**SECTION 2**

Using a Strategy Simulation in Your Course  
What’s Involved, the Compelling Benefits, and How to Proceed

Since 2005, impressive numbers of strategy instructors at business schools worldwide have transitioned from a purely text-cases course structure to what we contend is a more robust and energizing text-cases-simulation course structure. Incorporating a competition-based strategy simulation has the strong appeal of providing class members with *an immediate and engaging* ***hands-on*** *opportunity to apply the concepts and analytical tools covered in the chapters and personally assume responsibility for crafting and executing a strategy for a virtual company they have been assigned to manage*.

Two of the world’s most widely-used and pedagogically effective online strategy simulations, *The Business Strategy Game* and *GLO-BUS*, are optional companions for this text.

* The Business Strategy Game is the world’s most popular strategy simulation, having been used by over 3,600 different instructors for courses involving close to 1 million students at 1,315+ university campuses in 76 countries. A freshly-updated and much-enhanced version of *The Business Strategy Game* was introduced in August 2018. In 2020, this latest version of BSG was used by some 48,000 students in courses on 500+ campuses.
* GLO-BUS, a somewhat simpler strategy simulation first introduced in 2004 and freshly revamped in 2017 has been used by close to 2,000 different instructors for courses involving about 375,000 students at 800+ university campuses in 52 countries. In 2020, this latest version of *GLO-BUS* was used by over 31,000 students in courses on 350+ campuses.

Arthur A. Thompson, a senior author of this text and the lead co-author of both *The Business Strategy Game* and *GLO-BUS*,designed both simulations to provide instructors with an appealing and proven means of:

* Getting class members personally engaged in thinking strategically and applying the chapter content.
* Giving students valuable practice in synthesizing a variety of functional and operating decisions into an overall strategy and competitive approach that produces good financial and strategic results.

The remainder of this section provides you with information about the two strategy simulations and offers suggestions for successfully using either *BSG* or *GLO-BUS* in your course. Here is a quick reference guide to the contents of this section:

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How the Strategy Simulations Work

In both*The Business Strategy Game (BSG) and GLO-BUS,* 1 to 5 class members are assigned to run a company that competes head-to-head against companies run by other class members.

* In *BSG*, team members run athletic footwear companies that produce and market both branded and private-label footwear in a global market arena with four distinct geographic regions—Europe-Africa, North America, Asia-Pacific, and Latin America.
* In *GLO-BUS*, team members operate companies that design, assemble, and market professional quality action-capture video cameras and unmanned camera-equipped copter drones in a global market arena that also consists of four distinct geographic regions—Europe-Africa, North America, Asia-Pacific, and Latin America.

In both simulations, each management team is called upon to craft a strategy for their company and make decisions relating to production capacity, plant operations, workforce compensation, pricing and marketing, social responsibility/citizenship, and finance.

Company co-managers are held accountable for their decision-making. A balanced scorecard approach is used to evaluate each company’s performance on the basis of earnings per share, return on equity investment, stock price, credit rating, and image rating. Rankings of company performance, along with a wealth of industry and company statistics, are available to company co-managers after each decision round to use in making strategy adjustments and entering decisions for the next competitive round. You can be certain that the market environment, strategic issues, and operating challenges that company co-managers must contend with in running their simulation company are very tightly linked to the concepts, analytical tools, and strategy options they encounter in the text chapters for the 23rd edition.

We suggest that you schedule 1 or 2 practice rounds and anywhere from 6 to 10 regular (scored) decision rounds (6 to 10 rounds are better than 3–5 rounds because requiring class members to run their companies for a greater number of decision rounds prompt them to consider the longer-term impact of their decisions and strategies rather than to focus on short-term decision-making and immediate outcomes/financial results. Each decision round represents a year of company operations and will entail roughly two hours of time for company co-managers to complete. ***Decision rounds can be scheduled weekly, bi-weekly, or at whatever intervals instructors wish.*** Sample schedules for courses of varying length and numbers of class meetings are provided.

When the instructor-specified deadline for a decision round arrives, the simulation server automatically accesses the saved decision entries of each company, determines the competitiveness and buyer appeal of each company’s product offering relative to the offerings of rival companies, and then allocates sales and market shares, geographic region by geographic region. The unit sales volumes awarded to each company are totally governed by:

* How a company's prices compare against the prices of rival brands.
* How its product quality compares against the quality of rival brands.
* How its product line breadth and selection compare.
* How its advertising effort compares ***to rivals’ advertising, and so on for a total of 11 competitive factors that determine a company’s unit sales and market shares in each of the four geographic regions***.

The competitiveness and overall buyer appeal of each company’s product offering *in comparison to the product offerings of rival companies* is all-decisive—this algorithmic feature is what make *BSG* and *GLO-BUS* “competition-based” strategy simulations. Once each company’s sales and market shares are awarded based on the competitiveness and buyer appeal of its overall product offering vis-à-vis the offerings of rival companies, the various company and industry reports detailing the outcomes of the decision round are then generated. Company co-managers and course instructors can access the results of the decision round 15–20 minutes after the decision deadline.

Rest assured that both simulations were meticulously designed to be instructor-friendly. You’ll be pleasantly surprised—and we think quite pleased—at how little time it takes to gear up for and to administer an automated online simulation like *The Business Strategy Game* or *GLO-BUS.*

**Special Note:** ***Both simulations work especially well for online classes or in distance-learning situations where students are not on-campus***. This is because ***team members running the same company who are logged-in simultaneously on different computers at different locations can easily have an online meeting by using two tremendously valuable built-in capabilities:***

1. ***They can click a button to work collaboratively in viewing reports and making decision entries.*** When in “Collaboration Mode,” each team member sees the same screen at the same time as all other team members who are logged-in and have joined Collaboration Mode. If one team member chooses to view a particular decision screen, that same screen appears on the monitors for all team members engaged in collaboration. Each team member controls their own color-coded mouse pointer (with their first-name appearing in a color-coded box linked to their mouse pointer) and can make a decision entry or move the mouse to point to particular on-screen items.
2. ***They can click a second button to talk to one another (using the built-in real time VOIP audio chat feature).*** Chat capability among team members working in Collaboration Mode enables team members to debate and discuss the merits of alternative decision entries and strategies. In effect, they can have an online meeting to conveniently and effectively collaborate in running their simulation company (as opposed to meeting face-to-face and gathering around a single computer).

***Moreover, instructors have capability to use their own computers to join any company’s online meeting.*** They can not only talk online to the managers of a company but also utilize the Collaboration feature that enables all attendees to view the same screen. When in Collaboration Mode instructors have their own red-colored mouse pointer linked to a red box labeled Instructor. This instructor-friendly feature curtails having to schedule meetings with team members in your office should something arise that requires your participation.

***Even if you are teaching an in-person class rather than an online course, you will find that a big majority of class members will opt to take advantage of the built-in collaboration and voice chat features because the members of many company teams will like the convenience of having an online meeting to prepare their decision entries as opposed to having face-to-face meetings and gathering around a single computer either in the computer lab or at some other location of their choosing.***

A Birds-Eye View of *The Business Strategy Game*

*The Business Strategy Game* (*BSG*) is modeled to mirror the global athletic footwear industry (where the longtime industry leaders are Nike and Adidas-Reebok). Athletic footwear makes an excellent setting for a simulation because it is a product that students are intimately familiar with and the workings of the industry can easily be grasped by students—conditions which greatly enhance the effectiveness of a simulation from a teaching/learning perspective. The global athletic footwear industry is particularly suitable for a strategy simulation because the product is used worldwide, there’s competition among companies from several continents, production is concentrated in low-cost locations, and the real-world marketplace is populated with companies employing a variety of competitive approaches and business strategies.

Using a strategy simulation with a global industry setting is especially desirable because globalization of the marketplace is an ever-widening reality and global strategy issues are a standard part of the strategic management course. Plus, of course, *accreditation standards for business school programs routinely require that the core curriculum include international business topics and the managerial challenges of operating in a globally competitive marketplace.*

Company Operations

Companies begin the simulation producing branded and private-label footwear in two production facilities, one in North America and one in Asia. Both facilities can be operated at overtime to boost annual capacity by 20%. Management has the option to establish production facilities in Latin America and Europe-Africa as the simulation proceeds. At management’s direction, a company’s design staff can come up with more footwear models, new features, and stylish new designs to keep the company’s branded product line fresh and in keeping with the latest fashion. Private-label footwear must be produced to the specifications of chain footwear retailers with private label brands.

Each company markets its brand of athletic footwear to footwear retailers worldwide and to individuals buying online at the company’s web site. If a company has more production capacity than is needed to meet the demand for its branded footwear, it can enter into competitive bidding for contracts to produce footwear sold under the private-label brands of large chain retailers. Company co-managers exercise control over production costs based on the styling and quality they opt to manufacture, plant location (wages, incentive compensation, and import tariffs vary from region to region), the use of best practices and six sigma programs to reduce the production of defective footwear and to boost worker productivity, and compensation practices.

All newly-produced footwear is shipped in bulk containers to one of four regional distribution centers (North America, Latin America, Asia-Pacific, and Europe-Africa). All incoming orders from internet customers and retailers in a geographic region are filled from footwear inventories in that same regional distribution center. Since internet and retailer orders cannot be filled from inventories in a distribution center in another region (because of prohibitively high shipping and distribution costs), company co-managers have to be careful to match shipments from production facilities to the expected internet and retailer demand in each geographic region. Costs at the four regional distribution centers are a function of inventory storage costs, packing and shipping fees, import tariffs paid on incoming pairs shipped from foreign plants, and exchange rate impacts.

Many countries have import tariffs on footwear produced at plants outside their geographic region; at the start of the simulation, import tariffs average $4 per pair in North America, $6 in Europe-Africa, $10 per pair in Latin America, and $8 in the Asia-Pacific region. Instructors have the option to alter tariffs as the game progresses.

In running their footwear companies, the challenge for each management team is to craft and execute a competitive strategy that results in a respected brand image, keeps their company in contention for global market leadership, and produces good financial performance as measured by earnings per share, return on equity investment, stock price appreciation, and credit rating.

All companies begin the exercise with equal sales volume, global market share, revenues, profits, costs, product quality and performance, brand recognition, and so on. Global demand for athletic footwear grows at the rate of 7–9% annually for the first five years and 5–7% annually for the second five years. However, market growth rates vary by geographic region, and growth rates are also affected by the aggressiveness with which companies go after additional sales by making their product offerings more appealing.

The Decisions That Company Managers Have to Make

In *BSG*, company co-managers make up to 57 types of decisions each period, spread across the functional spectrum as follows:

* Production operations (up to 11 decisions for each plant, with a maximum of 4 plants)
* The addition of facility space, equipment, and production improvement options (up to 6 decisions per plant)
* Worker compensation, supervision, and training (up to 6 decisions per plant)
* Shipping and distribution center operations (5 decisions per geographic region)
* Pricing and marketing (up to 9 decisions in each of 4 geographic regions)
* Bids to sign celebrities (2 decision entries per bid)
* Corporate social responsibility and citizenship (up to 8 decision entries)
* Financing of company operations (up to 8 decision entries)

Plus, there are 10 entries for each region pertaining to assumptions about the upcoming-year actions and competitive efforts of rival companies that factor directly into the forecasts of a company's unit sales, revenues, and market share in each of the four geographic regions. ***Experience confirms that having such a “large” number of decisions is right on the money—enough to keep company co-managers engaged and challenged but not too many to confuse and overwhelm.***

On-Screen Support Calculations

Each time co-managers make a decision entry, an assortment of on-screen calculations instantly shows the projected effects on unit sales, revenues, market shares, total profit, earnings per share, ROE, unit costs, and other operating outcomes. All of these on-screen calculations help co-managers evaluate the relative merits of one decision entry versus another. Company managers can try out as many different decision combinations as they wish in stitching the separate decisions into a cohesive whole that is projected to produce good company performance.

If company co-managers want additional help/assistance in making decision entries, they can watch the ***2*–*4 minute*** ***video tutorials for each decision screen*** and/or consult the ***comprehensive Help sections*** that explain cause-effect relationships, provide tips and suggestions, explain how the numbers in the company and industry reports are calculated, and otherwise inform company co-managers how things work.

The Quest for a Winning Strategy

All companies begin the exercise with equal sales volume, global market share, revenues, profits, costs, product quality and performance, brand recognition, and so on. Global demand for athletic footwear grows at the rate of 7–9% annually for the first five years and 5–7% annually for the second five years. However, market growth rates vary by geographic region, and growth rates are also affected by the aggressiveness with which companies go after additional sales by making their product offerings more appealing.

Each company typically seeks to enhance its performance and build competitive advantage based on some combination of selling its footwear at more attractive prices, offering a bigger selection of footwear styles and models, having more appealing footwear styling and quality, outspending rivals on advertising, offering bigger mail-in rebates, outbidding rivals in signing celebrities to endorse its brand, and so on for each of the various determinants of competitiveness. providing more merchandising and promotional support to retailers, shorter shipping and delivery times, and more aggressive promotion of online purchases at its website.

Competition among rival athletic footwear manufacturers centers around 13 factors that affect each company’s branded footwear sales volumes and market shares in each of the four geographic market regions. Five of the 13 factors affect both wholesale sales to footwear retailers and online sales at company websites, five of the factors affect only wholesale sales, and three of the factors affect only internet (or online) sales:

* The five competition-related factors that affect both branded wholesale sales to footwear retailers and branded online sales at company websites pertain to footwear styling and quality, number of models/styles offered, expenditures for brand advertising, appeal of celebrity endorsers, and brand image/reputation.
* The five competition related factors that pertain exclusively to wholesale sales of branded footwear to footwear retailers in each region are the average wholesale prices at which companies sell their branded footwear to retailers in each region, the size of the mail-in rebates companies offer to buyers of their branded footwear in each region, the number of retailers in each region carrying each company’s brand of footwear, the number of weeks each company chooses to take to deliver orders for branded footwear to footwear retailers in each region, and the comparative amounts of merchandising and promotional support that companies provide to the retailers stocking their brand in each region.
* The three competition-related factors that govern each company’s website sales to online shoppers in each region are the average online price per model offered, comparative expenditures for search engine advertising, and whether a company’s offers free shipping or requires customer-paid shipping.

***Any and all competitive strategy options***—low-cost leadership, differentiation, best-cost provider, focused low-cost, and focused differentiation—***are viable choices for pursuing better company performance and competitive advantage in the branded footwear segment. There’s no built-in bias favoring any one strategy and no “secret set of strategic moves or decision combinations” that are sure to result in a company becoming the industry leader.*** A company can try to gain an edge over rivals in the branded footwear segment with a lower average wholesale price\, or bigger expenditures on brand advertising or a wider selection of models or more appealing styling/quality or bigger mail-in rebates or securing more appealing celebrity endorsements, and so on. It can focus sales efforts on one or two geographic regions or strive to build strong market positions in all four geographic regions. It can pursue essentially the same branded strategy worldwide or craft slightly or very different strategies for each of the four geographic regions. It can put more or less emphasis on selling branded shoes to footwear retailers as opposed to selling to individual consumers at the company’s website. ***Most any well-conceived, well-executed competitive approach in branded footwear is capable of succeeding, provided it is not overpowered by the opposing strategies of competitors or defeated by the presence of too many copycat strategies that dilute its effectiveness.***

***However, vigorous price competition prevails in the private-label segment.*** For obvious reasons, chain retailers prefer to source their requirements for private-label footwear from companies offering the best (lowest) prices. Companies desirous of winning a contract to supply private-label footwear to chain retailers across the world must first agree to produce shoes that meet globally-set buyer specifications for quality and variety of models/styles. Then they must be successful in bidding against rival companies for contracts. Companies offering to supply specified quantities of private-label footwear with lower price bids are awarded contracts over companies that bid higher prices. A low-cost, low-price strategy is thus mandatory in the private-label segment if a company expects to be profitable (but this does not require pursuing this same strategy/competitive approach in the branded athletic footwear segment).

How the Outcomes Are Determined