

Developments in Business Simulation & Experiential Exercises, Volume 12, 1985

DESCRIPTION AND RESULTS OF AN EXPERIENTIAL APPROACH IN THE TEACHING OF BUSINESS POLICY

Joseph C. Latona, The University of Akron

ABSTRACT

Senior policy students are required to conduct a team field study of an ongoing firm as part of the course requirements. These field studies are conducted of firms supplied by the professor. The first five weeks focus on an intensive team analysis of five comprehensive cases. Teams are limited to four members, each representing a functional area of business. Each member focuses on that part of the cases and field study dealing with his major.

Questionnaires submitted to 102 policy students over four successive semesters revealed that 90% indicated the course was the most demanding in the curriculum and 92% that it was the most rewarding of all courses taken!

INTRODUCTION

The opportunity for students to become exposed to real world problems within the context of a formal, traditional capstone course seems to have placed the Business Policy Course near the top in popularity among senior students in the College of Business Administration at The University of Akron.

The key to this popularity may be due to the following procedures implemented in the course:

1. A thorough preparation of students in the classroom prior to exposure to a firm (the firm is analyzed utilizing a field study approach).
2. A high degree of interaction between students and professor instructors into the field study.
3. A team approach to the conducting of the field study.

The policy course discussed here is a senior level, four credit semester hours offering that is a requirement of all undergraduate majors in the College of Business Administration at The University of Akron.

The prerequisites, course description and objectives are as follows:

Prerequisites: Senior standing and all other business core program courses.

Course Description: The course is designed to enable the student to understand informal organization, the philosophy of modern management; evaluation of objectives of management; policy requirements of business and use of various management tools in operating the business firm.

Course Objectives:

1. To effectively integrate and apply the principles and methods acquired in the core curriculum.
2. To discern policy issues and to formulate and administer policies in the analysis of business problems.

3. To develop analytical skills in overall business problem solving and decision-making.
4. To acquire various business decision-making experiences via the case method, actual field study and other simulations of actual business problems.
5. To improve oral and written communication skills for business.
6. To experience the defense of a position in the critical, but risk-free atmosphere of the classroom.

CASE ANALYSIS PHASE

The first eight weeks of the course focus on the introductory material and the intensive analysis of five cases of the comprehensive type. The team approach is utilized in the case analysis. Team members are limited to four members, each representing a major in one of the functional areas of business, i.e., accounting-finance, production, marketing and organization-personnel as mentioned earlier. Each member focuses on that part of the case dealing with his major. For example, the production major deals with the production problem and so forth. One team member is designated as team coordinator by consensus of the group, which in itself is an exercise in small group behavior. The coordinator's task is, in addition to analyzing his functional area, to coordinate the analysis of the entire team.

The highly specialized student thereby gains both an appreciation of how his functional areas interrelate with other areas, as well as some insights into the cooperation required by members of an organization to solve a common problem.

This type of exercise also impresses upon the students the interrelationships and interdependency of decisions made by units within any organization. To many students this is their first exposure to a group problem-solving exercise.

The team is required to prepare both a formal typewritten report as well as an oral presentation of their findings, recommendations and conclusions for each of the five cases and the field study.

The instructor selects one team to present their report orally to the class. Following their presentation, the team selected is required to defend their findings if challenged by members of the class (other teams). During the semester each team is provided at least one opportunity to present their case analysis orally. Each team presents the findings of their field study orally.

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FIELD STUDY PHASE

Following the completion of the intensive team analysis of five comprehensive cases, the team is then required to devote the next six weeks (weeks 9 through 14 of a 16 week semester) to the field study phase. The firms utilized in the field study segment of the policy course are selected by the instructor. This selection includes a careful screening of firms. Firms selected are usually small manufacturers with multifunctional operations, such as production, marketing, and accounting.

Students are required to spend classroom time, as well as available spare time, at the firm. Each member focuses on his area of expertise in this field study analysis. Each team is required to meet with the professor at least once a week during this phase at which time a progress report is made to and evaluated by the professor. Both the strong and weak points of the report are thoroughly discussed.

The team structure is identical to the case-analysis phase of the course.

It is suggested to the teams that the following format be used for the actual write-up of the cases and field study.

SITUATIONAL ANALYSIS SHEET

6500:409 Business Policy

Name of Case _____ Team Coordinator

- I. What is the major policy question (problem) in the organization?
- II. What are the primary or fundamental policy questions (problems) in your area?
- III. What are the other important questions (problems) in other functional areas?
 - a.
 - b.
 - c.
- IV. What facts are pertinent to the primary policy question in your area?
 - a.
 - b.
 - c.
- V. What are the options or reasonable courses of action with advantages and disadvantages. Include support.
 - a.
 - b.
 - c.
- VI. State your recommended course of action (with justification), i.e., support.
- VII. Anticipated results - facts - figures.

In addition, each team member was asked to utilize the following model in his/her analysis.

I. Environmental Factors

A. Industrial Structures

1. Number and nature of producing firms: monopoly/oligopoly/many firms
2. Number/nature of consumer-monopoly, few firms, mass market; organized/unorganized buyers
3. Market share of domestic/foreign firms and factors limiting foreign competition (tariffs, quotas, etc.)
4. Factors affecting the fluctuations in the market
 - Ratio of fixed to incremental costs
 - Necessity, or luxury good
 - Depending upon other products
5. Rate of product innovations
6. Market growth/decline
 - Degree substitute products have developed
 - Degree size of market changes with economic conditions
 - Degree of price, advertising elasticity
 - Degree of cross elasticity on price and advertising
7. Degree competitors are faced with conditions similar to the firms in respect to plant structure and market served, adequacy of production facilities, degree of interdependence of production facilities, stability, size and heterogeneity of production orders, and nature of factor markets (item outlined under production data)
 - Note particularly recent changes (last 5 years or so) in any of these factors. Handle this item when you are dealing with functional areas.

B. Legal Parameters

1. Patent protection of products/processes
2. Governmental regulations
 - Advertising proscriptions
 - Safety requirements
 - Franchise restrictions
 - Licensing
 - Quality specifications
 - Pollution control requirements (air, water)
 - Note particular (recent or anticipated) change in any of the factors (e.g., expirations of patents, new regulations at local, state, or federal level). Get a clear picture of the legal parameter the firm must observe.

C. Governmental Policies

- Support/discourage competition
- Expansionary/deflationary monetary-fiscal policies
- Enforcement/nonenforcement of laws affecting business environment
- Expand/contract regulation of business
- Increase/decrease taxes on products/profits/ materials
- Note these only in respect to the particular industry and again specifically note recent or anticipated changes

II. Company Characteristics

A. Marketing Data

1. Sales and profitability by categories
 - a. Customers: industrial/consumers
 - b. Sales by product lines
 - Old/new products
 - Major/minor products

- c. Competitive emphasis
 - Price/quality/image - advertising
 - Service
 - Credit terms
 - Try to get an accurate picture of the product line or service in terms of the categories. If specific figures are not available, get one or more estimates from management in percentage of sales in each category and where profits are generated. Profile their competitive emphasis. Try to get an explicit statement on management's view of others' product policy and competitive stance. Determine if competition has a broader or narrower product line/service and a similar competitive emphasis.
 - d. Nature of the product and its market
 - Ratio of fixed costs to inventory (i.e. warehouses)
- b. Interdependence within the plant(s)
 - Specialization among departments: products vs. process department
 - Specialization among employees in a department: specialization vs. job enlargement
 - Buffers: degree inventories reduce interdependence
 - Diagram the flow of production among departments. Note where inventories buffer the interdependence and degree of buffers (e.g. 1 day, 1 week, etc.)
4. Stability, size and heterogeneity of production orders
 - a. Length of production run (size of orders of same item)
 - b. Extent special orders are given priority that are difficult to meet--time, quality, or other constraints
 5. Nature of Factor Markets: Raw material/purchased components situation
 - a. Assurances of supplies/parts
 - Alternative supplies, length of contractual commitments, reliability of quality and quantity within the cost/ time specifications
 - Buffers: degree supplies/parts are used as delivered, or drawn from inventory in warehouses
 - Loose-tight supply market
 - b. Nature of labor markets: Loose-tight supply of labor
- C. Accounting/Financial Data
1. Sources and Uses of Funds Statement
 2. Working capital budget
 - a. Planned expenditures
 - b. Planned sources of short-term funds
 3. Long-term capital budget
 - a. Planned expenditures 1-5 years
 - b. Planned sources 1-5 years
 4. Ability to pay debts/raise funds
 - a. Price earnings ratio
 - b. --Current ratio
 - Debt Equity ratio
 - Receivables turnover
 5. Ability to pay debts/raise
 - a. Current ratio
 - b. Acid test ratio
 - c. Debt ratio
 - d. Inventory turnover
 - e. Average collection period
 - f. Total asset turnover
 6. Ability to raise long-term funds
 - a. Profit margin on sales dollar
 - b. Return on total assets
 - c. Return on net worth
 - d. Price earnings ratio
 - e. Capitalization rate in Financial Markets
 - Prime rate and new bonds
 - Price-earnings ratio in stock market
- Obtain the above data from a comparative balance sheet and P&L statement for five to ten year period if it is available.
- B. Production Data
1. Relation of plant structure to markets served:
 - a. Location of plants and major suppliers
 - b. Relation of production plants/warehouses to markets served
 - c. Transportation facilities for delivering supplies/finished goods
 2. Adequacy of production facilities
 - a. Nature of buildings, number of floors, condition, adequacy of storage areas for tools, parts and finished goods
 - Set up a diagram that profiles the building(s) including where internal walls, elevators, and stairs are located (where relevant) and any major carriers that break up the space (e.g. tables, machinery, etc.) This should supplement the Information on 3b below.
 - b. Machinery: Degree machinery reflects up-to-date cost saving/quality features, or of obsolescence
 - c. Degree of usage of production facilities (number of shifts/percent utilized)
 3. Degree of interdependence of production facilities
 - a. Interdependence among plants:
 - Degree of specialization among plants
 - Buffers: degree production is for order or

D. Organizational Characteristics

1. Draw an organizational chart and amplify it so that the following dimensions are clear:

- a. Span-of-control at each level
- b. Divisionalization: Product (or other autonomous grouping) or functional grouping at each level
- c. Line-Staff relations = Authority relations between line-staff groups

--If relations are advisory, illustrate this with dotted lines. If one specialist has authority over other specialists (which is the typical case), note what the policy statement is that clarifies this

--Distinguish the formal relations with the behavioral relations. How do the units get along with each other?

d. Delegation of authority at each level -Degree of centralization-decentralization

--Note that degree of delegation is operationally defined by the degree of discretion each office has been given. This discretion is determined by the policies, procedures, and rules. Try to obtain an overall impression and illustrate this with particular policies, procedures, or rules.

e. Committee structure (Arrangements for Participation and Coordination)

--There are both formal and informal committees. Pay particular attention to committees that have a coordinative function. That is, where an interdependent relationship exists among units (such as among functional departments, or among specialized units in the plant), is there a regular informal meeting, or formal coordinative committee that deals with the interface problems among those units?

2. Control System

a. Standards at each level/sub-unit: Low-High

b. Measures: What is measured at each level/ sub-unit

c. Rewards: What degree are rewards-penalties related to performance.

--On standards, determine the degree of clarity these have been defined, and the level (relatively easy or difficult to achieve)

--On measures, determine if the measures of performance are related to standards. While they should be directly related, they often are not.

--On rewards, determine degree rewards-penalties for individuals and groups are related to performance that is under their control.

3. Information System

a. Linkage among sub-unit s/managers-subordinates

b. Redundancy or number of means for communicating

c. Feedback-transmission: Immediate/delayed

d. Files/retrieval-Degree historical data is available in files and can be retrieved when needed.

--These are both formal and informal communications systems. Pay particular attention to the formal linkage among units particularly where there is an interdependent relationship. Describe degree of redundancy (such as where an individual contacts

someone else by telephone and thus formally follows up by a written memo summarizing the main points covered and agreed upon).

--On feedback-transmission, what degree of delay is there in communicating important information. Reports, for instance, may be weekly, monthly, quarterly, or yearly.

--On files/retrieval, what is the system for storing current data for later use, and for retrieving stored information. This may be quite informal (individuals relying on their memories and notes) or highly systematized and formalized.

4. Human Resource Inventory

a. Management

--Their breadth/depth as reflected in training! experience/education

--The degree they demonstrate a managerial competence rather than a technical skill in their jobs. (e.g. Managing salesmen rather than selling; Managing engineers rather than doing engineering work)

--Degree they demonstrate a company rather than a functional perspective at the general management level

--Degree that they are reactive rather than anticipative in their approach to problems

--Degree leadership style is loose, democratic, or autocratic

b. Specialists

--Technical competence as reflected in training/experience/education

--Human relations/organizational skills

c. Labor: Blue collar and White collar

--Technical competence

--Organized-unorganized by labor unions

--Background of workers: Urban-rural, Black-White, young-old, men-women

d. Behavior Patterns

--Individuals: What is the level of commitment and involvement of individuals in each major department; are there sharp differences among groups in the departments?

--Intragroup relations - How well do members of the important groups work with each other where there is an interdependent work flow?

--Intergroup relations - How well do important groups work with each other where there is an interdependent work flow (level of conflict/cooperation)

--What is the union/management relationship: Level of conflict/cooperation

5. Personnel Programs

a. Recruitment--training upgrading programs for labor, specialists and management

b. Integrative programs - nature of personnel programs designed to integrate relations among workers, or between management and workers (e.g. company sponsored sports, activities, picnics, etc.)

6. Labor Unions

--Degree majority of force is organized by single or multiple representatives

--Degree of local autonomy of unions

EVALUATION

During the final two weeks of the course each team is required to orally present its analysis to class members. Invariably, these sessions become quite challenging and stimulating. The final written analysis is submitted to the instructor for final evaluation.

Additionally, each student is required to evaluate members of his team in the areas of cooperation, leadership, reliability, and mastery of the subject. A questionnaire is provided by the instructor. These peer-peer evaluations account for 10 percent of the students' final grades.

Students' grades are based on the following method:

- | | |
|---|------------|
| 1. Five written case analyses and one oral presentation | 45% |
| 2. Field study, written and oral presentation | 45% |
| 3. Peer-peer evaluation | <u>10%</u> |
| | 100% |

A follow-up visit to each firm is conducted by graduate students in the M.B.A. program in the semester following the initial report. These M.B.A. students evaluate the recommendations made in terms of feasibility and progress in implementation by the firms.

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