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Building SimuWorlds: Strategic Management Games of the Future

J. Bernard Keys and Robert A. Wells

Center for Managerial Learning and Business Simulation

Georgia Southern University
and Alfred G. Edge, University of Hawaii

ABSTRACT

The MMG Simuworld is a multinational management game and case combination simulating the manufacturing, marketing, and financing of microcomputer products combined with a continually developing case study of the most rapidly developing industry technologically in the world. The game is oriented well to develop and stretch the minds of participants from many industries, and it is a useful laboratory for updating managers within the microcomputer and related industries. Additionally, MMG design makes it highly suitable as a laboratory in which other tools of organizational and anticipatory learning can be utilized.

INTRODUCTION

Imagine a strategic management course in which generic cases are used. The product is defined in a general sense; the company has no specific history other than a few financial statements, the future of the product and the industry is defined only by a long term sales forecast, and the markets are defined as east, west, north and south. Such a case is similar to many of the generic business games that are so useful in teaching tactical decision making and integration of marketing, production and financial data. But how much strategic management can be taught with such a game? Very little we would argue.

What will be missing in the strategic plans of students playing the game? Product breakthroughs and new products may not be mentioned or described vaguely. Interrelationships of suppliers, buyers, competitors and substitute products will be difficult to depict. Industry ratios will be meaningless.

Even a game built on real products and realistic history of the industry may be truncated in terms of history and future product/industry development. Such is the case with many of our present "specific product" games. To allow for dynamic game play and rich case type analysis a different type of business game is needed. We call such a game a "Simuworld."

An Overview of Simuworld Operation

SimuWorlds differ from management games in several ways. Rather than being generic, they are designed around accurately published data about one industry, and model closely a single company within the industry. This article describes such a Simuworld, The Multinational Management Game (MMG) and Compaq Computer Corporation Simuworld, which mode's the microcomputer industry and COMPAQ Computer Corporation (1).

MMG participants are organized into competing companies (teams) and placed in charge of a \$200 million dollar company producing and selling microcomputers and related equipment. They are provided job descriptions, share personal backgrounds, and self-select roles of CEO and Senior Vice President as defined by Compaq Computer for their teams. Operations begin by analyzing a game/case history and developing a five-year plan. Providing real corporate history is an improvement over generic case introductions, and provides a connecting link of institutional memory, interrupted for a time by corporate (simulated) activity created by teams, but connected again in the final five year plan.

In high tech industries today, such as the microcomputer industry, many interrelated variables must be considered by the top management team in order to develop yearly and long run plans. The Simuworld not only includes a business game but includes a case experience, including many of these complexities. The case experience is provided as a concluding project at the close of game play.

THE FIRST FIVE YEAR PLAN

Participants in MMG began with real company history, abbreviated, but concluding with the starting financial position and operating data for Compaq Computer Corporation. Considerable industry data and descriptive information is provided so that a complete strategic plan can be developed. Each member is required to develop an individual strategic plan for their job description and functional area with an emphasis on the knowledge and experience gained in their functional area assigned. Next, teams must integrate individual planning into a

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complete strategic plan. Student teams write term reports that are due at midterm. Executive teams include data in bullet statement and strategic planning form.

The term report provides a vicarious learning experience of conducting a country briefing and preparing for international business entry. The game manual provides considerable information on the more industrialized Southeast Asia countries (including Japan) with Malaysia as a producing site, and most European countries, with Berlin as a producing site. The international dimension is portrayed by prime interest rates, inflation rates, tariff/VAT rates, and depreciation rates that are country specific. Culturally, political and demographic characteristics of the various countries in the three regions are included. Prioritizing these international markets for entry then becomes a major strategic issue of the team. Start-up years are usually spent developing the organization, the information processing system, and clarifying team roles. Major alternative strategic choices are outlined, but other combinations may develop. As the tactical side of the business is mastered teams use corporate history, industry notes provided, and research briefings about European and Asian markets, to develop a five-year strategic plan. A MMG Simuworld seminar requires about four and one-half days for an executive program and about ten class periods for an MBA or Executive MBA program.

The simulated companies are similar to Compaq Computer Corporation in its start-up years. Teams will try to make reasonable tactical decisions, convert heavy remaining inventories into cash, reduce employee turnover and increase productivity by bringing low wage packages into line, and developing reasonable R & D, advertising, sales, and distribution policies. Effective teams will expand into international markets and will increase yearly sales to around \$1 billion.

At year three teams must present their first five-year plan to a board of directors. They are allowed to enter international markets of their choice, either as exporters, producers, or both. Combinations of strategies, such as product innovation, price-cost combinations, or marketing development/distribution strategies, similar to those utilized by Compaq, IBM, Apple, and other PC companies are emphasized. After mastering the mechanics of the

simulation and stabilizing domestic operations teams usually follow a natural progression of exporting, manufacturing overseas, then financing in other countries and finally an integrated mix of operations throughout the world.

Finally, participants are required to present a five-year strategic plan for the future. To allow participants to “break away” from lock step planning and to engage in product line development and other strategies, game rules are relaxed and all strategic moves and creative opportunities are allowed for this presentation. At this point the participants are provided the most up-to-date version of the Compaq Computer Case and industry notes available.

Instead of building new plans on the latest products manufactured within the game play, participants are free to envision a totally new product that addresses the new communications highway, computer entertainment games, edutainment, interactive video, etc.

LEARNING FROM MMG

- Managerial learning is promoted throughout the MMG game play by numerous techniques. Organizational learning that seems to occur mutually across teams and that changes the way teams think, occurs within MMG.
- MMG teams learn that the balancing of functional areas is accomplished by organization and influence of each team member.
- MMG Simuworld is team learning. The tasks are so complex and time period so compressed that teams quickly realize they must learn different things at the same time.
- MMG teams learn to work with intercultural groups. This depends, of course, on assembling teams with a cultural mix, which is often the case in a multinational game. MMG has been used frequently for this purpose at the Pacific Asian Management Institute, University of Hawaii, using an intercultural Asian and Western team mix
- Our research with management games and with the MMG Simuworld suggests that many unanticipated things are learned.

References

1. Keys, J.B., Edge, A., & Wells, R. A., The Multinational Management Game. Little Rock, AR: Micro Business Publications, 1994.