

Course Book

Introduction to Business Administration

University College Maastricht (UCM)

(course code SSC2036)

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1. Introduction: course objectives

The educational goal of this block is to provide the students that study at the University College Maastricht (UCM), with the basic knowledge on all the sub-fields of the business administration: *marketing, operations management, organization, strategy, accounting* and *financial management*. In order to achieve this objective and to provide the necessary insights into the way in which these sub-fields are linked we will use a real-life simulation or a business throughout this course: Market Place Live. The 'real-life' settings from this game will be used to get acquainted with the basic decision-making skills for the relevant business subjects. The theory of the course will be provided in tandem with playing the 6 rounds of the game.

2. Description of the course and schedule

Session	Week	Content
Session 1: Block opening (lecture) Introduction to Market Place	1 (31/10)	Introduction and assignment into teams. Chapter A (pages 3-6) of Instruction Manual Chapter B (pages 10-13) of Instruction Manual Article Jobber and Fahy
Session 2: Market Research & Brand Management	1 (3/11)	Chapter C (pages 19-28) of Instruction Manual Chapter D (pages 29-35) of Instruction Manual Article Dess, Lumpin & Eisner Article QFD, Warwick group
Session 3: Manufacturing, Sales offices & Human Resource Management and preparation for Quarter 1	2 (7/11)	Chapter H (pages 56-61) of Instruction Manual Chapter F (pages 44-54) of Instruction Manual Chapter G (page 55) of Instruction Manual Article Solomon et al.
Session 4: Accounting & Finance I (lecture) Advertising & feedback on Quarter 1 of Market Place Simulation	2 (10/11)	Chapter I (pages 62-70) of Instruction Manual Chapter J (pages 71-75) of Instruction Manual Article Libby, Libby & Short Chapter E (pages 36-43) of the Instruction Manual
Session 5: Accounting & Finance II	3 (14/11)	Article Horngren
Session 6: Feedback on Quarter 2 of Market Place Simulation	3 (17/11)	
Session 7: Prepare for Quarter 3 of Market Place Simulation	4 (21/11)	Article Heizer & Render
Session 8: Feedback for Quarter 3 of Market Place Simulation plus introduction to tactical planning and preparation for quarter 4	4 (24/11)	Chapter K (pages 76-79) of Instruction Manual Article Rubbins & deCenzo Article Trott White paper Activity based Costing
Session 9: Mid-term	5 (28/11)	
Session 10: Feedback for Quarter 4 and preparation for Quarter 5 of Market Place Simulation	5 (1/12)	
Session 11: Feedback for Quarter 5 and preparation for Quarter 6 of Market Place Simulation	6 (5/12)	
Session 12: Feedback for Quarter 6 and Game wrap-up	6 (8/12)	

3. Instructional format

Maastricht University has a small group- and problem-based oriented educational system. In this course we will use a 'mixed-bag' of formats. In this course we have seven different educational elements.

1) **Study-tasks:** This type of task is there to have students read and prepare the relevant chapters of the literature, in order to get a detailed knowledge of the main concepts/topics that are relevant for this introduction course. The study-tasks, therefore, are considered to be essential for an appropriate student participation in the management simulation. The study task that resorts under a given session has to be prepared **before** this session takes place. This means that the students have to prepare the study-tasks **always** in advance. In the beginning of each tutorial session the tutor will address the questions that students have regarding the literature

2) **Application tasks:** This type of task is there in order to reinforce the theoretical concepts from the study tasks by applying them in the scaled-down 'real-life' case. By working out the application tasks the educational objective that will be reached is twofold. Secondly, the business (knowledge) domain, for the management simulation will be transferred to the students that will play the management simulation in an easy way. The application tasks will be pre-discussed during the group meeting under which they are listed. The tutor can request a work-out of these application tasks at any time from any student during the block. The quality of these work-outs will (amongst other things) contribute to the participation grade for this course.

3) **Market Place rounds.** In the second part of this course the emphasis will be on the results of the rounds that will be played for the internet-based Global Business Game. In between group sessions, the teams will be asked to play rounds via the game's website.

4) **Final team paper on the Market Place rounds.** At the end of the global business game rounds, the GBG teams will write a report in which they reflect on their pursued business strategies while playing the game. The deadline for handing in this report is December 15th, 2017, 17.00 hours, it can be send to the e-mail adress of the coordinator.

4. Literature

The following introductory texts are mandatory for this course:

- Licence Marketplace Live
- Help file venture strategy
- e-reader

The game licence will be made available through the UCM administration.

What we at least expect you is to use your individual market place venture strategy game licence:

Every student is obliged to log in with an individual Market-place licence !

4.1 E-reader

The e-reader for this course contains the following articles/text book chapters:

Foundations of Marketing. David Jobber and John Fahy, p. 103-119
2003, McGraw-Hill, ISBN 0-07-7098668

Strategic Management, 4th edition. Dess, Lumpin, Eisner, p. 155-171
2008, McGraw-Hill, ISBN 978-0-07-128784-5

Fundamentals of Management, essential concepts and applications, 6th edition
Rubbins/DeCenzo, p. 355-363. 2008, Pearson Prentice Hall, ISBN 978-0-13-600710-4

Marketing, Real People, Real Decisions. Solomon, Marshall, Stuart, Barnes, Mitchell,
p. 491-508. 2009, Pearson Education Limited, ISBN 978-0-273-70880-3

Financial Accounting, 4th edition. Libby, Libby, Short, p. 3-17. 2004, McGraw-Hill,
ISBN 0-07-121483-6

Introduction to Management Accounting, 6th edition. Charles T. Horngren, p. 25-38
1984, Prentice Hall, ISBN 0-13-487208-8

Principles of Operations Management, 8th edition. Jay Heizer, Barry Render, p. 544-
554. 2011, Pearson, ISBN 978-0-13-800093-6

Innovation Management and New Product Development. Paul Trott, p. 14-28 2012,
Pearson Education Limited, ISBN 978-0-273-73656-1

4.2 Papers downloadable from the internet:

White paper on Activity Based Costing parts 1 and 2:

<https://www.accountingcoach.com/activity-based-costing/explanation>

Quality function deployment. Warwick group:

http://www2.warwick.ac.uk/fac/sci/wmg/ftmsc/modules/modulelist/peuss/slides/section_6a_qfd_notes.pdf

On top of that students might need to download articles from the University e-library.

5. Assessment and attendance

5.1 COMPUTATION OF SIMULATION PERFORMANCE

A Balanced Scorecard will be used to measure your firm's performance. The team's total business performance will be based upon its financial performance, marketing effectiveness, market performance, human resource management, investments in the firm's future, manufacturing productivity, asset management, creation of wealth, and financial risk. A total score will be computed for each firm competing in the *Marketplace*.

At the end of the exercise, each firm will be ranked in the order of performance for the total score.

In order to pass this block the following requirements must have been met:

- Sufficient participation in the tutorial group meetings (pass)
- A grade for the mid-term exam in week 5 that is at least a 5.0
- Sufficient participation in the 6¹ rounds of the Market Place Simulation

The final grade for the block is composed as follows:

- Participation (active participation, level of preparedness) (Pass)
- Mid-term test in week 5 (30 %) (≥ 5.0)
- Result of the market place venture strategy game (35 %)²
- Result of the final group paper for the market place venture strategy game (35 %)

A resit will take place for those students that will fail the mid-term test.

The student will pass this course if the final grade is a 5.5 or higher. UCM has a compulsory attendance requirement for all courses, skills and projects. The minimum attendance requirement is 85 %. This means that in this course every student has to attend at least 10 out of the 12 meetings/lectures. Students who not have met the attendance requirement can request an additional assignment to make up for this insufficient attendance. To qualify for an additional assignment a student may not have missed more than 4 of the 12 group meetings/lectures.

6. Course coordinator

The planning group for this course consists of:

- Dr. Ir. Peter Bollen (course coordinator)
Dept. of Organization and Strategy , SBE
room A.1.10, tel. 3883715
e-mail: p.bollen@maastrichtuniversity.nl

¹ At the end of playing the Venture Strategy rounds a student peer-review will take place in which every team member will evaluate the performance of the other team members.

² The sub-grade for the result of the game is determined by the final ranking in Market Place .

7. The market place simulation

The objective of this simulation is to introduce you to the practical aspects of business and strategy. Through computer simulation, we will place you into a very realistic international business setting where you will start up and run a company for one-and-a-half years (six rounds of decision-making).

The *Marketplace* is the most realistic strategic planning and management simulation available in the world. The *Marketplace* lets you build an entrepreneurial firm, experiment with strategies, and compete with other firms in a virtual business world. Designed to mimic the competitive, ever changing marketplace, the simulation lets you gain experience in market analysis, strategy formulation, and the management of a new venture.

In the *Marketplace*, you will start up and run your own company, struggling with business fundamentals and the interplay between marketing, distribution, manufacturing, human resources, finance, and accounting. You are given control of a simulated business and must manage its operations through several decision cycles. Repeatedly, you must analyze the situation, plan a strategy to improve it and then execute that strategy out into the future. You face great uncertainty from the outside environment and from your own decisions. Incrementally, you will learn to skillfully adjust your strategy as you discover the nature of real-life decisions, including the available options, linkages to other parts of the business, conflicts, tradeoffs and potential outcomes.

7.1 LEARNING STRATEGY

In the *Marketplace*, you gain tremendous experience by making real business decisions. We compress time and speed up the business cycle, then immerse you in the management of a new business.

Rather than start in the middle of the story (a mature firm), we use a new venture situation to start at the beginning of the story. You will see how various strategy tools and ways of thinking become useful as the firm expands its operations and must take on new tasks and responsibilities. In this way, the logic of our business practices will become more intuitive.

The consequences of your decisions are quickly revealed in the simulated marketplace. Players learn to adjust their strategy and tactics to become stronger competitors by studying end-user opinions, smart competitive moves, and their own operational and financial performance. Over the course of the entire exercise, your understanding of the linkages among the functional areas of business will grow at an exponential rate.

In six decision rounds representing a one-and-a-half year period of compressed time, you must evaluate the market opportunity, choose a business strategy, evaluate the tactical options and make a series of decisions with profitability in mind. Your decisions are combined with the decisions of your competitors and run through a marketplace simulator. The results are fed back to the players for the next round of decision-making.

The learning strategy is to gradually build the business and thus, gradually introduce new issues, which must be mastered by you and the other players. As you work through the business life cycle, new decisions and strategic planning tools are phased in as they become relevant to the current decisions.

Each quarter's activities not only result in new material being introduced, but also build upon the prior content so that there is considerable repetition. Business activities such as strategic planning, cash flow management, value creation in product design, production scheduling, and profitability analysis require repetitive exercise in order to set them into your natural thinking.

Here is a list of what *Marketplace* players do:

- Analyze market, operational and financial data

- Develop a comprehensive business strategy

- Make a host of tactical decisions:

 - Plan and roll out a marketing campaign

 - Design and price brands to appeal to different market segments

 - Select and develop distribution channels

 - Devise advertising campaigns

 - Allocate scarce funds to R&D, manufacturing, advertising, and distribution

 - Select and prioritize R&D projects, leading to new product features

 - Initiate and defend lawsuits over false advertising

 - Hire employees and set competitive compensation packages

 - Schedule production and manage plant capacity

- Manage cash

- Compete head-to-head with other businesses

- Adjust strategy and tactics in response to operational and financial performance, competitive tactics, and customer needs.

The specific goal of the exercise is to develop your management knowledge and skills by giving you an integrated perspective of the entire business operation. In terms of specifics, the exercise can:

- Facilitate learning of important business concepts, principles and ways of thinking

- Develop strategic planning and execution skills within a rapidly changing environment

- Crystallize the linkages between business decisions and financial performance

- Instill a bottom line focus and the simultaneous need to deliver customer value

- Internalize how important it is to use market data and competitive signals to adjust the strategic plan and more tightly focus business tactics

- Promote better decision-making by helping you see how your decisions can affect the performance of each function & the organization as a whole

- Experience the challenges and rewards of creating and managing a strategy over the life cycle of a firm

- Build confidence through knowledge and experience

7.2 GAME SCENARIO

The game scenario revolves around the microcomputer industry. The market is the global marketplace and the microcomputer industry is in its introductory stage of the product life cycle.

Within this new industry, you and your classmates will form the new venture firms that will be developing the market. There are no other firms in the market and all firms start out with the same resources so as to ensure a leveled playing field.

7.3 CHRONOLOGY OF EVENTS

Here is a brief list of the activities that the players will undertake by quarter or decision period:

Quarter 1: invest personal savings to start up the company, analyze market research, establish the firm's strategic direction and set up shop (build a plant, design brands and open sales outlets).

Quarters 2, 3: test market brands, prices, ad copy, media campaigns, sales staffing, and compensation package. Study the market's response, competitive tactics and your own operational and financial performance and make adjustments in strategy.

Quarter 4: receive additional equity from venture capitalists, need to pause and think through your strategy and tactics for the next three quarters.

Quarters 5, 6: undertake an international rollout campaign based upon the additional funding and expanded sense of your firm's capabilities and strategic direction. Adjust the strategy to market opinion, competitive tactics, operational and financial performance, and any unexpected economic developments that might occur.

8. The sessions and tasks

Session 1: Block opening & Introduction to Market Place

In this plenary session, the tutor will provide an introduction into the course, its goals and objectives, and the use of the Venture Strategy Game and the way in which the management simulation will be organized. Furthermore an introduction to strategic management will be provided. Finally the students will be assigned into Venture Strategy teams.

Study task 1.1:

Read Chapter A (pages 3-6) of Instruction Manual: *Introduction to market place*

Read Chapter B (pages 10-13) of Instruction Manual: *Player Activities*

Read Foundations of Marketing. David Jobber and John Fahy, p. 103-116
2003,

Application task 1.2

What type of target marketing strategy is your team most likely gonna use in the different geographical markets in the Venture Strategy simulation ?

Learning objectives: task 1.2:

What consumer segmentation criteria are distinguished by Jobber and Fahy ?

What organizational segmentation criteria are distinguished by Jobber and Fahy ?

What type of target marketing strategies are distinguished by Jobber and Fahy ?

Session 2: Market Research & Brand Management and initial preparation for quarter 1

Study task 2.1:

Read Chapter C (pages 19-28) of Instruction Manual: Market research

Read Chapter D (pages 29-35) of Instruction Manual: Brand management

Read the Article of Dess, Lumpin & Eisner (excerpt from Strategic Management 4th edition, 2008, p. 155-168)

Read the Article Quality Function Deployment by warwick manufacturing group, p. 1-17.

Application task 2.2:

You are running a company operating in an industry that is global in nature. Accordingly you will have to create a strategy that has international dimensions. These strategies are chosen at the Business-Level. Here you must decide whether you will focus on a narrow or broad range of products and whether you will compete on the basis of Uniqueness (differentiation) or Cost-Leadership.

Learning objectives: task 2.2: What is

- **A Cost-Leadership strategy**
- **A Differentiation strategy**
- **A Focus strategy**

Application task 2.3: Quarter 1 Theme: Introduction and initial goals

All Team Members should:

- What image does your company wish to project? After a year and a half of business, what do you want competitors to say about your firm?
- Give name of company and rationale for its selection.

President:

- Establish specific, quantifiable corporate goals and the rationale for them.
- Describe the strategic direction your executive team has established for the firm and the rationale for such direction.

Marketing Research:

- Name and describe each market segment (provide customer profiles).
- Estimate market potential and demand of each segment. Explain assumptions.
- Estimate market potential and demand of each metropolitan market. Explain assumptions.
- *Identify city chosen for test marketing.* Explain choice.

Marketing:

- Lay out initial strategy for market development (i.e., market entry sequence by segment and geographic area). Justify.
- Describe brands to be produced for chosen segments. Justify features selected

Use the QFD approach from the warwick manufacturing group article !.

Session 3: Manufacturing, Sales Offices and Human Resource Management and more preparation for quarter 1

Study task 3.1:

Read Chapter F (pages 44-54) of Instruction Manual: Sales offices

Read Chapter G (page 55) of Instruction Manual: Human resource Management

Read Chapter H (pages 56-61) of Instruction Manual: Manufacturing

Read Article Solomon et al. (excerpt from marketing, real people real decisions, pp. 491-503)

Application task 3.2:

The importance of distribution: You can't sell what isn't there.

Learning goals application task 3.2:

What are the main functions of distribution channels ?

Which types of wholesale intermediaries can be distinguished ?

What is the role of the internet in the distribution channel ?

Application task 3.3: Quarter 1 Theme: Introduction and initial goals

Sales:

- Describe expected sales strategies and tactics.
- Lay out initial strategy for market development (i.e., market entry sequence by segment and geographic area). Justify.

Human Resources:

- What is the research telling you in terms of sales force and factory workers' compensation? What will be your strategy in terms of Human Resources management?

Production:

- Describe and justify your production capacity decisions.

Finance:

- Describe your current financial status.
- Describe how you plan to finance your initial operating investments and expenditures.

Application task 3.4: The following decisions should be taken:

- Determine desired image of company
 - *Designate a company name*
- Review market survey results - evaluate segments, markets, and potential competition
 - *Analyze market opportunities*
- Establish corporate goals and strategic direction
 - *Select target segments*

- *Write mission statement*
 - *Specify and rank order corporate goals*
 - *Establish strategic direction*
- *Sell 2 million in stock to executive team*
- Create customer value - match components to benefits (Quality Function Deployment)
 - *Design a brand for each target segment*
- Select test market
 - *Open first sales office*
 - *Open a web center (Optional)*
- *Setup manufacturing operations*
- *Invest in plant capacity*

The deadline for submitting your decisions for this first round is:

Thursday November 9th, 17.00 hours

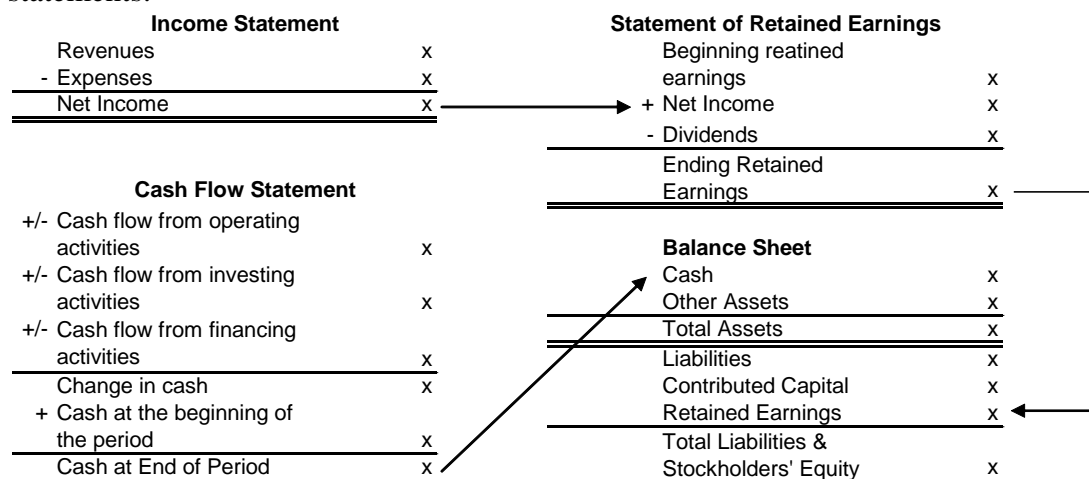
Session 4: Advertising & feedback on quarter 1 and preparation for quarter 2 & Accounting & Finance

In this session we will provide you with the knowledge that will enable you to interpret the four basic financial statements as they are given in the GBG:

- 1) The balance sheet
- 2) The income statement
- 3) The statement of retained earnings
- 4) The statement of cash flows.

After every simulation period in the GBG, you will be provided with a balance sheet and an income statement (amongst other reports). It is of utmost important that you are able to interpret each of these documents and moreover, be able to experience the interrelatedness of these documents.

The following picture presents the relationship among these different financial statements:



This picture shows that the financial statements cannot be separated from each other and that one statement in itself does not give a complete overview. So simply looking at the income statement and the net income (profit) generated is simply not good enough and rather short-sighted. The picture also shows a difference between net income and cash and this leads to the conclusion that net income is not the same as a cash in/out flow. This is an important accounting issue.

Application task 4.1:

Study all your reports in market place that exemplify the performance of your team in round 1. The tutor will address the strategic choices you have made for the decisions you have entered in round 1. Furthermore, the tutor will address the tactical decisions you have made

Study task 4.2:

Read Chapter E (pages 36-43) of the Instruction Manual: Advertising

Read Chapter I (pages 62-70) of Instruction Manual: Accounting

Read Chapter J (pages 71-75) of Instruction Manual: Finance

Read Libby, Libby & Short (excerpt from Financial Accounting 4th ed. P. 3-16)

Application task 4.3: Quarter 2: Theme: Let's go to market!

President:

- How are you beginning to accomplish your corporate goals?
- What do you hope to accomplish in the test market?

Marketing Research:

- Estimate market demand by segment for each brand. Explain process.
- What cities were chosen for test marketing?
- Explain your marketing research plan for the test market.

Marketing:

- Lay out your marketing strategy for each brand (i.e., marketing mix). Justify your decision.
- Describe any new brands to be produced. Justify features selected.

Sales:

- Define specific, quantifiable goals for the test market.
- Describe sales strategy and tactics.
- Do you plan to open any new sales offices for quarter 3? If so, why?

Human Resources:

- Could be the responsibility of the VP of Manufacturing for factory workers and VP of Sales Management for sales people.
- Describe and justify any modification to your employees' compensation packages.
- Explain how your efforts are aligned with your mission and corporate strategy.

Production:

- Describe and justify your plant decisions, fixed capacity.
- Describe and justify your production scheduling decisions. What have been the results of your factory simulations?

Finance:

- Define specific, quantifiable, financial goals for the test market.
- Describe your current financial status. Prepare pro forma cash flow, balance sheet and income statement for the quarter.
- Justify your pricing decisions. Show how all expenditures are accounted for in your final selling price. Allocate each expenditure (by proportion) against your sales figures.

Pre-discussion Application task 4.4 : Balance sheet, Income statement and Cash-flow statement

On the next page a fictitious balance sheet is given of the NAFTA Corporation. Suppose that the following transactions have occurred during quarter 1 of 2003 (for ease of calculations and simplicity we will assume that these are the only transactions that have taken place during this quarter).

- 1) *Sales of \$ 1,200,000,- have been generated in the US, the costs of the goods sold had a value of US \$ 800,000. Only half of the revenue has been received in cash.
You can assume a situation where taxes are not applicable.*
- 2) *The amount of subassemblies that were bought during quarter 1 of 2003 amounted to a total of \$ 500 000,- Only half of the invoice amounts has been paid*
- 3) *Your company decided to pay out a cash dividend of US \$ 0.20 per share³.*
- 4) *After some pressure from your firms' accountants, your customers lowered their obligations with your firm by US \$ 350,000.*
- 5) *Accounts payable was reduced with \$250,000.*
- 6) *Total depreciation on plant equipment for the entire year is 240,000.*

Assignment: Create the balance sheet for the end of quarter 1 of 2003 , thereby creating an income statement and a statement of cash flows for quarter 1 of 2003.

³ Currently there are 2 500 000 shares outstanding.

NAFTA Consolidated Balance Sheet

Firm 1 -

US\$ Consolidated

Assets:	2002, Q4	2003, Q1
Cash	562.696	
Accounts Receivable	1.282.057	
Tax Credit	15.996	
Short-Term Investments	0	
Licensed Patent(s)	0	
Due From Country Unit(s)	0	
Inventories:		
Subassemblies	2.672.465	
Finished Goods	800.000	
Goods in Transit	0	
Total Current Assets	5.333.214	
Capital in Progress	0	
Plant and Equipment	4.745.000	
Less Depreciation	1.242.000	
Total Fixed Assets	3.503.000	
Total Assets	8.836.214	

Liabilities and Owner's Equity:

Accounts Payable	1.088.523
Overdraft	0
Due to Home Country	0
Short-Term Loan	0
Total Current Liabilities	1.088.523
Bonds	0
Total Liabilities	1.088.523

Stockholder's Equity:

Common Stock	2.500.000
Paid-In Capital	1.634.831
Retained Earnings/Deficit	3.612.860
Exchange Gains/Losses	0
Total Stockholder's Equity	7.747.691
Total Liabilities and Owner's Equity	8.836.214

Financial accounting has multiple uses for both inside parties as well as external parties to a company. It has been in the news almost constantly since the well-known Enron incident. Management audits have become important indications of trustworthiness and the GAAP have become the focus of worldwide attention.

One of the financial statements that are used internally as well as externally is the balance sheet. It reports the financial position of a company at a particular point in time. Private investors and banks use this information to decide whether it is a good idea to invest in your operations. Several ratios can be used for this.

Session 5: Accounting & Finance II

Post-discussion Application task 4.4 : Balance sheet, Income statement and Cash-flow statement

Study task 5.1:

Read Horngren (excerpt from Introduction to Management Accounting, 6th edition, p. 25-38).

Application task 5.2:

Sub-task 5.2.a

Given: Selling price (per unit):	\$ 20
Total fixed expenses:	\$ 5000
Variable expenses (per unit):	\$ 15

Question: Find break-even sales in units

Sub-task 5.2.b

Given: Selling price (per unit):	\$ 30
Total fixed expenses:	\$ 33000
Variable expenses (per unit):	\$ 14

Question: Find total sales in units to achieve a profit of \$ 7000 assuming no change in selling price

Application task 5.3: The following decisions should be taken for quarter 2:

- Brand design
 - *Revise brand designs for test market (Optional)*
- Advertising
 - *Ad copy design*
 - *Media placement and ad frequency*
- *Sell 1 million in stock to executive team*
- Human resources
 - *Establish sales force compensation package*
 - *Establish factory worker compensation package*
- Sales office management
 - *Hire sales people - assign to segments*
 - *Open new sales offices (Optional)*
 - *Hire and assign web center staff (If applicable)*
 - *Select web traffic and productivity tactics (If applicable)*
- Pricing
 - *Designate brands available for sale*
 - *Set brand prices - price promotions*
 - *Set sales priority*
- Manufacturing

- *Estimate demand per sales person*
 - *Schedule daily production*
 - *Run factory simulation*
 - *Invest in plant capacity* (Optional)
- *Purchase market research*
- Pro forma accounting
 - *Project cash flow*

The deadline for submitting your decisions for the 2nd round is:

Thursday November 16th, 17.00 hours

Session 6: Feedback on quarter 2

Application task 6.1:

Study all your reports in market place that exemplify the performance of your team in round 2. The coordinator will address the choices you have made for the decisions you have entered in round 2. Discuss the following issues (vis-à-vis your performance in quarter 2):

President:

- How did your performance compare to your corporate goals?
- How do you assess your competition?
- Are you planning any changes in your corporate goals and/or strategy?
- What do you hope to accomplish in the market this quarter?

Marketing Research:

- What was the market's reaction to your brands, advertising and prices? How do you compare to your competition?
- How do in-store decisions affect market demand?
- How do advertising and brand design affect market demand?
- Revise estimates of market demand by segment for each brand.
- Explain your marketing research plan for the market.

Marketing:

- How did your performance compare to your business goals?
- How are you revising your goals and strategy for the current market in response to the last quarters' test market?
- Lay out your marketing strategy for each brand (i.e., marketing mix).
- Describe any new brands to be produced. Justify features selected.
- Estimate advertising impact and financial effectiveness. Compare with your competitors.

Sales:

- How did your performance compare to your market goals?
- What was your demand per sales person for each test market? How did it compare to the competition? What caused the differences?
- Have your market experiences caused you to revise your goals, strategy, or tactics for the current market?
- How strong is your position in each market? How can you improve it?
- Describe your sales strategy and tactics for each geographic market.
- Describe and justify your decisions to open sales offices.

Human Resources:

- Describe how your human resources' actions are affecting your sales people and factory workers' productivity.
- Describe how your HR actions compare to your competition.
- Describe any adjustments you are making to your HR strategy and tactics. Explain how your efforts will impact other functions.

Production:

- Review your plant operation in the previous quarter. How much was produced and sold? Was there any unmet demand? What are your inventory levels?
- How will you revise your daily production scheduling for the current quarter?

Finance:

- How did your performance compare to your financial goals? To other firms in the industry?
- Are you revising your goals or strategy for the current market in response to the last test market?
- Justify your pricing decisions. Using the Activity Based Costing information provided on the decision template, evaluate the contribution of each brand and city to the profitability of the firm. Show how all expenditures are accounted for in your final selling price. Allocate each expenditure (by proportion) against your sales figure.

Session 7: Prepare for Quarter 3 of Market Place simulation

Study task 7.1:

Read Heizer & Render (Excerpt of Principles of Operations Management, 8th edition, p.544-554)

Application task 7.2:

In market place you will be able to design different types of brands of computers. How would you set your sales and production expectations using an aggregate planning strategy

Learning goals task 7.2:

What capacity options do Heizer and Render distinguish ?
What demand options do Heizer and Render distinguish ?

Application task 7.3:

Mary Rhodes, operations manager at Kansas Furniture has received the following estimates of demand requirements:

Month	July	August	September	October	November	December
Quantity	1000	1200	1400	1800	1800	1600

a) Assuming stockout costs for lost sales of \$100 per unit, inventory carrying costs of \$ 25 per unit per month, and zero beginning and ending inventory, evaluate these two plans on an *incremental* cost basis:

- Plan A: Produce at a steady rate (equal to minimum requirements) of 1000 units per month and subcontract additional units at a \$60 per unit premium cost.

- Plan B: Vary the workforce, which performs at a current production level of 1300 units per month. The cost of hiring additional workers is \$ 3000 per 100 units produced. The cost of layoffs is \$ 6000 per 100 units cut back.

b) which plan is best and why ?

Application task 7.4: The following decisions and evaluations should be taken for quarter 3:

- Evaluate financial performance
 - Profitability analysis
- Evaluate market performance
 - *Customer opinion* - brand designs, prices and advertising
 - *Market demand* - by company, brand, and per sales person
- *Sell 1 million in stock to executive team*
- Revise marketing tactics as needed, and continue test marketing
 - *Brand designs*
 - *Brand prices, price promotions and sales priority*
 - *Sales force numbers and assignments*
 - *Web marketing tactics*
 - *Compensation packages*
 - *Advertising copy*
 - *Media placement and frequency*
- Sales office management
 - *Open new sales office* (Optional)
- Establish production plan for quarter
 - Review production results from previous quarter
 - *Forecast demand by brand*
 - *Set daily production schedule for each brand*
 - *Run factory simulation*
 - *Invest in plant capacity* (Optional)
- *Purchase market research*
- Pro forma accounting
 - *Project cash flow*

The deadline for submitting your decisions for this 3rd round is:

Thursday November 23rd, 17.00 hours

Session 8: Feedback for quarter 3 of Market Place simulation plus

introduction to tactical planning and preparation for quarter 4

Application task 8.1:

Study all your reports in market place that exemplify the performance of your team in round 3. The coordinator will address the choices you have made for the decisions you have entered in round 3.

Study task 8.2:

Read Article Rubbins & deCenzo (excerpt from Fundamentals of Management, essential concepts and applications, 6th edition, p. 355-363)

White paper on Activity Based Costing

Read article Trott (excerpt from Innovation Management and New Product Development, p. 14-28)

Read Chapter K (pages 76-79) of Instruction Manual: Guidelines for preparing the tactical plan.

Application task 8.3:

In this round you will have to create an explicit tactical plan for the remaining quarters. In this plan you must also mention what R & D efforts you will undertake in the coming quarters.

Learning goals task 8.3:

How do managers compare actual performance to planned goals ?

What types of control can be distinguished ?

What types of innovation can be distinguished ?

What models of innovation can be distinguished ?

Application task 8.4:

All Team Members should:

- Prepare Tactical Plan for following quarters.
- Prepare pro forma cash flow for the following quarters.
- Describe and justify your R&D decisions.

Application task 8.5: The following decisions and evaluations should be taken for quarter 4:

- Evaluate financial performance
 - Use activity based costing (ABC) to evaluate profitability of brands and sales offices

- Evaluate market performance
 - Customer opinion - brand designs, prices and advertising
 - Market demand - by company, brand, and per sales person
 - Competitor tactics - segments targeted and selection of marketing tactics
 - Conduct demand analysis to estimate brand, price, advertising, and sales force elasticity
- Develop one year business plan
 - *Goals - marketing, financial and ownership*
 - *Marketing strategy*
 - *Manufacturing strategy*
 - *Financial strategy*
 - *Pro forma cash flows and financial statements*
 - *Size of equity request, number of shares offered, and share price*
- Present business plan to venture capitalists and negotiate equity investment (consult your instructor or **Marketplace** processing center for details)
 - *Consider taking out conventional loan*
- Invest in R&D for new brand components
- Begin global roll out of business plan
- Revise marketing tactics as needed
 - *Brand designs*
 - *Brand prices, price promotions and sales priority*
 - *Sales force numbers and assignments*
 - *Web marketing tactics*
 - *Compensation packages*
 - *Advertising copy*
 - *Media placement and frequency*
- Sales office management - expand market coverage
 - *Open new sales office(s)*
- Revise production decisions as needed - improve production economies
 - *Forecast demand by brand*
 - *Set daily production schedule for each brand*
 - *Run factory simulation*
 - *Invest in plant capacity*
- Purchase market research
- Pro forma accounting
 - *Project cash flow*
- Prepare tactical plan

The deadline for submitting your decisions for the 4th round is:

Thursday November 30th, 17.00 hours

Session 9: Mid-term test

In this mid-term an assessment of the level in which student have an understanding of market place venture strategy game so far will take place.

Session 10: Feedback for Quarter 4 and preparation for quarter 5 of Market Place simulation

Application task 10.1:

Study all your reports in market place that exemplify the performance of your team in round 4. The coordinator will address the choices you have made for the decisions you have entered in round 4.

Application task 10.2: quarter 5 Theme: Departures from the business plan.

President:

- What is your position in the market?
- What is your competition up to now?
- What trends are beginning to take shape in the market? How will they affect you?
- Are you on target with your business plan? Any departures? If yes, why?
- How do you assess your team's performance? What are your strengths and weaknesses? What changes must be made to become a high-performance team?

Marketing Research:

- Are there any changes in the market that will affect you?
- What is the market's reaction to your brands, advertising and prices? How do you compare to your competition?
- How do in-store decisions affect market demand?
- How does advertising and brand design affect market demand?
- Forecast market demand by segment for each brand.
- What is your marketing research plan?

Marketing:

- Are you on target with your marketing goals?
- Are you revising your goals, strategy and/or tactics in response to competitive or customer decisions? If yes, how and what is the anticipated effect?
- Lay out your marketing strategy for each brand (i.e., marketing mix).
- Describe and justify your R&D decisions.
- Describe any new brands to be produced. Justify features selected.
- Estimate advertising impact and financial effectiveness. Compare with your competitors.

Sales:

- How is your market performance comparing to your market goals? Compare your demand/sales person figures with your competitors. Who is ahead and why?
- Have your recent market experiences caused you to revise your goals, strategy and/or tactics in dealing with your geographic markets?

- Describe your most recent tactics and how they are helping or hurting you in achieving your objectives.

Human Resources:

- Describe how your human resources' actions are affecting your sales people and factory workers' productivity. Describe how your HR actions compare to your competition.
- Describe any adjustments you are making to your HR strategy and tactics. Explain how your efforts will impact other functions.
- Describe and justify any deviations to your tactical plan.

Production:

- Review your plant operation in the previous quarter.
- How will you revise your production scheduling for the current quarter?

Finance:

- How did your performance compare to your financial goals? To other firms in the industry?
- Describe your current financial status. How is it affecting your ability to achieve your marketing and financial goals?
- Evaluate the financial performance of each brand and sales office. Allocate relevant costs and revenues using Activity Based Costing. Which are the winners or losers?
- How must your marketing strategy change in light of your financial performance?

Application task 10.3: The following decisions and evaluations should be taken for quarter 5:

- Evaluate team performance - self assessment of roles played, contributions made, and adjustments needed
- Evaluate performance - financial, marketing, and competitive benchmark surveys
- Manage strategy
 - Unanticipated competitive moves
 - Financial capability
 - Skillfully adjust strategy
- Marketing - make incremental changes in tactics
 - Review market research
 - Use activity based costing (ABC) to evaluate profitability of brands and sales offices
 - Conduct demand analysis to estimate brand, price, advertising, and sales force elasticity
- Brand design - increase demand
 - Brand ratings
 - Continuously improve component selection (R&D)
 - *Introduce new brands with new R&D components*

- *Explore R&D licensing opportunities and strategic alliances*
- Human resources - motivate employees
 - *Compensation packages*
- Sales channels - expand market coverage
 - *Open new sales office(s)*
 - *Increase sales force*
 - *Revise sales force assignments - target most profitable segments*
 - *Web marketing tactics - increase visitor sales and customer satisfaction*
- Advertising - increase demand
 - *Ad copy ratings*
 - *Media placement and frequency*
- Pricing - increase demand
 - *Brand prices, price promotions and sales priority*
- Revise production decisions as needed - improve production economies
 - *Forecast demand by brand*
 - *Set daily production schedule for each brand*
 - *Run factory simulation*
 - *Invest in plant capacity*
- Purchase market research
- Pro forma accounting
 - *Project cash flow*
- Prepare tactical plan

The deadline for submitting your decision for round 5 is:

Monday December 4th, 17.00 hours

Session 11: Feedback for quarter 5 and preparation for quarter 6 of Market Place simulation

Application task 11.1:

Study all your reports in market place that exemplify the performance of your team in round 5. The coordinator will address the choices you have made for the decisions you have entered in round 5.

Application task 11.2: Quarter 6 Theme: Preparing for the big push.

President:

- What is your position in the market?
- How does your performance compare to your stated goals?
- Any surprises from your competition? The customers?
- Are you on target with your business plan? Any departures? If yes, why?

Marketing Research:

- Are there any changes in the market that may affect you?
- Can you quantify the effect of brand design, pricing, advertising, and various in-store decisions on customer demand?
- Forecast market demand by segment for each brand.
- What is your marketing research plan?

Marketing:

- Are you on target with regard to your marketing goals?
- What are you doing to accomplish your end of year objectives?
- Lay out your marketing strategy for each brand (i.e., marketing mix). How do they all fit together into the "Big Picture"?
- Describe any new brands to be produced. Justify decision.
- Estimate advertising impact and financial effectiveness. Compare with your competitors.

Sales:

- How does your market performance compare to your market goals?
- Lay out your sales force strategy for each geographic market (i.e., marketing mix). How do they all fit together into the "Big Picture"?
- What are you doing to win the necessary support you will need from the rest of the executive team to achieve your year-end sales objectives?

Human Resources:

- Could be the responsibility of the VP of Manufacturing for factory workers and VP of Sales Management for sales people.
- Describe how your human resources' actions are affecting your sales people and factory workers' productivity.

- Describe any adjustments you are making to your HR strategy and tactics. Explain how your efforts will impact other functions.
- Describe and justify any deviations to your tactical plan.

Production:

- Review your plant operation in the previous quarter.
- How will you revise your daily production scheduling for the current quarter?
- What are you doing to prepare the production operation for the big push in quarter 6?

Finance:

- How did your performance compare to your financial goals? To other firms in the industry?
- Describe your current financial status. How is it affecting your ability to achieve your marketing and/or financial goals?
- Evaluate the financial performance of each brand and sales office. Allocate relevant costs and revenues using Activity Based Costing. Which are the winners or losers?
- How must your business strategy change in light of your financial performance?

Application task 11.3: The following decisions and evaluations should be taken for quarter 6:

- Evaluate performance - financial, marketing, team and competitive benchmark surveys
- Manage strategy
 - *Unanticipated competitive moves*
 - *Financial capability*
 - *Skillfully adjust strategy*
- Marketing - make incremental changes in tactics
 - *Use activity based costing (ABC) to evaluate profitability of brands and sales offices*
 - *Conduct demand analysis to estimate brand, price, advertising, and sales force elasticity*
- Revise marketing tactics as needed
 - *Continuously improve brand features (R&D)*
 - *Brand prices, price promotions and sales priority*
 - *Sales force numbers and assignments*
 - *Web marketing tactics*
 - *Compensation packages*
 - *Advertising copy*
 - *Media placement and frequency*
- Manufacturing
 - *Fixed capacity*
 - *Scheduling options*
- Purchase market research
- Compute pro forma cash flow
- Prepare tactical plan

The deadline for submitting your decisions for round 6 is:

Thursday December 7th, 17.00 hours

Session 12: Feedback for Quarter 6 of Market Place simulation and game wrap-up

In this session feedback will be given on the outcomes of round 6. Furthermore the final Market place venture strategy ranking for the teams will be given. Some attention will be given on the content of the final strategy evaluation paper.