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INSTRUCTOR GUIDE
SIGNATURE CASE

SYNOPSIS

Liberty Air is a fictitious U.S.-based airline that goes through a series of major challenges: A labor strike, a plane crash, a fuel crisis, and a hostile takeover attempt. The simulation is based on real-world data and reflects the sort of decisions that actual global executives face. Furthermore, the simulation relies upon extensive research that analyzes leadership styles and how organizations address tactical and strategic challenges.

Players select an avatar and enact one of five C-suite roles: Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO), Chief Marketing Officer (CMO), or Chief Human Resources Officer (CHRO). Each crisis has three major decisions and, though there is only one key decision-maker for each crisis, players are expected to collaborate and provide explanations for the decisions they make. Additionally, each player will face leadership challenges that will assess a leadership style based on the choices he or she made.

The *Signature Case* is designed to pit teams of players against each other. The "winning" team is the one that ends the game with the highest combined scores in three areas: customer satisfaction, employee satisfaction, and shareholder satisfaction.

LEARNING OBJECTIVES

Players will use different business strategies and leadership styles to address problems and opportunities that emerge in the simulation. Thus, the general learning objectives for the simulation are two-fold: (1) Students must learn and apply appropriate business strategies to maximize customer, employee, and shareholder satisfaction; and (2) Students must learn and apply leadership skills in making those decisions. Consequently, students will learn that both strategic decisions and leadership style ultimately impact the success of a business.

Additionally, our simulation will:
- Teach players to apply their business knowledge.
- Teach decision-making and strategic thinking skills.
- Teach risk management.
- Teach players to handle unanticipated events.
- Encourage players to ponder the complexity of managing a high reliability organization.
- Encourage individual decision-making and group cooperation.
- Facilitate individual and team leadership development.
- Encourage players to consider the intended and unintended consequences of their actions, both in the short-term and long-term.

INTENDED AUDIENCE & POSITION IN COURSE

The *Signature Case* is flexible. As it covers various topics in business, management, and leadership, it is appropriate for use in undergraduate or MBA courses, as well as for public health and public administration courses. Additionally, it is useful for employers seeking to teach employees business and leadership skills.

Because gameplay can be started or stopped at any time, when and how the simulation is implemented in a course can be at the discretion of the instructor. Instructors may wish, for instance, to teach relevant topics before instructing players to proceed with the simulation.

Gameplay can be as short or as long as desired. Real-time gameplay (e.g., face-to-face or over-the-phone) could take several hours and encourages more group collaboration; gameplay that is not in real-time could take several days or weeks and allows for deeper analysis of the content.

TOPICS COVERED

The *Signature Case* covers a wide variety of topics in business, management, and leadership. The subsections below describe them in more detail. To prepare students for the simulation, instructors may wish to consider covering these topics in further depth.

BASICS OF BUSINESS & MANAGEMENT

Players should be familiar with basic business management. Topics and class discussions could include:
- Corporate hierarchies and the pros/cons of different organizational structures
- The role of CEOs, CFOs, COOs, CMOs, and CHROs in decision-making
- Unilateral vs. collaborative decision-making
- Management and leadership styles
- Performance metrics (specifically, customer satisfaction, employee satisfaction, and shareholder satisfaction)

Players should be familiar with basic business operations and mechanisms to increase efficiency. Topics and class discussions could include:
- Employee compensation plans
- Lean services
- Downsizing
- Business process improvement
- Six Sigma
- "Blue ocean" strategy
- Improving cash flow

Players should be familiar with basic finances. Topics and class discussions could include:
- Budgets and allocations
- Income (profit and loss) statements
- Enterprise resource planning

Players should be familiar with basic marketing. Topics and class discussions could include:
- Competitive analysis
- Social media
- ATL/BTL/TTL Advertising
- Lobbying

Players should be familiar with the basics of human resources. Topics and class discussions could include:
- Workforce optimization
- Employee incentives
- Talent retention

- Executive coaching
- Regulatory compliance

Players should be familiar with the basics of the airline industry. Topics and class discussions could include:
- Typical fare prices
- Average fuel costs and fuel hedging
- Airline capacity and fleet size optimization
- Current challenges facing the airline industry

LEADERSHIP STYLES

Players will be given leadership challenges that will assess a leadership style based upon the choices they make. The simulation considers six different leadership styles.

Authentic. Authentic leadership is characterized by high moral and ethical standards and conduct. Such leaders exhibit a greater sense of self-awareness in terms of how others are impacted by their leadership. Furthermore, they exhibit transparent relationships with others by openly exchanging ideas and information. They are balanced leaders, meaning they tend to suspend judgment on people and decisions until all relevant data is available.

Transactional. *Constructive transactional leadership* is characterized by a focus on clear expectations, goals, and standards. Such leaders provide feedback on progress and prioritize meeting obligations and commitments. *Corrective transactional leadership* is characterized by a focus on setting clear standards to monitor performance and intervention to correct deviations from those standards. Such leaders establish precise protocols in order to sustain performance levels by identifying and correcting mistakes.

Transformational. Transformational leadership is characterized by the embodiment of high standards that are associated with one's beliefs and core values. Such leaders wish to instill these same standards in others. Transformational leaders serve as role models and inspire performance beyond expectations. Such leaders challenge the way others think about problems. Additionally, they help others develop their full leadership potential.

Passive. Passive leadership is characterized by avoidance of conflict and a desire to avoid making decisions. While not taking action may be described as "empowering others," it usually means an abdication of the responsibility to lead. Passive leaders generally let problems work themselves out.

Participative. Participative leadership is characterized by working side-by-side with others and sharing in the decision-making process to determine the best solutions.

Directive. Directive leadership is characterized by exerting control over situations and giving orders to others on what is expected in terms of performance. Directive leadership makes it clear who is in charge.

CRISIS #1: LABOR PERFECT STORM

Scenario. "Labor Perfect Storm" is inspired by real events that took place in the airline industry following the 9/11 terrorist attack in 2001. With labor costs locked in by pre-9/11 contracts and revenues reduced due to depressed demand for travel, costs are eroding profit margins and forcing airlines into bankruptcy. Liberty Air is teetering on the edge of bankruptcy, and negotiations with ramp workers are stalled over a contentious labor contract. A strike is looming. Players must determine whether management should settle and avoid a strike, allow a strike and use temporary workers, or permanently lay-off the ramp workers and hire a lower-cost contractor. Each choice has known and hidden costs and benefits.

Topics. To prepare students for this crisis, instructors may wish to consider covering these topics in further depth:
- Labor relations
- History of labor strikes
- Airline strikes
- Strategies for negotiating with unions
- Labor arbitrage
- Chapter 11

CRISIS #2: COOL IN A CRISIS

Scenario. "Cool in a Crisis" deals with the worst imaginable situation for an airline: A catastrophic crash. In this scenario, one of Liberty Air's planes crashes into a national park, killing everyone on board – including a prominent young gymnastics team – and igniting a devastating ground fire. The news media is "feasting" on the tragedy as the company tries to manage the fallout. Players must address the media in addition to coordinating the investigation and consoling victims' families, all while keeping in mind how the marketplace will perceive the competence of the airline. The challenges in this crisis test management's ability to set priorities and to remain calm under pressure.

Topics. To prepare students for this crisis, instructors may wish to consider covering these topics in further depth:
- Situational awareness
- Crisis management and crisis communication
- Public relations
- Responding to workplace tragedies
- Balancing the airline's needs with those of the families and employees

CRISIS #3: OVER THE HEDGE

Scenario. Oil prices are at an all-time high due to unrest in the Middle East. Somehow, Liberty Air's competitor, Pacifico Airlines, has discounted ticket prices. Reservations are declining at Liberty, and other airlines are filing for bankruptcy. Players must determine how to manage an airline's finances in the midst of bad economic news. In addition to scrutinizing various cost-cutting measures – such as negotiating salaries and closing routes – management must consider the risks and rewards of entering into a fuel hedging contract.

Topics. To prepare students for this crisis, instructors may wish to consider covering these topics in further depth:
- Swaps
- Hedges (e.g., fuel hedging)
- Issuing stocks and bonds
- Strategies to cut costs

CRISIS #4: SHARK ATTACK

Scenario. Due to falling stock prices, Liberty Air is considered undervalued. Activist investor and corporate raider Oruc Reis pounces on the opportunity, purchasing a substantial share of Liberty Air. In order to complete his acquisition, Reis offers to purchase shares from other investors at a premium. Reis has a brutal track record of dismantling firms, but his personal charm and success may be enticing to shareholders and employees. Certainly, he is able to provide a maximum return to investors – including himself! Reis also has a history of placing a wedge between members of the management team and board in attempt to "divide and conquer." He is known to offer sweet incentives to executive team members who agree not to fight the takeover. The management team must decide whether to fight against or acquiesce to the hostile takeover, in addition to handling the anxiety and ethical dilemmas caused by this newfound lack of job security.

Topics. To prepare students for this crisis, instructors may wish to consider covering these topics in further depth:
- How shareholders wield influence
- Equity (e.g., stocks and stock valuation)
- Mergers and acquisitions (M&A)
- Hostile takeovers
- Tender offers
- Market conditions that encourage hostile takeovers
- Strategies to prevent hostile takeovers (e.g., "poison pills")
- How to react to a hostile takeover (i.e., fight or acquiesce)
- Pros and cons of remaining independent or being purchased
- Strategies to maximize company valuation

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GAMEPLAY

Teams. The simulation is designed for teams of five players, which the instructor can form at his or her discretion. For teams with fewer than five players, the software's AI can populate any unfilled roles.

Crisis Decisions. Each crisis has three major decisions. In some crises, only one of the C-suite officers acts as the key decision-maker. Teams can decide whether players should act unilaterally or collaboratively for such decisions. Instructors could encourage players to attempt different types of collaborative approaches (e.g., majority rule, secret ballot, open discussion and consensus, etc.). Crisis decisions will influence the simulation's three key metrics: customer satisfaction, employee satisfaction, and shareholder satisfaction.

Budget Allocations. The CFO is responsible for making budget allocations to the departments headed by the other C-suite officers. This decision can be made unilaterally by the CFO or in consultation with the team. Instructors could encourage players to try different allocation strategies.

Support Project Allocations. The C-suite executives who are not serving as the key decision-maker for the crisis must decide how to allocate their funds to various projects. These projects will influence the simulation's three key metrics: customer satisfaction, employee satisfaction, and shareholder satisfaction.

Leadership Challenges. In addition to crisis decisions, players will be given leadership challenges. At the end of the simulation, players will receive a report about the leadership style that their choices reflected. Students should be made aware that this assessment may not necessarily reflect their real-world leadership style, as various circumstances in the simulation may override their more natural instincts. However, the leadership report can be an excellent tool for a class discussion on leadership style and how external factors influence it.

Performance Metrics. In this simulation, the three key metrics with which players must be concerned are: customer satisfaction, employee satisfaction, and shareholder satisfaction. These are directly affected by the players' crisis decisions and budget allocations. Thus, this tool provides feedback on how the players' choices affect stakeholders. Additionally, this feature could lead to a discussion on alternative performance metrics (e.g., environmental impact, social impact, etc.) not covered by this simulation.

INSTRUCTOR PREPARATION & PEDAGOGY

Instructor preparation for gameplay will vary. However, in order to maximize the benefits of the simulation, the instructor may wish to:

- Play the simulation to better understand gameplay and the challenges the players will face.
- Determine how players should be assigned to teams.
- Discuss with players the learning objectives upon which they should focus.
- Discuss the relevant business, management, and leadership topics with players prior to gameplay. (See the section "Topics Covered" above.)
- Discuss with players how to apply class material to the simulation.
- Assign players to read about challenges facing the airline industry.
- Assign players to read annual reports from various airlines.
- Discuss and analyze outcomes during and after the simulation.

ASSIGNMENT QUESTIONS & ANALYSIS

During and after gameplay, instructors may wish to discuss the simulation with the players in order to assess and enhance learning. Examples of such questions are provided below, as well as sample analyses.

SAMPLE QUESTIONS

Business Questions.
- Does Liberty Air have any competitive advantages or unique liabilities?
- How might Liberty Air change its competitive strategy in the future?
- How does an organization typically allocate its budget, and what factors affect this decision?
- During difficult financial times, what sort of items should be cut from a budget?
- During a catastrophe, what should be prioritized?
- How could Liberty Air have prevented a hostile takeover attempt in the first place?

Management and Decision-Making Questions.
- How did groups make their decisions? Did they try different management and decision-making styles? What are the pros/cons of different management styles?
- How did the players' individual decisions compare to those of their teammates?
- What additional information would players have preferred to make better decisions?
- What could leaders do to minimize the risks associated with high-stakes decision-making?
- What models of decision-making and risk management applied to the simulation?
- How was conflict between teammates resolved?

Leadership Questions.
- How did the team lead itself? Was leadership shared? If so, how?
- Did players consistently follow the same leadership style? Why or why not?
- What did players learn about their leadership styles? Were they surprised by the analysis?
- Did players make decisions as they personally would have made them or as their character would have made them?
- Is there a way to prepare oneself for the sort of challenges faced in the simulation (or in "real life")?
- Which leadership styles work best? Why?
- Do certain leadership styles work better in some situations but not others? Provide examples.

Post-Simulation Questions.
- Did players find the simulation to be realistic? What differences are there between the simulation and "real life"?
- What were the most important things players learned from the simulation?
- If players could play the simulation again, would they change their decisions? Why or why not?
- Did players enjoy and/or learn more using this simulation than more traditional methods of instruction?

SAMPLE ANALYSIS #1

What are the typical costs in an airline's operating, marketing, finance, and human resources budgets?

Operating Budget.
- Wages and benefits for pilots, flight attendants, mechanics, ramp workers, and ticket agents
- Fuel
- Airplane maintenance
- Employee training
- Airport fees
- Government taxes and fees
- Food and beverages for passengers
- Computer booking systems
- Travel agent and online booking agent fees
- Office supplies and equipment

Marketing Budget.
- Wages and benefits for marketing, sales, and customer service employees
- Consultant fees
- Design and production of promotional materials
- Advertising (e.g., print and TV)
- Data collection (e.g., market research and customer satisfaction surveys)

Finance Budget.
- Wages and benefits for financial analysts and accountants
- Investments and financing
- Investor relations
- Facility and real estate property management

Human Resources Budget.
- Wages and benefits for HR employees
- Employee records systems (HRIS)
- Applicant tracking systems
- Recruiting costs
- Employee wellness and assistance programs
- Employee performance review programs
- Employee and leadership development programs
- Attorney and consultant fees

Discuss the different types of group decision-making that players might have used in the simulation, from least collaborative to most collaborative.

Unilateral. A decision made by one person, often the nominal leader, without consultation with other group members.
- Pro: This approach may be appropriate for a minor decision or a decision that is extremely time sensitive.
- Con: If this approach is used exclusively, it may undermine the group's commitment to the chosen course of action.

Handclasp. A decision made by two members without broader discussion or group consideration.
- Pro: This may be appropriate if a decision is time sensitive, access to the entire group is limited, or the two decision-makers have subject matter expertise.
- Con: Commitment to the decision will be highest for the two who made it but generally lower for the others.

Clique. A decision that is similar to the Handclasp but involves more people. It is likely to occur when a close, powerful sub-group makes decisions on behalf of the entire group. Repeated use of this decision-making style can cause low commitment and group splintering.

Majority Rule by Secret Ballot. A decision made by private tallying of votes.
- Pro: This can be useful in larger groups when open discussion may take too much time or cause too much tension. Some members may choose to lobby others, while some members may choose to keep their decision private.
- Con: Secret ballots tend to promote and sustain divisiveness and political behavior in groups. A large minority of group members may feel disenfranchised if they consistently lose to the majority vote.

Majority Rule by Show of Hands. A decision made by voting openly.
- Pro: Public votes promote open discussion.
- Con: Those in the minority may be afraid of speaking out against the majority. Members who are consistently in the minority may not be fully committed to decisions.

Consensus. A decision made by a "Majority Rule By Show of Hands" after open discussion leads to modifications to a proposal in order to increase its attractiveness to all members.
- Pro: This highly inclusive approach demonstrates that all members' opinions are valuable. The outcome of the vote does not usually come as a surprise. Ideally, each member feels the decision is fair and workable.

- Con: This approach takes considerable time and effort, and it is never possible to completely satisfy every member.

ADDITIONAL READINGS

Avolio, B.J. & Wernsing, T.S. (2008). Practicing Authentic Leadership. In J. Lopez (Ed.) *Positive Psychology: Exploring the Best in People*, 147-165. CT: Greenwood Publishing Company.

Avolio, B.J. (2011). *Full Range Leadership Development*. CA: Sage.

Avolio, B.J., & Luthans, F. (2006) *The High Impact Leader*. NY: McGraw-Hill.