PEPPERDINE UNIVERSITY
THE GEORGE L. GRAZIADIO
SCHOOL OF BUSINESS AND MANAGEMENT

MIKE DAVIS, Ph.D.

MBFE 660A.40
(1 unit)

INTEGRATION MODULE IN BUSINESS OPERATION

FALL 2003

SATURDAY, JULY 26, 2003
FRIDAY, OCTOBER 3, 2003
SATURDAY, OCTOBER 4, 2003

ORANGE COUNTY CENTER

SYLLABUS
Course Description

MBFE 660 covers integrated issues in business operation at the end of each module of coursework. Module A covers behavior in organizations; financial and managerial information systems; political, regulatory, ethical, and legal issues of business; and quantitative and strategic analysis. The focus of this module is on the internal operating decisions. The faculty stewards in charge of simulation form four-to-six students into teams. Each team is in control of the internal operating decisions for a business firm operating in a simulated economy. Firms compete against each other in the same industry. Faculty stewards introduce situations to be addressed by individuals and by teams. There is one steward representing each discipline in the module. The stewards’ interventions reflect situations that may arise during the conduct of business. Resolution of these interventions often requires multi-disciplinary considerations.

Course Objectives

The integration module is designed to have students run a business successfully. Students will act as middle-to-upper management team in operating a business faced with interdisciplinary issues and non-deterministic consequences. Students take over a firm that has been profitably operated by a prior management group. The new management team must organize: communicate sufficiently to delineate duties, authority and responsibility. They must prepare for decision making: read the manual carefully and thoroughly; read and understand the historic financial and non-financial data; prepare decision support systems (i.e., graphs, tables, or models) that assist understanding the value chain of the business; plan output production and material purchases; draft a cash budget; evaluate the effectiveness of marketing areas and sales representatives. The new team should also assess the domestic economy, industry, and competitors.

A business analysis paper shall be drafted by the team, maximum length of 15 pages, exclusive of appendicies (double spacing, 1 inch margins). The paper shall:

1) Describe your goals for the Integration Module
2) Describe your organization
3) Respond in your business analysis paper to the competencies set forth on the Integration Module Web Page (copies attached). In responding to each of the competencies, the minimum length is two pages and the maximum length is three pages.

The paper must be delivered by email to me two weeks before the class meets (no later than **Sunday, September 21, 2003, 12 midnight**); the paper will then be forwarded to the subject matter professors to review and critique of their specific areas and returned to you prior to the start of the simulation.

The Integration Module weekend also requires students to *execute and control* business activities on an integrated, continuous basis. The focus in this course, module A, is on internal operating decisions: the legal and ethical choices for product development, production, marketing, and financing that result in liquidity and profitability. Faculty stewards constitute each firm’s board of directors. Strategic decisions will need to be approved by the board prior to implementation, whereas, operating decisions are left to management without board approval. Strategic decisions include (1) issuance of long-term bonds, (2) issuance or repurchase of stock, (3) declaration of cash dividends, (4) build an expansion of a new plant or additional lines, changing the product quality (the features explained in the manual will not be available in MBFE 660A). All internal operating decisions are left to the management team: product development, production volume, laying off, deactivating or reactivating lines, using second shifts, pricing, market staffing, advertising, borrowing under prevailing agreements, etc.

Faculty will introduce situations that may arise in a normal operating environment, and evaluate how well both individuals and teams address the situation(s). The situations will arise from the four primary topics introduced in each class of module A: behavior in organizations; financial and managerial information systems; political, regulatory, ethical, and legal issues in business; and quantitative and strategic analysis. Faculty may assess individual and team responses by direct observation (visual or audio) or by communication (e-mail, memo, report). The propriety of a response is evaluated contextually: (1) was the situation (and its implications) *understood*? (2) were appropriate *reasons* (practical as well as theoretical) used to filter potential courses of action? and (3) was the decision/action *consistent* with the reasoning and circumstance?

In all, we seek to develop the student’s ability to recognize, reason, and behave in a manner that enhances the value of a business and themselves, as individuals and as members of teams.

**Text and Course Materials**

Grading

Grades are given on a Pass/Fail basis.

There are five components to a passing grade:

a) Attendance and participation in the Preparation Session and the full weekend module.
b) Adequate preparation by reading the manual and sharing in the pre-work paper
c) Adequate responses during the simulation as demonstrated by responding appropriately to a majority of situations presented, coupled with successful firm performance
d) Meeting the student expectations and responsibilities for each of the four courses to be integrated.
e) Satisfactory Peer Evaluations

An individual may **FAIL** by unsatisfactory performance in **any** of the five components listed above.

Schedule

- **Saturday, July 26** 9:00 a.m. – 11:00 a.m. Preparation Meeting (mandatory)
- **Friday, October 3** 6:00 p.m. – 10:00 p.m. Course Work
- **Saturday, October 4** 8:00 a.m. – 5:00 p.m. Course Work

University Policies: Conduct and Policy on Disabilities

Conduct

“The University expects from all of its students and employees the highest standard of moral and ethical behavior in harmony with its Christian philosophy and purposes. Engaging in or promoting conduct or lifestyles inconsistent with traditional Christian values is not acceptable.

The following regulations apply to any person, graduate or undergraduate, who is enrolled as a Pepperdine University student. These rules are not to be interpreted as all-inclusive as to situations in which discipline will be invoked. They are illustrative, and the University reserves the right to take disciplinary action in appropriate circumstances not set out in this catalog. It is understood that each student who enrolls at Pepperdine University will assume the responsibilities involved by adhering to the regulations of the University. Students are expected to respect order, morality, personal honor, and the rights and property of others at all times. Examples of improper conduct for which students are subject to discipline are as follows:

- Dishonesty in any form, including plagiarism, illegal copying of software, and knowingly furnishing false information to the University.
- Forgery, alteration, or misuse of University documents, records, or identification.
• Failure to comply with written or verbal directives of duly authorized University officials who are acting in the performance of assigned duties.
• Interference with the academic or administrative process of the University or any of the approved activities.
• Otherwise unprotected behavior that disrupts the classroom environment.
• Theft or damage to property.
• Violation of civil or criminal codes of local, state, or federal governments.
• Unauthorized use of or entry into University facilities.
• Violation of any stated policies or regulations governing student relationships to the University.

Disciplinary action may involve, but is not limited to, one or a combination of the alternatives listed below:

**Dismissal** – separation of the student from the University on a permanent basis.

**Suspension** – separation of the student from the University for a specified length of time.

**Probation** – status of the student indicating that the relationship with the University is tenuous and that the student’s records will be reviewed periodically to determine suitability to remain enrolled. Specific limitations to and restrictions of the student’s privileges may accompany probation.” GSBM Catalog, pgs. 207-208.

**Policy on Disabilities**

Assistance for Students with Disabilities

“Students with disabilities, whether mental or physical, are encouraged to contact the Equal Opportunity Office before the academic year begins or soon after classes are in session. This office will assist each student by providing general information about campus facilities and available resources. The office will assist in providing reasonable accommodation to students with disabilities pursuant to applicable laws. Inquiries should be directed to equal opportunity officer, Dr. Calvin H. Bowers, (310) 456-4208. (Students who wish to file a formal grievance should refer to the “Nondiscrimination Policy,” which is listed in the “Legal Notices” section of this catalog.)” GSBM Catalog, pg. 31.
Competencies/Expectations

MBFE 651
Behavior in Organizations

During the Integration Module, students are responsible for demonstrating by observable behavior and/or by written analysis subsequent to the event, the following:

1. An understanding and awareness of effective group behavior both (a) What behaviors lead to increasing the effectiveness of your group? (b) What do you do to increase or decrease your group’s effectiveness?

2. An ability to apply motivational theory to yourself, your team members and the employees of your company.

3. Understand the culture of your team, how it evolves and what it’s particular attributes are that seem positive and negative.

4. Be able to determine leadership behaviors exhibited during the simulation and whether they were effective and why.

5. Effective communication skills, including active listening.

MBFE 652
Financial and Managerial Information Systems

MBFE 660a, the integration module, requires students to demonstrate competence in four subject areas while operating a business in a simulated economy. This note sets forth student responsibilities in the subject area of Financial and Managerial Information Systems. In MBFE 660a, these responsibilities focus on internal operations.

1. Management is responsible for controlling the firm’s external boundary with creditors and investors.
   a) Management must establish control systems to monitor, evaluate, and correct the firm’s creditworthiness both for short-term and long-term obligations.
   b) Management must establish control systems to maintain investor relations and enhance shareholder value.

2. Management is responsible for diagnostic control systems that promote the effective and efficient use of resources.
   a) Management is responsible for planning and coordinating business activity, e.g., a budget for operating activity.
   b) Management is responsible for controlling cash, i.e., a cash budget indicating amounts to be invested, or borrowed.
   c) Management must establish a system of procedures and reports that detects the misuse, or loss, of resources.
d) Management must establish a system of reports that monitor the accumulation and use of assets (e.g., turnover) and evaluates asset usage in comparison to standards (e.g., price and cost variances).

e) Management must establish a process by which it evaluates the chain of value creating activities, and maintenance of quality service to the customer.

3. Management is responsible for interactive control systems that monitor changes in the economy, the industry, and competition in a search for opportunities. The informational output should lead to learning, revised parameters in diagnostic controls, and opportunistic behavior.

**MBFE 653**

**Political, Regulatory, Ethical, and Legal Issues of Business**

The subject area of MBFE 653 requires that students have working understanding of the legal, regulatory, ethical and political influences impacting the business operation. In MBFE 660, the focus and expectations will primarily be upon internal operations while at the same time recognizing the irrefutable linkage of outside controls upon said operations. Any or all of the following issues/responsibilities may be addressed:

1. Internal control systems to monitor, evaluate and implement procedures directed to environmental issues. Such systems will include:

   a) Business ethics  
   b) Statutory controls  
   c) Regulatory controls  
   d) Case law direction  
   e) Forecasting

2. Forms of business operation  
   (Section 1. a – e incorporated by reference)

3. Protecting against criminal liability  
   (Section 1. a – e incorporated by reference)

4. Contractual opportunity/responsibility  
   (Section 1. a – e incorporated by reference)

5. Product development, opportunity and  
   (Section 1. a – e incorporated by reference)

6. Intellectual property, protection and liability, including but not limited to:
   a) Copyright  
   b) Patent  
   c) Trademark  
   (Section 1. a – e incorporated by reference)
Teams will be responsible for interactive processes/procedures that monitor changes in the legal, political and regulatory environment as they interface with opportunity as linked to the economy, technology and competition.

MBFE 656
Quantitative and Strategic Decision Analyses for the Firm

This note sets forth the students’ responsibilities and instructors’ expectations related to the operations management of the simulated businesses. Student management teams are to create the following managerial decision tools PRIOR TO BEGINNING THE SIMULATION:

1. **Forecasting model**
   - Create a rolling three-year forecast (based on two prior years) of quarterly sales. The forecast should include trend, business cycle (Real GDP), and seasonal components. The model must be interactive such that each quarters’ actual sales may be tracked and appear on the forecast graphs for comparison purposes.

2. **Operations flow**
   - Create a flow chart describing the company supply chain from the introduction of a new model through customer purchase. Specifically focus on inventory management including:
     - timing issues (i.e.- one quarter production prior to availability of new product to customer)
     - flow of inventory through system – illustrate affect of priorities associated with sales order distribution to various regions.
     - sales order priorities (i.e.- showing flow based on how sales orders will be filled

3. **Production plan**
   - Create a rolling one-year (quarterly) MRP plan initially based on forecast in item #1. Minimally, track beginning inventory, production, sales orders, sales (demand), and ending inventory for each region in which the company operates.
   - As simulation progresses, revise forecast to actual and maintain MRP model for duration of simulation

4. **Unit Cost model**
   - The unit production cost is tracked for you on Report D “Production Cost Analysis” and reported by team on report F2 “Quarterly Industry Report.” Using a similar format to Report D, setup an Excel model that tracks the elements for the unit production cost, the unit selling expenses, and the unit administration expense each quarter for the duration of the simulation.
   - Indicate the price charged and the profit margin (%) achieved.

5. **Important graphs (Each lettered item below = one graph)**
   - Operations flow charts (static, they don’t get updated each quarter)
   - Forecast/Actual sales/Capacity versus quarter
   - GDP/CPI/Real GDP/stock market (primary axis) & unit sales (secondary axis) versus quarter
- Percent cash flow (use a 100% stacked area chart in Excel) from operations, finance, and investment receipts (based on Report B) per quarter.

The above items will be graded based on their functionality, degree they address the requirement, capability to be quarterly updated, and ease of demonstration to the Board of Directors (faculty). Of particular interest will be the ability of the company management (students) to identify when these models signal issues. While you may refer or use portions of the spreadsheets provided with the simulation software, they do not specifically address the issues requested above.