

MBA6620 MID Assessment

This assessment is drawn from your learning on rational decision-making, costs, marginal analysis, investment decisions and human biases in decision making. In formulating your answer, remember this is a graduate class and therefore, analysis and demonstration of academic learning are highly rewarded (review grading rubric at the end of this document).

THE ANSWER TO EACH ANSWER SHOULD NOT BE LONGER THAN ONE PAGE.
INCLUDE RELEVANT REFERENCES. FOLLOW APA GUIDELINES.

1. Each question carries equal weight.
2. Deadlines must be met. NEVER email me your answers. You MUST use the link in Canvas to submit your work.
3. Use MS Word (I have problems opening Word Perfect) documents
4. Do not wait until the eleventh hour to start your work. Remember, your best and thoughtful answers come to you when you give yourself time to think about these questions and view them from multiple perspectives.
5. Make sure that you think about all that you have learned and focus on the application of your learning.
6. The length of each answer is your decision. Remember to balance the length of the answer by demonstrating sufficient explanatory knowledge, versus answers of unwieldy length (efficiency counts!). Conciseness and clarity are highly valued in the business world.
7. Note: this is a graduate class and that recitation of definitions and descriptions are **not** complete answers.

PROBLEM

Mabel is currently working as a swim instructor earning \$40,000 per year. Her career goal was to own and operate a swim facility teaching kids and young adults. When the local swim facility in town was offered for sale, Mabel decided to buy the facility.

The facility has a 25 x 50 feet pool, just the right size for swim instruction and comes with a small locker room, bathroom and parking lot. No private bathing stalls are available but an open shower area accommodates 3 persons for pre and post swim rinse. The facility is located in City X, in State Y. City X has a robust city center and a relatively long history of middle class suburb. The facility came with **TWO** full-time instructors and **ONE** full-time maintenance staff.

The swim package is for 3 lessons per week for 45 minutes per lesson (see SWIM CLASS SCHEDULE below). The pool accommodates 2 lanes for two separate lessons to be run at the same time. Currently, each lane holds 5 students.

The pool schedule is currently fully booked and Mabel concludes, based on a parent survey that parents are happy with the instructors and the personal attention that the students receive. However, they recommend more investment in lockers and better bathroom facilities.

Mabel knows that her competitors for student lessons are the local gymnastic programs, soccer programs, and other athletic programs in the area. She is eager to invest in the facility, but she is unsure on how to pay for the upgrade and grow her business.

- Can she add one more student in each lesson?
- Would it crowd each lane and reduce the quality of instruction?
- What would be the impact of providing personal attention to each student?

Mabel estimates that the investments in lockers and bathroom facilities will require \$50,000 in new investment. A loan for the amount would add an additional \$750 monthly for 5 years. Mabel is business minded and wants to make investment decisions through a rational and thoughtful process based on hard financial numbers and “soft” relational aspects. She is also worried that her human cognitive biases may get in the way of her decisions.

Modified from

Newbury, K., Burson, T., & Cox, S. (2011). Sink or swim. Journal of Critical Incidents, 4.

QUESTIONS:

1. What decision making concepts have you learned in this class that would assist Mabel make rational decisions?
2. Create a table / spreadsheet of fixed and variable costs per month based on Monthly Table of Financial Data. Explain your classification for each item.
3. Does the Monthly Table of Financial Data show the Economic profit per month? If not calculate the monthly economic profit or loss.
4. Acting as Mabel, what financial data will you need to make the decisions?
5. Create a spreadsheet that will help Mabel make the decision on adding an additional student to each lesson.
6. What cognitive biases should Mabel be on the lookout during the decision making process? Explain your reasoning.
7. Are there other alternative choices that Mabel could consider? Make sure to explain likely marginal costs and benefits of the alternatives you mention.
8. Briefly on your learning of rational decision making and its twin human cognitive biases, what are your conclusions on human ability to make rational decisions?

PRICE PER STUDENT (3 LESSONS PER WEEK): \$300 per month.

SWIM CLASSES SCHEDULE

Based on the swim schedule, the facility instructs 18 cohorts of students in each lane, for a total of 90 students (3 lessons per week; 5 students in each lane). *You can check this based on the swim class schedule below.*

Week days

3:30	5:15
5:30	6:15
6:30	7:15

Saturday

9:00	9:45
10:00	10:45
11:00	11:45
12:00	12:45
3:00	3:45
4:00	4:45

Sunday

9:00	9:45
10:00	10:45
11:00	11:45
12:00	12:45
3:00	3:45
4:00	4:45

MONTHLY Table of Financial Data

Revenue	\$	27,000
Salary and benefits (2 instructors)	\$	7,500
Maintenance Staff	\$	3,750
Monthly Pool Materials	\$	1,000
Utilities	\$	3,000
Insurance	\$	600
Marketing & Website	\$	300
Cleaning and Other	\$	2,000
Mortgage expenses	\$	3,000
Total Expenses	\$	21,150

GRADING RUBRIC

		V. Good >90	Good 80 – 89.99	Needs Improvement 70 – 79.99	Needs significant Improvement >70
45%	Analysis of each question uses assigned course materials	Makes appropriate and powerful connections between questions posed and strategic concepts studied in the course readings and lectures; Demonstrates thorough command of the analytical tools.	Makes competent connections between identified issues/problems and concepts studied in readings and lectures; Demonstrates competent command of the analytical tools.	Often makes tenuous, or sometimes mistaken connections between issues identified in the case and the concepts studied in the readings. Demonstrates imperfect command of the analytical tools.	Makes false or no connection between issues identified and the concepts studied in the readings
25%	Logically constructed arguments and explanations	Arguments /Claims are well structured based on logical chain of inferences and evidence. Conclusions are well derived from the arguments	Arguments /Claims are partially developed in a logical manner. Several conclusions are stated as self-evident, or supported by anecdotal information.	Intermittent effort is made to develop logical arguments. Most conclusions are stated as self-evident.	Limited /No logical arguments are developed.
15%	Writing Mechanics	Writing is free of grammar and spelling errors. Writing is clear, concise, and ideas are well presented.	Writing is mostly free of grammar and spelling errors. Writing is mostly clear, concise. Most outside sources are		Writing is inadequate. There are several grammar and spelling errors. Limited references,

		All outside sources are referenced. APA Style is followed with all references	referenced. APA Style is mostly followed, with few errors		APA Style is inadequately followed
15%	Use of Spread Sheet	Uses work sheet correctly and thoroughly to analyze data and help in the decision process	Uses work sheet adequately to analyze data and help in the decision process	Minimally or superficially uses the work sheet	Does not use any worksheet sheet