Overview

This course is a Business Integrator course, intended to function in the B&T program as a platform for bringing together the various disciplinary perspectives (e.g., accounting, marketing, finance, operations mgmt., micro- and macro-economics) which the students acquire in other B&T courses, to offer a more “multi-dimensional” perspective on the business enterprise. The goal is to impart a more complete perspective on the challenges and decisions facing management, which can require complex trade-offs involving technological, economic, financial and competitive market considerations.

In BT 301, the Integrating Theme is Operations – that is, understanding how a company generates a predictable revenue stream, and how it manages its fulfillment costs and reinvests appropriately to achieve a sustainable level of profitability.

The analysis will focus on assessing the fundamental quality of the current business model, broken down into four main components:

1. an assessment of the Economic Quality of Revenue – the question of the diversity, repeatability and value-creating potential of the company’s revenue stream
2. an assessment of the Accounting Quality of Revenue – the transparency and reliability of the company’s revenue recognition principles and procedures
3. an assessment of the Quality of Earnings – the risks associated with the company’s cost structure required to support the fulfillment of its sales obligations and the perpetuation of its future revenue stream
4. an assessment of the Quality of the Franchise – the nature and value of the company’s critical Franchise Assets which create and sustain its competitive business model

In addition, the course covers a number of subsidiary but important problems related to the successful management of the Business Operation, including: revenue forecasting; working capital challenges (e.g., the “cash cycle”); the assessment and use of cash flow metrics such as Free Cash Flow; customer acquisition and retention; and the evaluation and management of “human capital” resources.

A principle vehicle for examining these questions is the Due Diligence analysis. Students, in teams, will spend the semester analyzing in depth a prominent public company (past examples have included Apple, Dell, Johnson & Johnson, Prudential Insurance, Chevron, AIG, and First Solar), from the perspective of supporting a potential acquisition of the company by an outside investor. The Due Diligence framework provides a guide to the understanding of both the strategic value of the proposed acquisition (the “upside” analysis), as well as the important risks (the “downside” analysis).

Prerequisites: BT 115, BT 202 [Other ?]
Learning Goals

### Desired Outcomes

1. Students should learn how to acquire and marshall relevant information from a wide range of current sources, and to be able to evaluate and think critically about the information from a multi-dimensional perspective.

2. Students should develop a facility for dealing with initially poorly structured problems and applying the appropriate disciplinary tools to analyze and organize a coherent view of the strategic implications.

3. Students should develop the critical thought process for the “due diligence” assignment, and demonstrate a capability to dig under the surface picture (as offered in standard financial disclosures) to identify the critical concerns, risks, and opportunities facing a business.

4. Students should become skilled in effectively communicating the results of their analyses in oral presentations before an audience of peers and experts.

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Pedagogy

The pedagogy in this course emphasizes the use of “real-time” information sources and open or unstructured problems, to develop the critical thinking and analytical skills required for the “integrated” perspective. In terms of student output, much emphasis is placed on developing confident presentation skills, both as to organization and delivery of the material. Some of the specific pedagogical strategies include:

1. The “Wall Street Journal” readings – students are required to subscribe to the WSJ, with quizzes every class on important and relevant events; the quizzes are used interactively to stimulate class discussions of the current material covered

2. Supplemental media – the course maintains a Blog for the distribution of additional articles and other material, drawn from a variety of current sources (e.g., the Financial Times, BusinessWeek, Fortune, Barron’s, the Economist) and appropriate selections from business literature

3. “Poorly Structured Problems” – two or three times per semester, students are provided with a challenge in the form of an incompletely structured problem or question, which requires them to develop both a more coherent understanding of the question and potentially understated implications, and a strong positive response. These are presented by teams in a competitive format, with significant incentives to outperform.

4. Due Diligence presentations – three times each semester, student due diligence teams are required to conduct formal 25-minute presentations, followed by 35 minutes of extensive Q&A from faculty panels, and from peers, on the status of their “due diligence” analyses of the selected companies.

5. Lectures – the course material is augmented by more traditional lectures, as appropriate for the exposition of new conceptual material; all lecture material and supporting readings are distributed electronically as well

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Required Readings

- *The Wall Street Journal* (subscription required)

- *Articles and literature selections posted on the course Blog* ([http://gcalhoun.wordpress.com/](http://gcalhoun.wordpress.com/))
Course Structure

Because of the strong engagement of this course with current events, and the sensitivity of a company’s strategic choices to changing market and economic conditions, the structure and sequence of topics is subject to some flexibility from semester to semester. Attached here below is a representative example planned for Fall 2011.

<table>
<thead>
<tr>
<th>Week</th>
<th>Mon</th>
<th>Wed</th>
<th>Notes</th>
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</thead>
<tbody>
<tr>
<td>1A</td>
<td>• Course Intro: Overview of Operations from a “Due Diligence” Perspective</td>
<td>1B</td>
<td>• Revenue: Top Line Metrics</td>
</tr>
<tr>
<td>2A</td>
<td>• Revenue: Adjustments to Revenue</td>
<td>2B</td>
<td>PBL 1: Revenue Recognition Presentations</td>
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<tr>
<td>3A</td>
<td>• Accounting Quality of Revenue</td>
<td>3B</td>
<td>• Economic Quality of Revenue</td>
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<tr>
<td>4A</td>
<td>• Revenue Forecasting</td>
<td>4B</td>
<td>• Typology of Revenue Models</td>
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<tr>
<td>5A</td>
<td>• Due Diligence 1st Cycle Guidance: Assessing the Revenue Model</td>
<td>5B</td>
<td>• 1st Midterm</td>
</tr>
<tr>
<td>6A</td>
<td>Group Work on Due Diligence</td>
<td>6B</td>
<td>Group Work on Due Diligence</td>
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### Module 2: The Cost Model

<table>
<thead>
<tr>
<th>Week</th>
<th>Mon</th>
<th>Wed</th>
<th>Notes</th>
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<tbody>
<tr>
<td>7A</td>
<td>• Cost Structures – Introduction &amp; Typology</td>
<td>7B</td>
<td>• Risks linked to Variable Cost: e.g., Working Capital (“Cash Cycle”), Inventory Risks</td>
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<tr>
<td>8A</td>
<td>• Risks linked to Fixed Cost: e.g., Capacity Utilization, Stranded Investment, Excess Operating Leverage Risks</td>
<td>8B</td>
<td>PBL 2: Cost Structure Presentations</td>
</tr>
<tr>
<td>9A</td>
<td>• Risks linked to Franchise Investments: e.g., Underinvestment Risks</td>
<td>9B</td>
<td>• Cash Flow: Metrics &amp; Assessment</td>
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| 10A  | • Quality of Earnings: Metrics & Assessment | 10B                                     | • Due Diligence 2nd Cycle Guidance: Assessing the Cost Model  
• 2nd Midterm                  |
| 11A  | Group Work on Due Diligence              | 11B                                     | Group Work on Due Diligence                          | 2nd DD Presentation |

### Module 3: The Franchise

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<tr>
<th>Week</th>
<th>Mon</th>
<th>Wed</th>
<th>Notes</th>
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<tbody>
<tr>
<td>12A</td>
<td>• The Franchise: Introduction</td>
<td>12B</td>
<td>• Franchise Assets: A Survey</td>
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<tr>
<td>13A</td>
<td>• Franchise Assets: A Survey (cont’d)</td>
<td>13B</td>
<td>• No Class (Thanksgiving)</td>
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</tbody>
</table>
| 14A  | • Franchise Leverage: Business Models & Strategies | 14B                                     | • Due Diligence 3rd Cycle Guidance: Assessing Franchise Quality  
3rd DD Presentation during Finals Period  |
Course Grading

1. Quizzes: Daily WSJ Quizzes account cumulatively for about one-third of the course grade.
2. Exams: Mini-Exams account for about one-sixth of the course grade.
3. Mid-Terms: Two mid-terms will account (together) for about one-sixth of the course grade.
4. Final Due Diligence Presentation: Accounts for one-third of the grade
5. Group problem assignments (“Poorly structured problems”) – winning presentations are given a boost or in some cases a pass on exams
6. There are no make-ups for missed quizzes.
7. Make-ups for mini-exams must be taken within 48 hours.
8. Make-ups for mid-terms are only permitted with a formal medical excuse.

Course Etiquette

1. In general “corporate rules of behavior” apply – that is, I expect classroom behavior and decorum similar to that which would be required in a work environment.
2. Attendance is mandatory (unless a prior email excuse is submitted and accepted).
3. No open laptops or cellphones are permitted.
4. No eating or sleeping etc. are permitted.
5. Appropriate dress required for formal presentations.
Ethical Conduct

Enrollment into the undergraduate class of Stevens signifies a student’s commitment to the Honor System. It is the responsibility of each student to become acquainted with and to uphold the ideals set forth in the Honor System Constitution. All students are reminded that, as a condition of being admitted to Stevens, they will uphold and adhere to the standards of the Stevens Honor System. Specific Student responsibilities include:

1. Maintaining honesty and fair play in all aspects of academic life at Stevens
2. Writing and signing the pledge, in full, on all submitted academic work
3. Reporting any suspected violations to an Honor Board member or to the Dean of Undergraduate Academics
4. Cooperating with the Honor Board during investigations and hearings