

## Accepted Manuscript

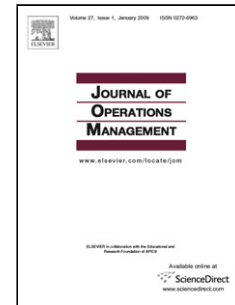
Title: Perceived Versus Actual Value of Product Substitution Flexibility: An Experimental Investigation

Author: Saurabh Bansal Brent Moritz

PII: S0272-6963(15)30006-1  
DOI: <http://dx.doi.org/doi:10.1016/j.jom.2015.08.001>  
Reference: OPEMAN 923

To appear in: *OPEMAN*

Received date: 21-4-2014  
Revised date: 22-7-2015  
Accepted date: 8-8-2015



Please cite this article as: Bansal, Saurabh, Moritz, Brent, Perceived Versus Actual Value of Product Substitution Flexibility: An Experimental Investigation. *Journal of Operations Management* <http://dx.doi.org/10.1016/j.jom.2015.08.001>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

# **Perceived Versus Actual Value of Product Substitution Flexibility: An Experimental Investigation**

**Saurabh Bansal<sup>1</sup>**

Department of Supply Chain and Information Systems

405 Business Building,

Smeal College of Business,

The Pennsylvania State University, University Park, PA, 16802

Email: sub32@psu.edu, Ph: 814 863 3797

**Brent Moritz**

Department of Supply Chain and Information Systems

469 Business Building,

Smeal College of Business,

The Pennsylvania State University, University Park, PA, 16802

Email: bmoritz@psu.edu, Ph: 814 863 7243

<sup>1</sup> Corresponding author.

## **Abstract**

Prior literature suggests that in the presence of operational uncertainties such as uncertain demand, firms should deploy operational flexibilities. However, these flexibilities are costly to develop and a correct valuation of these capabilities is necessary to ensure that they are only deployed when the expected benefits exceed the cost. Using a set of behavioral decision-making experiments for inventory of substitutable products, we investigate how decision-makers perform when estimating the value of operational flexibility of product substitution. We found that subjects consistently overestimated the monetary value of product substitution. Furthermore, the overestimation became more acute as demand correlation increased. This behavior is not explained by risk aversion or random errors. Instead, it appears

---

Download English Version:

<https://daneshyari.com/en/article/7436430>

Download Persian Version:

<https://daneshyari.com/article/7436430>

[Daneshyari.com](https://daneshyari.com)