A simulation comprises variables, parameters, and attributes. Policy can be operationalized as a set of decisions involving variables; and strategy, as a set of decisions involving parameters.

LIMITATIONS AND POSSIBILITIES

This operationalization of the concept treats strategy at the business level ("How should we compete in this business?") rather than at the corporate level ("What business should we be in?") (Summer et al., 1990). At the corporate level, strategy would be operationalized as decisions involving attributes. Changing attributes, however, requires changing the program code. Because no feasible way exists for instructors to change the program code quickly and safely, operationalizing strategy at the corporate level has not been attempted.

This implementation of strategy does not lend itself to applying most of the common approaches to business strategy (Mitroff & Mason, 1982), such as the experience curve, the business portfolio matrix, and the competitive strategy technique. Accordingly, it cannot substitute for exercises and cases that illustrate those approaches. But this implementation does lend itself to applying Ohmae's (1982) key factors for success (KFS).

Ohmae, describing KFS, stated that "when the company has in effect no more management resources than its competitors in the same business or trade, it can often achieve resounding competitive success if it is effective in bringing those resources to bear on the one crucial point" (p. 39). Ohmae's approach applies precisely to business simulations, because all companies in the typical simulation begin with identical or equivalent resources and all compete in the same business or trade. Furthermore, the large number of parameters involved in many total enterprise simulations designed for business strategy courses (Keys, 1987; Wolfe & Teach, 1987) assure that participants will not be able to examine all items in detail. They will find it sensible to search for key factors.

In CEO, for example, as many as 76 parameters can be involved, many of which are part of complex mathematical functions. Participants who seek key factors will realize that only a few of the parameters can make a major competitive difference, and therefore, the remaining parameters are unworthy of examination.

DISCUSSION

Hambrick (1980) observed that the concept of strategy has been operationalized in four ways: by textual descriptions, by measurement of parts, by multivariate measurement, and by typologies. Strategy, as a set of decisions involving parameters, operationalizes the concept in a fifth way: by simulation.

Conventionally, simulations have been considered as mere products of theory (Stanislaw, 1986). Perhaps the time has come for business simulations to help develop theory. Theory building in business strategy has been hindered by confusing terminology (Leontiades, 1982). Operationalization by simulation can lessen the confusion.

(References are available on request.)