

Montana High School Business Challenge

USING THE BIZ-SIM SOFTWARE

Sponsored by the Montana Chamber
Foundation

Administered by the Montana Council on
Economic Education (MCEE)

In partnership with the College of
Business, Montana State University-
Bozeman

MONTANA CHAMBER FOUNDATION MISSION STATEMENT

"to promote, advance, improve and participate in research and educational projects for the purpose of encouraging the economic development of the state of Montana and its communities, the advancement of all fields of education, lessening the burdens of government, elimination of prejudice and discrimination, and combating community deterioration . . . "

MCEE MISSION STATEMENT

“to ensure that every young person in Montana understands the essential economics of a free market system, is able to use economic ways of thinking and problem solving, and has a solid grasp of the workings of a state, national, and global economy.”

MSU COLLEGE OF BUSINESS MISSION STATEMENT

The Mission of the College of Business is to provide excellence in undergraduate and select graduate business education.

To accomplish this, the College:

Fosters an integrated, experiential, and personalized learning environment.

Encourages critical thinking, quantitative reasoning, effective communication, ethical decision making, social responsibility and life-long learning.

The College is committed to the teacher-scholar model in which faculty members are simultaneously engaged in teaching and research. The College provides service and outreach to its stakeholders in keeping with this aspect of the University's land-grant mission.

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Why am I Involved?

My mission is to encourage students, whether in junior high, high school, or college, to learn and understand as much as they can about financial and economic issues. Our country is now, and will continue to face many serious and complex financial problems. In less than ten years, all of the aforementioned students will be an integral part of our economy, whether or not they're financially/economically literate. I would rather they be a part of the solution, rather than a part of the problem.

The Biz-Sim Overall Goal

- Have the highest stock price at the end of the simulation.
- Achieve the highest price by making legal, moral, and ethical decisions.

A Quick Scenario

- Each team manufactures the same product—a DVD player
- A team consists of 1 to 5 players
- Each input represents 3 months. The simulation runs eight quarters
- Decisions are e-mailed to simulation coordinator by noon each Wednesday.
- Coordinator runs simulation, and results are emailed to the teachers. Outputs are then printed.

About the Industry

- The industry is high tech—new products emerge routinely. It highly competitive and quickly changing
- The company sells to wholesalers, distributors, and all types of major electronic stores

About the Industry

- Product is popular, and sells for between \$27 to \$41 to wholesalers, not to the consumer
- Company has been in business for one year, and your team has recently purchased it
- The goal: Increase sales, control expenses, increase profits

Making Decisions

- Each quarter sales must be projected and production levels established
- Plant size can be expanded to meet sales demand, factoring in depreciation

Other Decisions

- Research & Development expenditures indirectly affect the cost of production
- Total Quality Management expenditures support the quality programs in the organization, to include purchasing, production, distribution, and marketing. The higher the budget, the lower the per unit cost of delivered product (higher profit margins)

Marketing Decisions

- Each team establishes the price (wholesale) of product. Prices are set according to pricing strategy, competition, etc.
- Advertising and Sales Promotion budgets impact demand for product.

Marketing Decisions

- Sales personnel are needed to reach wholesale customers. Two salespeople are currently on staff. The more that are hired, the more demand will be created for the product.

Additional Information

- A market research firm can be hired to conduct various studies, for an additional fee. These services include calculating the firm's market share, total DVD players sold by all teams this quarter, average advertising and produce development expenditures for the quarter, the forecasted economic outlook, etc.

Financial Decisions

- Dividends Paid

Are paid quarterly, and should be sustained.
\$5,000 is the current amount being paid.

- Bank Loans

Interest is 10% per year

Interest rates do not vary, and are not
related to current rates in the
real world

Payment of principal is discretionary

Mini-case Response

- Things happen in business that no one has control over (personnel leaving, environmental issues, lost (perhaps stolen) keys, etc.). Each has an impact on the fortunes of the firm. The decisions made will indirectly affect the performance of the business, and ultimately its stock price.

What will Students Learn?

- Teamwork
- Basic financial statements (balance sheet, income statement, cash flow statement)
- Decision making skills
- Learning there is more to education than simply getting the right answer.

What are the Costs?

- \$15.00 per team. Teams are limited to no more than five members. Scholarship (fee waivers) are available.
- Cost of printing manuals