefore, questions such as, “What is it that you are trying to accomplish?” are often responded to with a blank stare, indifference or possibly a defensive reaction. It would certainly be easier if buyers would be forthright and open, but that is usually not the case. Salespeople need to develop investigative or mining techniques that employ active listening tools to discover the potential win-win value-adding opportunities. There are many techniques to do this work.

One highly regarded method is the SPIN technique developed by Neil Rackham (Rackham 1988). SPIN stands for the four types of questions: Situation, Problem, Implication, and Need-
payoff. Each type of question has a specific purpose in mind and a reason for the order or sequence of delivery. Situation, and to some degree problem, questions largely help the seller and indirectly the buyer gain a clear understanding of what is needed/wanted. It’s imperative that the seller have a clear understanding of the buyer’s desires, and how product/service performance will be measured. The implication questions are probably the most important because feelings are so important to shaping the buying decision and during the implication questions, the seller must learn the “why” component. The SPIN process not only enables the seller to quickly become relevant to the buyer’s “eager” wants in a programmed, yet nurturing and empathetic fashion, but if properly deployed, it should open the door to the next step in the buying decision process, the buyer’s willingness to consider a change.

**Summing It Up**

Salespeople need to think of selling as a continuous, from beginning-to-end, value-building process. Furthermore, value development has a pattern-with-disturbances that seems to be an orderly disorder. To consistently and efficiently build value for your clients during a selling interaction, salespeople can follow a fairly standardized seven-step process, and then adjust accordingly based largely on personality or social style factors.

**References**


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Can Acetaminophen Reduce the Pain of Decision-Making?
C. Nathan DeWall, PhD, David S. Chester, PhD Candidate, and Dylan S. White, BA

Decision-making and loss as a result of decision-making may afflict every individual, industry, and profession. However, decision-making and loss are not the most pleasurable experiences. In fact, decisions are often described as painful. Selling something treasured like a home can hurt. Wouldn’t it be helpful if you could take a pain killer for this kind of pain like you would a headache? Our research demonstrates that you can do just that.

Our research analyzes the impact of acetaminophen on cognitive dissonance, which is the psychological discomfort experienced when deciding between similar alternatives. We also examine the impact of acetaminophen on loss aversion, which is the psychological discomfort associated with irrationally weighing potential losses more than potential gains.

Being successful within the real estate industry involves numerous decisions every day. Clients face important decisions as well as “loss” associated with selling their homes or spending their money. Recognizing the potential benefits of acetaminophen can help real estate professionals and their clients ease discomfort when facing these more life experiences.

Testing Acetaminophen and Cognitive Dissonance

We tested the impact of acetaminophen on cognitive dissonance using a sample of 112 undergraduate students, where each participant was randomly assigned to take 1000 mg of acetaminophen or a placebo. Participants completed questionnaires while the acetaminophen was given time to reach peak plasma concentration. Each subject then rated the desirability of seven cognitive tasks. Participants were told that they would eventually be performing one of these tasks and their preferences would be considered. After selecting two tasks that the subject rated positively, the experimenter asked the participant to choose one to perform. The participant then completed more questionnaires. The experimenter returned and asked the subject to rate the seven cognitive tasks again, explaining that preferences can change dramatically over time without regard for previous preferences.
In the second preference exercise, our results show that subjects rated the task rejected in first exercise lower in the second evaluation. Called the spreading-of-alternatives, this lower second rating results because rejecting a task suggests that there is something negative about the task. People deal with the discomfort of decision-making by changing their attitude toward the rejected task. However, this occurrence was significantly weaker among the acetaminophen-taking participants, suggesting that the pain of decision-making was mitigated by the presence of acetaminophen. The result: there was less need to create a spreading-of-alternatives.

Testing Acetaminophen and Loss Aversion

To test the impact of acetaminophen on loss aversion, 95 students were randomly assigned to take either 1000 mg of acetaminophen or a placebo. They completed questionnaires, allowing time for peak plasma concentration. Every student received a mug and told that the mug was theirs to keep (“endowed subjects”) or that the mug was property of the laboratory. Per request of the investigator, subjects then stared at the mug for 30 seconds to be prepared for later questioning. This exercise allowed the “endowed subjects” to develop an attachment to their new possession. The investigator then explained a selling activity and asked subjects to write down the price they would list for the mug.

The endowed subjects who had taken acetaminophen wrote lower selling prices than their placebo counterparts. This result suggests that the loss aversion (the discomfort associated with selling a possession) is somewhat mitigated by the presence of acetaminophen. Additionally, the endowed, acetaminophen-taking subjects gave the lowest price than the other three groups (placebo-endowed, acetaminophen-non-endowed, placebo-non-endowed) combined. In fact, both acetaminophen groups set lower prices than their placebo counterparts.

This experiment was replicated again yielding similar results. Therefore, our research shows that reducing physical pain through the use of acetaminophen reduces the pain or discomfort associated with loss aversion.

Conclusion

Our research implicates the potential benefits acetaminophen can have in scenarios of psychological discomfort, specifically cognitive dissonance and loss aversion. When faced with
competing alternatives in the real estate market, both real estate professionals and clients could potentially lessen the discomfort of choosing through the use of acetaminophen. Additionally, the pain of losing a treasured home, which drives clients to set unrealistically sale prices, may be lessened through the use of acetaminophen. Daily decisions, life events, and comparable alternatives are sources of pain and pervasive in the real estate industry. Our research shows that when facing a “headache” in the real estate industry, professionals and clients may wish to consider dealing with the psychological pain with a physical painkiller.

**Recommended Reading**


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Value Creation in Real Estate
Caroline Tynan, PhD, Sally McKechnie, PhD, and Stephanie Hartley, MSc

Making the final decision on a large purchase or investment comes down to one thing – What value will this have in my life? The concept of value is an important concept in any high-involvement purchase. For real estate professionals, the word value comes up in professional conversations everyday. However, value can oftentimes be very narrowly defined from the firm’s perspective, prompting the agent to miss opportunities to connect the broad definition of value to the real estate purchase experience. In this article, we draw from our research on customer value, which we conducted in the context of what are considered extreme experiences. Our goal through this research is to explore how our understanding of the many types of value the client can enjoy is expanded when a broader, customer-dominant logic view is adopted.

Customer-Dominant Logic

Current research in value creation suggests that a new perspective or theory, one based on the logic and perspective of what the client brings to the experience is important. Formally, customer-dominant logic (CDL) focuses our attention and broadens our understanding of value by acknowledging that the client purchase and whole service experience is a complex and dynamic process. In the midst of this process, the value of a home to the client resides in more than just the physical house itself. Value is not just what the client receives at the point of purchase but can be created “in use” as the client selects the property, lives in the house, makes it a home, adapts and updates it over time.

Lifeworld Experiences

Value creation is directly connected to the lifeworld of the client. Lifeworld experiences can be lived as well as imaginary events. Value creation and how the home fits the needs of the client are determined by their lifeworld experiences, which can include “real” past, present and future experiences, vicarious experiences and even virtual reality. Imagine a client, who lives in a traditional apartment, adding “pins” of décor and design ideas to her “Dream Home” board on Pinterest. These “pins” are a part of the client’s virtual experiences that help to form her lifeworld.

Real Estate Implications

For agencies, creating a client experience based on customer-dominant logic and lifeworld experiences can be tricky! The trick is to incorporate the sales process with an understanding of CDL to improve closing success. There is no right or wrong way or a list of steps you must follow to use the CDL framework. CDL helps us understand how the client creates and enjoys many types of value from the home. As an agent, you must pinpoint the source of insight or
influence to have a better understanding of what each particular client values. In return, the agent unlocks the thinking of her client, which guarantees a positive home-buying experience.

The source of insight will not always be your client’s dream home board on Pinterest. A client’s value creation oftentimes can come from intimate conversations or something of sentimental value unable to be captured using words. There are countless sources of insights that will create value in the home-buying experience. How will you uncover them?

The Client Value Framework for Real Estate summarizes the different types of value and provides questions that real estate professionals might consider to create client experiences that maximize the value of a home.

Customer Value Framework for Real Estate

**Experiential & Hedonic:** Experiential and hedonic value comprise the extent to which the home-buying experience creates appropriate feelings and emotions for the homebuyer. Components of experiential and hedonic value include sensory, emotional, social and epistemic, the last component reflects a level of newness or novelty.

<table>
<thead>
<tr>
<th>Types of Value</th>
<th>Value Description</th>
<th>“Value” Questions to consider in Residential Real Estate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sensory</strong></td>
<td>Value created from sound, sight, taste, smell, and touch connected to the service experience</td>
<td>What are your client’s desired sensory cues? What sensory cues define a “home” to this client? What is your client’s preferred sound/music to hear when s/he walks through a home? If this client is particularly tactile, what textures in the home might be impactful for the client to touch?</td>
</tr>
<tr>
<td><strong>Emotional</strong></td>
<td>Value created from emotions and feelings activated by the real estate experience</td>
<td>What emotions or feelings does your client wish to have or be reminded of as s/he experiences a home? What emotions or feelings does your client want to avoid in his/her home?</td>
</tr>
<tr>
<td><strong>Social/Relational</strong></td>
<td>Value created from relational aspects of the real estate experience, including client relationships with companions, agents, and computer-mediated exchanges</td>
<td>What is the client’s relationship with the agency? The agent? What media are being used to communicate with the client? How do such media “connect” to the client’s life? What prior searches has the client made on the agency’s site? What other information has the client gathered herself to prepare for the home-buying process? How can you use her search information to enhance the home-buying experience? What similarities in lifestyle and life experience do you share with the client?</td>
</tr>
<tr>
<td><strong>Epistemic</strong></td>
<td>Value created from an experience that arouses curiosity, offers novelty, or satisfies a desire for knowledge</td>
<td>What features of the home are new, fashionable or innovative for this homeowner and can create value? What neighborhood stories will connect with the buyer’s curiosity? Is the home historic or does it have a notable previous owner?</td>
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</table>
Symbolic & Expressive: Symbolic and expressive values capture the homebuyer’s psychological meaning ascribed to a potential home. Such meanings may be directed toward one’s self or may be directed toward others.

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<tr>
<td>Outer-directed</td>
<td>Value created from engaging in a home buying or selling experience to project a public image created through impression management or status</td>
<td>Does your client plan on hosting parties and entertaining guests? If so, what kind of parties? Is the home for sale located in a desired neighborhood? What features make it desirable for the client, good schools locally, architect designed home, large gardens etc? Is the home location in an area of desired socioeconomic status? Does your client have a high profile rank in the community? City? State? Does the home need to reflect his/her community status?</td>
</tr>
<tr>
<td>Self-directed</td>
<td>Value created from engaging in a real estate experience to enhance self-concept through possessions, reputation, and materialism</td>
<td>Can the home’s features satisfy your client? Does the crime rate ensure the security of your client’s possessions?</td>
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Functional & Utilitarian: Functional and utilitarian values provide the home-buyer with useful and preferred functionality. These values come to life through quality and efficiency dimensions.

<table>
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<tbody>
<tr>
<td>Quality</td>
<td>Value created from utilitarian, physical or functional attributes of the real estate experience such as expected performance and customer quality</td>
<td>What services are your clients expecting you to provide? Knowing the client’s service expectations is required if you expect to deliver what the client perceives as a quality experience. How much and what kinds of information will serve your client’s needs? What actions have you taken on behalf of your client that will make your client happy?</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Value created from benefits versus cost of engaging in the real estate experience in terms of customer's monetary cost and time</td>
<td>What can you offer your client that the internet and web searches can not? How can you insure your client's time will not be wasted during a face-to-face encounter? What kind of personalized communication can you have with your client to ensure an efficient experience?</td>
</tr>
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There are many ways to ensure an enjoyable client experience using the CDL framework and the client’s lifeworld experiences. Understanding how clients create value helps in the processes of finding the right home and maximizing the value they create for themselves when living in that
Value Creation in Real Estate

Keller Center Research Report

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home afterwards. We believe that the value-creating questions listed in the Client Value Framework for Real Estate summary are a great start for agents to improve the client experience.

Recommended Reading


About the Authors

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Caroline Tynan (PhD in Marketing from the University of Strathclyde, Glasgow) is Professor of Marketing, Nottingham University Business School in the UK. She conducts research on consumption meanings, experience marketing, luxury goods marketing and managerial marketing practice. She is President of UK’s learned society, the Academy of Marketing, a Fellow of the Chartered Institute of Marketing and a professionally qualified Chartered Marketer who has worked in the food and utilities’ industries.

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Sally McKechnie (PhD from the University of Nottingham) is Associate Professor in Marketing at Nottingham University Business School. She has published in a number of leading marketing journals. She conducts research in the areas of experience marketing, understanding customer experiences, luxury goods marketing and services marketing. She is a member of the Academy of Marketing Science, the Academy of Marketing and the Chartered Institute of Marketing. Prior to working in academia, she held marketing positions in the exhibitions and direct marketing industries.

Stephanie Hartley, MSc
Capita Talent Partnerships
Stephanie Hartley is currently leading the marketing for Capita Talent Partnerships (part of Capita plc) which focuses on helping organizations grow by unlocking talent through school engagement, graduate schemes and nationally recognized programs, such as traineeships and apprenticeships. At the University of Nottingham, Stephanie read History before completing an International Business Masters, in which she spent a semester studying in Ningbo, China. Her primary research interests include experience marketing and marketing in the luxury automotive sector.
Creating High-Performance Sales Organizations through Sales Control Systems

Paolo Guenzi, PhD, Artur Baldauf, PhD, and Nikolaos G. Panagopoulos, PhD

Recent academic research shows that two types of salesperson or agent behaviors play important roles in creating successful sales organizations. These behaviors directed toward clients are called client-oriented selling and adaptive selling. Specifically, adaptive selling (AS) and client-oriented selling (COS) are vital in driving what is called sales unit effectiveness. The question motivating our research is: what can the people who lead sales groups do to further encourage these behaviors?

To answer that question, we collected data from sales managers to explore the model shown in Figure 1. We will briefly summarize the concepts represented in the model and summarize what we found as we explain the impact of this research for sales leaders in the real estate industry.

Key Agent Behaviors Driving Performance

**Client-oriented selling** relates to the agent’s focus on helping clients make decisions that will satisfy their needs. As such, client-oriented selling emphasizes long-term client satisfaction over the immediate sale, so agents enacting client-oriented selling are focused on serving clients in ways that clients will value opposed to persuading them with hard selling techniques.

Agents who practice **adaptive selling** are readily prepared to change their own behavior style in order to match the needs of the ongoing selling process. Research suggests that these types of agents excel at making the necessary adjustments whenever they receive new information from clients.

Levers Available to Sales Leaders: The Sales Control System

**Control systems** are actions taken by leaders to influence the behavior of people in the organization in order to achieve desired outcomes. We invite sales leaders to consider two broad classes of sales controls: formal and informal controls. **Formal controls** include controls directed at the sales process and the outputs of the sales process. The difference between process and output controls is the timing of the sales leader’s actions. Assuming that sales are achieved...
through the commitment to a well-defined sales process, **process controls** focus on the agent’s behavior. The leader’s actions include coaching, evaluating, and rewarding agents throughout the sales process. **Output controls** focus on measuring the outcomes of agents, giving them autonomy to achieve their sales goals through a self-determined process. The outcomes of agents are evaluated against pre-determined standards.

**Informal Controls** include unwritten and often employee-created mechanisms that influence agent behavior in a way that is beneficial to an organization. Informal controls are often referred to as organizational behavior or organizational culture. We looked at two classes of informal controls: professional controls and cultural controls. **Professional controls** (aka, clan or social controls) are standards created by a work group, and then internalized by its members. An example of professional controls might be how an agent handles an open house; if improper techniques are observed, correction and guidance stems from colleagues within the work group (not necessarily from management). **Cultural controls** encompass the entire organization or firm and emanate from the core values of the firm. These core values are often communicated through success stories, cultural norms, and social interactions that establish a sense of belonging and lead to generally accepted rules of conduct.

**What Levers Leaders in Real Estate Can Use to Drive Agency Performance**

Our results suggest that these formal and informal sales control systems have different impacts on agents’ adaptive selling and client-oriented selling behaviors. First, adaptive selling is a direct contributor to the agency’s overall effectiveness, but client-oriented selling does not directly contribute to your agency’s overall effectiveness. Client-oriented selling influences your agency’s overall effectiveness by driving your agent’s ability to practice adaptive selling. Importantly, outcome-based sales controls and the overall set of cultural controls are key levers for shaping your agency’s overall effectiveness.

Our research is important for anyone tasked with overseeing salespeople or agents. Such leaders need to pay special attention to client-oriented selling and adaptive selling behaviors because these behaviors are linked to sales success as agents and salespeople are part of a firm’s competitive advantage. Such behaviors, when consistently practiced across an organization create long-term, valuable relationships with clients. Leaders who wish to encourage client-oriented selling and adaptive selling behaviors must pay special attention to both formal controls.
(output, process) and informal controls. Managing these controls can be difficult since informal controls are traditionally not viewed as control devices available to leaders in the first place.

Since your goal as a sales leader is to establish an environment where your agents can succeed, you might seek to shape client-oriented selling behaviors by (1) paying attention to outcome and cultural controls (which shape agent autonomy), (2) focusing on the organization’s overall core values, (3) establishing agent training sessions where core values are discussed; (4) aligning the reward system with the desired agent outcomes to motivate and incentivize agents to be more client-oriented.

Driving a higher level of adaptive selling into your sales team may be facilitated by (1) providing agents with high level coaching and training sessions, (2) enabling the best agents to take on leadership roles in the agency, thereby encouraging mentorship and information sharing, (3) encouraging informal feedback and interaction among team members, (4) creating an environment where peer assessment is a norm as such practices may spur new idea and strategy sharing helping agents tackle issues for the first time, (5) facilitating team-oriented work through the use of best practice workshops and joint training.

In conclusion, our research shows that client-oriented selling behaviors will lead to sales unit effectiveness but only through adaptive selling behaviors. Interestingly, simply acting in the client’s best interest is not enough. Agents need to respond to the unique values of individual clients in order to adapt and create an optimal value proposition for such clients.

Recommended Reading


About the Authors

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Paolo Guenzi serves as both the Director of the Department of Marketing at SDA Bocconi School of Management and as Associate Professor in the Department of Marketing, Università Commerciale Luigi Bocconi, Milano, Italy. He has published more than twenty articles in leading academic journals such as the Journal of Personal Selling & Sales Management, Industrial Marketing Management, Journal of Business Research, Journal of Service Management, Journal of Marketing Management, Journal of Brand Management, Journal of Business & Industrial Marketing, and the International Journal of Sport Marketing & Sponsorship. His recent books include the 2013 Wiley publication, Leading Teams with D. Ruta and Sales Management: A Multinational Perspective with S. Geiger (published by
PalgraveMcMillan in 2011). He has been the Track Chair of the Personal Selling & Sales Management track of the European Marketing Academy Conference for several years. He is in the Editorial Board of the *Journal of Personal Selling & Sales Management* and is an ad hoc reviewer for several journals.

His research, teaching and consulting interests are in topics such as sales management, leadership, marketing–sales relationships, key account management and service management. He has conducted numerous workshops, training programs and consulting projects in a dozen countries with companies such as ABB, Bosch, Heineken, Henkel, Johnson & Johnson Medical, L’Oréal, Saint Gobain Weber, Siemens, Vodafone, and many others. He was an invited speaker and teacher at the most prestigious business schools worldwide, including Harvard, Columbia, London Business School, Cranfield, University College Dublin, and Vlerick. He had a blog in the Harvard Business Review online.

**Artur Baldauf, PhD**

**Professor of Management, University of Bern Business School**

Dr. Baldauf’s major interests are: strategic management (assets and capabilities driving organizational success and failure) and entrepreneurship; 2) the measurement and management of intangible assets; 3) organizational control systems; and 4) effects of macro-constructs (e.g., control systems) on people. His research approach is based upon what he views as *theoretically guided research – practical management theory*, i.e., empirically-based and sound management theory relevant and useful for managers. His educational background combines marketing (sales management), strategic management and international business. He has taught and conducted research in each of these disciplines as well as interdisciplinary work combining all three. Artur has published research in academic and professional literature, with focus on the management and marketing discipline. He has (co)authored books.

Dr. Baldauf has been serving on the faculty at the University of Bern (Switzerland) since 2002. Previously, he served on the faculties of University of Vienna (Austria), and held visiting positions at Texas Christian University (USA), WHU Koblenz (Germany), University of Economics and Business Administration at Vienna (Austria), and Bocconi University (Italy). He is a member of the editorial boards of national and international business journals. He received his master and doctoral degree from the University of Economics and Business Administration at Vienna. His Habilitation was winner of the Kardinal Innitzer Award. His article, “Sales Management Control Research – Synthesis and an Agenda for Future Research,” won the James M. Comer Award of the best contribution to Selling and Sales Management Theory/Methodology in 2005. His company clients have been mostly firms/managers operating in industrial settings (B2B) but also included firms from consumer and retailing sectors. Additionally, Artur Baldauf has been serving as a member of the board of directors of several firms and organizations.
Nikolaos Panagopoulos, PhD
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Dr. Panagopoulos is Chair of the Global Sales Science Institute. His work has been published in scientific journals such as the Journal of Organizational Behavior, International Journal of Research in Marketing, Journal of Personal Selling & Sales Management, Industrial Marketing Management, Journal of Business Ethics, Journal of Business Research, International Journal of Human Resource Management, and European Journal of Marketing, as well as in the proceedings of international conferences in the EU and the US. He has presented his work in invitation-only conferences at Harvard, Wharton, and Columbia. Nick has 15 years of experience consulting and training a large number of organizations in the US, Latin America, and EU (including Fortune 500 companies).

He has been received many awards, such as the 2014 Marvin Jolson Award for Best Contribution to Selling and Sales Management Practice from the Journal of Personal Selling & Sales Management, the Neil Rackham Research Grant from the Sales Education Foundation, the Best Paper Award at the 2015 National Conference in Sales Management, and the Best in Track Paper Award at the 2014 Winter AMA Conference. One of his papers was nominated for the Journal of Personal Selling & Sales Management's 2012 James M. Comer Award for Best Contribution to Selling and Sales Management Theory. He is a member of the editorial boards of the Journal of Personal Selling & Sales Management, and Industrial Marketing Management, whereas he serves as a reviewer in various academic journals. He has co-edited several special issues and has served as Conference Chair, Track Chair, Session Chair, and Discussant in many academic conferences. He has extensive experience teaching students from all over the world. Nick has published a book on sales-based CRM technologies entitled Sales Technology: Making the Most of Your Investment (Business Expert Press, New York) while he has contributed one chapter in an international book entitled Sales Management: A Multinational Perspective (Palgrave Macmillan, UK).
Our decision-making processes utilize two systems in our minds that function very differently, yet work together to help us analyze situations and draw conclusions. Dr. Daniel Kahneman’s *Thinking, Fast and Slow* explores the interaction between the automatic system, which Dr. Kahneman calls System 1, and the conscious system, System 2. Additionally, Dr. Kahneman includes excellent insights into how the automatic system interacts with and influences our conscious reasoning. His research into how the mind works can help anyone, including real estate professionals, to understand the client’s decision-making processes and the difficulty of consciously controlling our intuitive and automatic perceptions.

The automatic system is more influential than we may realize; our initial perceptions operate automatically without effort or voluntary control. Our conscious reasoning subconsciously incorporates the automatic perceptions into monitoring and controlling our thoughts and actions. Conscious reasoning may seem like it controls the decision-making process but every decision we make is first shaped by our automatic perceptions. This means that every buying or selling decision that real estate clients make is influenced by their automatic and subconscious perceptions of the property, the transaction process, and even their real estate agent. Your clients may not be aware of the subconscious influence their automatic perceptions are having on their decisions, but as their real estate agent you need to be.

Our automatic processing can distort perceptions and influence decisions. According to Dr. Kahneman, this occurs because many times *What You See Is All There Is* (WYSIATI). The result: a person’s automatic perceptions come to conclusions based on limited evidence and her intuitive beliefs. However, people tend to become too reliant on their automatic perceptions, which can lead to overconfidence, bias, improper valuation, or unrealistic expectations. Real estate agents should understand that while conscious reasoning may drive the buying and selling decisions of their clients, the clients’ automatic intuitions and perceptions influence conscious reasoning much more than even the client may realize. In order to overcome any negative automatic influences, an effective sales person needs to understand and manage the client’s autoperative perceptions and create a relationship with the client in order to tailor and meet the client’s expectations. Therefore, the question becomes, how can a person manage other people’s automatic perceptions to help ensure those people make objective and unbiased decisions?
other words, how can real estate agents manage their clients’ automatic perceptions to ensure their clients have realistic expectations for the home buying or selling process?

Thinking, Fast and Slow helps readers understand how automatic perception and processing works and discusses how to supplement the automatic processing with necessary context to objectively perceive and value situations. If real estate agents can understand and thereby manage their clients’ automatic perceptions, they can then ensure their clients are able to make objective and reasoned decisions based on accurate perceptions and realistic expectations. Real estate agents can draw many different lessons from Dr. Kahneman’s research, so we have identified four Think Points applicable to real estate sales and the home buying and selling process.

**THINK POINT #1: How Automatic Perceptions Influence Property Pricing and the Importance of Anchoring**

People have different expectations for value and pricing. One person may think X is a reasonable purchasing price for a home, while another person sets her reasonable purchasing price at Y. It is the exact same home, yet X and Y could be very far apart from each other. This happens, at least in part, because people view the value of the house differently in light of their own subjective expectations of what the price should be. As much as people may believe that they can be objective in determining value, their automatic intuitions influence their expectations and evaluations of prices.

One of the strongest influences on a client’s expectation of price is the presence of an initial asking price. How prices are first presented to buyers and sellers influence how those buyers and sellers will perceive the value of the home at that price. If a potential buyer is presented with a higher asking price before that buyer has been able to calculate how much he would be willing to pay for the home, the buyer’s estimate of a reasonable purchasing price will be higher than it would have been had the buyer been shown a lower initial asking price. The initial asking price serves as an anchoring point that the buyer’s automatic processing gravitates toward. The anchoring influence of the asking price impacts how much the buyer would be willing to pay for the home even if the buyer was determined to resist the influence of the asking price. It is a part of the limited evidence that the buyer may have on what to expect for a purchasing price. WYSIATI then tells us that the buyer’s conscious processing will come to a conclusion of what a reasonable purchasing price is by using that limited information as an influencing anchor.

Anchoring doesn’t just influence the client’s valuation, but also how real estate agents estimate home prices. Thinking, Fast and Slow presents this through an experiment that was conducted among real estate agents who were given the opportunity to value a real house on the market at the time of the experiment. The agents visited the house and were given a comprehensive booklet.
of information that included an asking price. Half of the agents were shown an asking price that was substantially higher than the listed price. Alternatively, the other half of the agents were shown an asking price that was substantially lower than the listed price. Each agent was then asked to give his or her own estimate on a reasonable buying price for the house and the lowest price at which he or she would sell the house if he or she owned the house.

After giving their estimates, the agents were asked what factors affected their judgments. While the real estate agents claimed that they ignored the asking price in their calculations, the results of the experiment showed otherwise. The amount of the asking price that the agents were shown actually did influence their judgments without them realizing. The asking price had a 41% anchoring effect on the real estate agents’ reasonable buying price calculations. Despite the fact that the real estate agents took pride in their self-perceived ability to ignore the asking price, the agents’ anchoring effect was only 7% lower than the 48% effect the asking price had on a set of business school students with no real estate experience who went through the same experiment. Dr. Kahneman makes note that the only difference between the study of the real estate agents and that of the business students was that the students were able to concede that the asking price did in fact influence their valuations. A real estate agent should realize that even subject matter experts are prone to the subconscious influence of anchoring.

Effective real estate agents are mindful of the anchoring effect that asking prices will have on their clients’ and their own valuations in the real estate sales process. However, real estate agents do not always need to be wary of anchoring and avoid its influence. Real estate agents can also utilize an anchoring strategy to properly calibrate their clients’ expectations for property pricing, but they must always be aware that even the agents’ own best estimates of buying or selling prices for a home are also influenced by the effects of anchoring.

THINK POINT #2: Managing the Client’s Automatic Perceptions

The anchoring effect is not the only way that a client’s automatic perceptions can influence that client’s expectations during a real estate transaction. Your clients will have their own subconscious perceptions and biases toward different properties or even the real estate transaction process itself. It is therefore important for real estate agents to understand that their clients will not view a property, offer, or negotiation the same way that they do. This is so because real estate agents come into the relationship detached from the property with rational and more objective expectations and valuations. Real estate agents value properties based on past experiences and market metrics calculated through that detached lens. However, clients will not have the same objective approach because their automatic intuitions will influence their beliefs of and expectations for the property. Clients may struggle to overcome their biases and experiences which can ultimately distort their expectations.
One example of the automatic influence of past experiences is the *endowment effect*, which occurs when the client’s ownership of the property increases her perceived value of the property. This effect is especially felt when the property was owner-occupied, such as clients who are looking to sell their own homes. A client who is selling the home that she raised her family in will have a distorted perception of the home’s value. It is understandably difficult to objectively value something that has provided the client with many years of non-quantifiable joy or happiness. Real estate agents must be aware of the impact of the *endowment effect* in order to help clients become more objective in their own valuations. It may be hard for the client to separate the inflated perception of value caused by many years of use, but that is a necessary goal of a real estate agent in order to manage the client’s expectations and perceptions.

At times, real estate agents may find it difficult to manage their clients’ expectations or perceptions, especially during the negotiation process. As the parties negotiate and present offers and counter-offers, the clients on either side will engage in mental accounting of each negotiation and offer. This accounting can create issues if the client keeps score of the negotiations and loses focus of the main objective: selling or purchasing the property under reasonable and acceptable terms for each side. A new proposal from the other side may include terms that the client will score as a loss. Scoring results in a person refusing to accept certain proposals because the person views accepting the proposal as admitting defeat or taking a loss. People respond much more strongly to losses than they do to gains. Therefore, if a person perceives that proposal as a loss then she is less likely to accept the proposal. However, if a proposal or counter-proposal is presented not as a loss, but as a cost of completing the transaction or as a cost of getting a more favorable term in a different area of the transaction, the client will be more receptive to accepting the proposal. It is important for a real estate agent to maintain communication and transparency with the client during the transaction process in order to help the client understand that the negotiation process is one of give-and-take and not necessarily a zero-sum game.

Further, in order for a real estate agent to understand the client’s aversion to a proposal, the real estate agent should ask the client why the client is against the term. Inquiring into the client’s aversion to a proposal serves a dual purpose. Not only will the real estate agent get a better insight into the client’s expectations, but it also forces the client to truly assess her position and feelings about the term. People become less confident in their decisions when they are asked to...
produce additional arguments or reasons to support their choices. Therefore, real estate agents can overcome their clients’ biases or misperceptions by asking the clients why the client feels the asking price should be higher than it is or why the client is not willing to accept a term that the other side is attempting to negotiate. As a result, the real estate agent becomes better equipped to provide a solution that is more in line with what the client is looking for when the client explains the reasoning behind her decisions.

The real estate agent acts as a rational decision maker who is only interested in the future consequences of the current transaction. Detached rationality is a difficult concept for homeowners because when they look to value their home; they do not just see the present state of the property or the future benefits of the transaction. The homeowners also include the past experiences they have had in the home in their valuation. Therefore, it is extremely important for a real estate agent to manage the client’s automatic perceptions and intuitions in order bring the client’s expectations back to a realistic and objective level.

**THINK POINT #3: Understanding the Client’s Reference Point**

The best way for a real estate agent to understand and manage a client’s automatic perceptions is to know the client and the reference point at which the client is viewing things. It is not enough for a real estate agent to simply know what a buyer’s budget is or what property features or specifications the client may require, the real estate agent must know the reference point from which the client views her expectations. A real estate agent may think that a property has great value when priced at $400,000, but that means nothing as to how the client will perceive the value of the property at that price. It has long been said that where you come from is a large part of who you are, and the same can be said for how you perceive things. The client’s past environments and experiences will influence the client’s expectations and how the client perceives the real estate search and transaction processes.

Know where the client has been and the client’s past real estate experiences. It is important to know the demographics of the properties and geographic areas from which the client is coming. The client’s past experiences in different real estate markets can create unrealistic or biased expectations that are not in line with realistic expectations of the current real estate market. Additionally, the client’s past experiences serve as a reference point and impact how the client perceives property value. It is obvious that a buyer with a $1 million net worth will view a $400,000 dollar home very differently than a first-time home buyer who is just a few years out of college. Additionally, a buyer with a net worth of $1 million dollars who has just moved from Omaha, Nebraska, to Austin, Texas, will view a $400,000 home very differently than a buyer with a similar net worth of $1 million dollars who has just moved from Manhattan to Austin, Texas. The disparity in valuations occurs because buyers from different geographic markets will have different expectations for property value.
Geographic biases are not the only reference points that impact a client’s perceptions and expectations. The current climate of the real estate market can also be very influential on the client’s expectations. If the client has bought or sold property in the past, those previous experiences will influence the client’s reference point. The market may currently be depressed, but the client may have inflated expectations if the last time the client sold their home was during a real estate boom when the process was quick and easy. It will be important to recalibrate the client’s expectations from that inflated reference point from the client’s past to more current and realistic expectations. Reference points exist, and losses loom longer than any corresponding gain. The impact that looming losses have on people’s reference points is illustrated by the following study that is briefly discussed in *Thinking, Fast and Slow*.

One study looked at the market for condos in Boston during a time of economic downturn and compared the pricing behaviors of real estate agents and owners of similar units who bought their condos at different prices. For the rational real estate agent, the buying price of the condo is “irrelevant history,” but that was not the case for the condo owners when the housing market was down. The rational real estate agents only focused on current market value and priced the condos according to that number. However, the condo owners valued their condos relative to the price at which they purchased it, their reference point for pricing. Condo owners who had a high reference point set prices that were higher than the market value, because they faced higher losses if they sold at the current market value. The potential losses the condo owners would face if they sold the condo during the down-turn outweighed the corresponding gain they would get from selling the condo. Because of this, the condo owners were willing to leave the condo on the market for a longer time, at the higher price, to avoid the losses they perceived from their high reference point. The study showed that the condo owners did not give in to the market prices and eventually the condo owners did sell their condos for more money than the downturn market price.

Understanding the client’s expectations can help a real estate agent provide the best service and solution for the client’s real estate needs. However, a real estate agent cannot fully understand the client’s expectations without first knowing that client’s reference point. Knowing the client’s reference point and managing the client’s expectations are especially important in the real estate transaction process because when the client’s expectations are not met, the client will view those unmet expectations as a losses. Consequentially, if a real estate agent’s clients feel like the services the agent provided ended in a loss for the client, it is not likely that those clients would use the agent again or recommend the agent to someone else.

**THINK POINT #4: Managing the Client’s Expectations for the Real Estate Agent, and the Real Estate Agent’s Expectations for Herself**
A successful real estate agent is a real estate subject-matter expert. Clients look to their agents for guidance and hopefully trust their agents’ suggestions and insights. This client-expert relationship requires the real estate agent to properly manage their clients’ expectations. Managing the client relationship is so important because hindsight bias is especially harsh on agents and experts. When things turn out poorly, people look for someone to blame. It is easy to blame the expert who guided the client to a less-than-ideal result. Decision makers and experts are often blamed even if the decision was the “right” decision at the time it was made. The world is unpredictable, and therefore it is inevitable that even the best experts will make errors in their predictions. However, if a real estate agent properly manages the client relationship, the client is less likely to blame the real estate agent for a good decision that just didn’t pan out.

Additionally, a real estate agent should realize that her own subjective perceptions influence and distort her “expert” opinions and expectations of properties and transactions. As Thinking, Fast and Slow points out, even a trained professional’s subjective impressions are not as accurate as statistical predictions. Many times, real estate agents and other experts attempt to be clever, think outside of the box, and consider unnecessary complexities in their evaluations. Experts are also dependent upon their own automatic perceptions, as seen by the influence that listing prices had on real estate agents’ valuations in the earlier example. A real estate agent cannot become overconfident in her role as the real estate expert, because overconfidence in subjective valuations or predictions will never be as accurate as market measures or sales comparables. Experts are humans, and are therefore inconsistent at making summary judgments of complex information. However, formulas and statistics are not influenced by any automatic context perceptions. If a real estate agent relies more heavily on personal impressions than market measures, there is a greater chance that she will be wrong and the client will blame her for that error.

This is not to say that an agent’s clients shouldn’t trust her expert advice. Rather, Thinking, Fast and Slow’s explanations should serve as a learning tool for both real estate agents and their clients to be aware that not even an expert is impervious to the distortions that arise from automatic perceptions. People are more prone to trust the intuition and advice of “true experts,” because of the nature of the relationship between the client and that expert. True experts know the limits to their knowledge and expertise because they recognize subjective confidence is many times too high and uninformative. Real estate agents can earn the moniker of “true experts” from their clients by understanding the agents’ own automatic perceptions and building the client relationship through trust and respect. Again, what can be gained from Thinking, Fast and Slow is that clients are more likely to trust real estate agents when the agents build and manage the client-agent relationship and understand the reference points from which their clients’ expectations come.
Recommended Reading


About the Author

**Mark McMullen, JD/MBA Candidate**  
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Mark McMullen is a graduate student from Milwaukee, WI. He received his BS in Marketing and Legal Studies from Indiana University Kelley School of Business. He is currently pursuing a JD/MBA at Baylor Law School and the Hankamer School of Business. While in school, he has focused on refining his research, writing, and presentation skills by representing Baylor Law School in the ABA NAAC national moot court competition and serving as a Senior Executive Editor on the *Baylor Law Review*. With his cross-functional education and skillsets, he hopes to transition into business transactional law or commercial litigation.
INSIDER: Agile Selling
Luke Smith, MBA Candidate

Even if you didn’t realize it, you’ve probably seen an agility competition at some point in your life. Such events are designed to demonstrate a dog's willingness to work with his handler in a variety of situations and require conditioning, concentration, training, and teamwork.

In many ways, the real estate profession requires the same abilities. While you may only metaphorically jump through hoops at times, a real estate agent must train to succeed in the sales-heavy profession. Jill Konrath’s Agile Selling provides numerous practical strategies for absorbing new information and mastering new skills to become an agile seller.

What is an agile seller? For most people, sales agility is a new term. Konrath defines an agile seller as a person with the ability to get up to speed quickly and rapidly adapt to changing conditions. Top sellers are agile learners who know what it takes to dive into a new situation and figure it out quickly.

Think Point #1: Homebuyer’s Preferences are Rapidly Changing. How Do You Keep Up?

Homebuyers of today are not the homebuyers of yesteryear. Far removed from the era of agent-driven buying and selling, today’s buyers enter a potential sale armed with a wealth of knowledge. The availability of online listings, city ratings, and demographic data provides homebuyers of all experience levels with knowledge they value and trust. When today’s buyer first contacts an agent, they’re often 60 to 70 percent of the way through their buying process.

Self-education is compounded by our media-driven culture. Today’s buyers are given “behind-the-scenes” glimpses into full-house renovations, million-dollar mansions, and upcoming trends through popular network television. From the comfort of their living room, clients’ preferences are swayed as they enjoy network television, watch DIY videos on Youtube, and scroll the pages on Pinterest in search of ideas for their homes.

How does an already-busy agent keep up with such rapidly changing preferences and expectations? According to Konrath, it isn’t impossible, but it does require an agent to think outside the box. For some agents, keeping up with trends will be effortless – something they’ve
done all their lives. However, for those less gifted in keeping up with the trends, finding the right outlet to educate themselves need not be difficult.

To start, try thinking like your clients. Young, millennial clients may want newer construction with open floor plans and natural light. Older couples may want a more traditional style home without stairs. Trends in home buying can be essential in forming your mindset. Various publications produce articles detailing research into what homebuyers are looking for in a purchase. Familiarizing yourself can be a quick, simple method to gaining the upper hand in selling. Finally, try the consumer lifestyle – you just might find something you like. Whether a home magazine or a TV show dedicated to design, you can quickly glean a large amount of information about the trends of today.

A home is the largest purchase many people will make. For both buyers and sellers, time is money. Studies show that sellers who challenge their clients’ thinking and bring fresh insights significantly outperform their colleagues. An engaged agent armed with sharp knowledge and deep understanding of buyers can be the difference between future referrals and lost customers.

**Think Point #2: Reframe Failure – It’s Not Necessarily a Bad Thing**

Sara Blakely, CEO of Spanx and the world’s youngest female billionaire, overcame enormous odds in starting her company in 2000. When asked about her motivation, she pointed to her father. Each night at dinner, Sara’s father asked her a simple question: “What did you fail at today?” If she didn’t have an answer, her father was disappointed. For him, lack of failure meant Sara wasn’t growing and stretching her potential.

As real estate professionals, failure will come. A client will get cold feet at the brink of closing the deal. An ideal prospect will choose a competing agent.

For agents, it is what is done with failure that makes a difference. An agile seller doesn’t see failure as an indictment of his/her capabilities. Instead, failure is seen as a learning opportunity – a chance to be better next time. In reframing failure, agents remove stress allowing them to think more clearly. They also free themselves to try new things leading to increased future productivity.

**Think Point #3: Eliminate Complexity and Translate Jargon into Words that Resonate with Clients**

Remember when you first began your career in real estate? You were bombarded with rules and regulations, neighborhood details, demographic information, MLS listings, and more. The complexity of the rules and regulations was compounded by the additional complexity that
clients brought to the table. Their unique list of desires could range from a main-level master bedroom, to a large gathering space (sans living room), to a corner lot.

For a while, you’re swimming in information. Gradually, however, the terms enter your vocabulary and no longer elicit confusion. Everything seems perfect – until you meet with your first client. Suddenly, terms like short sale, contingency, lien, and owner financing become long-winded, complex definitions better suited to an encyclopedia than spoken word.

Unfortunately, you’ve found yourself in what the author calls the “gobbledygook” trap – sharing jumbled, sometimes unintelligible information your clients won’t understand.

How do you “translate” your real estate knowledge into clear and easy-to-understand language appropriate for homebuyers? The key is practice. Every time you learn something new, practice explaining it to someone else. You’ll learn faster and set yourself up for success in the future.

Take, for example, the term lien that often appears in real estate contracts. For your client, a drawn out, technical definition of a lien may be completely unnecessary and unwelcome. Instead, a concise, non-garbled definition may be all it takes. For example: “A real estate lien is a common way for creditors to collect what they are owed. In some cases, the bank holds the title of your home until you pay off your mortgage.” Such a short definition prevents confusion and frustration while giving your clients the confidence they need to move forward in purchasing a home.

When working with clients, you’ll inevitably be asked the following questions. Taking the time to practice answering them now is important.

1. How will the process work – from finding a home to moving in?
2. What is the process of acquiring a home loan? What should I consider?
3. How have you worked with other clients like us before?

The real estate industry is complex. On a daily basis, you’ll deal with contracts and legal documents. By practicing your presentation and ensuring clarity in your answers, you’ll inspire confidence while building rapport.
Think Point #4: Pick Up New Skills Fast

New to the real estate profession? If you’re like many, you may have more questions than answers when it comes to the day-to-day operations. Some of the answers to these questions won’t be found in books or online – they’re only gained through experience. As an agile seller, you may benefit most from time with an upstart – an individual who has been with the company for less than three years. An upstart may be able to provide the most relevant perspective to guide you in launching your career.

If you have the opportunity to interview an upstart, prepare in advance – it’s to your advantage to make the most of this opportunity. Choose your questions carefully. You need concrete answers that you can utilize immediately. For example, as a new real estate agent, you may feel well prepared in book knowledge but be unsure of how an actual sale will play out. You may choose to ask some of the following questions:

- What is your typical prospecting process? Do you reach prospects by email, phone, events, social media, or another medium? Upstarts may be using different prospecting methods than real estate professionals who have been in the business and in the community for longer periods of time. You need to know what works for new as well as experienced sales professionals.

- What kind of research do you conduct prior to initiating contact? What is most important to you as an agent? Again, those agents with 20-year-long real estate careers may do less actual research than what you need to do to be successful. Find out how newer agents (upstarts) prepare themselves effectively for successful encounters.

- How much talking is too much during a showing? When showing a home, where do you start? Every client will be different. An agent who has been selling for a long period of time may read nonverbal cues effortlessly and tailor his/her message appropriately. An upstart may be less attuned to subtle actions of a client. Their observations may be most like yours, so don’t expect yourself to read nonverbal cues as effortlessly as an experienced agent.

- What technology have you employed in your day-to-day work? How has it made your job easier or more difficult? Times have changed. With today’s technology, the long hours spent reviewing and signing contracts are over. Now, a simple touch of a button can sign an entire contract. An upstart will be more prepared – and likely better equipped – to explain and demonstrate how technology impacts his/her day-to-day operations.

- How do you balance servicing your current clients while still gaining leads and maintaining a balanced personal life? For an experienced seller, work/life balance will
look dramatically different than that of an upstart. In some ways, the role of an upstart may actually be busier as s/he actively seeks clients and works to build a reputation. Thus, advice from an upstart can prove invaluable in navigating early work/life balance decisions.

All of these questions will take you “beyond the book” and give you real-world, concrete examples of how successful new real estate agents have climbed the ladder quickly.

**Think Point #5: Agile Sellers Eliminate Distractions**

As a real estate professional, distractions are a given. We are faced with hundreds of distractions at nearly all times of day. Ranging from phone calls and text messages to last-minute changes in schedules, distractions can dramatically reduce productivity and prevent us from being as effective as possible.

According to the American Psychological Association, multitasking can lead us to spend 20 to 40 percent more time on our work. How do we minimize the impact of distractions and multitasking in order to maximize the impact we have with clients?

- Set standards and keep them. Resolve to refrain from answering calls, emails, or text messages during real estate showings and private meetings with clients. Keep your focus squarely on the issue at hand.

- Eliminate temptations. Use one of the many available software applications to limit web access to your favorite distracting websites for a specified period of time while working in the office.

- Pick up the phone. Instead of sending messages back and forth, make a quick phone call to answer questions or plan a meeting.

- Focus on the goal. Keep your mind fresh and remain positive. You’ll be more engaged and your clients will recognize the difference.

- Create boundaries at home. Don’t let work rule your life. By taking breaks and separating yourself from work, you’ll be less stressed and more prepared when you return to work. Remember, clients expect you to be responsive, but they do not expect you to be there 24/7 for them.

Minimizing distractions is not easy. By making a concerted effort to cut distractions from our daily lives, real estate agents can equip themselves to learn faster, think smarter, and adapt to change.
Conclusion

More than ever before, real estate professionals must adapt to their rapidly-changing profession. From knowing clients’ desires to eliminating distractions, the skills of an agile seller are invaluable and provide the tools necessary to reach your full potential as a real estate professional.

Recommended Reading


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Luke is a graduate student from St. Louis, Missouri. He earned a Bachelor of Business Administration degree in Economics from Baylor University in 2014. Before beginning graduate school, Luke served as Special Assistant to the President at Baylor University. Luke is currently seeking an MBA degree with a concentration in healthcare administration and plans to work in the healthcare industry.