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

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MBFE 660B.40
(1 unit)

INTEGRATION MODULE IN BUSINESS OPERATION

FALL 2003

SATURDAY, JULY 26, 2003
FRIDAY, SEPTEMBER 19, 2003
SATURDAY, SEPTEMBER 20, 2003

ORANGE COUNTY CENTER

SYLLABUS
Course Description


The simulation’s faculty stewards form four-to-six students into teams. Each team is in control of decisions for a business firm operating in a simulated economy. Firms compete against each other. Faculty stewards will 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. A middle-to-upper management team shall face interdisciplinary issues with non-deterministic consequences. A prior management group has profitably operated the students’ firm. 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; draft decision support systems (i.e., graphs, tables, budgets and models) that assist understanding the value chain the business. The management team will be evaluated on its ability to plan output production and material purchases; evaluate the effectiveness of marketing areas and sales representatives. The new team should also assess the domestic economy, industry, and competitors; and execute suitable financing to achieve the goals established by management.

A business analysis paper shall be drafted by the team, maximum length of 15 pages (space and a half). 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. Be sure to evaluate the firm’s position from the data provided during orientation.

The paper shall be delivered by email to the instructor two weeks before the class meets (no later than September 5, 2003); the paper will then be forwarded to the subject matter professors to review and critique the preparation for each discipline.

The integration module weekend requires students to execute and control business activities on an integrated, continuous basis. The focus in this course, module B, is on adapting operations to the external environment. 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) building a new plant, and (5) changing the product quality or features after the Model 2 is introduced. There will be no foreign market for production or sales. 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 react. The situations will arise from the four primary topics introduced in each class of module B: Price Theory and Competitive Environment, Marketing Management, Information & Process Systems, and Financial Management of the Firm. 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? 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. At all times students are advised to act ethically.

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

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<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Description</th>
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<tbody>
<tr>
<td>Saturday, July 26, 2003</td>
<td>12:00 p.m – 2:00 p.m.</td>
<td>Preparation Meeting</td>
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<tr>
<td>Friday, September 19, 2003</td>
<td>6:00 p.m. – 10:00 p.m.</td>
<td>Course Work</td>
</tr>
<tr>
<td>Saturday, September 20, 2003</td>
<td>8:00 a.m. – 5:00 p.m.</td>
<td>Course Work</td>
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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.

**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.

**Competencies/Expectations**

**MBFE 654**

**Information and Process Systems**

In this course, students examined production processes and service delivery processes, their different information requirements, and the critical role of information systems in supporting them. They explored how businesses are applying information technologies to
improve the vital functions of information gathering, information processing, and information sharing. They also dealt with the application of IT to automate, streamline, reengineer, and integrate business processes to enable advances such as mass customization, quality management, supply chain management, and knowledge management.

In particular, the subject area of MBFE 654 requires that students:

- become familiar with the range of business processes that must be effectively managed for success.
- understand the many types of information systems supporting business processes, and the specific ways they can improve responsiveness and productivity.
- understand the potential pitfalls of information systems in both application and implementation.
- understand how information systems influence business functions such as accounting, finance, marketing, human resources, manufacturing, as well as organizational behavior and culture.

In MBFE 660, the focus and expectations will primarily be upon applying these skills to the processes and decisions represented in the simulation, as well as enhancing the business information acquired in the simulation. Any or all of the following issues/responsibilities may be addressed:

1. Students should be able to use the simulation’s information system to effectively support team decision-making.
2. Students should be able to make specific recommendations as to how the simulation’s information system could be improved. Suggestions could improve information content, information flow, information quality, information presentation, or any other aspect of the IS.
3. Students should be able to create Excel models to make forecasts or to perform what-if analyses on simulation variables.
4. Students should be able to present a feasible e-commerce proposal for their simulated business and discuss how it might impact specific simulation variables.
5. Students should be able to use the Internet to gather data that will assist them in dealing with interventions, as well as their regular operations.

**MBFE 655**  
**Financial Management of the Firm**

This note sets forth students’ responsibilities and instructors’ expectations related to the financial management of the simulated businesses. Student management teams are expected to have a foundational knowledge of, and the ability to apply, analytical skills to solving problems related to the following managerial decisions:
1. **Investment Decisions:**
   a) Management teams must be able to explain the fundamentals of value creation.
   b) Management teams must be able to accurately calculate their firm’s cost of capital and expected returns on investment decisions.
   c) Management teams are expected to be able to explain how their investment decisions enable them to execute predetermined corporate strategies.

2. **Financing Decisions:**
   a) Management teams must be able to defend their capital structure decisions from a maximization-of-shareholder-wealth perspective.
   b) Management teams are expected to understand and explain the consequences of leverage in the capital structure, and how it relates to profitability and investor returns.
   c) Management teams must be able to utilize equity issues at appropriate times to maximize shareholder wealth. To issue equity, management must convince the board of directors that the issue is in the best interest of the shareholders.
   d) Management teams are expected to provide justification for financial choices related to debt instruments. For example, if a bank loan is sought, managers must demonstrate to the bank that they are credit worthy and able to make interest payments and retire the debt in a timely manner.

3. **Dividend Policy:**
   Management teams are expected to develop appropriate distribution policies for excess cash. Specifically, managers are expected to be able to determine the difference between dividends and share repurchases, and to explain when each is appropriate. To do this, management must determine, and be able to explain, how much cash is necessary for on-going operations.

In order to meet these expectations and duties, pro forma financial statements should be developed prior to simulation and maintained throughout the course of the integration module.

**MBFE 657**

**Price Theory & The Competitive Environment**

Economic factors, both internal and external, should have a significant impact on decision-making during the integration module. You will demonstrate your competence relative to MBFE 657 by being prepared to respond to questions within the following 4 areas:

1. **Elasticity**
   a) How would you characterize the elasticity for your product?
   b) Did the elasticity change over time during the simulation?
   c) Does elasticity vary across geographic areas?
   d) How did you use information about elasticity to inform decision-making?

2. **Effects of Business Cycles**
   a) How did changes in GDP, inflation, and interest rates influence your firm’s decision-making throughout the simulation?
b) How well were you able to forecast changes in the macroeconomic variables in the simulation? Was your firm proactive or reactive to the changes of the macro variables?

c) How would you characterize the general nature of any economic downturns or upturns experienced during the simulation?

3. Profit Maximization
   a) How did you apply Marginal Benefit/Marginal Cost Analysis (the rule of MR = MC) to achieve profit maximization? Were you able to separate your fixed costs from your variable costs?
   b) Did you sacrifice short term profits for potential longer term gain?
   c) How well correlated do other metrics, such as market share and stock price, seem to be correlated with the goal of profit maximization?

4. Pricing & Competitive Behavior
   a) What market structure do you believe best fits the industry in the simulation?
   b) How did the economic characteristics of the industry affect decision-making, specifically pricing and quantity produced or sold in the market?
   c) Was there a high, or low, level of interdependence in decision-making during the simulation?
   d) Discuss how you attempted to achieve differentiation and/or erect “barriers to entry” within the simulation.

MBFE 658
Marketing Management

At the strategic level, students will be expected to demonstrate:

1. How customer demand is impacted by two sets of variables –
2. Controllables, such as advertising, price, sales commissions;
3. Uncontrollables such as economic activity, exogenous events, competitive decisions.
4. How to account for segments that exhibit different sensitivities to the controllables.
5. The finite value of market research
6. Balancing generating a marketing strategy that shows consistency against adapting to changes in the uncontrollable environment
7. Anticipating competitive decisions.

At the tactical level, students will be expected to demonstrate:

1. How to create a consistent set of price, quality and advertising decisions.
2. Recognition of the limits of price-based competition.
3. Development of the qualitative aspects of a promotional campaign (e.g. clear target, appropriate message and media choices, etc.).
4. Ability to manage the sales force compensation program.
5. Incorporating adjustments to marketing campaigns that are unique to the different markets.