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INTERNATIONALIZING THE INTRODUCTION TO BUSINESS COURSE USING AN
INTERNATIONAL TEXT AND A DOMESTIC SIMULATION WITH A TWIST

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ABSTRACT

This article provides information concerning the authors' experiences with integrating and internationalizing the Introduction to Business course through the use of computerized simulations. We first describe the phases in the development of the course. Second, we discuss problems we encountered as the course evolved from a non-simulation course to a simulation course and from a domestic orientation to an international orientation. Finally, we present some materials that help make a domestically oriented simulation into one with somewhat of an international focus.

INTRODUCTION

For nearly twenty years Beaver College has required all students pursuing a major or minor in the Department of Business/Health Administration and Economics to complete an introductory course in business administration. During this time the course has evolved through three distinct phases.

Phase 1 (1980-1990)

Initially the primary purpose of this course, Introduction to Business, was to expose students to various business functions (accounting/finance, marketing, production/operations management and human resources administration) and topics such as business law, social responsibility, insurance, real estate, and investments. We used texts such as *Contemporary Business* (Boone & Kurtz, 1982) or *Business World* (Gitman & McDaniel, 1987). We supplemented the text with newspaper articles, in-class presentations, exercises, and

problem-solving activities. The topics were covered at a very surface level and little integration across topics was undertaken. We became dissatisfied with the lack of integration and began to look for ways to correct this. We decided that a general management simulation might work; therefore, we reviewed a number of simulations that appeared to be appropriate for the Introduction to Business course (Biggs & Halpin, 1989; Halpin & Biggs, 1989).

Phase 2 (1991-1997)

In this phase we added a computerized business simulation to help students integrate the various functional areas of business. To accommodate this shift we maintained those topics directly related to managing a business and reduced coverage of topics such as insurance, real estate, and investments that tended to have more of an individual focus.

The first computer simulation we used was SHOES (Ursic, Terpening, & Helgeson, 1991). This simulation involves the following decisions: price; advertising (consumer and dealer); sales promotions (consumer and dealer); number of salespeople; product development; contract bids; and market research. These decisions are made for the home region, a domestic region, and an international region. As is evident from the list of decisions, SHOES is a marketing simulation rather than a total enterprise simulation. Eventually, we decided that this heavy marketing focus and insufficient coverage of accounting/finance, production/operations, and human resources did not meet our needs so we switched to a total enterprise simulation, MANAGER (Smith, 1987).

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Each decision period in MANAGER represents a quarter of a year of operations and students are required to make 12 decisions. One of these decisions is an incident to which students must respond by selecting one of three to six prescribed alternatives. Most of the incidents represent ethical dilemmas or social responsibility types of issues, touch on a functional area, and, with one exception, are domestically oriented. Between the incidents and the other decision areas students are faced with decisions in the functional areas of accounting/finance (4 decisions and 0 incidents), human resources (0 decisions and 4 incidents), marketing (4 decisions and 5 incidents), and production/operations (3 decisions and 3 incidents).

In this phase we continued to use standard introduction to business administration texts such as *The World of Business* (Gitman & McDaniel, 1992) or *Business* (Pride, Hughes, Kapoor, 1996). We organized the material by discussing the external and internal factors that influence business decisions, primarily drawing upon Pearce and Robinson (1996). They look at the operating environment (competition, creditors, customers, labor, and suppliers), industry environment based upon *Competitive Strategy* (Porter, 1980), and remote environment (macroeconomic, social, political, technological, and ecological), formulation of strategy, and the integration of the business functions. Thus, we began to take a more strategic and management-oriented approach in the course.

Phase 3 (1998 – Present)

In the third and current phase we shifted the course to emphasize international business, even changing the course title to *International Business*. This shift was important due to institutional and departmental mission statements that had begun to emphasize internationalization (Berger, Finn, Landman, Lapreziosa, Larsen, Levy, Miserandino, Stern, & Walbert, 1998; Biggs, Duffy, & Swan, 1995;

and Biggs, Finn, Huang, Lombardi, & Sicorsky, 1997). We did not want to lose the overview or integration aspects of the course developed in Phases 1 and 2 so we continued to use a text, but chose one that addressed the various business functions within an international framework (Hill, 1998). We also continued the use of the simulation MANAGER (Smith & Golden, 1998) as a tool to present and integrate the business functional areas. In keeping with Eric Severied's law that "The single most common cause of problems is solutions," we soon discovered that aligning the international text and a domestically oriented simulation created a new set of problems.

THE TEXT AND SIMULATION INTEGRATION PROBLEM

The text (Hill, 1998) and simulation (Smith & Golden, 1998) have worked reasonably well in this course for the body of knowledge and skills each offers students. The text covers the international material at an appropriate level for a freshman course but shows some deficiencies in one or two of the functional areas. Of greatest concern is the complete lack of coverage of accounting. We have been able to address this area by preparing lecture notes and using accounting statements (income statement, balance sheet, and cash flow) from the simulation to present this information. These statements are also used to introduce various aspects of finance, such as ratio analysis, debt vs. equity financing, and dividend payout ratio. The simulation also permits us to elaborate on the marketing, production/operations, and human resources information presented in the text. Finally, we can relate the text to the simulation by discussing environmental aspects such as legal, political, and cultural. The primary deficiency with the simulation is that it is domestically oriented. The students do not have to make any decisions that are international in scope so they do not see as strong a connection between the text material and simulation as we would like. One might argue that the solution to this problem would be

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to use a simulation that is international and introduces topics such as currency conversion, transfer payments, foreign hiring, productivity rates, and/or economic factors. To this end we reviewed six such simulations: BUSINESS POLICY GAME: AN INTERNATIONAL SIMULATION (Cotter & Fritzsche, 1995a); MULTINATIONAL MANAGEMENT GAME (Keys & Wells, 1997); INTOPIA: INTERNATIONAL OPERATIONS SIMULATION/MARK 2000 (Thorelli, Graves, & Lopez, 1995); CORPORATION: A GLOBAL BUSINESS SIMULATION (Smith & Golden, 1994); BUSINESS MANAGEMENT LABORATORY (Jensen, 1996); and BUSINESS STRATEGY GAME: A GLOBAL INDUSTRY SIMULATION (Thompson & Stappenbeck, 1997). Also included as part of our search were reviews by others (Palij, 1995; Snyder, 1996; and Wolfe, 1997). Upon completion of this task we concluded that all of these simulations are too difficult for students at the introductory level. The challenge became tying the international content of the text to a domestically oriented simulation.

After much thought and several discussions, we decided that the solution to link the international text and the domestic simulation would be to design supplemental international incidents for MANAGER. These incidents would be supplemental to the simulation but would have real consequences in the simulation unlike supplemental activities such as reports, boards of directors, and posters (Biggs, 1993). They would serve as "realistic mini-cases which students can relate directly to their company...to add a dimension to the simulation which has not been built into the mathematical model" (Cotter and Fritzsche, 1995b). Following the approach used for incidents in MANAGER (Smith and Golden, 1998) and vignettes in THE BUSINESS POLICY GAME: AN INTERNATIONAL SIMULATION (Cotter and Fritzsche, 1995a) a closer connection would be made between the material in the text and the simulation. This left us with the task of devel-

oping such incidents to accompany MANAGER.

INCIDENTS FOR MANAGER

The incidents that come with the MANAGER simulation are built directly into the computer program. The players are given a description of a situation and are provided three to six alternatives they can consider to deal with the situation. They select one alternative and enter its code as part of their next set of decisions. The consequences for the selected alternative are preprogrammed, however due to probabilities, not all firms that select the same alternative experience identical results. Each firm receives written feedback indicating what the consequences of the decision are and any costs or benefits to be implemented within one or more quarters. A summary of the incidents is presented in Table 1.

It is evident from Table 1 that all the incidents deal with ethical or social responsibility issues and that only one involves the international environment. Our goal was to add to this set of incidents by introducing topics that focus on the business world beyond the domestic market.

In trying to develop international incidents to accompany MANAGER we were faced with a major problem as a result of the preprogrammed nature of the simulation. If we were to replace a domestic incident with an international one we were locked into the set of alternatives, costs or benefits, and written feedback associated with each dilemma. This being the case, we saw two solutions to this problem. First, we could create incidents that would fit the preprogrammed alternatives, costs or benefits, and statements. This approach seemed awkward since it was unlikely that we could uncover an international business situation that would lead to the same set of choices and results as those preprogrammed in the simulation. Second, we could develop incidents with alternatives and results independent of what was preprogrammed. This would mean that in

TABLE 1
INCIDENTS PRE-PROGRAMMED INTO ‘MANAGER’

Number	Topic	Functional Area	Domestic or International
1	Exclusive distribution	Marketing	Domestic
2	JIT and inventory control	Operations	Domestic
3	Misleading/false advertising	Marketing	Domestic
4	Pollution control equipment	Operations	Domestic
5	Charitable contributions		Domestic
6	Kickbacks to salespeople	Marketing	Domestic
7	Establishing a pension plan	Human resources	Domestic
8	Compensation of salespeople	Human resources	Domestic
9	Excessive inventory and packaging	Marketing	Domestic
10	Source of supplies	Operations	International
11	Hiring competitor’s employees	Human resources	Domestic
12	Dealer brand opportunity	Marketing	Domestic
13	Political contributions		Domestic
14	Job training for hard-core unemployed	Human resources	Domestic

addition to the routine output generated automatically each quarter the game administrator would provide supplemental statements describing the consequences of the selected alternative and any associated costs or benefits. The administrator would also have to implement these costs or benefits by manually adjusting revenues and/or expenses for the period.

We decided that the best approach was the second one - to develop our own incidents. To guide us in this process an effort was made to do the following:

- focus on ‘real world’ issues that are not time-specific so the incidents will have a useful life of more than one or two semesters,
- illustrate the multi-dimensional nature of business decision making by including information about the culture, economy (including currency), geography, politics, etc. of the foreign country/region,
- consider incidents that require teams to make business decisions in at least one functional area,
- do not limit the dilemma to questions of ethics and social responsibility,

- view the internet as a tool for accessing either the main events of the incident or for material to support the story we are about to tell, and
- keep the international incident similar in length, number of choices, and level of analysis as those offered by the authors of MANAGER (Smith & Golden, 1998).

The first two items are particularly important because they add another dimension to the learning environment. Students will learn something about a real country, currency, etc. A sample incident is presented in Appendix A. Appendix B presents the feedback students receive based on the course of action they select for this incident.

CONCLUSION

The purpose of this paper was to show how the introduction to business course evolved into an international business course at one institution. In making the transition a decision was made to adopt an international text while continuing to use a domestically oriented simulation. To more closely connect these two teaching tools the authors developed then introduced international

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incidents into the simulation. The authors would welcome feedback from those who might have already introduced outside incidents to a

simulation or who include our incident in a simulation they run at some future date.

APPENDIX I INTERNATIONAL INCIDENT - INDONESIA¹

The head of marketing at your firm was recently asked to report on renewing a relationship with Indonesian retailers. Up until 1996, your company had some success in selling to large retailers such as Wal Mart in Jakarta, the capital of the country. With a total population of over 213 million people (the 4th most populated nation in the world) and a growing middle class, this country was touted by the Clinton Administration as one of the Top 10 Emerging Markets in the mid-1990s. This growing optimism turned to pessimism in 1997 when the country was impacted by a number of events including a drought brought on by El Nino and a slide in the value of its currency, the rupiah (rp). The economy shrunk that year by some 25% and banks that were once solvent reported that more than 50% of their loans were non-performing.

By the middle of 1998, sales of your company's portable stereo systems to Wal Mart were halted entirely after one of its outlets in a 2 million square foot mall outside of Jakarta was forced to close. This complex, which consisted of a golf course, restaurants, an office tower, and condos, was constructed during a period of economic prosperity in the early part of the decade. But by the spring of 1998 a faltering economy and ethnic unrest brought the country to its knees. This major mall was especially hit hard when looters set fire to one department store and ransacked the shelves of others – including Wal Mart. By the end of that year the middle class in Indonesia had practically disappeared as a result of plant closings, a decline in the construction industry, and layoffs at many hotels. At this point, it was clear to your firm that it should stop doing business in Indonesia, which it and most other U.S. firms did by the end of that year.

Roughly one year later the outlook for this region is still in question. The rupiah has strengthened over the last year and is currently at 7,600 per U.S. \$1. Compared to the exchange rate in June of 1998 of 14,850 rp to the U.S. dollar the currency looks stronger but it still is weak when you consider 1997's level of 2,909 rp to the dollar. Inflation has declined since 1998 levels and a recovery, albeit slow, has made the country look a little more attractive to outside investors. However, long-term stability is not yet guaranteed. The International Monetary Fund (IMF) has designed a recovery package to help the country pay off its heavy debt but accusations abound regarding funds being 'siphoned' from the nation's banks to financial institutions associated with the ruling Golkar party.

At this time your firm has the following options. Which action do you recommend?

1. Do nothing at this point – maintain the status quo.
2. Enter into a two-year contract with an independent research firm that will send you annual economic reports on the market potential in Indonesia. The cost to your firm will be U.S. \$1,000 per quarter for the next two years.

¹ The information contained in this incident was drawn from Lin (1998), Solomon (1999), Zainuddin (1999), and a report issued by the U.S. Embassy in Jakarta, Indonesia (1998).

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3. Contract with a manufacturers' sales representative in Indonesia who will add your firm's product to his/her line of goods. Sales will be minimal, if any, initially but this 'connection' may give you a first mover advantage when the economy strengthens. The cost to your firm will be U.S. \$2,000 per quarter for the next two years

APPENDIX II INTERNATIONAL INCIDENT - RESPONSES

Students are given one of the following three responses as feedback to their selecting action #1, #2, or #3 for the 'International Incident – Indonesia'.

Response to Action #1 - The issue here is the risk/return tradeoff in a fairly uncertain situation.

Doing nothing may have a cost if it results in a missed opportunity in the future but for now you are saving these expenses. One could argue 'he/she who hesitates is lost' but on the other hand 'haste makes waste'. Maintaining the status quo results in zero costs and zero gains to your firm.

Response to Action #2 - The two-year contract lets you gather additional information but there is no immediate return, only a cost. At some point you will have to decide if the economic information contained in this report is sufficient to make a decision about reentering this market. Other information such as that concerning the political environment might be useful to obtain. In the meantime, you are not counting this market out completely.

Response to Action #3 - Entering into a contract with a sales rep is a costly commitment but the potential benefits are tremendous if conditions in this country improve. By being present in this market now you are likely to be rewarded with first mover advantages later. Although it could take several years your management team views this expenditure as a long-term investment that will have a positive impact on your company's stock price in the future. Good luck!

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