SMITH MANAGEMENT GAME (BUSOP)

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Business ethics and social responsibility are two of the latest buzz words in management academia. An effective methodology for teaching these two topics is needed.

A separate class in either business ethics or social responsibility will introduce the student to the subject matter, but the student is not really involved in decision-making which carries real economic costs to the firm. Experience with the case method indicates this method is not as effective as one might think, in that students write what they think the instructor wants to read. Thus, a business game in which socially responsible and ethical decisions are required by the student team seems to offer an effective method of impressing the student with the real-world costs of such decisions.

The Smith Management Game is fairly straightforward, with the usual variables of price, marketing, production engineering, research and development, plant size, capital procurement, and dividend decisions. In addition, the student team is given a different situation each period which describes a business responsibility- or ethical-problem with several alternatives. The team's choice of an alternative is entered as a decision into the game with resultant consequences becoming output in the succeeding periods. Thus, the students are forced to "live with" the decisions they have made. This approach should add a real-world dimension to present gaming methods. The game is designed for use in a junior college Management or Introduction to Business course, or a Principles of Management course on the junior level.

An example of a quarterly "situation" follows:

SITUATION I

The Vice President for manufacturing has just informed the management team of the firm there is a substantial inventory of last year's models. Although externally, the previous year's model does not look any different from the current year's model, there are substantial improvements made in the current year's product. One of the members has suggested the nameplates for the current year be placed on last year's model, and be sold as current year models. Management realizes they will probably have to sell the inventory at less than cost in order to move it out, because the current year's model is substantially higher quality then the previous model. The firm will lose about $75,000 on the inventory if sold as year old models. Which of the following actions should the firm take?

1. Change the nameplate and sell the inventory as the current year's product.

2. Sell the inventory as last year's model at the best possible price. (Record $75,000 in 'Other Expense' on Decision Form.)

3. Remove the nameplate from last year's model; do not put on this year's nameplate but hope the purchasers will <u>assume</u> it's this year's due to the similarity.

Place the number (1, 2, or 3) on the decision form describing the actions your firm should take. Justify your action in writing and turn this justification in with the decision form.

EFFECT ON GAME

Choice 1:. Fifty percent probability of action being discovered; if so, firm is fined $150,000 in Federal Court for deceptive trade practices

Printout :"Your firm fined $150,000 in Federal Court for deceptive trade practices (in not correctly identifying previous year models). Place this amount in 'Other Expenses' next period."

OR

"Consumer group has been investigating your radios to ascertain if old models are being sold as current models."

Choice 2: Firm loses $75,000 on the inventory.

Printout: "Your firm honored at National Meeting of Radio Manufacturers for integrity, quality, and consumer confidence."

Choice 3: Consumer testing group discovers what happened, firm loses 57, future sales due to poor public relations.

Printout: "Consumer testing group has discovered last years' radios on store shelves without proper identification as last years' models. Resultant public relations causes decrease in sales of 57.."

SUMMARY

Thus, the student team will debate the issues and make a decision it must live with through the duration of the simulation. The "most ethical" solution, Choice 2, will cost the firm in the short run; but solutions which are less ethical may also have short run costs (Choice 3). Choice one has a 507, probability of no effect at all or a double penalty if the firm is caught. The game administrator may change the various probabilities, penalties, and rewards. The writer is currently testing the effect of business ethics and social responsibility readings on the solutions a team might choose.