

Quality Housing

Your group will be organized into a construction company producing residential housing. Houses will be constructed from 3 x 5 cards, fastened with cellophane tape and decorated with felt-tip markers. You will be competing with other companies to attain the highest levels of profitability. You will work in two phases:

Phase I: Planning. Your team will (a) develop a design for the houses you will produce and (b) plan how you will organize and manage production of houses during Phase II. Whenever you are ready to begin production, inform the instructor, who will give you a starting signal and keep time.

Phase II: Production: Your team will have 5 minutes to produce houses.

Your only cost is \$500.00 for each card which is bent, folded, altered, or used in producing a house or prototype. You will be charged for any cards that are bent, folded, taped or marked during planning, but such cards may not be used for production. Costs of tape, markers and labor are considered equivalent for all companies, and are ignored. Profit equals total revenues less cost of cards.

The market will absorb all houses built (so long as they meet the specifications below) at the following prices:

One story houses:

\$9,000 for first 15 units

\$8,000 for 16th through 25th unit

\$7,000 for any additional units.

Two story houses:

\$16,000 for first ten units

\$14,000 for 11th through 18th units

\$12,000 for any additional units

Bonuses

1. The company whose houses are judged to be most attractive, durable and appealing to the customer will receive a quality bonus of 20% of revenues.

2. The first company to bring houses to market (that is, the company that produces houses first) will receive a bonus of 20% of revenues.

No house may be sold unless it meets the following specifications:

1. Cards cannot be cut, but may be bent or folded. Nothing other than cards, tape and markers may be used in constructing houses.

2. The main floor must be enclosed on a minimum of three sides. It must have a floor, a minimum of one door and one window, and an area of not less than 28 sq. inches (two 3 x 5 cards, less allowance for overlap).

3. Upper stories must have a floor and at least two windows.

4. All houses must have a peaked roof and a chimney.

5. Houses must pass a test of durability: ability to sustain a drop from twelve inches above a hard surface (such as a tabletop) without sustaining damage.