**How Do You Know Your Classroom Exercise Worked? The Case of the Loki Equipment Exercise**

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**Introduction**

One of the pedagogical tools that management teachers employ in the classroom is the use of experiential exercises (Banning, 2003). Classroom exercises have been argued to be an effective way to provide students with essential experiences to inform their behavioral repertoire when they become practicing managers themselves. However, very often, exercises are presented without empirical evidence that demonstrates their effectiveness in achieving the learning objectives that are intended to meet (Schmidt-Wilk, 2010). This can be problematic as students may not be equipped with the knowledge or skills teachers intend. Very often, exercises that are used have not been supported by empirical evidence. Alternatively, the evidence that is relied upon is only intuitive or anecdotal. In this session, we will introduce a case-based role-play exercise entitled the Loki Equipment Exercise, as a context to demonstrate one way to empirically demonstrate the degree to which exercises meet specified learning objectives. In doing so, our session is intended to answer the following question: "How do you know that your experiential exercise worked?” In what follows, we introduce the Loki Equipment Exercise and its theoretical background, list the exercises learning objectives, and then discuss how we teach and debrief the exercise. We then describe how we have empirically demonstrated the exercise’s effectiveness. We conclude with a description of our proposed session format.

**Loki Equipment Exercise Overview**

The Loki Equipment Exercise is a case-based exercise set in a manufacturing context. Students assume one of 5 roles: Taylor Smith (Chief Executive Office), Angel Alvarez (Chief Financial Officer), Morgan Gunderson (Chief Operations Officer), SangKim (Chief Human Resources Officer), and Blair Lieberman (Chair of the Board of Directors). We purposefully made each role to include a gender neutral name. Taylor Smith, the CEO of Loki Equipment, who has charged by her board to develop a plan to layoff 400 employees and to communicate this plan to employees and provide them with at least 60-days' notice. However, the process is interrupted when Taylor is approached by a reporter who is going to leak the story and print it in the paper two months before the company was planning to make an announcement. Given this change of events, Taylor now has only a few hours to meet with her leadership team and develop a plan about how to respond to the leak, how to inform her employees, ensure that morale among employee's does not diminish, and try ensure the company incurs as little financial setback as possible. In the following sections, we describe how we have taught the exercise. The full text of the general information for the case that each role receives is displayed in Appendix A. In addition, we include the unique role information for each of the 5 roles in Appendices B-F.

**Theoretical Foundation**

Organizational change refers to "the transition of the organization from one state to another" (Oreg & Berson, 2019, p. 273). Important to both practitioner and scholarly work, research on organizational change has occurred in two distinct streams of research – one that focuses on the antecedents of organizational change and the other which focuses on its outcomes for change recipients (Oreg & Berson, 2011). Typically, the research on antecedents of organizational change has been conducted from a macro perspective and focuses on the process of an organization's evolution and the macro-level factors that shape organizational change and its outcomes (Hannan & Freeman, 1984). Research on change recipients' outcomes examines change from a more micro perspective and focuses on the experiences individuals have when going through an organizational change (Oreg, Michel, & By, 2013). One stream of research within the broader organizational change literature is focused on resistance to organizational change efforts (Meston & King, 1996). For example, scholars have found that resistance to change can be both contextual or dispositional (Oreg & Sverdlik, 2011). Furthermore, this research has found that resistance to change rather than being a deterrent for change if managed effectively by leaders (Kan & Parry, 2004; Levay, 2010), can become a resource for change (Ford, Ford, & D'Aemlio, 2008). Furthermore, the empirical research has found that when leaders involve multiple stakeholders (Bate, Khan, & Pye, 2000), are trusted (Kaltiainen, Lipponen, & Holtz, 2017), communicate the change effectively (Sonenshein & Dholakia, 2012), and display transformational leader behaviors, organizational change efforts are more likely to be effective (Seo, Taylor, Hill, Zhang, Tesluk, & Lorinkova, 2012).

While empirical research on organizational change has grown, the practitioner and scholarly literature are still heavily dominated by two prominent organizational change theories, Lewin's (1951) three-stage model of change and Kotter's (2007) eight-stage model of change. Lewin's (1951) model involves 1) unfreezing, 2) change, and 3) refreezing stages. Kotter's (2007) model provides more fine-grained steps that can fit within Lewin's 3 stage model: 1) establish a sense of urgency, 2) form a powerful coalition, 3) create a vision, 4) communicating the vision, 5) empowering others to act on the vision, 6) planning for and creating short term wins, 7) consolidating improvements, and 8) institutionalizing new approaches. While these are two separate models, they can easily be connected and taught together. Each of these two major theories of organizational change can be effectively discussed and applied through the Loki Equipment Exercise.

**Learning Objectives**

There are several lessons we hope students participating in this exercise and will be able to learn. Specifically, the exercise is intended to help students learn the following objectives:

1. Identify and understand the components of Kurt Lewin’s and John Kotter’s theories for change in a specific context.

2. Recognize the challenges associated with resistance to change efforts and evaluate different ways that resistance to change efforts can be overcome.

3. Practice and reflect upon the challenges of communicating the necessity of change initiatives.

**Running and Debriefing the Exercise**

In this exercise, teachers can help students apply principles from various organizational change frameworks and concepts. For illustration's sake, we will focus on the frameworks briefly introduced above (Lewin's and Kotter's Models of Change) and the concepts of forces for change and employee resistance to change. However, this exercise can be easily adapted to cover other organizational change concepts. After a class has been introduced to the major theories of organizational change, the Loki Equipment Exercise can be an effective lens to view each theory's application. Once students have familiarity with the relevant change theories, we (the authors) go through the following steps with students:

1. We briefly review the key aspects of the 2 organizational change theories. (5 minutes)
2. We introduce the general formation sheet for the case. We hand out the general information sheet and have students read the information in class (this step can also be assigned to students prior to coming to class. Doing this can enable teachers to use the exercise in 60-minute class sessions. (10 minutes)
3. Students are then assigned one of 5 roles. We provide the students time to familiarize themselves with the role and the specific concerns and issues that their role includes. (10 minutes)
4. We then divide students up into groups of 5, ensuring that each group has one of each roles represented and we provide them time to discuss amongst themselves the crisis on their hands and the best way to handle it both in the short term and longer term. (30 minutes)
5. Student teams briefly present the way they will manage the crisis both in the short term and the long term to the rest of the class. (10 minutes)
6. We utilize the discussion questions below (or other questions tailored to the focal concepts teachers want to cover) and debrief the experience students have had and connect it to organizational change theories. The questions are aimed at helping students understand the concepts, and do not necessarily have a "right" answer. Appendix G includes some common occurrences teachers can expect students to typically bring up and ways to address them. Toward the end of the debrief we review with students what Taylor actually did to respond the media leak and its aftermath at Loki Equipment (see Appendix H). (20 minutes)

**Empirically Validating Exercise Intent**

We have run the Loki Equipment Exercise with 2 different student audiences. More specifically, we piloted the updated exercise including the role play materials with a group of 15 undergraduate students (three groups of five). Next, after refining the exercise materials we ran the exercise in a graduate-level Human Resources class with 25 students (five groups of five). We gathered survey data from these student groups three undergraduate groups. Because not all participants completed the survey, there were 33 total respondents. While we recognize that this is a small sample size, we believe that the results provide a valuable first step to understanding this in-class case role-play exercise's effectiveness.

 We asked students to provide their reactions to the case on 7-point scales from *Strongly disagree* (1) to *Strongly agree* (7). Overall, students agreed that the exercise helped them understand the process of organizational change (M = 6.21; SD = .70) and that this situation would be difficult in real life (M = 6.18; SD = 1.29). Students also generally agreed that their specific role was key in making group decisions (M = 5.21; SD = 1.58). Students did not agree that it was difficult to make decisions as a group (M = 2.82; 1.47) and were in the middle when it comes to whether they agreed that it would be difficult to carry out the decisions they made as a group (M = 3.73; SD = 1.55).

 Comparing how responses differed between undergraduate (*n* = 14) and graduate students (*n* = 19) also provides some interesting insights. Both groups similarly agreed that the exercise helped them understand organizational change (Mu = 6.29; Mg = 6.16) and that the situation would be difficult in real life (Mu = 6.21; Mg = 6.16). This demonstrates initial evidence that this exercise is valuable at both the undergraduate and graduate levels. However, undergraduate students were more likely to agree that their role was key in making groups decisions (Mu = 5.64; Mg = 4.89), while graduate students were slightly more likely to agree that making group decisions was difficult (Mu = 2.57; Mg = 3.00) and that the group decisions would be difficult to carry out (Mu = 3.21; Mg = 4.11). This may indicate that graduate students better understand real-life application and are better able to act in their specific role, but these are speculative conclusions at this point.

 Finally, we compared roles specifically on the question “My specific role was key in making the group decisions.” Overall, the CEOs (*n* = 6) most strongly agreed (M = 6.50; SD = .58), followed by CFOs (*n* = 8; M = 5.25; SD = .84), CHROs (*n* = 6; M = 5.17; SD = 1.72), COOs (*n =* 6; M = 5.00; SD = 1.75), and finally, Board Chairs (*n* = 4; M = 3.50; SD = 1.00). This information may be useful in situations where class size is not divisible evenly by five, so some groups have fewer members. As the CEO role directs the meeting and students in that role sees the role as key, this role should always be included. However, the Board Chair views their own role as much less key in making group decisions, so perhaps this role would be the best to remove if an instructor needs to put together some four-person groups. These empirical results enabled us to see the value of this exercise in meeting learning objectives.

**Session Description**

During our session we aim to accomplish three things. First, we aim to provide participants a brief orientation about organizational change and its challenges. Second, we hope to introduce participants to the Loki Equipment Exercise and the basic logistics of how to run the exercise. Lastly, we hope to demonstrate how we have empirically demonstrated that the exercise meets specified learning objectives. In doing so, we hope that this method could be helpful to participants seeking to improve and empirically conform their exercises meet learning objectives. Below is a general timeline of what we aim to do:

1. 10 minutes - Provide an overview of the Organizational Change literature why it is important, and why it is difficult.
2. 15 minutes – Introduce the participants to the Loki Equipment Exercise and the logistics of running the exercise.
3. 15 minutes – Demonstrate the process we have undertaken to empirically demonstrate that the exercise meets learning objectives. Discuss the implications and applications of this for other exercises.
4. 20 minutes - Lead a discussion, including questions from the audience about the exercise and the process we follow to empirically test if the exercise meets learning objectives.

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**Appendix A**: Loki Equipment Exercise

Taylor Smith, CEO of Loki Equipment in Harrison, Nebraska, looks over the facts and figures presented to her and the board of directors. As a major manufacturer of farming equipment, Loki has seen a steady increase in manufacturing costs in recent years. They moved a small percentage of manufacturing to China a few years ago, and cost savings from that move helped the company’s margins. Since then, company investors have been pushing to move all

manufacturing offshore. “This is the most difficult decision I’ve had to make as CEO, but I know

the best thing for the long-term profitability of the company is to offshore our full production and

layoff 400 manufacturing employees - almost 25% of its local workforce. I don’t like it, but the

data are clear. What are the next steps we need to take?” Amy Kim, the Chief Human Resource Officer, offers up her expertise. “By law of the Worker Adjustment and Retraining Notification (or ‘WARN’) act, whenever a company like ours with more than 100 employees and has a major layoff like this, we are required to give employees 60-days advance notice.”

Vance Lieberman, chairman of the board of directors, is next to speak. “Thank you for the

insight Amy. Taylor, it’s early August now and we want to have all our production offshored by January 1. This gives us plenty of time to make the announcement. What if we plan on putting a strategy in place, notifying employees on November 1st, and putting out a press release immediately after employees are notified? Can you put a rough plan together for making the transition, including drafting both the internal announcement for employees and the external press release? As you know, we are one of the biggest employers in the area, so not only is this going to have a major impact on our current employees, but on our broader community as well. Send out your proposed plan and drafts of the press release and internal announcement to board

members before next month’s meeting so we can discuss it and get board approval. It’s going to

be a tough transition, but it’s the only way to ensure the long-term sustainability of our

company.” The rest of the board of directors nod their head in agreement.

A couple of weeks later, Taylor stares at her notes from the meeting, weighed down with the task at hand. Since the meeting, she has given a lot of thought regarding how to proceed, but

progress on a plan has been slow. After making an official announcement, it’s likely that a lot of

employees are going to be upset and frustrated. If employees aren’t happy, they’ll likely put in

minimal effort until they find another job, and many might just quit right away. It’s important to

have a large number of employees stick with the company up until the transition is complete, but

how do you motivate employees to work hard and stick with the company when they know they

aren’t going to have a job there for long? That has been the biggest question weighing on

Taylor’s mind, and she hasn’t been able to figure it out.

“Oh well,” Taylor thinks aloud to herself. “I’ll put together some general rough ideas, and

hopefully the board can help me fine tune them at our next meeting. After all, I’ve still got a

couple of month to iron out the details before I have to notify employees anyway. By then, we’ll

have it all figured out.”

Just then, Taylor’s phone rings and she quickly answers, welcoming the distraction from her

heavy burden. “Hi Taylor, this is Maura Johnson from the Harrison Times newspaper. It’s a privilege to be speaking with you. I heard from a reliable source that Loki plans to lay off a large percentage of its workforce and move production overseas. I’ve been doing some research and have put together a story that will be ready to run in tomorrow’s paper. I’m calling to see if you have any comments for the record.”

Taylor’s heart sinks. Who knew about the upcoming change that would go to the press? Still a

couple of months away from making the announcement to the employees, Taylor hasn’t finished preparing for the changes, let alone thought about a press release. But she stays as cool as a December morning. "Can I get back to you in a couple of hours? Whenever we talk to the press, company policy dictates that we first consult with our Public Relations department.”

“Sure, but I need to have everything done by 5 pm, and this story will print tomorrow with or

without your comment!”

As Taylor hangs up the phone, she looks at the time. It’s almost noon. So much for eating lunch, she thinks. Her anxiety and worry grow as she contemplates how this early news will impact the company. Employees will be in an uproar if they find out about the layoffs from the local news and not their employer. Additionally, Loki Equipment is one of the biggest employers in Harrisville, Nebraska, and the image of the company could be ruined in the community. Taylor looks at her watch and realizes that she only has a few hours to make an announcement to her employees, and a plan is nowhere close to being finalized. What's worse is she still has to get approval from Loki’s board of directors.

**Appendix B:** Taylor Smith (Chief Executive Officer) Role Information

* *Major Concerns:*
	+ The employees are likely to revolt if they hear about the change from the media, and not from the company
	+ The executive team and board of directors may not be able to move fast enough to get word to the employees first
	+ Katherine needs to determine whether to provide information to Maura Johnson at the Harrison Times. The news report will probably paint the company in a negative light. Is there anything that can be done to make it more positive?
	+ A short-term hit to the company’s stock value and profitability during the transition
* *Initial Thoughts:*
	+ The employees need to get word from the company TODAY! But how should that be done?
	+ The short-term hit to profits and stock value may be avoided if they are able to get overseas production started immediately, and shut down local production ASAP. Is that doable?
	+ Loki is starting to develop “smart” farming equipment that utilizes GPS, Artificial Intelligence, self-driving technologies, etc. The R&D, engineering, and software development employees will be retained in Harrison, and these units within the company are likely to grow exponentially in the next five years. Could current production employees be trained to fill some of those roles? Or are they too specialized?

**Appendix C**: Angel Alvarez (Chief Financial Officer) Role Information

* *Major Concerns:*
	+ Employees getting the information from the company first is definitely important, but it shouldn’t disrupt production and should be done quickly and as frugally as possible.
	+ Saving money to minimize the disruption to profits and stock value. Quickly making the transition and shutting down production ASAP will be the most cost-effective route.
	+ The company is starting to develop “smart” farming equipment that utilizes GPS, Artificial Intelligence, self-driving technologies, etc. The R&D, engineering, and software development departments will be retained in Harrison, and these units within the company are likely to grow exponentially in the next five years. But it is unlikely that the current production employees could easily transition into those roles.
* *Initial Thoughts:*
	+ The most cost-effective way to get them the information is through a company-wide email and posting the news in break rooms and lockers on the production floors. This can be done quickly, and will minimally disrupt the employees’ work. Employees not working today will likely get the news from their coworkers before the media publishes their story.
	+ Perhaps the story being leaked is a blessing in disguise. The company can ramp up the transition and get it done ASAP. Could it be taken care of prior to January 1st? There is no need to drag this on any longer than is necessary.

**Appendix D:** Morgan Gunderson (Chief Operations Officer)

* *Major Concerns:*
	+ The employees need to get the information from the company, not the news media. Doing this needs to happen in the most efficient and effective way to reach all employees as quickly as possible.
	+ There will likely be a disruption to production because employees will quit without notice as soon as they find new jobs.
	+ Moving production to China by January 1st is definitely doable, but there is no way that they will be able to have production fully ready in China before then, without shutting the plant down immediately and shipping all of the production materials directly to China.
* *Initial Thoughts:*
	+ The most efficient way to let employees know about this is to shut down production for the day and have an all-employee meeting this afternoon, possibly even inviting employees not working the current day’s shift to come to the meeting (for which they should get paid).
	+ The company needs to minimize production delays and disruptions. These has to be an efficient way to scale down employees, while keeping production going until January. Are there incentives that the employees could be offered to minimize the number of employees that quit without warning (or just stop showing up)?
	+ Given the disruption this would cause – without production for weeks while the equipment is disassembled, transported, and reassembled – along with the cost of transporting the equipment, it probably would be more cost-effective to continue with the original plan of working on this equipment until January, while purchasing and assembling new state-of-the-art equipment for production in China.
	+ Loki is starting to develop “smart” farming equipment that utilizes GPS, Artificial Intelligence, self-driving technologies, etc. The R&D, engineering, and software development employees will be retained in Harrison, and these units within the company are likely to grow exponentially in the next five years. This is going to require a large operations transition for the corporate location in Harrison, moving from a production-based workforce to one base on software, data, information technology, and customer service.

**Appendix E:** SangKim (Chief Human Resources Officer) Role Information

* *Major Concerns:*
	+ Concern for the safety and well-being of employees. Hard-hitting news like this is likely to have a major negative impact on employee morale and performance. Some anger and violence are also possible. Many will have lots of questions.
	+ As the transition is made, the best employees are likely to jump ship quickly to other jobs, leaving the poorer performers. Losing employees may not necessarily be bad, and they will have to reduce headcount consistently, until the on-site production fully closes.
	+ Legal and ethical concerns are also important. The company needs to have consistent and justifiable reasons behind who they let go and who they keep. And if there is any way to make the transition smoother for the employees that they let go, that could help alleviate negative repercussions to the company.
	+ Keeping as many employees as possible employed through the holidays would be the most ethical approach, or maybe there is a way to smooth the transition by helping employees to find work elsewhere.
* *Initial Thoughts:*
	+ Employees deserve to be treated with respect. It is important that they hear the bad news from the company first, and that it is done in the most personal and respectful way. This can be difficult, given the number of people that need to be given the news in a short period of time.
	+ Sang’s role is to help smooth the transition period for the employees. Just cutting off employees without some sort of severance package could be disastrous in terms of the public perception of the company (which could factor into stock values) and employee engagement (which would negatively affect production and profitability).
	+ Employees are going to have a lot of individual questions, concerns, and maybe even ideas for how to make the transition smooth. HR should be equipped and prepared to listen, and HR should reach out and solicit information from employees.
	+ It would be ideal to keep the best employees and those with the most tenure with the company. Perhaps there are ways to structure compensation and benefits during the transition that would encourage high-performers to stay until the transition is complete. The cost spent to encourage high-performers to stay would be more than offset by needing few high-performers to get the same work done as a higher volume of average or below average employees, not to mention HR having to deal with fewer complaints and employee discipline issues.
	+ Sang’s HR contacts at other companies could provide an avenue to helping employees find work elsewhere. While there has always been some competitive distance between them (as their companies were always in competition for similar employees), this could be a win-win situation.

**Appendix F:** Blair Lieberman (Chair of the Board of Directors)

* *Major Concerns:*
	+ Somebody leaked this information to the press, and an investigation to identify and discipline that person – likely by firing – is important.
	+ Public outcry at this decision is likely to be negative after the news story comes out, unless the company can find a way to put some sort of positive spin on it.
	+ How can the company come out of this without losing public trust or shareholder confidence?
* *Initial Thoughts:*
	+ The first item of business should be finding the source of the leaked information. It had to be someone on the executive team or board of directors, since they were the only people who knew about the plan.
	+ There should be ways to positively spin this to the media. One major point is that the company would likely have to shut down without making this move, which would be even worse for the local community. At least this way, the company headquarters and administration are still located here, even if production is moving offshore. Another note to mention is that the company is starting to develop “smart” farming equipment that utilizes GPS, Artificial Intelligence, self-driving technologies, etc. The R&D, engineering, and software development employees will be retained in Harrison, and these units within the company are likely to grow exponentially in the next five years.
	+ The production employees in Harrison are not the kinds of employees the company will need in making the local transition from production to smart computing technologies, so coddling the current employees is not likely to benefit the company long-term. The company should cut out unnecessary employees now and streamline local production as much as possible. As soon as possible, local production should be shut down and production employees let go. Otherwise, this will be draining on the short-term profitability of the company.

**Appendix G**: Common Experiences Facilitating the Exercise

Although each time this exercise is run it is a unique experience, here are some commonalities we have observed. These include some areas where there seems to be conflict between roles.

* Students often feel uncomfortable playing a particular role and it may be hard for them to stay in character. We try to address this emphasizing the importance of staying in character for the exercise to be successful.
* We find that students can often get hung up on the source of the leaked information. In fact, they may see this as an important aspect that needs to be addressed. We have found that often the teams that focus on this end up having less time and energy to devote to how to address the immediate issues at hand. While the times that don’t dwell on the source of the leaked information develop more effective plans to manage the crisis.
* Students also struggle balancing the operational and financial implications of the changes and the leaked information, with the people centered outcomes. In particular, those assuming Angel and Morgan’s role may be at odds with Sang Kim’s role and priorities.
* Another interesting tension in the team discussions about how to address the issues will be balancing the short term and long term actions the leadership team will undertake. Sometimes teams have a tendency to focus too much on the short term actions that they lose sight of the longer term process through which the layoffs will occur. The teams that can balance the short term and long term action items develop the best strategies for addressing the issues.
* The debriefing discussion also will reveal questions about fairness and reciprocity. Student teams will discuss what is fair and just in how employees are viewed and treated in the short and long term. This provides teachers an opportunity to discuss research on procedural and distributive fairness (Brockner, Wiesenfeld, & Diekmann, 2009). In particular, it is helpful to discuss with students how often the process through which ultimate outcomes are determined is more important than what outcomes result (Brockner & Wiesenfeld, 1996). In other words, teachers can help students realize that typically individuals will prefer unfair outcomes with a fair process to a fair outcome without a fair process (Brockner, Konovsky, Cooper-Schneider, Folger, Martin, & Bies, 1994).
* Teachers may also wish to reference Dean and Fornaciari’s (2002) article which outlines important general principles for teachers to consider in carrying out case based role play exercises.

**Appendix H:** Summary of What Really Happened in the Case

Changes Taylor made that day:

* Approached the board of directors with urgency and a rough draft of the internal memo and external press release
* Developed and distributed basic information about the upcoming change to employees, so they would hear about it from them, not the media
	+ Gave general details about the timeline of the change and the employees that would be affected
	+ Ensured employees that they would do all that they could to ease the burdens of affected employees
	+ Explained that more specific information would be forthcoming
* Developed and distributed a press release and released it to the media and general public (including the reporter)

Long term changes Taylor and her team implemented:

* Produced timely updates with more specifics as those decisions were made
* Set up meetings with small groups of employees to share specific information, get feedback, and offer support
* Offered individual counseling and career development (e.g., job search skills) for any interested employees
* Offered incentives for employees that stayed employed until the transition
* Arranged for in-house job fairs, where other local companies could recruit and interview employees
* Allowed employees to attend offsite job interviews during work time without penalty
* Changed production facility to a service facility (software, customer service) and attempted to fill jobs with current employees wherever possible