

The use of the MODELER is simple. To model thoughts and arguments however needs some training.

Here you will find an example for a qualitative model (weighting of impacts with just 'weak', 'middle' and strong) of a management conversation. This model already allows to gain some crucial insights.

## We need more profit!

Jones: *Our figures are a mere catastrophe. We need more revenue.*

Miller: *No doubt. Let's lower the price to get more customers.*

Smith: *But with a lower price we will gain lower profit. And it is profit we need to increase!*

Miller: *Yes, you are right, But I am talking of a minor price decrease. That would also mean a new lever for our marketing guys.*

Jones: *Keep in mind that marketing in our business isn't that much of a lever at all leading only to few new customers.*

Smith: *I think we lack innovations. Our marketing could use this more than a decrease of the price. And more customers would buy our products without marketing.*

Miller: *You mean as many new customers without further marketing as through lowering the price?*

Smith: *No, but close to it.*

Jones: *Please don't forget that innovations always lead to problems with quality.*

Miller: *Yes, but we have only few customers due to quality, haven't we? And also for the marketing it is of minor impact.*

Smith: *Sure, but a satisfied customer is the best customer, leading via word of mouth to more and more customers. On the other hand with bad quality we face a word of mouth to an ever decreasing number of customers. With more quality we may even increase the price slightly.*

Miller: *But today we have definitely fewer customers due to quality than to our low pricing. I guess even innovations show more effect than quality.*

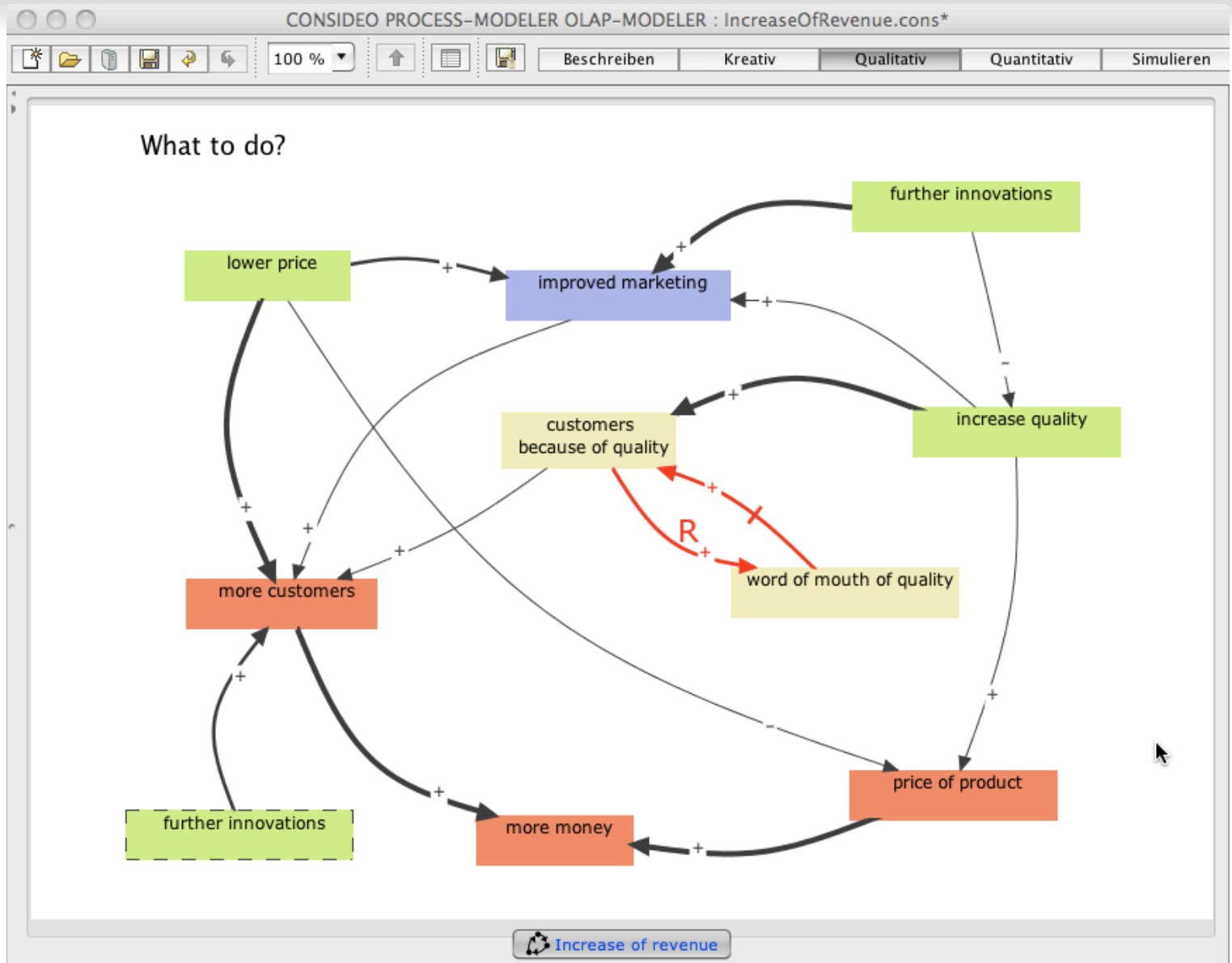
Jones: *O.k., what to do?*

## The model to this conversation

It's an interplay of more than 4 factors and therefore beyond the limit of what according to studies our brain can cope with. In those situations we blindly trust best practice from elsewhere at another time or with high risks our gut feeling.

But it is so simple to visualize the situation, widen our guts feeling and gain new insights. How a model to this situation could look like is shown on the next page. But try to build this model yourself before you look at the solution. Of course there's more than one way to model it. And I bet you want to add some more arguments to the discussion.

Comparable examples you will get with the template 'Practice qualitative modeling' from our MODELER-SHOP.



The impacts (weak, middle and strong) differ with the thickness of the arrows (double click onto the arrows)

The reinforcing loop (R-loop) is shown via menu view ... loops.

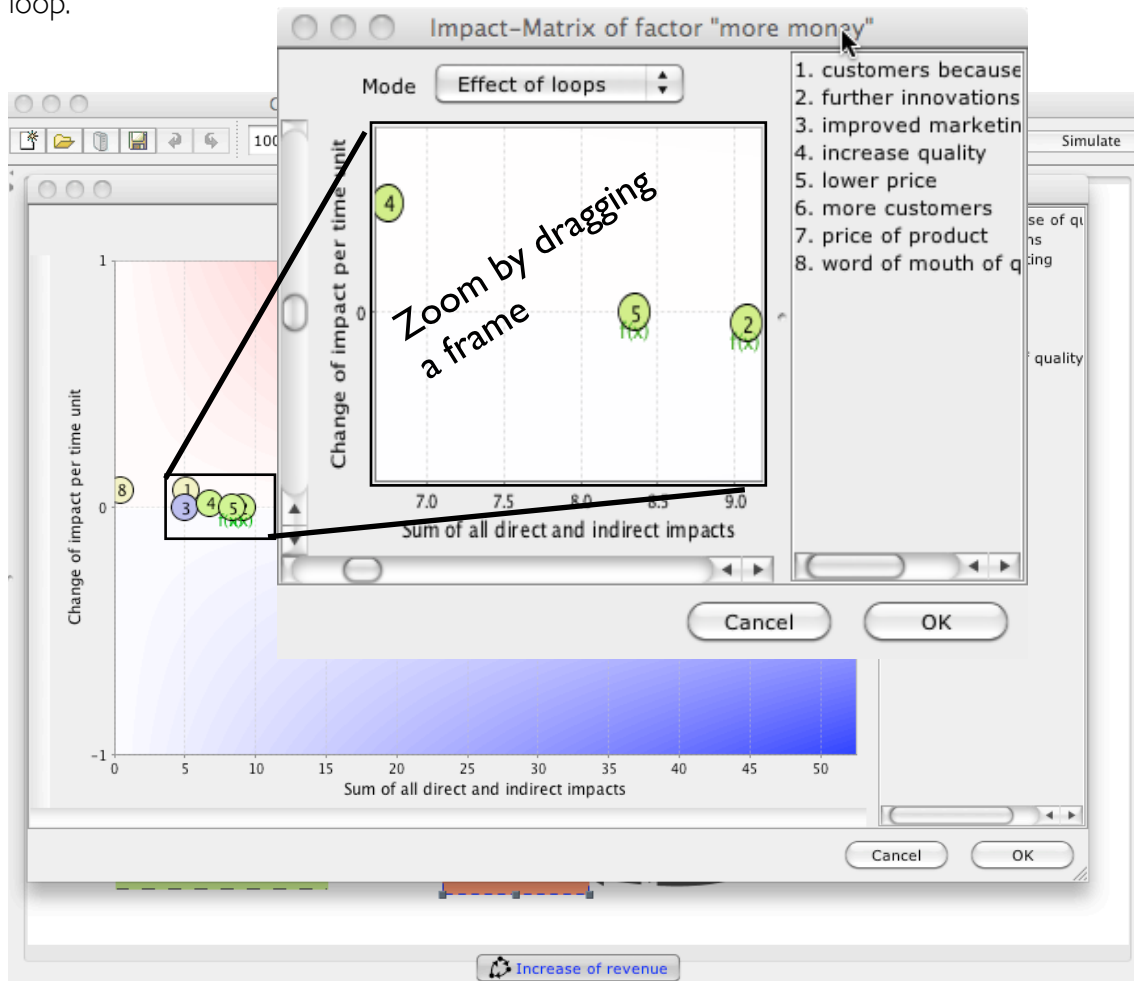
There's a delay between 'word of mouth of quality' and 'customers because of quality'.

The factor 'further innovations' also appears as an internal copy of the factor indicated by the dotted frame.

The use of colors eases the comparison of factors (measures, risks, results etc.) within the impact matrix - as shown on the next page.

After a quick visualization and the rough weighting of the impacts you can already analyze your model just by looking at the impact matrix (context menu of any factor). On the x-axis it shows the immediate impact factors have, and on the y-axis it is the change of this impact with each time step.

Obviously 'further innovations' have the highest impact on 'more money'. But with the reinforcing feedback loop of the bad reputation quality problems after further innovations can cause this impact decreases over time. Lowering the price has more impact than the increase of quality, but over time quality gains momentum due to the reinforcing feedback loop.



The impact matrix concludes the sum of our assumptions and allows us to compare the impact of the factors. To decide when quality overtakes the effect of the decrease of the price has to be judged by the persons behind the model - or in should in addition be modeled quantitatively to show the probable moment.

To the model itself should be added arguments e.g. on the reaction of the competitors to the price reduction or the motivation from innovation to the employees and the following impact on quality.