

BUSINESS WARGAME

*competing
in
the marketplace*

by Ernest R. Cadotte

Strategic Management



Learning Strategy

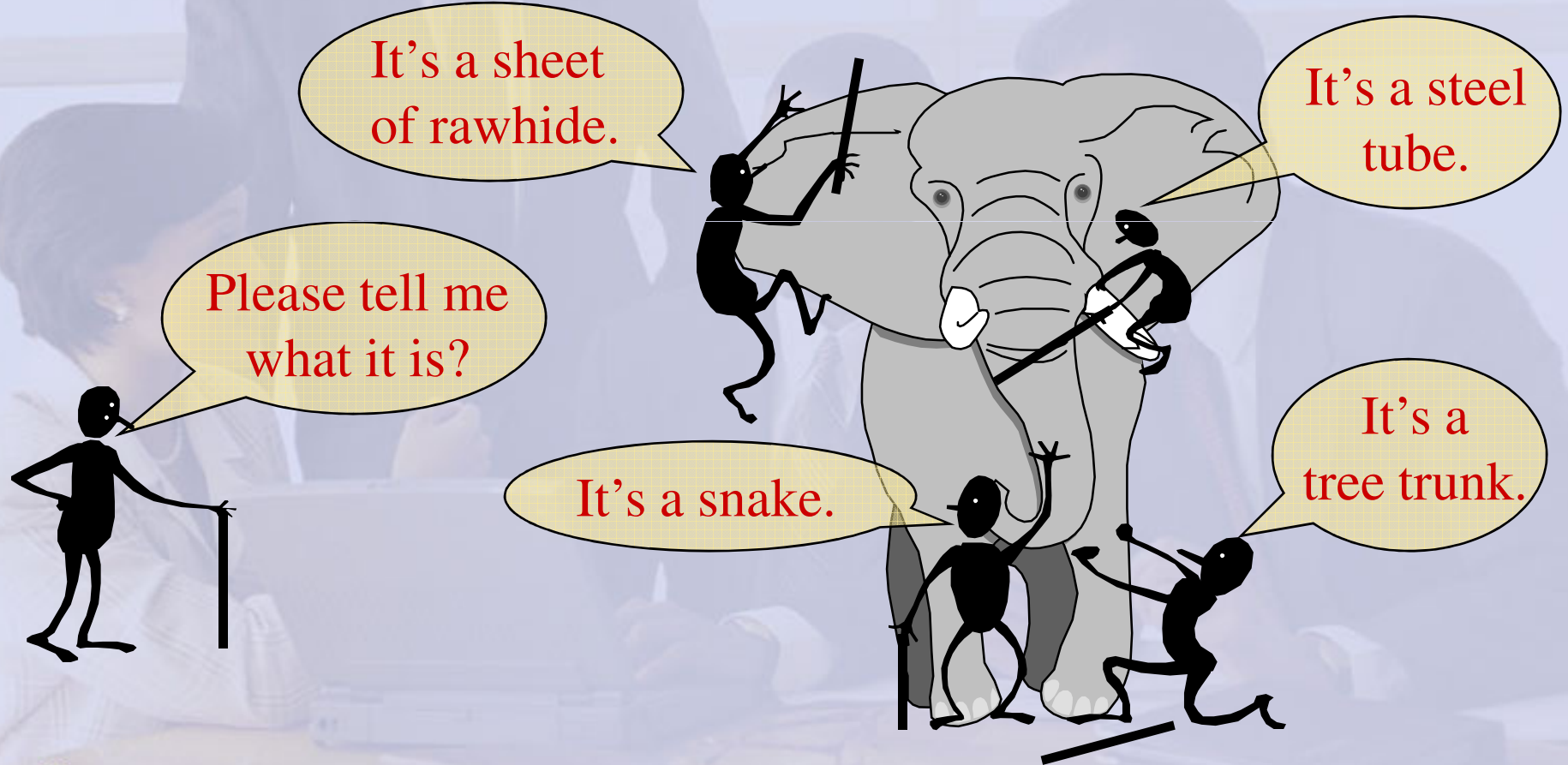
I listen, I forget.

I see, I remember.

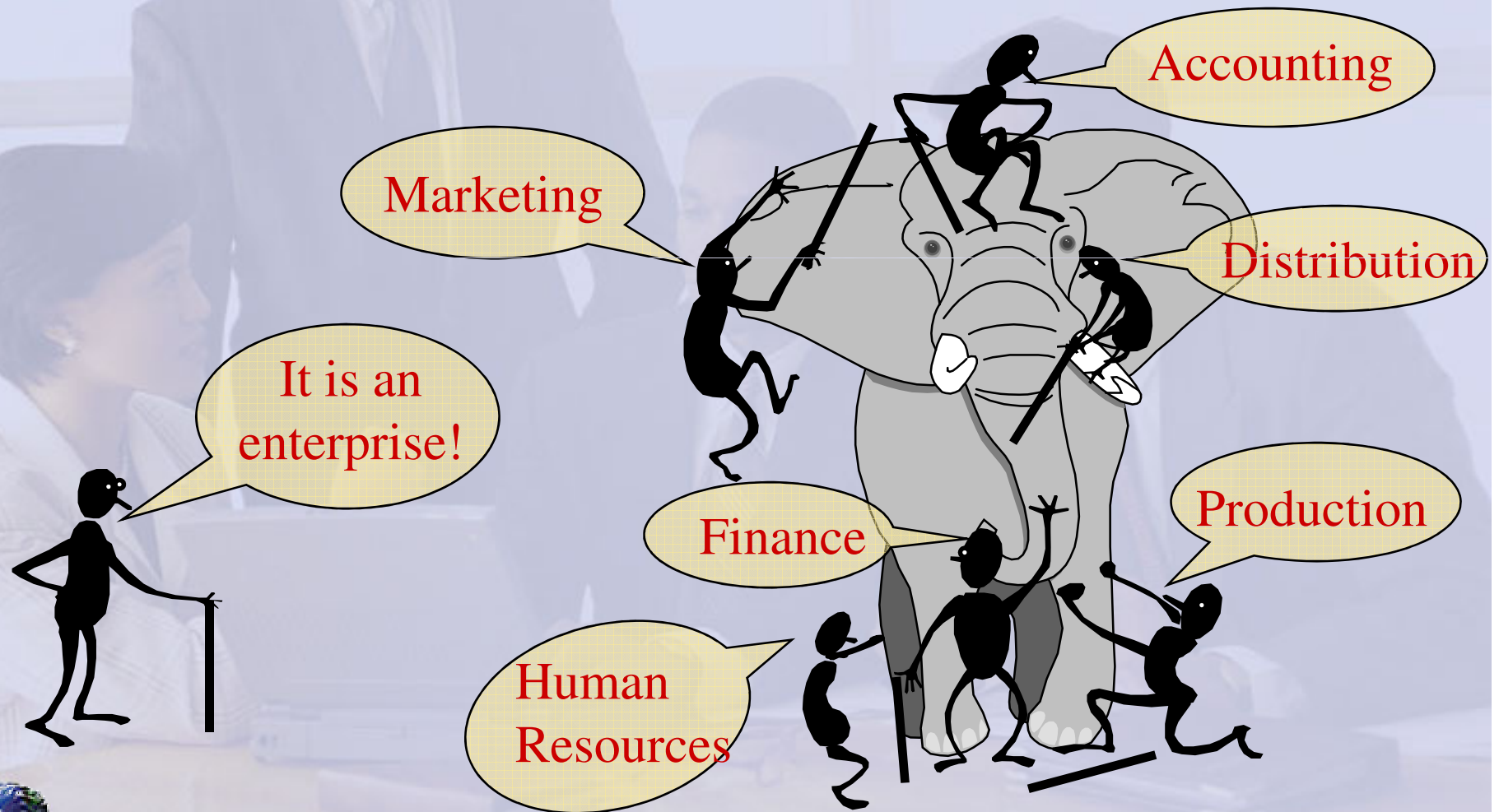
I do, I understand.

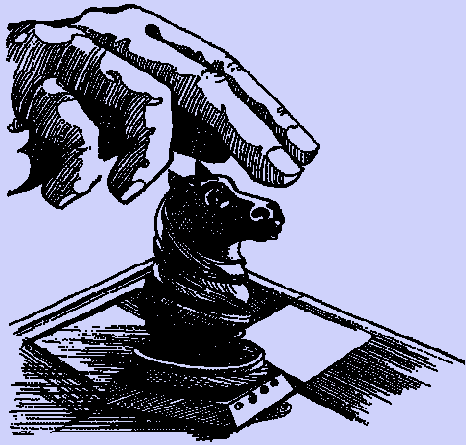
Old Chinese Proverb

**When we study one discipline at a time,
we are like a bunch of blind people trying
to understand what an elephant is.**



**With business simulations, you can crawl
all over and under the enterprise to help
you to see and understand the whole thing.**





Learning Strategy

Business war games are a form of combative training where participants pit their business skills against those of formidable opponents under the watchful eye of a training coach.

Learning Strategy:

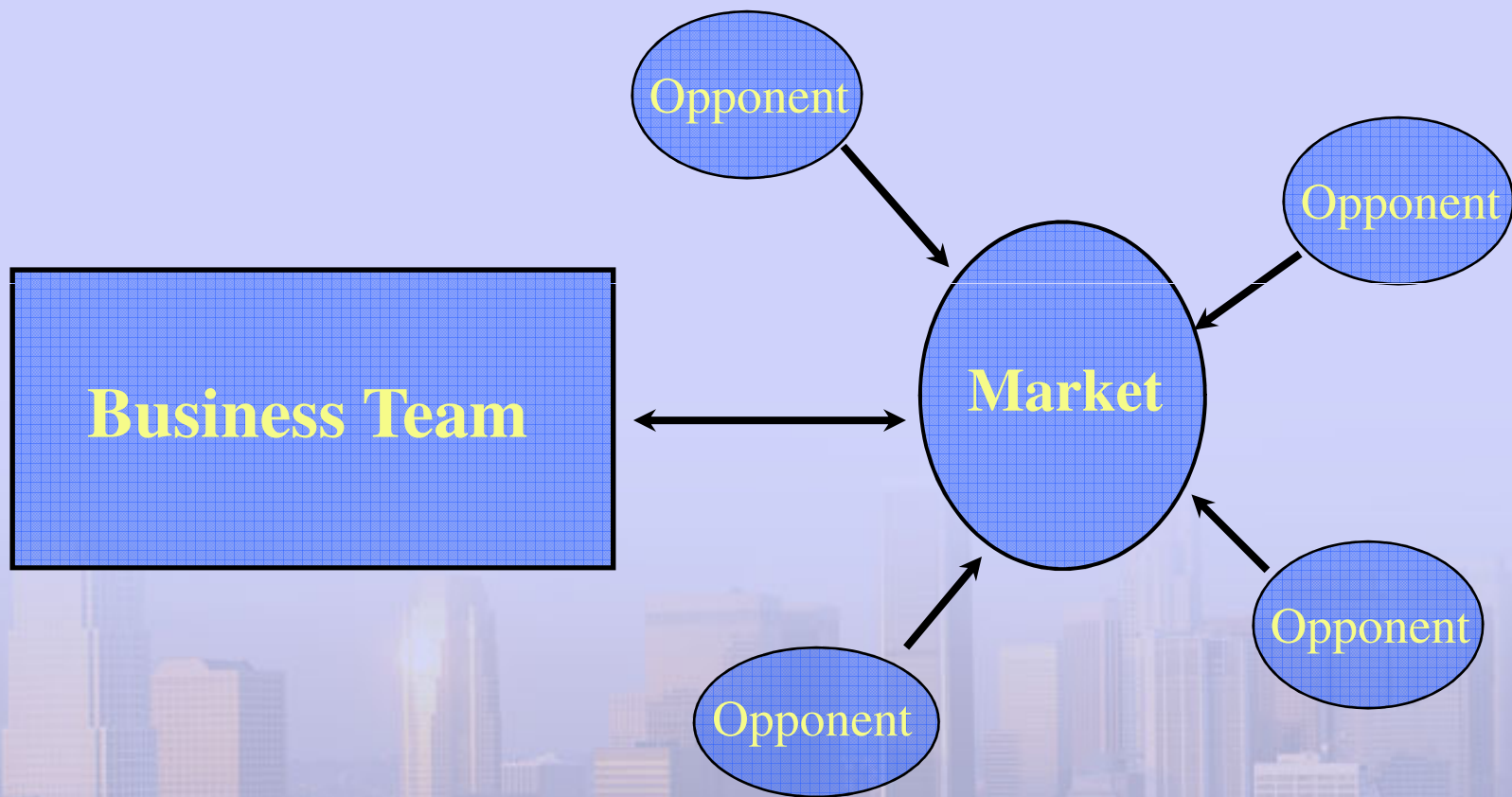
Learn by Doing

- Participants learn about all aspects of business by managing a simulated business.
- The *Marketplace* scenario follows the life cycle of a new product.
- Business decisions are introduced as they become relevant in the evolution of the product.

How is the business war game conducted?

- Teams are placed in a war game scenario - starting up and running a new business venture.
- The opposition is played out by competing teams.

*Objective is to profitably capture
a dominant market position*



Business Teams

Each team member assumes a tactical area of responsibility.



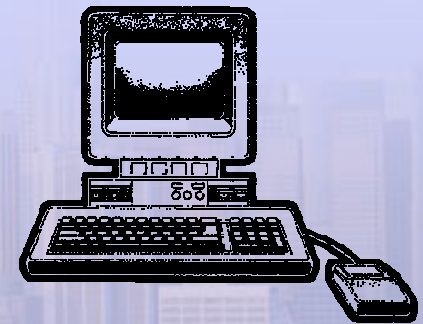
- Marketing
- Finance
- Research
- Production
- HR
- Overall Leadership

How conducted?

- The business team can acquire information on what is happening in the marketplace:
 - customer reaction to market decisions
 - competitor actions
 - industry compensation and employee morale
- Current situation is evaluated, strategy formulated, and tactics set in place.
- Tactical decisions are again fed into the *Marketplace* simulator.

Game Scenario

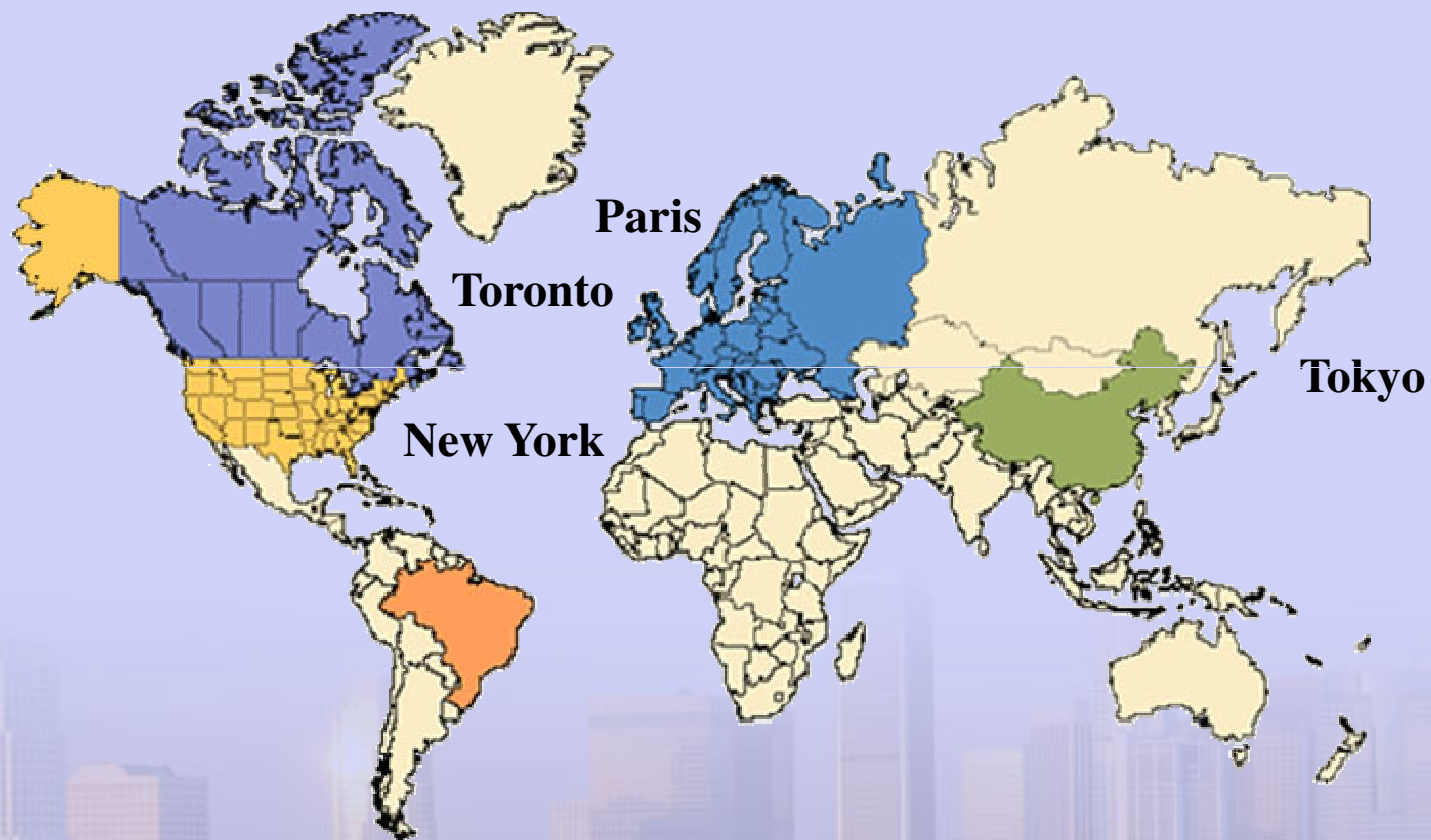
- You and your business partners have decided to enter the international microcomputer industry.
- The microcomputer industry is in its introductory stage of the product life cycle.
- Several other international firms are entering the market at the same time.

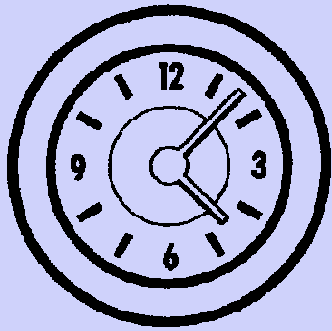


Game Scenario

- Your marketing strategy will be tightly focused on direct sales to business customers.
 - You will not sell to the home market or through retail stores.
 - You will sell through:
 - International web sales center
 - Company-owned sales offices in major metropolitan markets around the world

Sales Offices





Chronology of Events

- Q1: Organize the team, name the company, analyze market information, establish strategic direction and set up shop (design brands, open a sales office and/or an international web center and build a factory).

Chronology of Events

- Q2: Test-market brands, prices, ad copy, media campaigns, sales staffing and internet tactics.
Determine compensation package for employees and production schedule for each brand.
- Q3: Study end user feedback, competitive tactics, employee productivity and financial performance and make adjustments to strategy and tactics.

Chronology of Events

- Q4: Prepare a business plan. Present business plan and financial request to venture capitalists and negotiate equity investment.
- Q4 – Q6: Initiate international roll-out campaign.

Chronology of Events

- Q7: Prepare report to the Board regarding
 - second year performance
 - deviations from plan
 - justification for departures
 - analysis of current market
 - plan for future



Equity Financing (Q1-Q3)

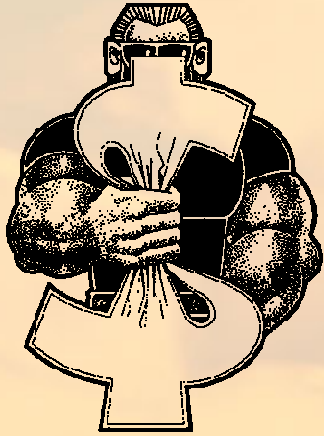
- The initial capitalization is 4,000,000 which is being invested by the executive team (2 million in Q1 and another 1 million in each of the next two quarters)
- The executive team owns 100% of the company.
- Forty thousand shares of stock will be issued to the executive team in exchange for their 4,000,000.
- The initial stock value is 100 per share.

Equity Financing (Q4)

- At the start of quarter 4, the executive team will have the opportunity to request up to 4,000,000 from venture capitalists.
- The venture capitalist will expect an outline of the strategic plan for the second year in business, including target markets, geographic expansion, R&D, plant expansion, etc.

Debt Financing (Q4 and beyond)

- The bank will extend a line of credit to the executive team equal to one and a half times the firm's equity position in the previous quarter.
- The bank is highly risk adverse and will call in your loan in part or whole if your debt capacity declines due to unusual or extended losses.



Special Financing Needs

- The bank is intolerant of poor financial management.
- If a firm ends a quarter with a negative cash position, the bank will contact a loan shark by the name of Guido to obtain an emergency loan to cover the firm's checking account.



Bankruptcy

- A firm is technically bankrupt if its cumulative losses exceed its equity investment.
- Bankruptcy occurs when the sum of the retained earnings and the common and preferred stock is a negative number.
- Stated differently, the management has used up all of the equity of the firm when the negative value of the retained earnings exceeds the value of the common stock.

Performance Evaluation

- Balanced Scorecard- cumulative score for quarters 3 through 6
- Business Plan
- Report to Board
- Strategic thinking and tactical execution
- How well the company is prepared for the future

Measurement of the Firm's Performance

The Balanced Scorecard

**Financial
performance**

**Market
performance**

**Marketing
effectiveness**

**Investments in the
firm's future**

**Total Business
Performance**

**Creation
of wealth**

**Asset
management**

**Human resource
management**

Action Potential of the Firm

The action potential of the firm is equal to the product of the company's:

- **Financial performance**
- **Market performance**
- **Marketing effectiveness**
- **Investments in the firm's future**
- **Human resource management**
- **Creation of wealth**
- **Asset management**

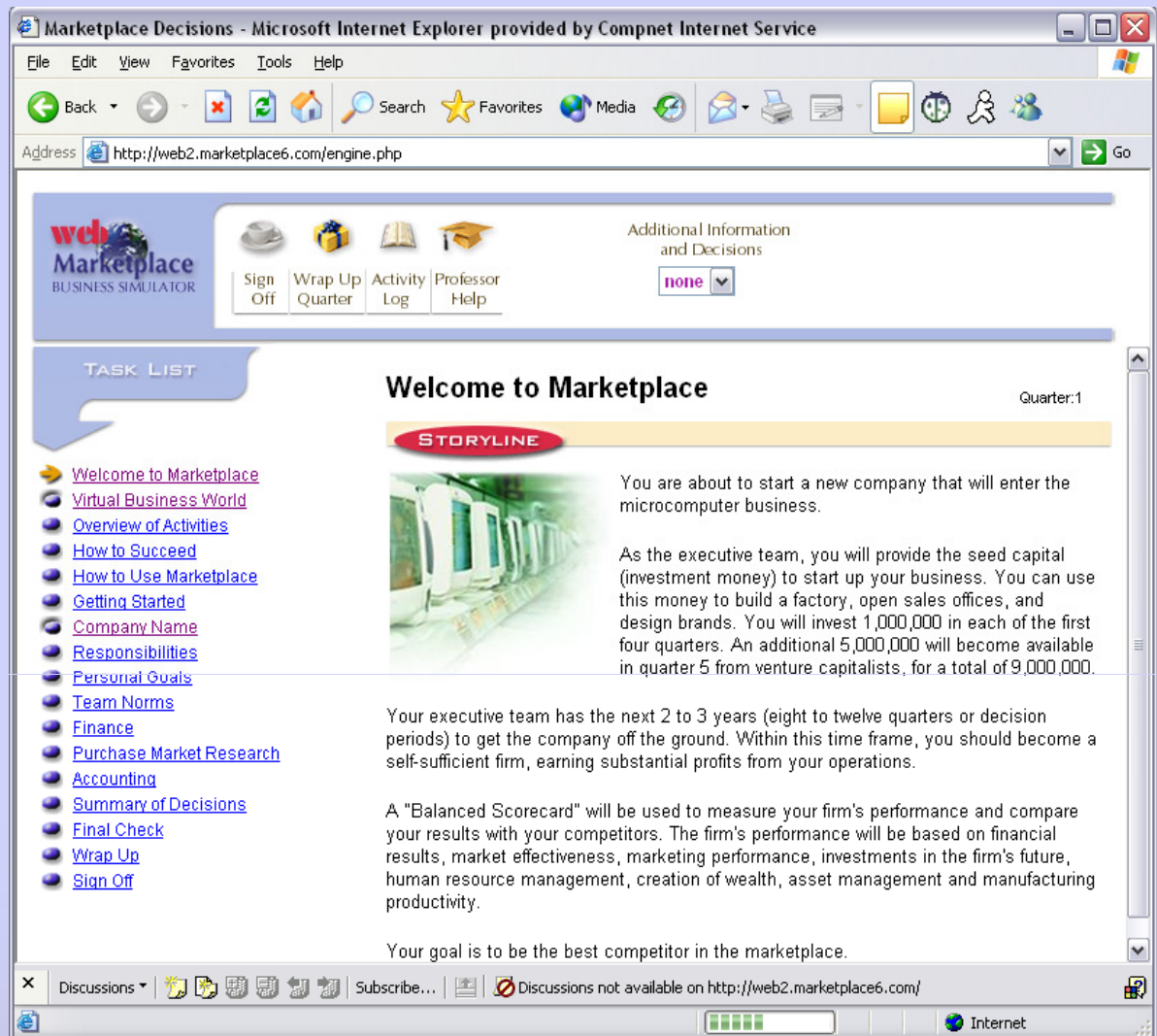
It Is Realistic

- You do what your real-life counterparts do:
 - Design brands
 - Plan advertising campaign
 - Decide on employee compensation
 - Schedule production
 - Worry about profits
 - Manage cash flows

It Is Organized

- The game scenario follows the logical process of starting up a new company.
- You are guided through the decision-making process.
- Detailed help files are available at the touch of a button.

The *Marketplace* simulation is available via the Internet at:
marketplace6.com



The Task List leads you through each step of the game, and helps to illustrate the logic of the marketing process.

web Marketplace
BUSINESS SIMULATOR

Sign Off | Wrap Up Quarter | Activity Log | Professor Help

Additional Information and Decisions
[none](#)

TASK LIST

- [Welcome to Marketplace](#)
- [Virtual Business World](#)
- [Overview of Activities](#)
- [How to Succeed](#)
- [How to Use Marketplace](#)
- [Getting Started](#)
- [Company Name](#)
- [Responsibilities](#)
- [Purchase Market Research](#)
- [Summary of Decisions](#)
- [Final Check](#)
- [Wrap Up](#)
- [Sign Off](#)

STORYLINE

Your company will be responsible for introducing a new line of microcomputers into Asia, North America, and Europe.



Within the PC industry, other firms will be entering the market at the same time as your division. The microcomputer industry is in its introductory stage of the product life cycle. There is no history and there are no established competitors. All competitors, including your own division, will start with exactly the same resources and knowledge of the market.

Be sure to
read the
directions on
how to use →
the
Marketplace
software.

web Marketplace
BUSINESS SIMULATOR

Sign Off Next Quarter Activity Log Professor Help

Additional Information and Decisions
none ▼

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- [Welcome to Marketplace](#)
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- [Final Check](#)
- [Sign Off](#)

How to Use Marketplace Esoteric Enterprise Quarter:1

STORYLINE

Each Marketplace screen is divided into several parts:

The set of icons at the top

There is a set of icons that are always displayed across the top of the screen to give you easy access to several useful options:

Use the **<Sign Off>** icon to end your Marketplace session. All your previous decisions will be saved and you will be able to access it whenever you sign in to *Marketplace* again. Use this option to end your session with Marketplace or whenever you complete and wrap up the decisions for the current quarter.

Use the **<Wrap Up>** icon, to signal to the Marketplace Processing Center that you have completed all the entries and changes in your decisions for current quarter and ensure that you wrap up your decisions before the deadline time announced.

The **<Previous Quarter>** icon allows you to review historical data - decisions from the previous quarter. You may not make changes in historical decisions. Remember to always review the historical data.

The **<Next quarter>** icon lets you advance to the next quarter after your decisions are processed in the Marketplace Processing Center. This icon also allows you to return to the historical decisions. You may need to click this icon several times if you have skipped quarters.

For illustration purposes, suppose you start up a company named Traveler Computers.

The screenshot displays the 'Web Marketplace BUSINESS SIMULATOR' interface. At the top, there is a navigation bar with icons for 'Sign Off', 'Wrap Up Quarter', 'Activity Log', and 'Professor Help', along with a link to 'Additional Information and Decisions'. Below this is a 'TASK LIST' on the left, which includes a list of tasks such as 'Welcome to Marketplace', 'Virtual Business World', 'Overview of Activities', 'How to Succeed', 'How to Use Marketplace', 'Getting Started', 'Company Name' (highlighted with a red arrow), 'Responsibilities', 'Team Norms', 'Marketing Research', 'Goals and Strategy', 'Personal Goals', 'Finance', 'Brand Design', 'Sales Channel', 'Manufacturing', 'Accounting', 'Summary of Decisions', 'Final Check', 'Wrap Up', and 'Sign Off'. The main area on the right is titled 'Company Name' and shows 'Quarter: 1'. It contains a 'TASK' section with instructions: 'You need to specify the name of your firm.' and 'What is the image you would like to project for your company? Choose a name for your company that portrays the kind of competitor you would like to be.' Below this is a 'WORKSPACE' section with a text input field labeled 'Company name:' containing the text 'TRAVELER'. At the bottom of the workspace are three buttons: 'Save', 'Print', and 'Cancel'.

web Marketplace BUSINESS SIMULATOR

Sign Off Wrap Up Quarter Activity Log Professor Help

Additional Information and Decisions

Click here for more options

TASK LIST

Company Name Quarter: 1

TASK

You need to specify the name of your firm.

What is the image you would like to project for your company? Choose a name for your company that portrays the kind of competitor you would like to be.

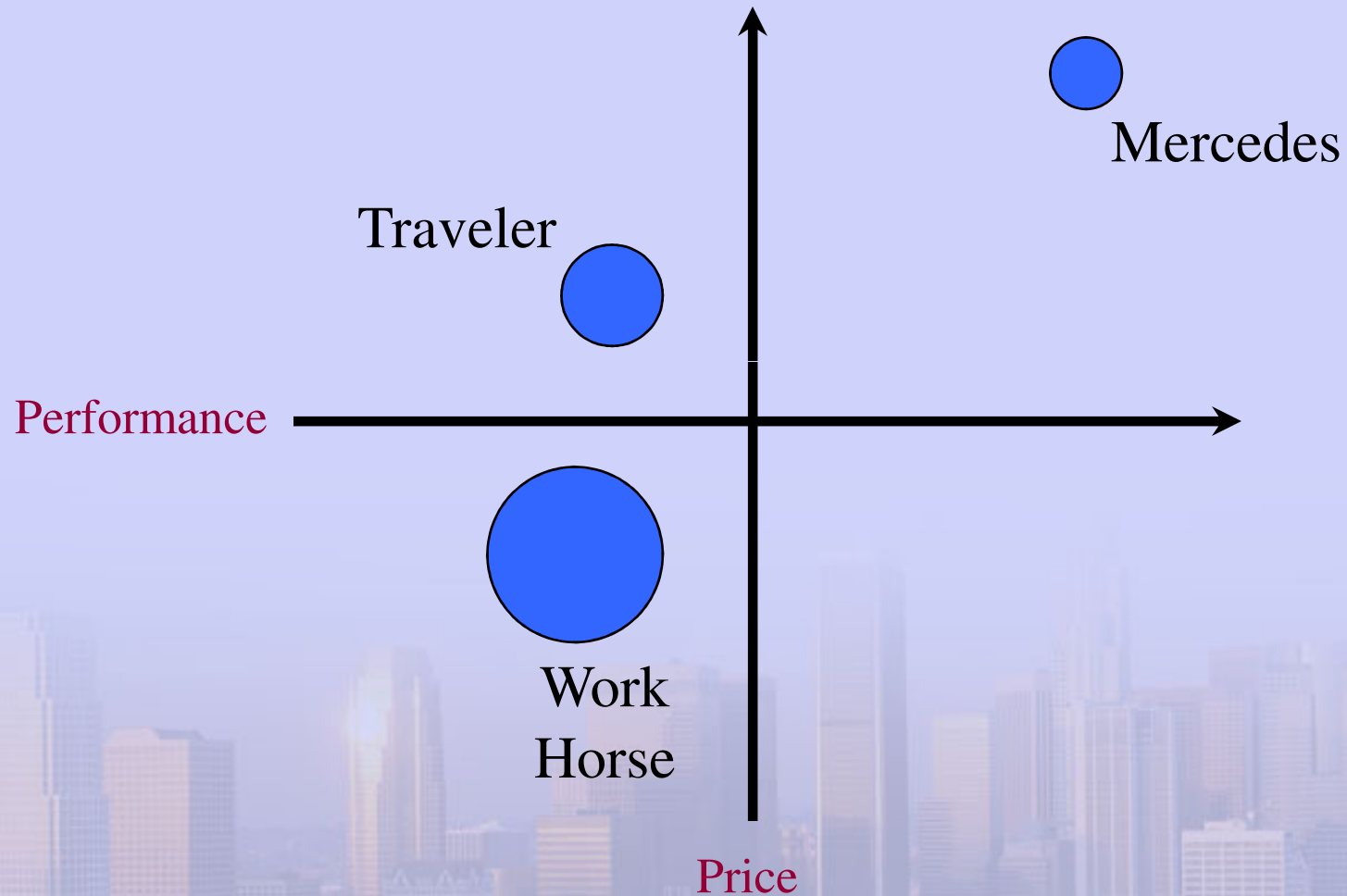
WORKSPACE

Company name: TRAVELER

Save Print Cancel

Market Segments

(Market Structure)



Each quarter, you will be presented with your
balanced scorecard. Your goal is to be the best
firm by Quarter 6 in
Total Business Performance.

High Impact Learning

You Have Sweated the Details

- Customers were demanding
- Competitors were unrelenting
- Investors were challenging
- Many functional, tactical decisions to master
- Decisions had to be well coordinated and timed
- Cash was always a constraint
- Constant skillful adjustment was required to stay on course and get ahead

Have You Learned to Use the Tools of Management?

- Market feedback
- Competitor analysis
- Employee productivity data
- Manufacturing reports
- Accounting reports (financial statements)
- Industry financial benchmarks (industry financial ratios)
- Profitability analysis

Have You Developed Your Critical Thinking Skills in Business?

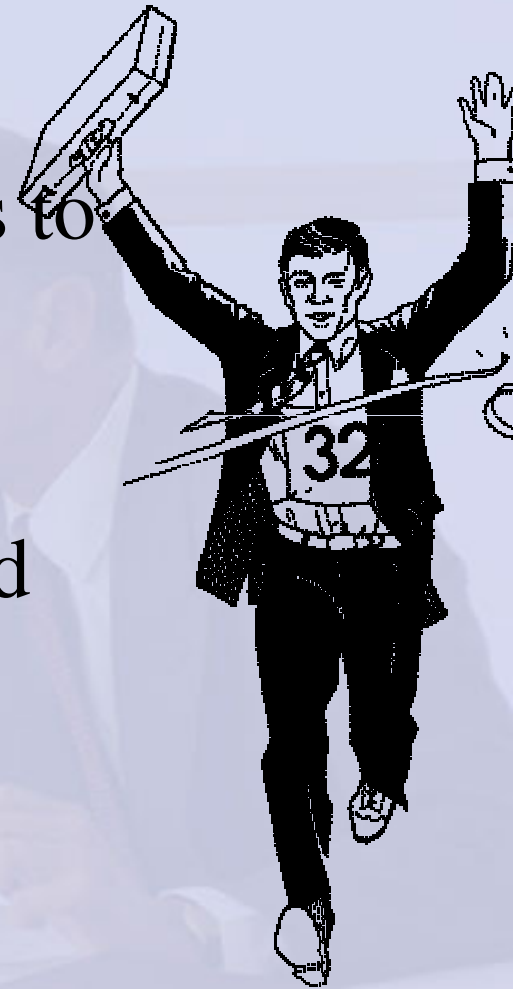
- Leadership role as President
- Discussion and debate within each team
- Managing many tactical decisions within financial constraints, demanding customers and aggressive competitors
- Preparation of comprehensive business plan
- Negotiations with Venture Capitalists
- Interaction with Business Coach during Executive Briefings

Benefits

- Develop strategic planning and execution skills within a rapidly changing environment.
- Instill a bottom line focus and the simultaneous need to deliver customer value.
- Crystallize the financial implications of business decisions and how they flow to bottom-line performance.

Benefits

- Discover how important it is to use market data and competitive signals to adjust the strategic plan and more tightly focus business tactics.
- Live and breathe performance-based management
- Learn what it takes to start up and manage a new venture.



Benefits

- Build confidence through knowledge and experience.



Questions