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

PROF. STEPHEN J. BAUMGARTNER

MBFE 660A.55
(1 unit)

INTEGRATION MODULE IN BUSINESS OPERATIONS:
CORE OPERATIONS

FALL 2003

SATURDAY, JULY 19, 2003
FRIDAY, OCTOBER 10, 2003
SATURDAY, OCTOBER 11, 2003

LONG BEACH CENTER

SYLLABUS
INTEGRATION MODULE IN BUSINESS OPERATIONS:  
CORE OPERATIONS  
MBFE 660A.55 - FALL 2003  

Saturday, July 19, 2003, 9:00 a.m. – 11:00 a.m.  
Friday, October 10, 2003, 6:00 p.m.-10:00 p.m.  
Saturday, October 11, 2003, 8 a.m. – 5:00 p.m.  
Location: Long Beach Center (LBC)  

Professor’s Name: Stephen J. Baumgartner  
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Cell Phone: (310) 968-2983  
E-mail: stephen.baumgartner@pepperdine.edu with a copy to:  
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Home Page for Course: http://luna.pepperdine.edu/~jgreen/class/index.html  

1. 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 (i.e. the courses in module one). 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.  

2. 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. Team formation is accomplished using a random assignment of students by the faculty.
A business analysis paper shall be submitted by each team, with a maximum length of 15 pages of narrative (space and a half) plus exhibits. 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 is three pages.

The paper must be sent to me by email as one file (in Word or Adobe format) ready for printing, two weeks before the class meets (no later than September 26, 2003); the paper will then be forwarded to the subject matter professors to review and critique their specific areas.

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.

3. Text and Course Materials:
4. 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.

5. Class Schedule:

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Event</th>
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</thead>
<tbody>
<tr>
<td>Saturday, July 19</td>
<td>9:00 a.m. – 11:00 a.m.</td>
<td>Preparation Meeting (mandatory)</td>
</tr>
<tr>
<td>Friday, October 10</td>
<td>6:00 p.m. – 10:00 p.m.</td>
<td>Course Work</td>
</tr>
<tr>
<td>Saturday, October 11</td>
<td>8:00 a.m. – 5:00 p.m.</td>
<td>Course Work</td>
</tr>
</tbody>
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6. University Policies: Conduct and Policy on Disabilities:

   a. 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.

**b. 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 (310) 506-4208. (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.
7. Competencies and Expectations:

a. 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.

b. MBFE 652 - Accounting Information and Control Systems:

MBFE 660A, the simulation, 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 Accounting Information and Control Systems. Students should focus on the profitable operation of a business.

1. Management must control the firm’s interface 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. Credit standards (e.g., a minimum numeric value for the current ratio, et al.) shall be stated in the business plan along with a description of management reports that will be used to monitor the firm’s credit line and bond issuance ability.
   b) Management must establish control systems to maintain investor relations and enhance shareholder value. Management should set return (e.g., return on equity, profit margin and asset turnover) and risk (e.g., debt-equity or debt-asset) standards in the business plan, and describe the reports which managers will provide to investors and monitor its firm’s investment attractiveness.

2. Management’s business plan should state targets for the efficient use of resources:
   a) **Cash.** A cash budget, in the form of an Excel spreadsheet, shall be devised to project the firm’s cash surplus (or deficit) for the near term, i.e., one quarter
forward; a projection for an extended term, one year, is desired but not required. A quarterly (or annual) cash budget should utilize a sales projection model developed from methods learned in MBFE 656.

b) **Working Capital.** Management should establish minimum and maximum dollar amounts for cash, receivables, and finished goods inventory.

c) **Production Costs.** Management should establish standards for the expected costs of materials, labor, maintenance, and layoffs per unit, and percent of product price.

d) **Operating Costs.** Set desired levels of expenditure for administration, advertising, sales expense, research and development, training, and market research each quarter as a percent of sales revenue or portion of unit sales price.

e) **Capital Investment.** State a minimum return on assets to be achieved for additional investment in plant facilities beyond the production lines already available.

f) **Product Pricing.** The business plan should state the firm’s product pricing policy, and describe how pricing shall be monitored and adjusted.

g) **Target Sales.** Management should state the level of sales units and the rate of sales growth that will balance investor/creditor needs within the proposed strategy.

h) **Revenue & Cost Variances.** Management should establish a system of reports that monitor the accumulation of assets (e.g., turnover) and evaluates asset use in comparison to standards (e.g., price and cost variances).

3. Management is responsible for interactive control systems that monitor changes in the economy (GDP, CPI, SMI, CD rate and interest rates) and competition while searching for opportunities (e.g., product research reports). Informational output should lead to learning, revised cost standards, and opportunistic behavior to trim costs, increase returns or reduce risk.

c. **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.

d. 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 and copies of each spreadsheet must be attached as exhibits to the report you turn in:

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.