

PATRICIA COULTER'S DILEMMA (A)

Samantha Winkler wrote this case under the supervision of Professor John Haywood-Farmer solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors might have disguised certain names and other identifying information to protect confidentiality.

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Patricia Coulter was a student in her final year of the honours business administration (HBA) program¹ at the Richard Ivey School of Business (Ivey) at The University of Western Ontario (Western). On Monday October 17, 2011, as 2 p.m. Pacific Daylight Time approached, Coulter knew she had to deal with the nagging worry she had been feeling all day and make a career decision. She was in the San Jose, California, office of Spiering Moreau, nearing the end of a day of final-round interviews. However, she also had an offer from the Montreal office of Cottrell Larsh Slater (CLS), a global restructuring firm, and that offer was due to expire in just a few minutes at 5 p.m. Eastern Daylight Time. Coulter felt torn about how she should respond to CLS.

BACKGROUND

Coulter spent her first two years of her undergraduate studies in Western's health sciences program.² Although she was deeply passionate about health sciences, she could not see herself working as a health-care provider. After her second year at Western, Coulter decided to apply to Ivey in pursuit of a career that would be more suited to her strong interpersonal skills, her talent for solving challenging business problems, and her desire to hold leadership positions.

During her first year at Ivey, Coulter found herself most interested in her finance and strategy classes, because she had strong mathematical skills as well as strong problem-solving and creative-thinking abilities. She ended the year on the Dean's Honour List, indicating that, academically, she was in the top 25 per cent of the class. The set of electives she chose for her final undergraduate year included global strategy, financial strategies for global success, entrepreneurial finance, and corporate financial reporting. With these interests in mind, Coulter spent the summer of 2011 working at Weaver Jackson, a Montreal-

¹ Ivey's highly-regarded HBA program is a two-year, case-based, general management, honours undergraduate business program that begins after a student has completed at least two years in any undergraduate program. Although most Ivey students spend their first two years at Western, the school also accepts transfer students from other universities. Competitive applicants to the HBA program typically have averages at least in the high 70s during their first two years of university study. One accounting course is the program's sole academic prerequisite.

² Western's health sciences faculty included programs in kinesiology, nursing, occupational therapy, physical therapy, health rehabilitation, communication science and disorders, and health studies. Other health-care programs, such as medicine, dentistry, biophysics, and biochemistry were offered in other faculties.

based hedge fund company. Although she enjoyed her summer position, she walked away from the experience not entirely satisfied because she believed that she would be unable to hone her decision-making creativity in this industry. In addition, she found it disturbing that much of the performance of an individual's portfolio in hedge-fund management seemed to be largely subject to chance, dictated by market factors.

As September of Coulter's final year at Ivey approached, so did the season for recruitment for post-graduation employment. During this time, many large firms from a variety of industries, including consulting, finance, accounting and marketing, posted jobs specifically for Ivey students through the Ivey Career Management Centre. Coulter decided she would seek jobs with both finance and consulting firms, a decision that was driven by the breadth of her interests and the current economic conditions. Although, by September 2011, Canada had been recovering well from the global economic financial crisis, Coulter believed the economy was not yet out of trouble. Given the tight job market as a result of the recession, she believed she would have a greater chance of success in the recruitment process if she applied to jobs in both industries. In addition to work related to finance and/or strategy consulting, Coulter was interested in working in a stimulating environment that offered her the opportunity to connect with many other young professionals. Salary was relatively unimportant to her.

Given her strong grades and summertime hedge-fund experience, Coulter was able to secure interviews with many top consulting firms and financial institutions. Coulter received five second-round interviews, and by mid-October, she had narrowed her choice down to two very appealing opportunities: one from a U.S. economic and financial consulting firm called Spiering Moreau and one from CLS.

COTTRELL LARSH SLATER

CLS was a global restructuring firm headquartered in the United States. The firm's Montreal office focused on restructurings and corporate finance services. The Montreal office would be hiring one analyst.

Coulter made great connections with the analyst and associate who interviewed her during her first-round interview on Western's London, Ontario, campus. The interview was largely behavioural in nature, and Coulter was impressed by the firm's desire to hire well-rounded individuals and by its history of involvement in the Montreal community. She felt very natural during the interview and strongly believed that her outgoing and driven nature would be a perfect match for the firm. She was also very attracted to the type of work the firm did. Coulter believed that restructuring would be a great way to utilize her skills because it would allow her to leverage her financial abilities, which she had developed over the summer and through her schooling, with her desire to solve business problems. To Coulter, the idea of coming up with solutions for financially "unhealthy" clients excited her much more than the work she would be doing at a typical consulting firm, where most of the clients were in healthy business positions. She believed the nature of the work would challenge her in a unique way that a general consulting firm or financial institution could not.

Given this apparent match, Coulter was not surprised when, on October 6, she learned that she had been asked to visit CLS's Montreal office for a final-round interview. During her final interview, she met many senior managers and associates at the firm, and she learned much more about the firm. She came to understand that the main industries of the Montreal office were transportation and hospitality and that the firm comprised mainly older men with accounting backgrounds. These factors rather muted Coulter's initial excitement about the job. First, although she was interested in the type of work the office did, she

could not imagine being confined to the transportation and hospitality industries, because they did not interest her. Second, the general demographic of the firm worried her. Coulter was a very social person who enjoyed building relationships, and she had hoped that her first job could be a source of a social network. She could not see herself developing strong social ties with the people she met on the day of her final-round interview. Last, Coulter was completely uninterested in accounting. It worried her that if all the employees at the firm were chartered accountants, how would she enjoy the work, and, given her lack of a chartered accountancy designation, what would the impact be for her future progression at the firm?

Additionally, Coulter was unsure as to whether CLS fit with her long-term plans. She hoped to pursue a master's degree in business administration (MBA) one day, but the people she met at CLS made it very clear to her that they hoped to hire an analyst who would move up in the organization and not leave for another opportunity after being trained for two to three years. The firm was clearly looking for long-term commitment, repeatedly referencing an expectation of a minimum seven-year stay.

At the end of the interview, Coulter asked about the timing and culmination of CLS's recruitment process. She learned that she would not hear from the firm for another week, because it was also interviewing students from other schools. Further, she was asked to let the firm know whether it was her first choice. Overall, Coulter was convinced that CLS was extremely interested in her for the analyst position, and she was confident that she would receive an offer of employment. Although she was somewhat hesitant about how well suited this opportunity was to her employment plans, Coulter truthfully informed the company that "at the present time, CLS is my first choice for full-time employment." She believed that if she did not act on the firm's request to inform it about her preferences, she would have no chance at securing this position. Potentially, this job could be her only offer.

THE COTTRELL LARSH SLATER OFFER

A week later, Coulter received a call from a member of the CLS team to let her know the firm would be extending her an offer. She received the offer by e-mail very early in the morning on Friday, October 14, and was to respond with her decision by the end of the business day at 5 p.m. on Monday, October 17 (see **Appendix 1**). The offer proposed an annual salary somewhat below the Ivey average (see **Exhibit 1**), with an annual vacation of four weeks. It also offered the following benefits: comprehensive medical and dental insurance, short-term disability insurance, long-term disability insurance, maternity leave and parental leave. Although Coulter was surprised by the short window of the offer, she assumed it was an acceptable and appropriate term, given that the firm was working through Ivey Career Management, which worked very closely with potential employers. Coulter believed that requesting an extension of the offer would signal a lack of commitment to CLS.

Ivey Career Management was aware of the phenomenon of exploding offers, which it considered to be any offer requiring a response of two business days or less. The school requested that employers allow a period of at least five to 10 business days on any offer they made and asked students who received an exploding offer to inform Career Management so it could serve as the student's advocate in dealing with the employer.³

At that point in her job search, Coulter was recruiting with only one other firm, Spiering Moreau, with which she had completed two phone interviews. She was scheduled to visit the firm's San Jose office on Monday, October 17, for a final interview. Although Coulter knew relatively little about Spiering Moreau and had not previously considered the possibility of moving from her hometown of Montreal, she decided

³ An interview with an Ivey Career Management staff member, March 2012.

to hold off on signing with CLS before visiting Spiering Moreau in order to avoid the ethical problem of attending an interview after accepting a job with another firm.

SPIERING MOREAU

Spiering Moreau was an economic and financial consulting firm, with offices across the United States. Its services included working on antitrust and securities litigation.

Until she began her job search, Coulter had never heard of Spiering Moreau, but its emphasis on finance and economics had sparked her interest. Her first interview, which was conducted over the phone, was based on casework that had been performed by the interviewer. Coulter found the cases to be extremely interesting; she was surprised at how naturally she had been able to tackle the problems they presented. The interviewers with whom she spoke all seemed very nice and enjoyed working at Spiering Moreau, an organization they described as collegial, social and stimulating. Although all these factors impressed her, Coulter had not considered working outside Montreal, and it was hard to properly assess the firm and its people over the phone.

Coulter was invited for a second phone interview with Spiering Moreau. She happily accepted it, even though, at this point, this job was not at the top of her list. The second interview was similar to the first, and Coulter remained intrigued by the work but still believed that she could not get a good grasp on the firm's culture over the phone.

Coulter did not hear from Spiering Moreau for over a week after her phone interview, so she was surprised when she eventually received a call from the firm, inviting her to San Jose for a final-round interview. She accepted. Although she was not convinced that this was the right position or location for her, she wanted to leave all her options open. In her words: "I never thought I would be willing to move to California or would be drawn to the more specific nature of their work, but I figured I would give it a shot. Why not!"

Coulter was the only Ivey student to participate in Spiering Moreau's final-round interviews. The process consisted of five case-based consultations as well as some behavioural questions. She worked through a case about a pharmaceutical company, which played to her passion for the health-sciences industry, and a case revolving around securities litigation and company valuation, which hit her finance and mathematical areas of interest. Each case Coulter completed intrigued and challenged her, although her enthusiasm was muted by the nagging worry about what she should do about CLS.

Additionally, visiting Spiering Moreau gave her the opportunity to observe the culture first-hand. She learned that the office was made up of about 80 young professionals and that the company hired approximately eight new analysts per year. The senior members of the firm were experts in their respective areas within the firm, and most of them were also professors at top schools in the United States, including Stanford and Harvard. The company placed significant emphasis on firm culture, investing heavily in social events. Further, Spiering Moreau analysts had the opportunity to work on many non-billable-hour projects, which included aiding in the preparation of research reports, some of which were published in notable journals, and sitting on social committees. This position also suited Coulter's long-term goal of pursuing an MBA, because the firm was structured around — and conducted its recruiting around — an assumption that analysts would stay with company for no more than four years and would then pursue an MBA or other graduate degree. This focus on a short-term commitment suited Coulter well. She did not imagine herself working in the United States for a long period of time, and she

believed that the firm's up-or-out policy meant that there would be a good network of people from the firm at MBA schools.

During the interview, Spiering Moreau specifically asked Coulter whether she had any exploding offers outstanding. Coulter informed the firm that she did have an exploding offer than would expire later that day. In response, the interviewer assured her the firm would try to make its decision as soon as possible.

During the day, Coulter received two or three enquiries from CLS asking her when the firm might receive an answer to its offer. Coulter felt the pressure to respond or at least to tip her hand, but she managed to avoid doing so.

THE DEADLINE COMES

As her day of interviews at Spiering Moreau continued, the time crept closer toward 2 p.m., and Coulter knew she had to respond immediately to CLS's offer because it was approaching 5 p.m. in Montreal. She was apprehensive about making the decision because of her very different experiences at each company's offices for final-round interviews. She was not confident that Spiering Moreau would make her an offer, nor was she sure she was prepared to move to California. She excused herself for a moment, left the room and prepared to dial CLS's number, still not entirely certain what she would say.

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Exhibit 1

IVEY 2010-2011 SELECTED EMPLOYMENT STATISTICS

Base Salary by industry¹

<u>Industry</u>	<u>Portion of Offers</u>	<u>Mean</u>	<u>Median</u>	<u>High</u>	<u>Low</u>
Accounting	19%	\$44,235	\$45,000	\$50,000	\$38,500
Consulting	18	60,291	61,000	70,000	30,000
Consumer packaged goods	6	53,750	54,000	59,000	48,000
Energy and resources	4	59,686	59,200	64,000	56,000
Finance and asset management	4	59,125	60,000	70,000	50,000
Finance and corporate banking	23	70,971	70,000	95,000	50,000
Finance and insurance	2	40,000	40,000	50,000	30,000
Other finance	3	63,250	65,000	75,000	48,000
IT/telecommunications	7	56,020	54,000	75,000	50,000
Marketing/advertising/public relations	1	38,667	41,000	50,000	25,000
Other	5	59,400	56,999	75,400	42,000

¹ The list included four other industry groups for which insufficient data were available to cite meaningful statistics. Ivey quoted an average total compensation value of \$64,104. The weighted average of the base-salary means is \$58,188.

Source: www.ivey.uwo.ca/docs/placement-reports/IveyHBA-Permanent-Employment-Report.pdf, accessed February 2012.

Appendix 1

EXPLODING OFFERS

An “exploding” job offer is one that expires in a very short amount of time, typically, less than a week, and thus forces the applicant to respond without being able to consider fully all of the potential options. Firms typically use this kind of offer to capture candidates early in the recruitment process, to force their hand prematurely and effectively end their job searches early.

Four characteristics distinguish an exploding offer:¹

- The offer exists in situations of power asymmetry between the person making the offer and the person receiving the offer.
- The offer acts as a test of faith by placing time pressure on the person receiving the offer; the pressure suggests that it is unreasonable to try to negotiate the terms of the offer.
- The offer deliberately restricts choice.
- The offer lacks consideration and respect for the individual’s needs and priorities.

With relatively high unemployment rates in Canada and the United States, employers control job markets, because they have large pools of applicants to choose from for a limited number of positions. As a result, exploding offers have become more common in recruitment.² Their benefits to the firm include:

- They allow the firm to better manage its recruitment costs.²
- They reduce the risk that a firm’s top candidate would have time to seek other employment opportunities after the exploding offer has been made.
- They reduce the risk that the candidate would receive other offers from competing firms.
- Candidates might agree to accept an offer earlier than they would have under other circumstances.

In addition to the reasons mentioned above, firms might use exploding offers when they perceive themselves as being less desirable than their competitors in terms of salary and/or conditions. Having a tight deadline restricts the candidate from searching for a better offer and potentially seeing that others might be willing to offer more attractive packages.

The problem for applicants who receive exploding offers is that if they reject the offer, they must hope that they will continue to be perceived as quality candidates later in the recruitment process and that, if they are to secure employment, the other high-quality firms have not filled all their positions.³

Although it might seem that exploding offers serve to benefit the firm, one study showed that many applicants who receive short deadlines from a company believe that, in doing so, the company has treated them poorly, leading to negative evaluations of the company. The result might be a lower likelihood that candidates would accept the offer and an increased likelihood that they would criticize the company to other applicants.⁴

Many educational institutions recognize that exploding offers have harsh consequences for students going through recruitment processes. It was not uncommon for students who partake in formal recruitment processes through their educational institutions to be forced to respond to offers prior to completing interviews with other firms. As a result, some institutions have taken action to try to eliminate the use of

Appendix 1 (continued)

exploding offers. The information below shows the views of a small set of academic institutions on this topic.⁵

Yale Undergraduate: “UCS does not condone the use of exploding offers. An ‘exploding offer’ is one that requires a decision in conflict with the timing mentioned above or offers incentives to induce students to accept offers early, such as diminishing bonuses and location preferences, for the purposes of inducing early acceptances, including language that asks a candidate if they will accept an offer on the same day it is extended.” (ucs.yalecollege.yale.edu/content/acceptance-job-offer-policy, accessed February 2012)

Harvard Business School: “The offer must remain open in its entirety until January 13, 2012, or two weeks from the date the student receives the **written** offer, whichever date is later. Full-time offers to previous employees and/or summer interns must be held open until at least November 15, 2011.” (www.hbs.edu/recruiting/mba/policies-and-guidelines/, accessed February 2012)

University of Pennsylvania: “Still other employers may go so far as to extend an ‘exploding offer’ (i.e., if you don’t accept a job by the stated deadline, the job offer is rescinded). Although Career Services requests employers to avoid the use of undue pressure through exploding offers, we cannot require employers to adhere to this request.” (www.vpul.upenn.edu/careerservices/undergrad/offerdecision.html, accessed February 2012)

Cornell: “Employers should allow students enough time to make a thoughtful decision. We ask that you do not urge students to make early decisions. Students should be given a minimum of six weeks (or until December 2, whichever is later) to respond to an offer of full-time employment, and three weeks (or until February 17, whichever is later) to respond to an internship offer. The CMC does not condone the use of exploding offers.” (www.johnson.cornell.edu/For-Recruiters/Policies/Revoke-and-Offer-Policies.aspx, accessed February 2012)

Richard Ivey School of Business: The Ivey Career Management website was silent on job offer policies for potential recruiters.

Queen’s School of Business: No publically available information on job offer policies for potential recruiters.

¹ R.J. Robinson, “Defusing the Exploding Offer: The Farpoint Gambit,” *Negotiation Journal*, **11** (3), 277-285, July 1995. Available online at: onlinelibrary.wiley.com/doi/10.1111/j.1571-9979.1995.tb00069.x/pdf, accessed February 2012.

² Anonymous, “When deadlines don’t work: The perils of exploding job offers.” INSEAD Articles. 2011.

³ M. Niederle and A.E. Roth. 2009. “Market culture: How rules governing exploding offers affect market performance,” *American Economic Journal: Microeconomics* 1.2, 199-219, August 2009.

⁴ W.R. Boswell, M.V. Roehling, M.A. LePine and L.M. Moynihan. “Individual Job-Choice Decisions and the Impact of Job Attributes and Recruitment Practices: A Longitudinal Field Study,” *Human Resource Management*, **42** (1), 31-32, Spring 2003. Available online at: onlinelibrary.wiley.com/doi/10.1002/hrm.10062/pdf, accessed February 2012.

⁵ Although the short time frame of exploding offers might be controversial in business schools, it is common in the process in Ontario by which law students recruit for articling positions. However, that process is designed to allow students to obtain enough information to make reasonably informed decisions.