

FOURTH EDITION

# Essentials of STRATEGIC MANAGEMENT

## The Quest for Competitive Advantage

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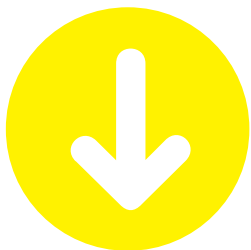
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# Instructor Resources, Chapter Features, and Case Overview



section

1

## INSTRUCTOR RESOURCES

We strived to achieve four goals in preparing this package of Instructor Resources for the 4th Edition of *Essentials of Strategic Management*:

1. To equip you with all the resources and pedagogical tools you'll need to design and deliver a course that is on the cutting-edge and solidly in the mainstream of what students need to know about crafting and executing winning strategies.
2. To give you wide flexibility in putting together a course syllabus that you are comfortable with and proud of.
3. To give you a smorgasbord of options to draw from in keeping the nature of student assignments varied and interesting.
4. To help you deliver a course with upbeat tempo that wins enthusiastic applause from students.

We believe the contents of the package will be particularly informative and helpful to faculty members teaching the strategy course for the first time but we have also tried to embellish the content with ideas and suggestions that will prove valuable to experienced faculty looking for ways to refurbish their course offering and/or to keep student assignments varied and interesting.

## A QUICK OVERVIEW OF THE ENTIRE INSTRUCTOR RESOURCE PACKAGE

The Instructor's Manual for *Essentials of Strategic Management* contains:

- A quick look at the topical focus of the text's 10 chapters (Section 1).
- An overview of the 12 cases in the text, along with a grid profiling the strategic issues that come into play in each case (Section 1 and Section 3).
- A discussion of the reasons to use a strategy simulation as an integral part of your strategy course. The two web-based strategy simulations—*The Business Strategy Game* or *GLO-BUS*—that are companions to this text incorporate the very kinds of strategic thinking, strategic analysis, and strategic decision-making described in the text chapters and connect beautifully to the chapter content. The automated online nature of both simulations entails minimal administrative time and effort on the instructor's part. You will be pleasantly shocked (and pleased!!) at the minimal time it will take you to incorporate use of *GLO-BUS* or *The Business Strategy Game* and the added degree of student excitement and energy that either of these competition-based strategy simulations brings to the course—see Section 2 for more details.
- Tips and suggestions for effectively using either *GLO-BUS* or *The Business Strategy Game* in your course (covered in both Section 2 and Section 3).
- The merits of incorporating the use of the *Connect™ Management* Web-based assignment and assessment platform accompanying the 4th Edition, into your course requirements. Connect includes chapter quizzes, case assignment exercises for all 12 cases, and two learning assurance exercises for all 10 chapters of the 4th Edition. Connect offers automatic grading for all chapter quizzes and one learning assurance exercise per chapter. ***New to this edition is a set of auto-graded exercises for all 12 cases in the text.*** Connect offers an easy-to-administer approach to testing and assessing individual-level student mastery of chapter concepts and case analysis (covered in Section 3).
- Ideas and suggestions on course design and course organization (Section 3 and Section 4).

- Recommendations for sequencing the case assignments and guidance about how to use the cases effectively (Section 3).
- Our recommendations regarding which cases are particularly appropriate for written case assignments and oral team presentations (Section 3).
- Two sample course syllabi (Section 4).
- Five sample schedules of class activities and daily assignments for 15-week terms; 3 sample schedules of class activities for 10-week terms; and 3 sample daily course schedules for 5-week terms. (Section 4).
- A Test Bank for the 10 chapters that consists of 700+ questions (Section 5).
- A set of Lecture Notes for each of the 10 chapters (Section 6).
- A comprehensive teaching note for each of the 12 cases in *Essentials of Strategic Management* (Section 7).

In addition to the Instructor's Manual, the support package for adopters also includes several important features that should be of interest.

**Connect™ Management Web-based Assignment and Assessment Platform** The 4th Edition package includes a robust collection of chapter quizzes, chapter learning assurance exercises, and case preparation exercises that should prove to ease instructors' grading and assessment obligations. Student understanding of chapter concepts can be assessed at the individual-level through chapter quizzes and applied learning assurance exercises that record each student's grade in a Web-based grade book. All chapter quizzes are automatically graded and one Assurance of Learning exercise for each of the 10 chapters is automatically graded.

New to this edition is a set of auto-graded exercises for all 12 cases in the text. *The automatically graded case exercises follow the assignment questions in the case TN to fully prepare students to make meaningful contributions to class discussions of the cases. The Connect case exercises may also be used as graded assignments or a portion of graded case assignments—allowing the instructor to grade only students' recommendations for written case assignments.* All students who purchase a new copy of the text are automatically provided access to Connect at no additional charge (those who have a used copy can obtain access by paying a modest fee--\$20 at the time of this writing).

**Online Learning Center (OLC)** The instructor section of [www.mhhe.com/gamble](http://www.mhhe.com/gamble) includes the Instructor's Manual and other instructional resources. Your McGraw-Hill representative can arrange delivery of instructor support materials in a format-ready Standard Cartridge for Blackboard, WebCT and other web-based educational platforms.

**PowerPoint Slides** To facilitate delivery preparation of your lectures and to serve as chapter outlines, you'll have access to comprehensive PowerPoint presentations for each of the 10 chapters. The collection includes 350+ professional-looking slides displaying core concepts, analytical procedures, key points, and all the figures in the text chapters.

**Accompanying Case Videos** Six of the cases (Mystic Monk Coffee, Under Armour, lululemon athletica, Chipotle Mexican Grill, The Walt Disney Company: Its Diversification Strategy in 2012, and Frog's Leap Winery) have accompanying video segments that are posted on YouTube) and that can be shown in conjunction with the case discussions. Suggestions for using each video are contained in the teaching note for that case.

**A Comprehensive Test Bank and EZ Test Software** There is a 600+-question test bank, consisting of both multiple choice questions and short answer/essay questions that you can use in conjunction with McGraw-Hill's EZ Test electronic testing software to create tests from chapter- or topic-specific lists. The EZ Test

software enables allows instructors to add their own questions to those that appear in the test bank. The EZ Test program gives you the capability to create and print multiple versions of the test and to administer the test via the Web at [www.eztestonline.com](http://www.eztestonline.com). Tests can also be exported into a course management system such as WebCT, BlackBoard, PageOut, and Apple's iQuiz.

## WHAT TO EXPECT IN THE 4TH EDITION

The distinguishing mark of the 4th edition is its enriched and enlivened presentation of the material in each of the 10 chapters, providing an as up-to-date and engrossing discussion of the core concepts and analytical tools as you will find anywhere. As with each of our new editions, there is an accompanying lineup of exciting new cases that bring the content to life and are sure to provoke interesting classroom discussions, deepening students' understanding of the material in the process.

While this 4th edition retains the 10-chapter structure of the prior edition, every chapter—indeed every paragraph and every line—has been reexamined, refined, and refreshed. New content has been added to keep the material in line with the latest developments in the theory and practice of strategic management. Scores of new examples have been added, along with fresh Concepts and Connections illustrations, to make the content come alive and to provide students with a ringside view of strategy in action. The result is a text that cuts straight to the chase in terms of what students really need to know and gives instructors a leg up on teaching that material effectively. It remains, as always, solidly mainstream and balanced, mirroring *both* the penetrating insight of academic thought and the pragmatism of real-world strategic management.

A stand-out feature of this text has always been the tight linkage between the content of the chapters and the cases. The lineup of cases that accompany the 4th edition is outstanding in this respect—a truly appealing mix of strategically relevant and thoughtfully crafted cases, certain to engage students and sharpen their skills in applying the concepts and tools of strategic analysis. Many involve high-profile companies that the students will immediately recognize and relate to; all are framed around key strategic issues and serve to add depth and context to the topical content of the chapters. We are confident you will be impressed with how well these cases work in the classroom and the amount of student interest they will spark.

## Organization, Content, and Features of the Text Chapters

Our objective in undertaking a major revision of this text was to ensure that its content was current, with respect to both scholarship and managerial practice, and presented in as clear and compelling a fashion as possible. We established five criteria for meeting this objective, namely that the final product must:

- Explain core concepts in language that students can grasp and provide first-rate examples of their relevance and use by actual companies.
- Thoroughly describe the tools of strategic analysis, how they are used, and where they fit into the managerial process of crafting and executing strategy.
- Incorporate the latest developments in the theory and practice of strategic management in every chapter to keep the content solidly in the mainstream of contemporary strategic thinking.
- Focus squarely on what every student needs to know about crafting, implementing, and executing business strategies in today's market environments.
- Provide an attractive set of contemporary cases that involve headline strategic issues and give students ample opportunity to apply what they've learned from the chapters.

We believe this Fourth Edition measures up on all five criteria and that you'll be amply convinced that *no*



*other leading text does a better job of setting forth the principles of strategic management and linking these principles to both sound theory and best practices.*

Five standout features strongly differentiate this text and the accompanying instructional package from others in the field:

1. *Our integrated coverage of the two most popular perspectives on strategic management—positioning theory and resource-based theory—is unsurpassed by any other leading strategy text.* Principles and concepts from both the positioning perspective and the resource-based perspective are prominently and comprehensively integrated into our coverage of crafting both single-business and multibusiness strategies. By highlighting the relationship between a firm’s resources and capabilities to the activities it conducts along its value chain, we show explicitly how these two perspectives relate to one another. Moreover, in Chapters 3 through 8 it is emphasized repeatedly that a company’s strategy must be matched not only to its external market circumstances but also to its internal resources and competitive capabilities.
2. *Our coverage of business ethics, corporate social responsibility, and environmental sustainability goes well beyond that offered by any other leading strategy text.* This chapter, “Ethics, Corporate Social Responsibility, Environmental Sustainability, and Strategy” fulfills the important functions of (1) alerting students to the role and importance of ethical and socially responsible decision making and (2) addressing the accreditation requirement of the AACSB International that business ethics be visibly and thoroughly embedded in the core curriculum. Moreover, discussions of the roles of values and ethics are integrated into portions of other chapters to further reinforce why and how considerations relating to ethics, values, social responsibility, and sustainability should figure prominently into the managerial task of crafting and executing company strategies.
3. *The caliber of the case collection in the Fourth Edition is truly unrivaled* from the standpoints of student appeal, teachability, and suitability for drilling students in the use of the concepts and analytical treatments in Chapters 1 through 10. The 12 cases included in this edition are the very latest, the best, and the most on target that we could find. The ample information about the cases in the Instructor’s Manual makes it effortless to select a set of cases each term that will capture the interest of students from start to finish.
4. *The publisher’s Connect Management assignment and assessment platform is tightly linked to the text chapters and case lineup.* The Connect package for the Fourth Edition allows professors to assign autograded quizzes and select chapter-end Assurance of Learning exercises to assess class members’ understanding of chapter concepts. In addition, our texts have pioneered the extension of the Connect platform to case analysis. The autograded case exercises for each of the 12 cases in this edition are robust and extensive and will better enable students to make meaningful contributions to class discussions. The autograded Connect case exercises may also be used as graded assignments in the course.
5. *Two cutting-edge and widely used strategy simulations—The Business Strategy Game and GLO-BUS—are optional companions to the Fourth Edition.* These give you an unmatched capability to employ a text-case-simulation model of course delivery.

The following rundown summarizes the noteworthy features and topical emphasis in this new edition:

- Chapter 1 focuses on the importance of developing a clear understanding of why a company exists and why it matters in the marketplace. In developing such an understanding, management must define its approach to creating superior value for customers and how capabilities and resources will be employed to deliver the desired value to customers. We introduce students to the primary approaches to building competitive advantage and the key elements of business-level strategy. Following Henry Mintzberg’s pioneering research, we also stress why a company’s strategy is partly planned and partly

reactive and why this strategy tends to evolve over time. The chapter also discusses why it is important for a company to have a *viable business model* that outlines the company's customer value proposition and its profit formula. This brief chapter is the perfect accompaniment to your opening day lecture on what the course is all about and why it matters.

- Chapter 2 delves more deeply into the managerial process of actually crafting and executing a strategy—it makes a great assignment for the second day of class and provides a smooth transition into the heart of the course. The focal point of the chapter is the five-stage managerial process of crafting and executing strategy: (1) forming a strategic vision of where the company is headed and why, (2) developing strategic as well as financial objectives with which to measure the company's progress, (3) crafting a strategy to achieve these targets and move the company toward its market destination, (4) implementing and executing the strategy, and (5) evaluating a company's situation and performance to identify corrective adjustments that are needed. Students are introduced to such core concepts as strategic visions, mission statements and core values, the balanced scorecard, and business-level versus corporate-level strategies. There's a robust discussion of why *all managers are on a company's strategy-making, strategy-executing team* and why a company's strategic plan is a collection of strategies devised by different managers at different levels in the organizational hierarchy. The chapter winds up with a section on how to exercise good corporate governance and examines the conditions that led to recent high-profile corporate governance failures.
- Chapter 3 sets forth the now-familiar analytical tools and concepts of industry and competitive analysis and demonstrates the importance of tailoring strategy to fit the circumstances of a company's industry and competitive environment. The standout feature of this chapter is a presentation of Michael Porter's "five forces model of competition" *that has long been the clearest, most straightforward discussion of any text in the field*. New to this edition is the recasting of the discussion of the macro-environmental to include the use of the PESTEL analysis framework for assessing the *political, economic, social, technological, environmental, and legal* factors in a company's macro-environment.
- Chapter 4 presents the resource-based view of the firm, showing why resource and capability analysis is such a powerful tool for sizing up a company's competitive assets. It offers a simple framework for identifying a company's resources and capabilities and another for determining whether they can provide the company with a sustainable competitive advantage over its competitors. New to this edition is a more explicit reference to the widely used VRIN framework. Other topics covered in this chapter include dynamic capabilities, SWOT analysis, value chain analysis, benchmarking, and competitive strength assessments, thus enabling a solid appraisal of a company's relative cost position and customer value proposition vis-a-vis its rivals.
- Chapter 5 deals with the basic approaches used to compete successfully and gain a competitive advantage over market rivals. This discussion is framed around the five generic competitive strategies—low-cost leadership, differentiation, best-cost provider, focused differentiation, and focused low-cost. It describes when each of these approaches works best and what pitfalls to avoid. It explains the role of *cost drivers* and *uniqueness drivers* in reducing a company's costs and enhancing its differentiation, respectively.
- Chapter 6 deals with the *strategy options* available to complement its competitive approach and maximize the power of its overall strategy. These include a variety of offensive or defensive competitive moves, and their timing, such as blue-ocean strategies and first-mover advantages and disadvantages. It also includes choices concerning the breadth of a company's activities (or its scope of operations along an industry's entire value chain), ranging from horizontal mergers and acquisitions, to vertical integration, outsourcing, and strategic alliances. This material serves to segue into that covered in the next two chapters on international and diversification strategies.
- Chapter 7 explores the full range of strategy options for competing in international markets: export strategies; licensing; franchising; establishing a subsidiary in a foreign market; and using strategic

alliances and joint ventures to build competitive strength in foreign markets. There's also a discussion of how to best tailor a company's international strategy to cross-country differences in market conditions and buyer preferences, how to use international operations to improve overall competitiveness, and the unique characteristics of competing in emerging markets.

- Chapter 8 introduces the topic of corporate-level strategy—a topic of concern for multibusiness companies pursuing diversification. This chapter begins by explaining why successful diversification strategies must create shareholder value and lays out the three essential tests that a strategy must pass to achieve this goal (*the industry attractiveness, cost of entry, and better-off tests*). Corporate strategy topics covered in the chapter include methods of entering new businesses, related diversification, unrelated diversification, combined related and unrelated diversification approaches, and strategic options for improving the overall performance of an already diversified company. The chapter's analytical spotlight is trained on the techniques and procedures for assessing a diversified company's business portfolio—the relative attractiveness of the various businesses the company has diversified into, the company's competitive strength in each of its business lines, and the *strategic fit* and *resource fit* among a diversified company's different businesses. The chapter concludes with a brief survey of a company's four main post-diversification strategy alternatives: (1) sticking closely with the existing business lineup, (2) broadening the diversification base, (3) divesting some businesses and retrenching to a narrower diversification base, and (4) restructuring the makeup of the company's business lineup.
- Although the topic of ethics and values comes up at various points in this textbook, Chapter 9 brings more direct attention to such issues and may be used as a stand-alone assignment in either the early, middle, or late part of a course. It concerns the themes of ethical standards in business, approaches to ensuring consistent ethical standards for companies with international operations, corporate social responsibility, and environmental sustainability. The contents of this chapter are sure to give students some things to ponder, rouse lively discussion, and help to make students more ethically aware and conscious of *why all companies should conduct their business in a socially responsible and sustainable manner*.
- Chapter 10 is anchored around a pragmatic, compelling conceptual framework: (1) building dynamic capabilities, core competencies, resources, and structure necessary for proficient strategy execution; (2) allocating ample resources to strategy-critical activities; (3) ensuring that policies and procedures facilitate rather than impede strategy execution; (4) pushing for continuous improvement in how value chain activities are performed; (5) installing information and operating systems that enable company personnel to better carry out essential activities; (6) tying rewards and incentives directly to the achievement of performance targets and good strategy execution; (7) shaping the work environment and corporate culture to fit the strategy; and (8) exerting the internal leadership needed to drive execution forward. The recurring theme throughout the chapter is that implementing and executing strategy entails figuring out the specific actions, behaviors, and conditions that are needed for a smooth strategy-supportive operation—the goal here is to ensure that students understand that the strategy-implementing/strategy-executing phase is a make-it-happen-right kind of managerial exercise that leads to operating excellence and good performance.

In this latest edition, we have put our utmost effort into ensuring that the 10 chapters are consistent with the latest and best thinking of academics and practitioners in the field of strategic management and provide the topical coverage required for both undergraduate and MBA-level strategy courses. The ultimate test of the text, of course, is the positive pedagogical impact it has in the classroom. If this edition sets a more effective stage for your lectures and does a better job of helping you persuade students that the discipline of strategy merits their rapt attention, then it will have fulfilled its purpose.

## The Case Collection in the 4th Edition

The 12-case line-up in this edition is flush with interesting companies and valuable lessons for students in the art and science of crafting and executing strategy.

- There's a good blend of cases from a length perspective—about one-third are under 12 pages, yet offer plenty for students to chew on; about a third are medium-length cases; and the remaining one-third are detail-rich cases that call for more sweeping analysis.
- At least 10 of the 12 cases involve companies, products, or people that students will have heard of, know about from personal experience, or can easily identify with.
- The lineup includes at least on four cases that will provide students with insight into the special demands of competing in industry environments where technological developments are an everyday event, product life cycles are short, and competitive maneuvering among rivals comes fast and furious.
- All of the cases involve situations where company resources and competitive capabilities play as large a role in the strategy-making, strategy-executing scheme of things as industry and competitive conditions do.
- Scattered throughout the lineup are 8 cases concerning non-U.S. companies, globally competitive industries, and/or cross-cultural situations; these cases, in conjunction with the globalized content of the text chapters, provide abundant material for linking the study of strategic management tightly to the ongoing globalization of the world economy.
- Four cases deal with the strategic problems of family-owned or relatively small entrepreneurial businesses.
- Eleven cases involve public companies, thus allowing students to do further research on the Internet regarding recent developments at these companies.
- Six of the 12 cases (Mystic Monk Coffee, Under Armour, lululemon athletica, Chipotle Mexican Grill, The Walt Disney Company: Its Diversification Strategy in 2012, and Frog's Leap Winery) have accompanying video segments that are posted on YouTube that can be shown in conjunction with the case discussions. The links to the YouTube videos are included in the teaching notes for the applicable cases.
- All of the 12 cases have accompanying Connect-based case preparation exercises. The exercises are based on the entire set of recommended assignment questions for the respective case and call upon a student to develop thoughtful, analysis-based answers (as opposed to stating seat-of-the-pants opinions).

A grid showing the issues that are prominent in each of the 12 cases in this edition is presented in Table 1.

Suggestions for sequencing the case assignments can be found in Section 3 of this IM. The 10 sample course outlines and daily schedules of class activities in Section 4 provide further suggestions about the sequencing of case assignments and how to integrate your coverage of the 10 chapters, the various case assignments, and use of a strategy simulation.

Specific details about how to utilize each case (including recommended assignment questions and recommended oral team presentation assignments are contained in the teaching notes for each of the cases (the TNs appear in Section 6).

Sample course syllabi displaying possible case sequencing and suggested case assignments are presented in Section 4 of this volume of the IM.

*It is worth mentioning at this juncture that there is a comprehensive table of financial ratios in the Appendix that provides the formulas and brief explanations of what each ratio reveals. Adopters of prior editions have told us that students find this table extremely helpful in guiding their analyses of the financial statements contained in the cases.* You will probably want to call this table to the attention of class members and urge that they make full use of the information it contains.

We believe you will find the collection of 12 cases quite appealing, eminently teachable, and very suitable for drilling students in the use of the concepts and analytical treatments in Chapters 1 through 10. With this case lineup, you should have no difficulty whatsoever assigning cases that will capture the interest of students from start to finish.

→ **TABLE 1 A Quick Profile of the Cases in the 4th Edition of Essentials of Strategic Management**

|         |   | Accompanying video (Y = yes; N = no) | Connect Case Exercise (Y = yes; N = No) | Size: Small (S), Medium (M), Large (L) | The manager's role in crafting strategy | The manager's role in executing strategy | Vision, mission, and objectives | Crafting strategy in single-business companies | Industry and competitive analysis | Company resources and capabilities | Global or multinational strategy | E-business strategy issues | Diversification strategies and the analysis of multi-business corporations | Financial conditions and financial analysis | Staffing, people management, incentives and rewards | Organizational structure, core competencies, competitive capabilities, staffing | Policies, procedures, operating systems, best practices, continuous improvement | Corporate culture issues | Ethics, values, social responsibility | Exerting strategic leadership | Making action recommendations |   |
|---------|---|--------------------------------------|---|--|---|--|---------------------------------|--|-----------------------------------|------------------------------------|----------------------------------|----------------------------|--|---|---|---|---|--------------------------|---------------------------------------|-------------------------------|-------------------------------|---|
| Case 1  | <b>Mystic Monk Coffee</b>   | Y                                    | N                                       | S                                      | X                                       |  | X                               | X  | X                                 | X                                  |                                  | X                          |  | X   | X   |   |   |                          | X                                     |                               | X                             | X |
| Case 2  | <b>Under Armour in 2013—Good Enough to Win Market Share from Nike and adidas?</b>             | Y                                    | Y                                       | M                                      | X                                       |  |                                 | X  | X                                 | X                                  | X                                |                            |  | X   |   |   |   |                          |                                       |                               |                               | X |
| Case 3  | <b>lululemon athletica, inc.</b>  | Y                                    | Y                                       | M                                      | X                                       |  | X                               | X  | X                                 | X                                  | X                                |                            |  | X   |   |   |   |                          |                                       |                               |                               | X |
| Case 4  | <b>Coach Inc. in 2012: Its Strategy in the “Accessible” Luxury Goods Market</b>               | N                                    | N                                       | M                                      | X                                       |  | X                               | X  | X                                 | X                                  | X                                |                            |  | X   |   |   |   |                          |                                       |                               |                               | X |
| Case 5  | <b>Chipotle Mexican Grill in 2013: Can It Hit a Second Home Run?</b>                          | Y                                    | Y                                       | M                                      | X                                       |  | X                               | X  | X                                 | X                                  |                                  |                            |  | X   |   |   |   |                          |                                       |                               |                               | X |
| Case 6  | <b>Google’s Strategy in 2013</b>  | N                                    | Y                                       | L                                      | X                                       |  |                                 | X  | X                                 | X                                  | X                                | X                          | X  | X   |   |   |   |                          |                                       | X                             |                               | X |
| Case 7  | <b>Nucor Corporation in 2012: Using Economic Downturns as an Opportunity to Grow Stronger</b> | Y                                    | Y                                       | L                                      | X                                       | X  |                                 | X  | X                                 | X                                  | X                                |                            |  | X   |   |   |   |                          |                                       |                               |                               | X |
| Case 8  | <b>Tata Motors: Can It Become a Global Contender in the Automobile Industry</b>               | N                                    | Y                                       | L                                      | X                                       |  |                                 | X  | X                                 | X                                  | X                                |                            |  | X   |   |   |   |                          |                                       |                               |                               | X |
| Case 9  | <b>The Walt Disney Company: Its Diversification Strategy in 2012</b>                          | Y                                    | Y                                       | L                                      | X                                       |  | X                               |  | X                                 | X                                  | X                                |                            | X  | X   |   |   |   |                          |                                       |                               |                               | X |
| Case 10 | <b>Robin Hood</b>   | N                                    | N                                       | S                                      | X                                       | X  | X                               |  | X                                 | X                                  |                                  |                            |  |   | X   | X   | X   | X                        | X                                     | X                             | X                             | X |
| Case 11 | <b>Herman Miller Inc.: Unrelenting Pursuit of Reinvention and Renewal</b>                     | N                                    | N                                       | L                                      |   | X  |                                 | X  |                                   | X                                  | X                                |                            |  | X   | X   | X   | X   | X                        |                                       |                               |                               | X |
| Case 12 | <b>Frog’s Leap Winery in 2011—the Sustainability Agenda</b>                                   | Y                                    | N                                       | S                                      | X                                       | X  | X                               | X  | X                                 | X                                  |                                  |                            |  | X   |   |   | X   | X                        | X                                     |                               |                               | X |

## VALUE-ADDING STUDENT SUPPORT MATERIALS FOR THE 4<sup>TH</sup> EDITION OF ESSENTIALS OF STRATEGIC MANAGEMENT

The text and text website include several kinds of support materials to help students grasp the material.

**Key Points Summaries** At the end of each chapter is a synopsis of the core concepts, analytical tools and other key points discussed in the chapter. These chapter-end synopses help students focus on basic strategy principles, digest the messages of each chapter, and prepare for tests.

**Online Learning Center (OLC)** The following helpful aids are available to students via the publisher's OLC at [www.mhhe.com/gamble](http://www.mhhe.com/gamble):

- **Self-Graded Chapter Quizzes** The OLC contains 10-question quizzes for each chapter to allow students to measure their grasp of the material presented in each of the 10 chapters.
- **Study Questions for Assigned Cases** A set of PDF files containing study questions for each of the 12 cases in this edition are posted; the ready accessibility of these files to class members eliminates the need for you to provide study questions for assigned cases. The study questions provided to students match those appearing in the teaching notes for these cases.
- **PowerPoint Slides** There is a selection of PowerPoint slides for each of the 10 chapters.

**Connect™ Management Web-based Assignment and Assessment Platform** Connect chapter quizzes, learning assurance exercises, and case exercises can be used as a graded component of the course, an assessment mechanism, or as an effective way to prepare students for chapter exams, in-class discussions of cases, written case assignments or oral case presentations. Whether Connect assignments are calculated into students' grades for the course or not, our robust collection of chapter quizzes, chapter learning assurance exercises, and case preparation exercises will give students valid and timely feedback about their mastery of the concepts and analytical tools presented in the text. All students who purchase a new copy of the text are automatically provided access to Connect at no additional charge (those who have a used copy can obtain access by paying a modest fee – \$20 at the time of this writing).

**The Business Strategy Game and GLO-BUS Online Simulations** Using one of the two companion strategy simulations is a powerful and constructive way of emotionally connecting students to the subject matter of the course. We know of no more effective and interesting way to stimulate the competitive energy of students and prepare them for the rigors of real-world business decision-making than to have them match strategic wits with classmates in running a company in head-to-head competition for global market leadership. In Section 2 of this IM, we outline why using a competition-based strategy simulation as a course centerpiece makes great sense and provide you with detailed suggestions for successfully incorporating either The Business Strategy Game or GLO-BUS in your strategic management course.

Should you decide to incorporate use one of the two simulations in your course, the simplest (and usually the cheapest) way for students to obtain the simulation is via a credit card purchase at [www.bsg-online.com](http://www.bsg-online.com) (if you opt to use *The Business Strategy Game*) or at [www.glo-bus.com](http://www.glo-bus.com) (if you opt to use *GLO-BUS*). Purchasing the simulation direct at the web site allows students to bypass paying sometimes hefty bookstore markups (a savings that can amount to \$10-\$15). The second way for students to register for the simulation is by using a pre-paid access code that comes bundled with the 4th Edition when you order the text-simulation package through your bookstore—this requires use of a separate ISBN (the 4th Edition bundled with either simulation has a different ISBN number than just the 4th Edition ordered alone. Your McGraw-Hill rep can provide you with the correct ISBN for ordering the combination text-simulation package through your bookstore(s).







# Using a Strategy Simulation in Your Course: The Compelling Benefits, What's Involved, and How to Proceed

section

2



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 2,300 different instructors for courses involving some 750,000 students at 1000+ university campuses in 64 countries.
- *GLO-BUS*, a somewhat simpler strategy simulation, has been used by 1,350 different instructors for courses involving over 210,000 students at 610+ university campuses in 46 countries.

Arthur Thompson, an senior author of this text, is a co-author of both *The Business Strategy Game* and *GLO-BUS* and painstakingly 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 decisions (relating to plant operations, workforce compensation, distribution, pricing and marketing, social responsibility/citizenship, and finance) into an overall strategy and competitive approach that produces good financial and strategic results.

The role of the “Exercises for Simulation Participants”— found at the end of each of the 12 chapters in this 19th edition—is to provide clear guidance to class members in applying the concepts, analytical tools, and strategy options covered in the chapters to the issues and decisions that they have to wrestle with in managing their simulation company.

## 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 digital camera companies that design, assemble, and market entry-level digital cameras and upscale, multi-featured cameras 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. *Each company's performance is scored 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 (this is something you can quickly confirm by skimming through some of the Exercises for Simulation Participants that appear at the end of each chapter).

We suggest that you schedule 1 or 2 practice rounds and anywhere from 4 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, based on:

- ***how each company's prices compare against the prices of rival brands,***
- ***how each company's product quality compares against the quality of rival brands,***
- ***how each company's product line breadth and selection compares to those of rival companies,***
- ***how each company's 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 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 makes *BSG* and *GLO-BUS* “competition-based” strategy simulations. Once each company's sales and market shares are awarded based on the competitiveness of its respective overall product offering vis-à-vis rival companies, the various company and industry reports detailing the outcomes of the decision round are then generated. Company co-managers 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*.

This 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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## THE TEACHING/LEARNING BENEFITS OF USING A STRATEGY SIMULATION IN YOUR COURSE

There are *three exceptionally important teaching/learning benefits* associated with using a competition-based simulation in strategy courses taken by seniors and MBA students:

1. *The three-pronged text-case-simulation course delivery model delivers significantly more teaching-learning power than the traditional text-case delivery model. Having class members run a company in head-to-head competition against companies managed by other class members provides a truly powerful learning experience that engages students in the subject matter of the course and helps achieve course learning objectives.* This added learning power of a strategy simulation stems from three things:

- *Using both case analysis and a competition-based strategy simulation to drive home the lessons that class members are expected to learn is far more pedagogically powerful and lasting than relying solely on case analysis alone.* Both cases and strategy simulations drill students in thinking strategically and applying what they read in your text, thus helping them connect theory with practice and gradually building better business judgment. What cases do that a simulation cannot is give class members broad exposure to a variety of companies and industry situations and insight into the kinds of strategy-related problems real-world managers face. But what a competition-based strategy simulation does far better than case analysis is thrust class members squarely into *an active, hands-on managerial role* where they are totally responsible for assessing market conditions, determining how to respond to the actions of competitors, forging a long-term direction and strategy for their company, and making all kinds of operating decisions. Because company co-managers are held fully accountable for their decisions and their company's performance, *they are strongly motivated* to dig deeply into company operations, probe for ways to be more cost-efficient and competitive, and ferret out strategic moves and decisions calculated to boost company performance. *Such diligent and purposeful actions on the part of company co-managers translate into a productive learning experience with strong retention of the lessons learned and higher achievement of course learning objectives.*
- The achievement of course learning objectives is further enhanced because of the extremely tight connection between the issues and decisions that company managers face in running their *BSG* or *GLO-BUS* company and the concepts, analytical tools, and strategy options they encounter in the 12 chapters of the 19<sup>th</sup> edition. Having class members use *an interactive "learn-by-doing" tool* to apply and experiment with the chapter content, while at the same time honing their business and decision-making skills, generates solid learning results.
- Since it doesn't take long for a spirited rivalry to emerge among the management teams of competing companies and for co-managers to become emotionally invested in figuring out what strategic moves to make to out-compete rivals, class members become *more receptive to reading the text chapters, listening to your lectures, and wrestling with assigned cases*—partly in the hope they will come across ideas and approaches that will help their company outperform rivals and partly because they begin to see the practical relevance of the subject matter and the value of taking the course.

To provide you with quantitative evidence of the boost in learning power and achievement of course objectives that occurs with using *The Business Strategy Game* or *GLO-BUS*, *there is a built-in Learning Assurance Report showing how well each class member performs on 9 skills/learning measures versus tens of thousands of students worldwide that have completed the simulation in the past 12 months.*

2. *The competitive nature of a strategy simulation arouses positive energy and steps up the whole tempo of the course by a notch or two.*

- The healthy rivalry that emerges among the management teams of competing companies stirs competitive juices and spurs class members to fully exercise their strategic wits, analytical skills, and decision-making prowess—much more so than occurs with case assignments. *Nothing energizes a class quicker or better*

*than concerted efforts on the part of class members to gain a high industry ranking and avoid the perilous consequences of getting outcompeted by other members of the class.* It is hard to duplicate the excitement and hallway chatter that occurs when the results of the latest decision round become available and co-managers renew their quest for strategic moves and actions that will strengthen company performance. At the same time, class members become *more receptive to reading the text chapters, listening to your lectures, and wrestling with assigned cases*—partly in the hope they will come across ideas and approaches that will help their company outperform rivals and partly because they begin to see the practical relevance of the subject matter and the value of taking the course.

- *Participating in a competition-based strategy simulation is an unusually stimulating and enjoyable way for class members to learn.* As soon as your students start to say “Wow! Not only is this fun but I am learning a lot”, *which they will*, you have won the battle of engaging class members in the subject matter and moved the value of taking your course to a much higher plateau in the business school curriculum. This translates into *a livelier, richer learning experience from a student perspective and better instructor-course evaluations.*

### 3. *Incorporating a fully automated online simulation reduces the time instructors spend on course preparation, course administration, and grading.*

- Since the simulation exercise involves a 20 to 30-hour workload for students-teams (roughly 2 hours per decision round times 10-12 rounds, plus optional assignments), simulation adopters often compensate by trimming the number of assigned cases from, say, 10 to 12 to perhaps 4 to 6, which significantly reduces the time instructors spend reading cases, studying teaching notes, and otherwise getting ready to lead class discussion of a case or grade oral team presentations. The cases-for-simulation tradeoff is a sound one because class members will learn as much or more from their experience managing their simulation company and retain it longer, as compared to the learning gleaned from covering 4 to 6 more cases.
- Course preparation time is further cut because you can use several class days to have students meet in the computer lab (or in your classroom if it has wireless Internet access and each company team has access to at least one laptop) to work on upcoming decision rounds or a 3-year strategic plan (in lieu of lecturing on a chapter or covering an additional assigned case). Such lab or in-class sessions provide a splendid opportunity for you to visit with teams, observe the interplay among co-managers, and view the caliber of the learning experience that is going on.
- Use of a simulation gives you leeway to eliminate at least one assignment that entails considerable grading on your part. Grading one less written case or essay exam or other written assignment saves enormous time. With *BSG* and *GLO-BUS*, grading is effortless and takes only minutes. Once you enter percentage grading weights for each simulation activity in your online grade book, an overall numerical grade is automatically calculated for each class member.
- The speed and ease with which you can conduct a fully-automated strategy simulation for your course frees time for other activities. Plus, every task can be performed from an office or home PC that has an Internet connection and an Internet browser.

**Special Note:** *Both simulations work especially well for online classes or in distance-learning situations.* This is because *team members running the same company who are logged-in simultaneously on different computers at different locations have two tremendously valuable functional 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 to the managers of a company but also enter Collaboration (highly recommended because all attendees are then viewing the same screen) but they also control 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 not teaching 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.*

*Instructors who have used state-of-the-art simulations in their strategy courses quickly become enthusiastic converts because the added spark to the course and student excitement surfaces rapidly and the resulting teaching/learning benefits are undeniable.* Moreover, the word about the effectiveness of using a top-notch strategy simulation seems to be spreading. Recent market data indicates that over 3,000 instructors worldwide are now using strategy simulations in courses taken by 120,000+ students annually and that the number of students participating in simulations is growing ~5-10% annually.

## HOW MUCH TIME WILL IT TAKE TO LEARN ABOUT AND CONDUCT EITHER ONE OF THE SIMULATIONS FOR YOUR COURSE?

One of the biggest factors probably weighing on your mind if you are contemplating being a first-time user is “how much time will it take me to learn about *The Business Strategy Game* or *GLO-BUS*, conduct the simulation exercise for my course, and assign grades on the simulation exercise?” Here are some honest estimates of what you can expect:

- You should probably spend 30 minutes viewing two orientation videos: (1) the introductory tour of the student portion of the website (which is also readily available to all class members) and (2) the introductory tour of the instructor portion of the website. These are both accessible directly from the simulation administration menu on the left-side of your Instructor Center screen.
- You should explore the 4-page *Quick Guide to Getting Started* for instructors that speeds the gear-up process—this online guide will have you up and running the simulation for your class in about an hour, plus it has built-in links to additional information if you want to know more about particular facets of the simulation. You should also skim through the *Participant's Guide* to familiarize yourself with what running a company is all about from a student perspective—but this can be deferred until later if you wish. It will, of course, take a couple of hours to really digest the contents of both the Participant's Guide and the *Quick Guide to Getting Started* (or, if you prefer, the accompanying Instructor's Guide).
- To launch either one of the simulations for your course and prepare everything for students to register and gain access to the website and the simulation materials they will be using, ***you must complete the Course Setup procedure*** that entails deciding what size management teams you want (anywhere between 1 and 5 persons), specifying the number of companies you want to create (which is a function of expected class size and how many people you want to co-manage each company), selecting dates/times for each decision round to be completed, indicating which optional assignments you want company co-managers to complete (the

quizzes, strategic plans, peer evaluations, and company presentation exercise), and distributing company registration codes and/or registration procedures to class members. Recommendations for handling each of the options are provided in the *Quick Guide to Getting Started* (and on-screen guidance is also provided during the Course Setup procedure). It will take you 30-40 minutes or so to complete the Course Setup procedure the first time you do it and about 15 minutes each time thereafter.

- It will take you 15-20 minutes to familiarize yourself with the Class Presentation PowerPoint slides that can be used to introduce the features and mechanics of the simulation to class members (no more than 20-30-minutes of class time is needed to cover these slides adequately, but it will take a few more minutes of class time to assign class members to the various companies).
- You will find there's little need to spend much class time on introducing class members to all the mechanics and features of the simulation or to field questions from class members about "how things work." Why?
  - Because there is a 17-minute introductory video that provides students with an overview of the simulation and a quick tour of the student side of the website.
  - Because navigation of the student side of the website is straightforward and students can readily figure it out and because incorporating two practice rounds in your decision round schedule is the very best way to acquaint class members with how the simulation software works and what running their company is all about.
  - Because all class members should be required to read the *Participant's Guide* that covers what company co-managers need to know about the simulation, the industry, and the company they are running to get ready to begin work on the first practice decision round.
  - Because there are brief *Video Tutorials for every decision screen and there are more video tutorials explaining every page of every report* provided to all class members (and the instructor) after each decision round—these videos run 2-5 minutes each and, in total, amount to 80+ minutes of video tutorials.
  - Because any time company co-managers are puzzled about something or want to know more about some aspect of company operations than is contained in the video tutorial, they can get the answers by clicking on the Help button and reading the *Help pages that accompany every decision screen and every page of every report*. The Help sections provide
    - (a) *detailed explanations* of the information on each decision entry screen and all relevant cause-effect relationships,
    - (b) *detailed explanations* of the information on each page of the Industry Reports,
    - (c) *detailed explanations* of the numbers presented in the Company Reports, and
    - (d) analytical guidance and decision-making tips.

If a few of your students seem to be full of questions, it's because they are coming to you for hand-holding and not taking the time to watch the video tutorials and/or to read and absorb the comprehensive information in the Help sections. (**Note:** You have one-click access to all these same Help pages and all the video tutorials directly from the menu on the left side of your Instructor Center screen.)

- ***Once you complete the Course Setup Procedure (which takes about 15-20 minutes), class members are registered, and the decision rounds are underway, everything occurs automatically based on the schedule and deadline times you specified during the Course Setup Procedure. While the simulation is underway, it's your call on how much time to spend in monitoring what is going on—you can simply be an interested observer or play a more active, hands-on role. Expect to spend no more than 10-20 minutes per decision round if you just want to provide encouragement, review the scoreboard of company performances on your Instructor Center web page, solicit feedback from co-managers about the experience they are having, and deal***

with special problems—like moving co-managers to another team if there's conflict among team members or adjusting the dates for decision deadlines for whatever reason.

If you want to follow the competition among the rival companies more closely, you can spend 15-20 minutes after each decision round browsing the industry report (which shows the details of each company's performance and provides assorted financial and operating statistics) and the special Administrator's Report (which provides a quick, convenient summary of select decisions and outcomes for each company that will keep you abreast of "what's happening").

Should you opt to be even more proactive and intimately involved, then after each decision round you can hold a 5 to 10-minute "in-class debriefing" on what's happening in the industry (using information you've gleaned from the industry report and the Administrator's Report). Because there is tight connection between the issues that co-managers face in running their companies and the chapter content in this text (and most every other mainstream strategy text), there is ample opportunity—if you are so inclined—to use the happenings and managerial challenges class members encounter in the simulation as examples for your lectures. You can also opt to issue special news flashes altering certain costs or import tariffs, and you may wish to offer to coach the co-managers of troubled companies on how to achieve better company performance.

- When all the decision rounds are completed, you will have to spend perhaps 30 minutes assigning grades (maybe longer if your class has 40+ students and you elect to peruse each class member's peer evaluations and/or activity log). Your online grade book automatically records and reports performance scores for all companies for all decision rounds and also contains each co-manager's scores for all assignments (quizzes, strategic plans, and peer evaluations). Once you enter weights for each of the assignments, final scores for each class member are automatically calculated. You will have to decide whether to scale the scores or not. If you want to examine data pertaining to each co-manager's use of the simulation website as part of the grade assignment process, there's an activity log that reports the frequency and length of log-ons, how many times decision entries were saved to the server each decision round, and how many times each set of reports was viewed each decision round.

## 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 plants, one in North America and one in Asia. Both plants 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, either by constructing new plants or buying previously-constructed plants that have been sold by competing companies. 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 and incentive compensation 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 plants 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 Europe-Africa, \$6 per pair in Latin America, and \$8 in the Asia-Pacific region. However, the Free Trade Treaty of the Americas allows tariff-free movement of footwear between all the countries of North America and Latin America. The countries of North America, which strongly support free trade policies worldwide, currently have no import tariffs on footwear made in either Europe-Africa or Asia-Pacific. 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 53 types of decisions each period, spread across the functional spectrum as follows:

- Production operations (up to 10 decisions for each plant, with a maximum of 4 plants)
- Upgrading plants and expanding/reducing plant capacity (up to 6 decisions per plant)
- Worker compensation and training (3 decisions per plant)
- Shipping and inventory management (up to 8 decisions each plant/geographic area)
- Pricing and marketing (up to 10 decisions in each of 4 geographic regions)
- Bids to sign celebrities (2 decision entries per bid)
- Corporate social responsibility and citizenship (up to 6 decision entries)
- Financing of company operations (up to 8 decision entries)

*Experience confirms that having this many 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 Web site.

Competition in the market segments for branded footwear is based on 11 factors with varying weights and impacts:

- How each company's wholesale selling price for its branded footwear compares against the corresponding industry-wide average prices being charged in each geographic region.
- How each company's footwear styling and quality compares against that of rival brands.
- How each company's advertising expenditures compare against the industry-wide average advertising expenditures.
- How each company's mail-in rebate offers compare against the rebates offered by rival companies.
- How each company's advertising expenditures compare against the industry-wide average advertising expenditures.
- How the number of models/styles in each company's branded footwear offerings compare against the industry-wide average number of models.
- How the numbers of retailers carrying a company's brand of footwear compares against the average number of retailers carrying various brands.
- How the number and appeal of the celebrities a company has contracted with to endorse its footwear

compares against the overall celebrity appeals of endorsers of rival brands.

- How the length of each company's shipping and delivery times on retailers' orders compare against those of rival companies.
- The comparative amount (relative to rival brands) of merchandising and promotional support that a company offers to its retailers relative to the average amounts offered industry-wide.
- The relative aggressiveness with which a company promotes online purchases at its website.
- The extent to which the buyers of a company's brand of footwear remain loyal to repurchasing that same brand.

***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 more advertising or a wider selection of models or more appealing styling/quality or bigger 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 Web site. ***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 the same strategy in the branded segment).

## How the Outcomes Are Determined

Instructors specify a deadline (date and time) for company co-managers to complete for each decision round and other related assignments. Instructors have the flexibility to change the deadlines at any time for any reason. Decision rounds can be scheduled once per week, twice per week, daily, or even twice daily, depending on how you want to conduct the exercise. You will be able to peruse sample decision schedules when you are settling on the times and dates for the deadlines.

When the instructor-specified deadline for a decision round arrives, the *BSG* algorithms allocate sales and market shares to the competing companies, region by region. How many branded pairs a company sells in a geographic region is governed by:

- how its branded footwear price compares against the prices of rival brands,
- how its footwear styling and quality compares against those of rival brands,
- how its advertising effort matches up against the advertising efforts of its rivals, and so on for each competitive factor.

For instance, a company's branded footwear price in a region is determined to be more competitive the further it is below the average price in that region charged by all companies and less competitive the further it is above the regional average. A company's styling/quality is determined to be more competitive the further its styling/quality rating is above the average styling/quality rating of all companies competing in the region and less competitive the further its rating is below the industry average in the region. ***The overall competitiveness of a company's product offering in a region is a function of its combined competitive standing across all competitive factors.*** For example, a company can offset the adverse impact of an above average price with above-average product performance and quality, and/or above-average advertising. The greater the differences in the overall competitiveness of the branded product offerings of rival companies, the bigger the differences in their resulting sales volumes and market shares. Conversely, the smaller the overall competitive differences in the offerings of rival companies, the smaller the differences in sales volumes and market shares. This algorithmic approach is what makes *BSG* a "competition-based" strategy simulation and why ***the sales and market share outcomes for each decision round are always unique to the particular strategies and decision combinations employed by the competing companies.***

Once branded sales volumes and market shares are awarded based on the strength or weakness of each company's overall competitive effort and the outcomes of the bidding to supply private-label footwear are determined, then each company's performance is calculated and all the various company and industry reports are generated.

***The scoring of each company's performance is based on a balanced scorecard that includes brand image, earnings per share (EPS), return on equity investment (ROE), stock price appreciation, and credit rating.***

***The results of the decision round are available to class members and the instructor about 15-20 minutes after the deadline passes.***

**Special Note:** The cause-effect relationships and underlying algorithms in *The Business Strategy Game* are based on sound business and economic principles and are closely matched to the real-world athletic footwear market. The "real-world" character of the competitive environment and company operations that have been designed into *The Business Strategy Game* allows company co-managers to think rationally and logically as they go about the tasks of diagnosing and responding to the competitive moves of rival companies, making strategy choices and adjustments, and deciding how to manage their athletic footwear company. *The Business Strategy Game* is predicated on the principle that the more *BSG* mirrors real-world market conditions and real-world managerial decision-making, the more pedagogical value it has. Why? Because tight linkages between the functioning of *BSG* and "the real world" provide class members with an ***authentic*** learning experience, a ***bona fide*** means of building their skills in analyzing markets and the actions of competitors, and a ***true-to-life*** way to practice making business-like decisions and applying the knowledge they have gained in business school.

## Time Requirements for Company Co-Managers

Data from our servers indicates that ***each company team spends an average of about 2.5 hours working on each decision round.*** The first couple of decision rounds take longer not only because co-managers have to explore the menus, familiarize themselves with the information on the screens, and absorb the relevance of the calculations shown whenever new decisions are entered but also because it takes time for them to establish a working relationship with one another and debate what sort of long-term direction and strategy to pursue.

The total workload for each team of students/participants ends up between 20 and 30 hours, given an average of 2.5 hours per decision round, 9 to 12 decision rounds (including practice rounds), and the time needed to complete optional assignments (quizzes, strategic plans, company presentation, and peer evaluations). As discussed earlier, you can offset the hours students spend on the simulation by trimming the number of case assignments, eliminating a written case assignment (which can take students 10-15 hours to prepare), and perhaps allocating one or more regularly-scheduled class periods to having class members meet in a computer lab to work on their decisions or a 3-Year Strategic Plan assignment.

It will consume part of a class period to introduce class members to the simulation and get things under way. Thereafter, the simulation becomes an *out-of-class group exercise* where co-managers spend most of their time working as a team on a PC (in a computer lab or at a co-manager's place of residence or in collaboration mode on their own individual PCs).

All activity for *The Business Strategy Game* takes place at [www.bsg-online.com](http://www.bsg-online.com).

## A BIRDS-EYE VIEW OF *GLO-BUS*

The industry setting for *GLO-BUS* is the digital camera industry. Global market demand grows at the rate of 8-10% annually for the first five years and 4-6% annually for the second five years. Retail sales of digital cameras are seasonal, with about 20 percent of consumer demand coming in each of the first three quarters of each calendar year and 40 percent coming during the big fourth-quarter retailing season.

### Company Operations

Companies produce entry-level and multi-featured cameras in a Taiwan assembly facility and ship finished goods directly to camera retailers in North America, Asia-Pacific, Europe-Africa, and Latin America. All cameras are assembled as retail orders come in and shipped immediately upon completion of the assembly process—companies maintain no finished goods inventories and all parts and components are delivered on a just-in-time basis (which eliminates the need to track inventories and simplifies the accounting for plant operations and costs).

Company co-managers determine the quality and performance features designed into the entry-level and multi-featured cameras that are produced. They impact production costs by raising/lowering camera quality and performance, adjusting work force compensation, spending more/less on worker training, lengthening/shortening warranties offered (which affects warranty costs), and how efficiently they manage the camera assembly process. They have the option to assemble all cameras in-house or to outsource a portion of the needed production to outside contractors.

Because retailers place orders for cameras roughly 90 days in advance of expected sales, camera makers assemble and ship enough cameras in Quarter 1 to match expected retail sales in Quarter 2; they assemble and ship enough cameras in Quarter 2 to match expected retail sales in Quarter 3; and so on through Quarter 4—a condition that forces company managers to schedule camera assembly in a seasonal pattern that matches the seasonal demand of retailers and digital camera buyers.

### The Decisions That Company Managers Have to Make

Each decision round, company co-managers make some 50 types of decision covering five operating areas:

- R&D, camera components, and camera performance (up to 10 decisions)
- Production operations and worker compensation (up to 15 decisions for a single assembly plant)
- Pricing and marketing (up to 15 decisions in each geographic region)
- Corporate social responsibility and citizenship (as many as 6 decisions)
- Financing of company operations (as many as 4 decisions).

## 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, costs, and other operating outcomes. Where appropriate, there are separate supporting calculations for the entry-level and multi-featured camera lines. 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.

Just as with *The Business Strategy Game*, there are video tutorials and comprehensive Help sections.

## The Quest for a Winning Strategy

All companies begin the *GLO-BUS* exercise on the same footing from a global perspective—with equal sales volume, global market share, revenues, profits, costs, product quality and performance, brand recognition, and so on. ***But there is a fundamental difference in the competitive positions of rival companies that adds a realistic competitive dynamic***—the percentages of cameras sold in the four geographic regions vary from company to company. ***Each company starts out with 40% of annual sales in one region, 30% of sales in a second region, 20% in a third region, and 10% in the fourth region.*** Starting the contest for global market leadership at a point where rival companies have different market shares in different geographic regions introduces an element of competitive reality.

Competition in each of the two product market segments (entry-level and multi-featured digital cameras) is based on 11 factors:

- How each company's wholesale selling price for its entry-level and multi-featured cameras compare against the corresponding industry-wide average prices being charged in each geographic region.
- How each company's camera performance and quality compares against industry-wide camera performance/quality.
- How each company's number of quarterly sales promotions compares against the industry-wide average number of quarterly sales promotions.
- How the length (in weeks) of each company's quarterly sales promotions compare against the average length of quarterly sales promotions industry-wide.
- How the size of each company's quarterly promotional discounts compare against the average size of the promotional discount industry-wide.
- How each company's advertising expenditures compare against industry-wide average advertising expenditures.
- How the number of camera models in each company's camera line compares against the industry-wide average number of models.
- How the size of the camera retailer network carrying a company's camera brand compares against the average retailer network industry-wide.
- How the amount/caliber of technical support a company provides to camera buyers compares against the amount/caliber of technical support provided industry-wide.
- How the length of each company's camera warranties compare against the warranty periods of rival companies.
- How well a company's reputation among camera retailers and camera buyers compares against the reputations of rival camera companies.

Each company typically seeks to enhance its performance and build competitive advantage via its own custom-tailored competitive strategy based on more attractive pricing, greater advertising, a wider selection of camera models, more appealing camera performance/quality, longer warranties and/or more aggressive sales promotion campaigns. As with BSG, ***all the various generic competitive strategy options***—low-cost leadership, differentiation, best-cost provider, focused low-cost, and focused differentiation—***are viable choices for pursuing competitive advantage and good company performance***. A company can have a strategy aimed at being the clear market leader in either entry-level cameras or multi-featured cameras or both. It can focus on one or two geographic regions or strive to build strong market positions in all four geographic regions. It can pursue essentially the same strategy worldwide or craft customized strategies for the Europe-Africa, Asia-Pacific, Latin America, and North America markets. Just as with *The Business Strategy Game*, ***most any well-conceived, well-executed competitive approach is capable of succeeding, provided it is not overpowered by the strategies of competitors or defeated by the presence of too many copycat strategies that dilute its effectiveness***.

## How the Outcomes Are Determined

When the instructor-specified deadline for a decision round arrives, the GLO-BUS algorithms allocate sales and market shares in the entry-level and multi-featured segments to the competing companies, region by region. The factors governing how many entry-level and multi-featured cameras a company sells in each geographic region are:

- how its price compares against the prices of rival brands,
- how its camera performance and quality compares against rival footwear brands,
- how its advertising effort compares, and so on for all the competitive factors that determine units sold.

For instance, a company's entry-level camera price in a region is determined to be more competitive the further it is *below* the average price in that region charged by all companies and less competitive the further it is *above* the regional average. A company's entry-level camera performance and quality is determined to be more competitive the further its performance/quality rating is above the average performance/quality rating of all companies competing in the region and less competitive the further its rating is below the regional average. ***The overall competitiveness of a company's product offering in a region is a function of its combined competitive standing across all competitive factors***. For example, a company can offset the adverse impact of an above average price with above-average camera performance and quality, more advertising, and/or longer warranties.

The greater the differences in the overall competitiveness of the camera offerings of rival companies, the bigger the differences in their resulting sales volumes and market shares. Conversely, the smaller the overall competitive differences in the camera offerings of rival companies, the smaller the differences in sales volumes and market shares. This algorithmic approach is what makes *GLO-BUS* a "competition-based" strategy simulation and accounts for why ***the sales and market share outcomes for each decision round are always unique to the particular strategies and decision combinations employed by the competing companies***.

Once sales and market shares are awarded, the company and industry reports are then generated and all ***the results become available 15-20 minutes after the decision deadline passes***.

***Company performance is judged on five criteria: earnings per share, return on equity investment (ROE), stock price, credit rating and brand image.***

All activity for *GLO-BUS* occurs at [www.glo-bus.com](http://www.glo-bus.com).

**Special Note:** The time required of company co-managers to complete each decision round in *GLO-BUS* is typically about 15- to 30-minutes less than for *The Business Strategy Game* because

- there are only 8 market segments (versus 12 in *BSG*),
- co-managers have only one plant to operate (versus as many as 4 in *BSG*),

- (c) newly-assembled cameras are shipped directly to camera retailers, eliminating the need to manage finished goods inventories and operate distribution centers, and
- (d) sales forecasting is simpler.

Guidance about which simulation might be best for your course is provided later in this section.

## SPECIAL BSG/GLO-BUS FEATURES AND NOTEWORTHY EXTRAS

The Internet delivery and user-friendly designs of both *BSG* and *GLO-BUS* make them incredibly easy to administer, even for first-time users. And *the menus and controls for BSG and GLO-BUS are so similar that you can readily switch between the two simulations or use one in your undergraduate class and the other in an MBA class*. If you have not yet used either of the two simulations, you may find the following of particular interest:

- *Each simulation has a 17:17-minute video overview that introduces class members to the simulation, takes them of a tour of the website menus and accompanying screens, and helps get them off to a successful start. There is also a 16:24-minute orientation video for instructors.*
- *Instructors who are considering use of either simulation can attend any of the 30 or so author-conducted webinar/demos scheduled throughout each year—the demos run 60 to 75-minutes and allow ample time for Q&A.*
- *In the course of running their company (making decision entries and viewing reports), class members have one-click access to 2-5 minute video tutorials for each decision screen and each page of each report. In addition, they have one-click access to “Help” sections containing detailed explanations of (a) the information on each decision entry screen and all relevant cause-effect relationships, (b) the information on each page of the Industry Reports, and (c) the numbers presented in the Company Reports. The Help pages for each decision entry screen also contain tips and suggestions for making wise decision entries. The video tutorials and full-blown Help page discussions allow company co-managers to figure things out for themselves, thereby relieving instructors of having to answer questions about “how things work.”*
- *It is quick and easy to set up either simulation for your course.* Setting up the simulation for your course is done online and takes about 15-20 minutes. There is a 4-page *Getting Started Guide* for first-time adopters that guides you through the steps to set up the simulation for your course, describes the administrative tasks, explains the scoring, and provides suggestions for using the simulation effectively. If and when you need more details about some aspect of the simulation, there is a 37-page Instructor's Manual that provides comprehensive explanations and guidance. Once the straight-forward Course Setup Procedure is completed, no other administrative actions on your part are required beyond that of moving participants to a different team (should the need arise), keeping tabs on the outcomes of the decision rounds and how well the companies are doing (to whatever extent desired), setting the grading weights for various simulation-related assignments, and using the automatically calculated numerical averages to determine the overall grades to assign class members on the entire simulation exercise.
- *An online Instructor Center serves as your hub for conducting all administrative activities and monitoring the results of the company decisions.* The Instructor Center is the screen you are sent to when you enter your user name and password to log-in. *Every function and feature that you need for using the simulation in your course is on the Instructor Center page or accessible from it. Online grade books provide you with scores indicating each company's and each participant's performance on each phase of the simulation.* Once you enter percentage weights to put on each performance measure, overall scores are automatically calculated (which you can scale or not as you see fit).



- ***There are no disks to fool with and no cumbersome software downloads or program installations for computer lab personnel.*** Both participants and instructors conduct all activities online (at [www.bsg-online.com](http://www.bsg-online.com) for *The Business Strategy Game* and at [www.glo-bus.com](http://www.glo-bus.com) for *GLO-BUS*). ***All materials are delivered digitally to class members and instructors.***
  - ***Students gain full access to everything needed during the course of the simulation, including the Participant's Guide, immediately upon registering***—students can read the Participant's Guide and other accompanying content on their monitors or make print outs, as they prefer.
  - ***Likewise, instructors gain full access to all menus and materials on the website immediately upon creating an Instructor Account at the website home-page.***
- ***Class members and instructors have anywhere, anytime access to [www.bsg-online](http://www.bsg-online.com) and [www.glo-bus.com](http://www.glo-bus.com) on any Windows-based PC or Apple Mac connected to the Internet, provided the PC has a Web browser (such as Internet Explorer or Firefox or Safari) and Flash 10.0 (or later). Users of PCs without the needed version of Flash already installed will be automatically directed to the Flash site where the latest version can be downloaded and installed free of charge in a couple of minutes. As long as site users have a live internet connection, they will have 24/7/365 access to the BSG and GLO-BUS web sites. The speed for participants using dial-up modems is quite satisfactory.***
- ***Team members running the same company who are logged-on simultaneously can use the built-in Collaboration Mode and Audio Mode capabilities, as well as on-screen messaging, to collaborate when working online at the same time from different locations.***
  - 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.
  - A decision entry change made by one team member is seen by all, in real time, and all team members can immediately view the on-screen calculations that result from the new decision entry.
  - If one team member wishes to view a report page and clicks on the menu link to the desired report, that same report page will immediately appear for the other team members engaged in collaboration.
  - Use of Audio Mode capability requires that each team member work from a computer with a built-in microphone (if they want to be heard by their team members) and speakers (so that they may hear their teammates) or else have a headset with a microphone that they can plug into their desktop or laptop. A headset is recommended for best results, but most laptops now are equipped with a built-in microphone and speakers that will support use of the voice-chat capability.
  - ***Instructors have built-in capability to join the online meetings of any company directly from their own computers.*** Instructors who wish not only to talk but also enter Collaboration (highly recommended because all attendees are then viewing the same screen) have a red-colored mouse pointer linked to a red box labeled Instructor. The ability of instructors and company co-managers to have an online meeting at a mutually agreeable time is often more convenient than scheduling face-to-face meetings during an instructor's office hours.
- ***The built-in Collaboration and Audio Mode features make the simulations highly suitable for use in distance-learning or online courses (and are currently being used in many such courses).***

- ***The deadlines for each decision round and other related assignments are set and totally controlled by the instructor (and can be changed at any time for any reason).*** Decision rounds can be scheduled once per week, twice per week, daily, or even twice daily, depending on how you want to conduct the exercise.
- ***Sample course outlines for integrating BSG or GLO-BUS into your strategy course can be found in Section 4 of this Instructor's Manual and also online at the simulation Web sites.*** There are sample outlines for semester-long courses, 10-week or quarter-long courses and 5-week courses; each course outline consists of suggested activities and assignments for each and every class meeting.
- ***The management teams for each company can range from 1 to 5 co-managers, and the number of companies competing head-to-head in a single market group or "industry" can range from 4 to 12.*** If you have a large class and need more than 12 companies, the Course Setup procedure makes it simple to create two or more industries for your class. In a small class, there can be no fewer than 4 company teams—two-person teams will work just fine. (For classes with fewer than 8 students, please call us at 205-722-9149 or e-mail us at [athompso@cba.ua.edu](mailto:athompso@cba.ua.edu) to discuss how best to proceed.)
- ***The entries that co-managers make each decision round are saved directly to the BSG or GLO-BUS server; once the deadline passes, the decisions of all companies are then "processed" automatically. Complete results are available to company co-managers and the instructor 15-20 minutes after the decision deadline.***
  - ***Participants and instructors are immediately notified via e-mail as soon as the decision outcomes are ready.*** Company co-managers learn the details of "what happened" in a 7-page Industry Report, a 1-page Competitive Intelligence report for each geographic region that includes strategic group maps and bulleted lists of competitive strengths and weaknesses, and a 5-page set of Company Reports (income statement, balance sheet, cash flow statement, and assorted sales, cost, and operating statistics).
- ***A "scoreboard of company performance" incorporates two performance measures:*** (1) how well each company meets "investor expectations" on earnings per share, return on shareholders' equity (ROE), stock price appreciation, credit rating, and image rating and (2) how well each company stacks up against the "best-in-industry performer" on each of these same 5 measures.
- You have ***the option to assign two "open-book" multiple choice tests of 20 questions.*** Quiz 1 covers the contents of the *Participant's Guide*. Quiz 2 checks understanding of key aspects of company operations. The self-scoring quizzes are taken online, with scores reported instantaneously to participants and recorded in your online grade book.
- There is a ***built-in 3-year strategic plan feature*** that entails having each company's management team (1) articulate a strategic vision for their company (in a few sentences), (2) set performance targets for EPS, ROE, stock price appreciation, credit rating, and image rating for each of the next three years, (3) state the competitive strategy the company will pursue, (4) cite data showing that the chosen strategy either is currently on track or requires further managerial actions, and (5) develop a projected income statement for the each of the next three years based upon expected unit sales, revenues, costs, and profits. ***Each company's strategic plan is automatically graded on a scale of 1 to 100***, with points being earned for meeting or beating the performance targets that were established. The scores are recorded in your online grade book. ***Assigning completion of 3-year strategic plans is entirely optional—you can have company managers complete no plan, 1 plan, or 2 plans.***
- ***At the conclusion of the simulation, you have the option to require that each company management team prepare a slide presentation reviewing their company's performance and strategy.*** A Company Presentation link in each co-manager's Corporate Lobby provides explicit slide-by slide suggestions of what to cover in the presentation. The software allows co-managers to copy bar charts showing their company's revenues, earnings per share, ROE, stock price, credit rating and image rating during the course of the simulation directly onto slides in less than five minutes.

- There is *a comprehensive 12-question peer evaluation form* that co-managers can complete midway through the exercise and/or at the end of the exercise to help you gauge the caliber of effort each co-manager has put into the exercise. *Peer evaluations are automatically scored on a scale of 1 to 100*, and the scores are recorded in your online grade book.
- *There is an Activity Log that provides an informative summary of each co-manager's use of various parts of the website*—the frequency and length of log-ons, how many times decision entries were saved to the server each decision round, and how many times each set of reports was viewed each decision round. The combined information from the peer evaluations and the Activity Log provide good evidence about whether a co-manager was a strong or weak contributor.
- *An end-of-simulation Learning Assurance Report provides you with solid empirical data concerning how well your students performed versus students playing the simulation at all schools/campuses worldwide over the past 12 months.* The report measures 9 areas of student proficiency, business know-how, and decision-making skill, and provides potent benchmark evidence valid for gauging the extent to which your school's academic curriculum is delivering the desired degree of student learning as concerns accreditation standards. The LAR is useful in two very important respects. One, it provides you with a clear overview of how well your students rank relative to students at other schools worldwide who have gone through this same competition-based simulation exercise over the past 12 months. Two, because the report provides highly credible evidence regarding the caliber of business proficiency and decision-making prowess of your students, it can be used to help assess whether your school's academic curriculum in business is providing students with the desired degree of business understanding and decision-making acumen. Professors, department chairs, and deans at many business schools worldwide are engaged in developing ongoing evidence of whether their academic programs meet the Assurance of Learning Standards now being applied by the Association to Advance Collegiate Schools of Business (AACSB); a prime goal of this Learning Assurance Report is to contribute significantly to this effort.
- There is *a weekly ranking of the best-performing companies worldwide* posted on the homepage—all co-managers and instructors whose companies appear in the rankings are automatically notified by e-mail. You can browse through the latest rankings by clicking on the Global Top Performers icon left-center of the homepage.
- *At the conclusion of the simulation, the co-managers of the overall best-performing company in your class are automatically e-mailed an "Industry Champion" certificate suitable for framing.* This certificate serves to document an award or achievement that each co-manager of a champion company can put on their résumé.
- *The co-managers of each industry-winning company playing the two simulations across the world are invited to participate in the "Best Strategy Invitational."* The BSIs for *GLO-BUS* and *The Business Strategy Game* are held three times each year—in late April/early May, in August, and in late November/early December. Those teams that accept the invitation to participate are divided into industries of 11-12 companies and compete for a period of 10 decision rounds for "Global Industry Championships." All participants who complete the competition receive frame-able certificates and the industry winners get a "Grand Champion" certificate. Receipt of these certificates also merits a line on a student's résumé.

*Comprehensive support, question-answering, and problem-solving is provided to all adopters of the two simulations by co-authors Greg Stappenbeck and Art Thompson*— just use the tech support link in the Instructor Center to send an e-mail, call us at 205-722-9149, or send an e-mail to [athompso@cba.ua.edu](mailto:athompso@cba.ua.edu) to learn more about either simulation. We will be glad to provide you with a personal tour of either or both of the Web sites (while you are on your PC) and walk you through the many features that are built into the simulations. If there are multiple instructors at your school who teach the course, we will be happy to set up a Web teleconference for you and your colleagues, give you a guided tour of the Web site, and answer whatever questions you may have.

Alternatively, you can go to [www.bsg-online.com](http://www.bsg-online.com) and/or [www.glo-bus.com](http://www.glo-bus.com), register as an Instructor, and gain full access to the Web sites and all of the materials you will need to conduct the simulation. Once you register (there's no obligation), you'll be able to access the 4-page *Quick Guide to Getting Started*, the *Instructor's Guide*

and the *Participant's Guide* for the simulations, explore the Instructor Center menus on your own, and complete the Course Setup procedure (which is necessary in order to get everything ready for students to register, should you decide to use the simulation in an upcoming course).

We are more than happy to give personal assistance to new and ongoing users any time questions or problems arise.

For those who are worried about “bugs” or flaws, we would say we are several years past the stage where software “glitches” and system malfunctions are still being ironed out. The Web site and related software have long since been thoroughly “de-bugged.” There is a staff that monitors and maintains the functioning of the two Web sites 24/7/365—if a user can get connection to the Internet, then the chances of the system being “down” are virtually nil.

***Adopters of the 4th edition of Essentials of Strategic Management who also want to incorporate use of one of the two simulation supplements can either have students register at the simulation website via a credit card or you can instruct your bookstores to order the “book-simulation package”—the publisher has a special ISBN number for new copies of the 4<sup>th</sup> Edition that contain a special card shrink-wrapped with each copy; printed on the enclosed card is a pre-paid access code that student can use to register for either simulation and gain full access to the student portion of the Web site. Please consult with your McGraw-Hill sales representative for details about the bundled book-simulation package. However, be aware that bookstore markups on the book-simulation package often result in a \$10-\$15 higher student cost for the simulation than will registering via credit card at the website.***

## WHICH SIMULATION MAKES THE MOST SENSE FOR YOUR COURSE?

Both *The Business Strategy Game* and *GLO-BUS* are suitable for either senior-level or MBA-level courses. Whether to use *The Business Strategy Game* or go with *GLO-BUS* is really a matter of preference, how much time you are comfortable with having class members spend working on the simulation exercise, and the degree to which the faculty believe that there should be a clear distinction between the content and rigor of a senior-level course in strategy and the MBA-level course in strategy.

The time that class members will spend on *GLO-BUS* typically works out to be a bit less than for *The Business Strategy Game*. With *GLO-BUS*, you can expect that class members will spend an average of 1½-2 hours per decision. With *BSG*, it will take company co-managers about 2-2¼ hours per decision. Company co-managers can speed through their *GLO-BUS* decision-making a bit quicker than in *BSG* because all production of digital cameras takes place in a single plant and there are no finished goods inventories (newly-assembled cameras are built-to-order and shipped directly to retailers).

*The Business Strategy Game* is a bit more robust because:

- Company co-managers have the option to build and operate up to four plants (one in each geographic region of the world). In *GLO-BUS*, companies only have one plant to manage.
- Each company management team must operate four distribution centers (1 in each geographic region) and manage the finished goods inventories in these centers. In *GLO-BUS*, there are no finished goods inventories and distribution centers to operate—all units produced are immediately shipped to camera retailers.
- Companies compete in 12 market segments (versus 8 in *GLO-BUS*).
- Sales forecasting is a bit more elaborate in *BSG* as compared to *GLO-BUS*.

Both simulations have 2 built-in quizzes, strategic plan assignments, company presentation capabilities, and peer evaluations (each of which can be required or skipped as you see fit). See Table 1 for comparisons of the two simulations.

→ **TABLE 1 A Comparison of *Glo-Bus* versus *The Business Strategy Game***

|   | <i>GLO-BUS</i>   | <i>The Business Strategy Game</i>   |
|---|--|---|
| <b>Industry setting</b>                                     | Digital camera industry  | Athletic footwear industry  |
| <b>Market scope</b>   | <p><b>Worldwide.</b> Production occurs at a single plant and sales are made to retailers in 4 major geographic regions</p> <ul style="list-style-type: none"> <li>• North America</li> <li>• Latin America</li> <li>• Europe-Africa</li> <li>• Asia Pacific</li> </ul>   | <p><b>Worldwide.</b> Both production and sales activities can be pursued in any or all of 4 major geographic segments</p> <ul style="list-style-type: none"> <li>• North America</li> <li>• Latin America</li> <li>• Europe-Africa</li> <li>• Asia Pacific</li> </ul>   |
| <b>Number of market segments</b>                            | <p>8</p> <ul style="list-style-type: none"> <li>• 4 segments for entry-level camera sales to retailers in each geographic region</li> <li>• 4 geographic segments for multi-featured camera sales to retailers in each geographic region</li> </ul>  | <p>12</p> <ul style="list-style-type: none"> <li>• 4 segments for branded footwear sales to retailers in each geographic region</li> <li>• 4 segments for online sales of footwear direct to consumers in each geographic region</li> <li>• 4 segments for private-label footwear sales to chain retailers in each region</li> </ul>  |
| <b>Number of decision variables</b>                         | <ul style="list-style-type: none"> <li>• Character and performance of the camera line ( up to 10 decision entries each for entry-level and multi-featured cameras)</li> <li>• Production operations and worker compensation (up to 15 decision entries)</li> <li>• Pricing and marketing (up to 15 decision entries in 4 areas)</li> <li>• Financing of company operations ( up to 4 decision entries)</li> <li>• Social responsibility and citizenship (as many as 6 decision entries)</li> </ul>           | <ul style="list-style-type: none"> <li>• Production (up to 13 decision entries each plant, with a maximum of 4 plants)</li> <li>• HR/compensation (up to 3 decisions each plant)</li> <li>• Shipping (up to 8 decisions each plant)</li> <li>• Pricing and marketing (up to 10 decision entries in 4 regions)</li> <li>• Internet marketing (up to 3 decision entries in 4 regions)</li> <li>• Financing of company operations (up to 8 decision entries)</li> <li>• Social responsibility and citizenship (as many as 6 decision entries)</li> </ul> |
| <b>Competitive variables used to determine market share</b> | <ul style="list-style-type: none"> <li>• Price</li> <li>• Performance/quality rating</li> <li>• Number of quarterly sales promotions</li> <li>• Length of promotions in weeks</li> <li>• Promotional discounts</li> <li>• Advertising</li> <li>• Number of camera models</li> <li>• Size of dealer network</li> <li>• Warranty period</li> <li>• Technical support</li> <li>• All sales and market share differences are the direct result of differing competitive efforts among rival companies</li> </ul> | <ul style="list-style-type: none"> <li>• Price</li> <li>• Number of models/styles</li> <li>• Styling/quality rating</li> <li>• Advertising</li> <li>• Size of retailer network</li> <li>• Celebrity endorsements</li> <li>• Delivery time</li> <li>• Retailer support</li> <li>• Mail-in rebates</li> <li>• Shipping charges (Internet sales only)</li> <li>• All sales and market share differences are the direct result of differing competitive efforts among rival companies</li> </ul>  |
| <b>Time frame of decisions</b>                              | One year, with an instructor-triggered option to update as many as 8 of the 50 decisions quarterly   | One year  |

|  |  |   |
|--|--|---|
| <p><b>Measures on which company performance is judged (all company scores are automatically recorded in instructor's online grade book for each decision period)</b></p> | <ul style="list-style-type: none"> <li>• Earnings per share</li> <li>• Return on shareholders' equity</li> <li>• Stock price</li> <li>• Credit rating</li> <li>• Image rating</li> </ul>   | <ul style="list-style-type: none"> <li>• Earnings per share</li> <li>• Return on shareholders' equity</li> <li>• Stock price</li> <li>• Credit rating</li> <li>• Image rating</li> </ul>  |
| <p><b>Scoring standards</b></p>  | <p>Choice of</p> <ul style="list-style-type: none"> <li>• Investor Expectations (benchmarked against industry growth)</li> <li>• Best-in-Industry</li> <li>• A combination of both, with instructors determining the weights for each (50-50 is recommended)</li> </ul>  | <p>Choice of</p> <ul style="list-style-type: none"> <li>• Investor Expectations (benchmarked against industry growth)</li> <li>• Best-in-Industry</li> <li>• A combination of both, with instructors determining the weights for each (50-50 is recommended)</li> </ul>   |
| <p><b>Degree of complexity</b></p>   | <p>Moderate<br/>Less complex than BSG because all production is in a single plant and there are no finished goods inventories (newly-assembled cameras are built-to-order and shipped directly to retailers)</p>   | <p>More robust/"complex" than <i>GLO-BUS</i> because</p> <ul style="list-style-type: none"> <li>• Companies can operate up to four plants (one in each geographic area) and plant operations are a bit more involved</li> <li>• Shipments are made to company distribution centers and there are finished goods inventories to manage</li> <li>• There are 12 market segments instead of 8</li> <li>• Players have to develop make a sales forecast based on their competitive strategy and the expected competitive efforts of rivals</li> </ul>   |
| <p><b>Time required to make a complete decision</b></p>  | <p>About 1.75 to 2.0 hours per decision (once players gain familiarity with software and reports)</p>  | <p>2.0 to 2.5 hours per decision (once players gain familiarity with software and reports)</p>  |
| <p><b>Industry reports (automatically provided to all participants at website within 15 minutes following each decision deadline)</b></p>                                | <p>A 6-page report that includes</p> <ul style="list-style-type: none"> <li>• Complete scoreboard of company performances on all five performance measures (3 pages)</li> <li>• Selected industry statistics</li> <li>• Financial statistics for each company</li> <li>• Benchmarking statistics</li> </ul> <p>A 1-page competitive intelligence report for each geographic region that shows</p> <ul style="list-style-type: none"> <li>• Each company's publicly visible competitive effort (prices, advertising, warranties, etc.)</li> <li>• Strategic group maps of competitors in the entry-level and multi-featured camera segments</li> <li>• A list of the company's competitive strengths and weaknesses in that region</li> </ul> | <p>A 7-page report that includes</p> <ul style="list-style-type: none"> <li>• Complete scoreboard of company performances on all five performance measures (3 pages)</li> <li>• Selected industry statistics</li> <li>• Financial statistics for each company</li> <li>• Benchmarking statistics</li> <li>• Status of celebrity endorsements</li> </ul> <p>A 1-page competitive intelligence report for each geographic region that shows</p> <ul style="list-style-type: none"> <li>• Each company's publicly visible competitive effort (prices, models, advertising, rebates, etc.)</li> <li>• Strategic group maps of competitors in the branded footwear segment</li> <li>• A list of the company's competitive strengths and weaknesses in that region</li> </ul> |

|   |   |  |
|---|---|--|
| <b>Company reports (automatically provided to all participants at website within 15 minutes following each decision deadline)</b> | A 6-page report that includes <ul style="list-style-type: none"> <li>• An income statement</li> <li>• A balance sheet</li> <li>• A cash flow statement</li> <li>• Production operations</li> <li>• Sales and costs in each geographic area</li> </ul> | A 5-page report that includes <ul style="list-style-type: none"> <li>• An income statement</li> <li>• A balance sheet</li> <li>• A cash flow statement</li> <li>• Plant operations statistics</li> <li>• Distribution and warehousing statistics</li> <li>• Branded and private-label sales statistics</li> <li>• Detailed marketing and administrative costs</li> </ul> |
| <b>Participant's manual (delivered online)</b>  | 25 pages  | 33 pages   |

Usage data confirms that you can have a successful experience with either simulation in both senior and MBA courses. We have adopters who are using *GLO-BUS* on an ongoing basis for undergraduate courses and for graduate courses. Likewise, we have adopters who are using *BSG* on an ongoing basis for undergraduate courses and for graduate courses. Here are our thoughts about which simulation to use:

- If you want the simulation to count no more than 20% of the course grade and to keep the simulation workload down to a “minimum”, then *GLO-BUS* is perhaps the better choice.
- *GLO-BUS* is definitely the better choice for courses below the senior-level.
- If you want the simulation to be a truly major part of the course (and count 25-30% of the course grade), then our recommendation would be to use *The Business Strategy Game*.
- We see little reason for you to be concerned that the slightly longer decision times for *BSG* mean that it is “too much” for or “above the heads” of senior-level undergraduates. During the past 5 years, *BSG* has been used for undergraduate courses at well over 700 campuses worldwide. You can peruse the schools of the best-performing companies worldwide by clicking on the Global Top Performers icons in the bottom left side of the homepages for the two simulations ([www.bsg-online.com](http://www.bsg-online.com) and [www.glo-bus.com](http://www.glo-bus.com))—these listings will let you confirm for yourself that the best-performing companies involve a wide diversity of schools/campuses.
- *The Business Strategy Game* is definitely the better choice for an MBA-level class. (Our data indicates that *BSG* is used for graduate-level courses far more frequently than is *GLO-BUS*.)
- If many of your school's undergraduate students also go on to be part of your school's MBA program (thus making it desirable to provide them with a differentiated strategy simulation experience in the undergraduate versus the graduate courses), then we definitely recommend using *GLO-BUS* for the undergraduate strategy class and *BSG* for the MBA strategy class. This is especially true if it is school policy is to maintain a clear-cut distinction between the content and rigor of the senior-level course and the MBA-level course.
- Since the instructor-related aspects of conducting the two simulations are virtually identical (in the sense that the course setup procedures, menus, and administrative tasks are virtually mirror images of one another), you will have no problem in using both simulations at the same time if you teach both the undergraduate course and MBA course in the same term. We made a point of designing the Instructor Centers for *BSG* and *GLO-BUS* to be as much alike as possible—moreover, the quiz features, the scoring of company performance, the strategic plan feature and scoring, the company presentation feature, and the peer evaluation form are also very close to identical.
- Either simulation can be used for executive courses; participants will definitely be able to make a complete decision in half a day—one in the morning and one in the afternoon. But if the time available for decisions is constrained to less than half a day (say, 2½ hours or maybe less), then we recommend use of *GLO-BUS*.

## THE 4-STEP COURSE SETUP PROCEDURE

Setting up either of the two simulations for your course entails:

1. Specifying a Course/Section ID and indicating the whether the participants will be primarily undergraduates, graduate students, corporate trainees, or “other.”
2. Specifying the number of companies you want to create for your class members to run—a minimum of 4 companies and a maximum of 12 companies can compete head-to-head in a single group or “industry.” You can assign 1 to 5 class members to run each company (assigning 3-4 persons to manage each company is recommended). If you need more than one industry for your course (because you want to divide the class into more than 12 company teams), you have the option to do so.
3. Using the built-in calendar to specify deadlines for the practice and regular (scored) decision rounds—you can have either 1 or 2 practice rounds and anywhere from 4 to 10 decision rounds that are scored and used in calculating individual grades for the simulation exercise. You will also need to indicate whether you want to have students (a) complete either or both of the two optional quizzes, (b) do one of two 3-year strategic plans for their company, (c) prepare a PowerPoint presentation about their company’s performance and operations at the conclusion of the simulation exercise, and (d) complete Peer Evaluations of their co-managers. ***You always have the option to come back to this screen for scheduling decision rounds and other assignments later and make changes in the assignments and/or the deadline dates.*** Our recommendations for handling these optional assignments are presented inside the Course Setup procedure and are discussed in more detail in the *Quick Guide for Getting Started* and in the IMs for the simulations.
4. Generating and printing the company registration codes that you will need to give each class member to use in registering for the simulation. ***You must give each class member on each team/company the appropriate company registration code prior to having them register because this code is used to (1) enroll the student in your class, (2) designate the student as a co-manager of the assigned company, (3) restrict a co-manager’s access to only the industry and company you assigned them, and (4) enter the student’s name in your online grade book.*** When students register, they will be asked to enter the company registration code you provide them—***class members cannot register without the registration code for their particular industry and company.***

***That’s all there is to it.*** You’ll find that you can complete the Course Setup routine in no more than 30 minutes the first time you use the simulation. Once you have used been through the Course Setup routine and become comfortable with how you want to administer the exercise, it should take no more than 15 minutes in succeeding terms to have everything ready to go.

***You’ll need to remember to take a printout of the company registration codes to class and make sure each student is given the appropriate code for their assigned company. A good procedure is to give each class member a copy of the printout of the company registration codes and have them circle the code for the company they have been assigned to manage.*** Each different company goes by a letter of the alphabet (A, B, C, etc.). Each co-manager of Company A will need the registration code ending in the letter A to complete the registration process; each co-manager of Company B will need the code ending in B, and so on. If you have 6 companies, then the corresponding company letters appearing at the each of each code number will be A, B, C, D, E, and F. ***Once co-managers register, they can create a name for their company that begins with their corresponding company letter.***