

GUIDE

PROFESSOR

USA & Canada

877.477.8787

Outside USA & Canada

+1.312.477.7200



WWW.CAPSIM.COM

Copyright © 2012 Capsim
Management Simulations, Inc. All rights reserved.

Capsim®, Capstone®, Foundation®,
and Comp-XM® are trademarks of
Capsim Management Simulations, Inc.®

Printed in USA

1	Welcome to Capsim®	1
1.1	Editions.....	1
1.2	Comp-XM	2
1.3	Plug-Ins	3
1.4	Support.....	3
1.5	Instructor Training.....	3
2	Registering a Course.....	4
2.1	Creating a Professor Account.....	4
2.2	Launching a Course	4
2.3	Creating Industries	5
3	Instructor Environment	8
3.1	Professor Pages	8
3.2	Welcome Page	9
3.3	Assigning Teams	9
3.4	Manage Course	10
3.5	Manage Industry	12
3.6	Industry Results Reports	14
3.7	Industry Results Debrief and Decisions.....	17
3.8	Industry Scoring.....	19
3.9	Homework	22
3.10	Industry Roster	24
3.11	Help	25
3.12	Log Into Company	25
3.13	My Courses	25
4	Participant Environment	26
4.1	Registration	26
4.2	Participant Access	26
4.3	Getting Started	27
4.4	Dashboard.....	28
4.5	Decisions	28
4.6	Decision Audit.....	29
4.7	Reports.....	29
4.8	Homework	30
4.9	Conferences	31
4.10	Help	31
5	Running Footraces.....	32
5.1	Launching Footraces	32
5.2	Forming Companies	33
5.3	Industry Roster	33

5.4	Scheduled Rounds and Self-Paced.....	33
5.5	Manual Process.....	34
5.6	Restarting Footraces	34
5.7	Undo Round	34
5.8	Company Status and Company Assignments	35
5.9	Success Comparison.....	35
5.10	Simulation Database	35
6	Timeframes	36
6.1	Sample Nine Week Schedule.....	36
6.2	Sample Fourteen Week Schedule.....	37
7	Comp-XM.....	39
7.1	The Comp-XM Instructor Environment.....	39
7.2	Exams.....	40
7.3	Exam Dashboard.....	40
7.4	The Comp-XM Participant Environment.....	42
8	CapDebrief and FoundationDebrief.....	45
8.1	Launching	45
8.2	Menus.....	47
8.3	File Menu Exit.....	47
8.4	The Debrief Menu.....	47
8.5	Last Round's Results.....	47
8.6	Results to Date	50
8.7	Scores to Date.....	50
8.8	Print Show	51
8.9	Last Year's Results.....	51
9	Simulation Checklist.....	53
9.1	Industry IDs	53
9.2	Tournament Team Configurations.....	53
9.3	The Capstone / Foundation Spreadsheets.....	53
9.4	Set Deadlines	54
9.5	Round Debrief	54
9.6	Processing.....	54
9.7	Encouraging Team Consensus	55
9.8	Peer Evaluations and Homework	55
9.9	Final Presentations.....	55
10	Advice to Struggling Teams	56
10.1	Low Contribution Margin.....	56
10.2	Emergency Loan	56
10.3	Excessive Inventory.....	56

10.4 Stock Price Drop.....	57
10.5 Excessive Loss.....	57
11 Sensor Customer Buying Criteria.....	58
11.1 Capstone Buying Criteria.....	59
11.2 Foundation Buying Criteria.....	60
11.3 Perceptual Map.....	61
11.4 Standard Capstone Segment and Ideal Spot Drift with No Customization.....	62
11.5 Standard Foundation Segment and Ideal Spot Drift with No Customization.....	67
12 Sample Business Plans for Capstone Practice Rounds.....	69
12.1 Capstone Cost Leader with a Product Lifecycle Focus.....	70
12.2 Capstone Differentiation Strategy with a Product Lifecycle Focus ..	77
12.3 Capstone Broad Cost Leader.....	83
12.4 Capstone Broad Differentiation.....	89
12.5 Capstone Niche Cost Leader.....	95
12.6 Capstone Niche Differentiation.....	101
13 Sample Business Plans for Foundation Practice Rounds.....	107
13.1 Foundation Cost Leader with a Product Lifecycle Focus.....	108
13.2 Foundation Differentiation Strategy with a Product Lifecycle Focus	113
13.3 Foundation Broad Cost Leader.....	118
13.4 Foundation Broad Differentiation.....	123
13.5 Foundation Niche Cost Leader.....	128
13.6 Foundation Niche Differentiation.....	133
14 Instructor FAQs.....	138
Settings and Company Assignment.....	138
Round Progress and Restarts.....	139
Success Measures and Balanced Scorecard.....	140
Rehearsal Tutorial.....	140
Peer Evals.....	140
Strategies.....	141
Site Navigation.....	141



1 WELCOME TO CAPSIM[®]

Capsim is a global leader in developing and delivering business simulations that prepare participants to run profitable businesses. We are used in 500 business schools and leading corporations worldwide. The Capsim Simulation Experience offers unforgettable business learning.

Each simulation teaches functional integration and business fundamentals, including:

- Teamwork
- Leadership
- Strategy
- Tactics

Your participants have been introduced to Accounting and to Marketing. They have had a bit of Finance and Strategy. They have been taught about “the trees.” Now it is time to understand “the forest.”

The simulations show participants how to put the pieces together. They use what they’ve learned as the basis for the real objective – learning to run a business.

Participants must coordinate decisions across four primary functional areas:

- Research & Development
- Marketing
- Production
- Finance

1.1 EDITIONS

The simulations are based in the electronic sensor industry, where each year customers demand smaller sensors with faster performance.

Sample business plans for Capstone (starting on page 70) and Foundation (starting on page 108) quickly introduce the range of strategic possibilities.

1.1.1 FOUNDATION BUSINESS SIMULATION

Foundation is appropriate for first or second year college and high school business courses. It can also be used in MBA courses where time is limited.

Participants run a \$40 million company for up to eight years.

Foundation companies operate in two market segments:

- Low Tech
- High Tech

Participants begin the simulation with one product, and can develop a portfolio of up to five products. Optional Human Resource and TQM (Total Quality Management)/Sustainability modules are also available.

1.1.2 CAPSTONE BUSINESS SIMULATION

Capstone is appropriate for third or fourth year college business and MBA courses.

Participants run a \$100 million companies for up to eight years.

Capstone companies operate in five market segments:

- Traditional
- Low End
- High End
- Performance
- Size

Participants begin the simulation with five products and can develop a portfolio of up to eight products. Optional Advanced Marketing, Labor Negotiation, Human Resources and TQM (Total Quality Management)/Sustainability modules are also available.

1.1.3 IMPLEMENTATION

Generally, simulations begin with participants registering on the website. Next, they review the Getting Started area and the Rehearsal Tutorial, which is an individual exercise that demonstrates the decision making process.

Later, once teams are formed, participants use the Capstone or Foundation Spreadsheets (either with Microsoft® Excel® or online with Web Spreadsheets) to play practice rounds. In Tournament mode, participants compete against other participants. In Footrace mode, participants compete against a common set of computer run companies (see 2.3.2 Tournament or Footrace? on page 6).

At the conclusion of the Practice Rounds, the simulation is reset and the Competition Rounds begin.

6.1 Sample Nine Week Schedule on page 36 and 6.2 Sample Fourteen Week Schedule on page 37 illustrate two ways the simulations can be added to a course timeframe.

1.2 COMP-XM

The Comp-XM Competency Exams can help supply the data needed for assurance of learning initiatives. Comp-XM comes in two versions.

1.2.1 COMP-XM BASIX

Comp-XM Basix puts each participant into the role of CEO of a struggling company. Their task: Turn the company around. Basix uses the previous simulation's scenario, Capstone or Foundation, so there is no additional learning curve. Basix measures business acumen using a balanced scorecard. Comp-XM Basix provides a clear assessment of your students' understanding of fundamental business principles. Basix can be run for up to four rounds. Within each industry, participants will see identical starting conditions.

1.2.2 COMP-XM CONCEPTS

In Concepts, each participant manages a simulated business over the course of four simulated years. This business differs from their original simulation and each participant sees a different set of starting conditions. During each year, participants can take a short exam with questions and answers tailored to their situation. A final wrap-up exam follows the fourth year.

The exams can be compared to snowflakes – each exam is different, yet each is the same:

- Comp-XM is fair: Each participant sees similar questions and answers, built from data specific to their simulation;
- Comp-XM is secure: Because every test is different, the opportunity to share answers is diminished;
- Comp-XM is comprehensive: It assesses judgment and analytical skills in all business disciplines.

1.3 PLUG-INS

Instructors can expand the course experience with Capsim plug-ins. Plug-ins add management decisions to the simulation scenario. For example, the Ethics plug-in presents participants with management issues that affect the bottom line. Participants must come to a consensus. Their decision will have an impact on the company in the current and future rounds (see 3.4.2 Ethics Plug-In on page 10).

1.4 SUPPORT

Capsim participants experience a rich, state-of-the-art educational program. Printed material, online material and the Rehearsal Tutorial teach participants how to run Capstone and Foundation. Capsim provides telephone support directly to participants Monday through Friday. The toll-free number for U.S. and Canadian callers is 877-477-8787; all others 1-312-477-7200. Questions about simulation rules, results, market conditions, tactical trade-offs and technical issues are fielded by courteous, knowledgeable, professional experts.

1.4.1 REQUIREMENTS

To make decisions, participants need access to the Internet. Decisions can be made with Microsoft® Excel® or online with Web Spreadsheets.

Apple users running Excel® 2008 and 2011 must use the Web Spreadsheets.

1.5 INSTRUCTOR TRAINING

We provide one-on-one training via telephone demos. We phone you at a mutually agreed time, and while you're on the Internet, we will guide you through the program and answer all your questions.

To set up a one-on-one demo from the U.S. or Canada, please call 877-477-8787; all others please call 1-312-477-7200. Or please email sales@capsim.com.



2 REGISTERING A COURSE

2.1 CREATING A PROFESSOR ACCOUNT

If you wish to launch a new simulation, you must first register with us. You will need to do this only once.

To register, please go to www.capsim.com and click New Professors Only: Launch First Course. When the new page opens, please enter the requested information. Once your account is approved, you will be able to login to the site and launch a course.

2.2 LAUNCHING A COURSE

To launch a course, login at www.capsim.com and click Launch a New Course in the left-hand menu.

2.2.1 ENROLLMENT AGREEMENT

Please review and agree to our terms of usage, which asks that you make sure all participants register on the Capsim site.

2.2.2 COURSE INFORMATION

You can save some typing by selecting the information from a previous course. Otherwise, the Setup Wizard will help you quickly enter the needed information, which includes school name, campus location and course level. We also ask for the approximate number of participants and approximate start and stop time.

Exact participant count and course dates are not required.

2.2.3 EDITION

Capstone is designed for more advanced participants. Foundation is designed for beginning participants, or for courses with limited time resources (see 1.1 Editions on page 1).

2.2.4 ADDITIONAL MATERIALS

Comp-XM

Comp-XM Competency Exam will help demonstrate your participants' level of knowledge. Comp-XM comes in two versions, Basis, which is based on the edition scenario (Capstone or Foundation), and Concepts, which uses a similar but different scenario. There is an extra fee for Comp-XM.

Plug-Ins

Plug-ins add management decisions to the simulation scenario. For example, the Ethics plug-in asks participants to grapple with issues that will have short term and long term effects on the company's profitability. There is an extra fee for plug-ins.

2.3 CREATING INDUSTRIES

2.3.1 SIMULATION PARAMETERS AND CUSTOMIZATION

Scenarios

Instructors can select one of three “scenarios.” The yearly growth rates and prime finance interest rates vary in each:

- **Standard Scenario:** This is the tried and true Capstone/Foundation scenario. Market segments grow at constant rates and the Prime Interest rate starts at 7.5% then increases 0.5% per year.
- **Growth Scenario:** Some instructors will feel more comfortable explaining this real world uncertainty. At the end of eight years the segment demand increases as much as the Standard scenario, but yearly growth rates vary each year within a range of 4.0%. Segment growth rates for the upcoming year are published in the industry newsletter, The Capstone Courier or The Foundation FastTrack. Participants do not know if growth rates will increase or decrease the following year.
- **Recession Scenario:** The Recession scenario starts off similar to the Growth scenario, however, in Year 5 the simulation economy tanks, the average industry growth rate will be a staggering -7.0%. In Year 6 the economy is stagnant with an average 0.0% growth. In Year 7 the industry begins to recover and in Year 8 life returns to normal with pre-recession growth rates. During the recession the prime rate is lowered to 4.0% then returns to normal when the economy recovers.

Capsim instructional materials do not telegraph to participants their scenario type nor details such as what year to expect a growth variance or recession. Participants only know about the growth rates and interest rates for the upcoming year as published in the Courier/FastTrack. The published rates hold true for the year; surprises can come the following year when the new rates are published.

For example, when the recession starts, participants know how much each segment is going to contract, but not when they will recover. It is up to each instructor to decide how much uncertainty their class can handle. For upperclassmen, graduates and corporate participants, a complete surprise may be appropriate. For underclassmen it may be appropriate to announce “warning signs of a recession” two years in advance so participants do not overspend on capacity.

Parameter Setup

The Standard, Growth and Recession scenarios can be customized. All the industries within each course (a course can have multiple industries) will face the same customized environment.

Customization options allow the creation of snowflake simulations from course to course, essentially the same, but looking different.

Customization options can create a unique twist but remain familiar to the instructor. Customization also reduces the ability of previous participants “coaching” current participants.

- **Monte Carlo (Randomized):** Growth rates, interest rates and segment locations are randomized by slight amounts. All industries within the course have the same randomization. (If you want two or more industries to have different randomization, you will need to establish separate courses.) The growth and interest rates vary within a few percent of the base scenario. The segment centers are shifted up to 1.4 units on the Perceptual Map plus all segments and their ideal spots shift as a group, preserving the overlaps (see 11.3 Perceptual Map on page 61). Segment drift rates remain the same. Randomization makes it virtually impossible for decisions used by previous participants to be shared with any success.
- **Custom:** Instructors can override the interest rate for each year, each segment’s individual growth rate (between -10.0% and +25.0%) for each year and the starting segment centers up to 1.4 units on the Perceptual Map (plus or minus 1.0 unit in size and 1.0 unit in performance). Segment drift rates remain the same. We strongly recommend that only instructors with experience use the Custom option. Capsim support on a custom scenario will be limited because the support team has never seen an industry like it, and won’t have a lot of experience to impart to your class.

Once the courses are setup, scenarios and customizations cannot change. If a different scenario or customization scheme is needed, launch a new course then move your participants into it. Tournament instructors can use the Team Assignment feature to do this. (see 3.3.1 Team Assignment (Tournament Only) on page 9).

Participants will see the parameters of the selected scenario and customization in their Industry Conditions Report (see 4.7.1 Simulation Reports on page 29).

2.3.2 TOURNAMENT OR FOOTRACE?

Capstone and Foundation have two modes of play, Tournament and Footrace.

If you wish a competitive atmosphere, where participant teams compete against one another, select Tournament.

If you wish to compare your companies across a level playing field, where each participant team competes against a common set of computer teams, select Footrace.

Team Assignment Options

Instructors can specify whether:

- Tournament participants can join companies on their own or if the instructor alone can assign participants to companies; or
- Footrace participants can create or join companies with multiple participants or be restricted to one participant per company.

2.3.3 NUMBER OF COMPETING COMPANIES WITHIN AN INDUSTRY

Capstone and Foundation Tournament simulations can have a maximum of six participant companies per industry. Footrace simulations can have one to many hundred participant companies playing in individual sub-industries.

Participant, Computer and Inactive Companies

In Tournament, companies are run by participants or computer, or set to inactive. Each Tournament industry must have at least one participant and one computer company.

In Footrace, each sub-industry has a single participant company and at least one computer company. The remaining four companies can be set to computer or inactive.

Industries with inactive companies are disqualified from Top Ten Eligibility (see Top Ten and the Capsim Balanced Scorecard on page 19).

2.3.4 NUMBER OF PARTICIPANTS PER COMPANY

Each company can be run by as few as one or as many as eight participants. Most instructors choose to have three to six participants per company. This evenly distributes the workload and teaches group dynamics.

2.3.5 NUMBER OF INDUSTRIES IN TOURNAMENT COURSES

Tournament users with classes of 30 or fewer participants generally will need only one industry.

Tournament users with larger classes will need multiple industries. Assigning these industries under a single course allows the creation of a single schedule and a single set of optional assignments, such as homework or peer evaluations. If you have sections that need separate schedules, please create a separate course for each schedule. If you have a large course with a single schedule, assign all the industries under one course.

Participants are not assigned to companies at this time. See 3.3 Assigning Teams on page 9.

2.3.6 ADDITIONAL MODULES

Additional Modules can be activated at this time. Instructors can also add or remove modules when Industries are restarted. See 3.4.4 Schedule Restart (Tournament) on page 11 and 3.5.7 Restart Industries (Footrace Only) on page 13.

TQM (Total Quality Management)/Sustainability

The TQM (Total Quality Management)/Sustainability Module allows companies to invest in areas that produce administrative savings, reduce costs, increase demand or reduce time required for Research & Development projects. This gives companies the ability to invest in areas that complement their strategies. All TQM/Sustainability areas can affect Balanced Scorecard measurements (see Top Ten and the Capsim Balanced Scorecard on page 19). We recommend adding the TQM/Sustainability module to the simulation in Round 3 or 4. Starting TQM/Sustainability in Rounds 1 or 2 disqualifies the industry/industries from Top Ten Eligibility.

Human Resources Module

The Human Resources (HR) Module introduces opportunities to improve organizational learning and growth as measured in the Balance Scorecard, which is used by the Top Ten Rankings (see Top Ten and the Capsim Balanced Scorecard on page 19). We recommend adding the HR Module in Rounds 2 or 3. Starting HR in Round 1 disqualifies the industry/industries from Top Ten Eligibility.

Advanced Marketing Module (Capstone Only)

The Advanced Marketing module explores the marketing mix through a variety of media and sales channels. Companies tune their promotion budget among five media (Print Media, Direct Mail, Web Media, Email and Trade Shows) and three sales channels (Outside Sales, Inside Sales and Distributors).

Labor Negotiation (Capstone Only)

The Labor Negotiation module allows companies to control labor costs (at the risk of a strike) or impose higher labor costs on their competitors. Unlike the other modules, Labor Negotiations are scheduled for one or more rounds, for example, a single negotiation in Round 4 or two negotiations, the first in Round 3 and the second in Round 6.

2.3.7 INDUSTRY IDS

Industry IDs are unique numbers that differentiate simulations. Each course has at least one Industry ID. Tournament courses will typically require one Industry ID for every 30 participants.

Footrace industry numbers will end with a suffix of _000. As each participant company forms, a sub-industry will be created and assigned a unique suffix, for example _123.

Please ask your participants to register in the “master” Footrace industry with the _000 suffix.



3 INSTRUCTOR ENVIRONMENT

3.1 PROFESSOR PAGES

3.1.1 PROFESSOR COMMUNITY

Upon logging into the Capsim website, instructors have access to news items about Capsim and a list of publications by professors who use Capsim.

Instructors also have access to a series of forums about the simulations, including implementation and research. All instructors can create and post to the forums.

3.1.2 ACTIVE COURSES

The Active Courses link opens an area that allows instructors to enter their current (active) industries. See 3.2 Welcome Page on page 9.

3.1.3 INACTIVE COURSES

These are courses to which participants no longer have access. Inactive courses can be made active again by clicking on the Industry ID, then, when the new page opens, adjusting the end date in the Manage Course | Administration section.

3.1.4 ARCHIVED COURSES

Historical results from past years remain available to instructors. Archived courses cannot be reactivated. Participants do not have access to archived courses.

3.1.5 MY COMP-XM EXAMS

This link leads to the Comp-XM administration area. Please see 7.1 The Comp-XM Instructor Environment on page 39 for more information.

3.1.6 LAUNCH A NEW COURSE

See 2.2 Launching a Course on page 4.

3.1.7 ASSOCIATES

Instructors can allow others to have administrative access to the simulation, including co-teachers and teaching assistants. In the Manage Associates area instructors simply click Add (in the upper right corner) and enter a first, last and display name. The system will generate a user ID and password for the associate. Instructors will need to relay the user ID and password to the associate.

Instructors assign associates by selecting a name then entering check marks next to the desired industries.

To delete an associate, select the name then click Delete in the upper right corner.

3.1.8 MY ACCOUNT

This area allows instructors to update postal addresses, email addresses, phone numbers and passwords.

3.2 WELCOME PAGE

The Active Courses link opens a list of current industries. Clicking the Course Title or Industry ID opens the Welcome Page for that industry.

The Welcome Page offers a snapshot of Course and Industry information. The page lists basic information about the simulation, including which rounds, if any, additional modules are scheduled to begin, and, if entered, the Round Schedule (see 3.4.3 Schedule Rounds on page 10).

3.2.1 STANDARD CHECKLIST

The Standard Checklist includes quick links to the Excel® versions of the Capstone or Foundation Spreadsheets and the debrief spreadsheets available to instructors, CapDebrief or FoundationDebrief.

Instructor user IDs and passwords can be used with the Excel® versions of the Rehearsal, Capstone and Foundation Spreadsheets.

3.2.2 ROSTER

Participants are listed by team in Tournament mode, and by name in Footrace mode. Participants who have yet to join a company display as unassigned.

3.2.3 TEAM ACTIVITY (TOURNAMENT ONLY)

“Ready” indicates a company feels its decisions are final, and they have chosen to “Notify The Instructor” when they saved from the spreadsheet. Participants can continue to upload, after the notification; the notification does not lock them out. “Waiting” indicates no uploads have been made for the round.

At time of processing, the system will use the latest set of uploaded decisions, regardless of whether or not the team has marked them as final.

3.3 ASSIGNING TEAMS

Once participants have registered, they have the ability to place themselves on a company. If instructors wish companies to be self-forming, there is no need to administer company assignments.

In Footraces, instructors control company assignments from the Manage Industry area. See 3.5.5 Company Assignments (Footrace Only) on page 13.

The Industry Roster area allows instructors to move individuals from one company or industry to another (see 3.10 Industry Roster on page 24).

3.3.1 TEAM ASSIGNMENT (TOURNAMENT ONLY)

Instructors can allow participants to form their own “partnerships” or instruct participants to join specific companies. To control company composition in Tournament industries, either tell participants which company to enter or use the optional Team Assignment area.

The Capstone and Foundation companies are called: Andrews, Baldwin, Chester, Digby, Erie and Ferris.

Instructors can allow participants to form their own "partnerships" or instruct participants to join specific companies. To control company composition in Tournament industries, either tell participants which company to enter or use the optional Team Assignment area.

The Capstone and Foundation companies are called: Andrews, Baldwin, Chester, Digby, Erie and Ferris.

The Team Assignment area allows instructors to build teams. Simply click on a name, select a team and click Assign Participant. If instructors have more than one industry, they can assign participants to another industry at this time.

3.4 MANAGE COURSE

The Manage Course area controls all Industries within the course.

3.4.1 ADMINISTRATION

From this area, instructors can update course title and numbers, adjust start and stop dates and add the Comp-XM exam.

Capstone users also have the option of preventing participants from seeing the Adobe® Acrobat® PDF translations of the Guide. The translations are on by default (see 4.10.3 Guide PDFs on page 31).

3.4.2 ETHICS PLUG-IN

The Capsim Ethics plug-in will put participants into the middle of an ethical dilemma. Unlike cases, which examine situations after the fact, the Ethics plug-in lets participants experience decision making as it is done in the real world, without the benefit of hindsight. What seems like a good idea at the time could eventually turn disastrous.

The Ethics link leads to an area where Ethics resources are centralized. Schedule Vignette allows instructors to assign an ethical issue to a round. One issue can be assigned per round. A vignette can only be selected once, it cannot be reused. Instructors can preview each issue. The Debrief link leads to a page where the decision results can be reviewed. The page also includes PowerPoint presentations that will assist in debriefing and amplifying the issues and results.

3.4.3 SCHEDULE ROUNDS

For Footrace users, this link appears under Manage Industry (see 3.5.1 Schedule Rounds (Footrace Only) on page 12) Most simulations are comprised of three sets of rounds:

- Rehearsal Tutorial (individual activity)
- Practice Rounds (team activity)
- Competition Rounds (team activity)

The Rehearsal Tutorial is not scheduled. The Rehearsal Tutorial is an individual exercise that participants can run at any time (see 4.5.2)

The Rehearsal Tutorial is not part of the Practice Rounds!

Capsim recommends entering Practice and Competition Round start and stop times, however doing so is not mandatory.

If you need industries to go by different schedules, please create a separate Course – all industries under a single Course will have the same schedule.

The schedule has three sections:

- Practice Rounds
- A Restart from Practice Rounds to Competition Rounds entry (See 3.4.4 Schedule Restart on Page 11 and 3.5.6 Manual Restart on Page 13.)
- Competition Rounds

Footrace Simulations can be set to self-paced. When set for self-paced, participants will see a link under their Dashboard | Task List that allows them to progress to the next round once one set of decisions has been uploaded (see 4.4 Dashboard on page 28).

Practice Rounds

Practice Rounds give companies an opportunity to learn to work as a group. Click the calendar icon to select a date, when the calendar opens, click the desired date for the round deadline. This will close the calendar and the selected date appears on the page.

Next, click the Time select box. Each hour has a Manual and Auto Process option.

Dates and times set to manual process will appear on the participants' schedules, however, instructors will have to manually process the simulation from round to round (see 3.5.2 Process Round on page 12).

At the conclusion of the Practice rounds, the simulation is reset and the Competition rounds begin (see 3.5.7 Restart Industries (Footrace Only) below).

The link for Manual Process, Process Round, appears under the Manage Industry heading.

Selecting an Auto Process time tells the system to advance the Course's Industries automatically from one round to the next.

Instructors can view the results immediately upon processing. If instructors wish to look at the round results before the participants, the system can be set to delay participant access.

Restart

At the conclusion of the Team Practice Rounds, the simulation must be restarted to begin the Competition Rounds. Restarts can be scheduled. All Industries within the course will be restarted at the scheduled time. See 3.4.4 Schedule Restart (Tournament) below and 3.5.7 Restart Industries (Footrace Only) on page 13.

Entering a Restart date in the Schedule does not Schedule a Restart.

Competition Rounds

As with Practice Rounds, Competition Rounds can be scheduled to process automatically by selecting Auto Process. Otherwise, the Industry will need to be manually processed (see page 12).

Also as with Practice Rounds, the system can be set to delay participant access to the information.

Be sure to press the Click Here to Update Simulation button. This will transmit the schedule to the system.

3.4.4 SCHEDULE RESTART (TOURNAMENT)

Restarting allows instructors to reconfigure the simulation's optional modules.

Restarting the simulation ends the current simulation and clears all decisions and results. Instructors can also perform a Manual Restart (see 3.5.6 Manual Restart on page 13).

Scheduling a Restart will restart all the industries listed under your course. If you need to stagger the industry restart, please use Manual Restart in the Manage Industry area (see 3.5.6 Manual Restart on page 13).

3.4.5 MASTER SCHEDULE

The Master schedule displays all round and participant activities entered for the simulation.

3.4.6 PROFESSOR COMMENTS

Optional professor comments can be entered in this area. If entered, the comments display on each participant's Dashboard (see 4.4 Dashboard on page 28).

3.4.7 CONFERENCES

Within each industry, conferences allow instructors to post information viewable by all participants (Class Conference).

In Tournament mode, instructors can also post information to individual company conferences. Participants have the ability to post to their own company conference, or to the class conference. For example, the Andrews company could post a "Press Release" announcing its intention to introduce a new product.

3.4.8 MESSAGES

Users do not need an external email address to use the Capsim Mail System. All correspondence is posted in this area. If the recipient and sender both have external email addresses, this system will attempt to send a duplicate message to each recipient's external email address, however, Capsim cannot guarantee delivery to external email addresses.

Participants access the Messages from their Help section (see 4.10 Help on page 31).

3.5 MANAGE INDUSTRY

The Manage Industry area affects the individual Industry within the Course.

Instructors can switch to another Industry by clicking My Courses in the left menu.

3.5.1 SCHEDULE ROUNDS (FOOTRACE ONLY)

This area allows instructors to schedule rounds or select a Self-Paced option, where Footrace participants can complete the simulation at their own speed prior to a deadline. Instructors have the option of scheduling the first part of the simulation as self-paced (for example Rounds 1-4) then create a schedule for the remaining rounds.

When set for self-paced, instructors have the additional option of allowing participants to go back and redoing their previous round. When this option is on, participants will see a link on their Dashboard allowing them to reset and try again. This feature can be useful during the practice period as participants learn the simulation.

As with Tournament, there are three types of rounds:

- Rehearsal Tutorial (individual activity)
- Practice Rounds (team activity)
- Competition Rounds (team activity)

At the conclusion of the Practice rounds, the simulation is reset and the Competition rounds begin (see 3.5.7 Restart Industries (Footrace Only) below).

3.5.2 PROCESS ROUND

Instructors can advance individual Industries to the next round by following the instructions in this area. This area will override an Auto Process time for the current round, should one have been entered (see page 10). The round will not reprocess.

3.5.3 UNDO ROUND

There will be occasions when instructors will want to give a company a second chance – perhaps the company missed a deadline or a decision set included a typo. This area allows instructors to back up a round.

Once the correction is entered, the round can be processed again.

In Tournament mode, some corrections will change financial results for competing companies. This in turn might change their decisions for the upcoming round. It is generally wise to notify all Industry participants if changes have been made.

3.5.4 COMPANY STATUS (FOOTRACE ONLY)

This is a list of companies within the Footrace. For each company, the list displays the Industry ID, company name, participants' names and the number of completed rounds.

3.5.5 COMPANY ASSIGNMENTS (FOOTRACE ONLY)

Instructors can create a company from this area by clicking on a participant's name and using the Create a Company option. Participants can also create companies. To do so, a "Founding" participant logs into the website and creates a company with an individual name. This company is then assigned a sub-industry number with a unique suffix, for example _012. The remaining teammates will then have an opportunity to join this company by logging in and searching for either the name or suffix.

If instructors wish participants to create companies, it might be helpful to designate the "Founding" participant.

Participants are allowed to make up their own company name, which can lend a whimsical element to the simulation. Concurrently, instructors can assign specific names that will help sort and track companies, for example "1001," "1002," etc.

Once companies are formed, instructors have the ability to un-assign participants. They can then start over and either join another company or form one of their own. Instructors can also reassign participants.

As an optional scenario setup, instructors can mention that a holding company (the company the participants created) recently purchased a 51% stake in a subsidiary company, and the participants have been assigned to run the subsidiary. The subsidiary company is selected by the instructor, and will be either Andrews, Baldwin, Chester, Digby, Erie or Ferris.

In the printed reports, the company name will always be the subsidiary selected by the instructor (Andrews, Baldwin, etc.). In the instructor's website reports, the holding company's name will appear.

All companies within the same Footrace Industry will run the same subsidiary.

This area also gives instructors the ability to limit enrollment to a single participant per company.

3.5.6 MANUAL RESTART (TOURNAMENT ONLY)

Manual restart brings the simulation back to Round 1. If a restart has not been scheduled in the Manage Course area, click Manual Restart to begin the competition. Manual Restart will allow also you to change Team Configurations (that is, change a company from Computer to Participant, etc.).

3.5.7 RESTART INDUSTRIES (FOOTRACE ONLY)

This area allows instructors to manually restart individual companies, manually restart all companies or schedule a restart for all companies.

3.5.8 STUDENT BONUSES (TOURNAMENT ONLY)

Bonuses are a great way to motivate participants. The money is accounted on the Income Statement as a negative fee/write-off.

Issuing Bonuses removes your Industry from the Top Ten rankings.

3.6 INDUSTRY RESULTS | REPORTS

3.6.1 CONDITIONS REPORT

Simulation parameters will differ depending on Scenario and Customization choices (see 2.3.1 Simulation Parameters and Customization on page 5). The Industry Conditions Report provides information based on the selected parameters, including segment locations and buying criteria breakdowns. This report is needed to complete the Situation Analysis.

3.6.2 CAPSTONE COURIER AND FOUNDATION FASTTRACK

The Couriers and FastTracks display “Last Year’s Results,” for example, the Couriers/FastTracks available at the start of Round 2 will display the results for Round 1. The Couriers/FastTracks available at the start of Round 1 display Last Year’s Results for Round 0, when all companies have equal standing.

At the beginning of the simulation, all numbers are equal. However this will quickly change as companies enter decisions and implement strategies.

3.6.3 USING THE COURIER/FASTTRACK

Successful companies will study the Courier/FastTrack to gain an understanding of the marketplace.

Front Page, Stock & Bond Summaries, Financial Statements and Production Analysis

The Front Page of the Courier/FastTrack is a snapshot of last year’s results and allows companies to quickly compare data, including sales, profits and cumulative profits.

Page 2, Stock and Bond Summaries, reports stock prices and bond ratings for all companies.

Page 3, Financial Statements, surveys each company’s cash flow, balance sheet and income statements. This will give participants an idea of your competitors’ financial health.

Each company also has access to its own in-depth Annual Report (see 3.6.4 Annual Report on page 16). Companies cannot view other companies’ Annual Reports.

Page 4, The Production Analysis, reports detailed information about each product in the market, including sales and inventory levels, price, material cost and labor cost.

The Production Analysis also reports product revision dates. A product with a revision date in the year after the year of the report indicates a long repositioning project that could possibly put that product into another segment.

If a revision date has yet to conclude, the Courier/FastTrack will report the product’s current performance, size and MTBF. The new coordinates and MTBF will not be revealed until after the completion of the project.

Page 4 also reports automation, capacity and plant utilization.

Increases in automation reduce labor costs and this could indicate competitors might drop prices for those products. Selling capacity reduces assets; running the remaining capacity at 150% to 200% can improve Return on Assets (ROA).

The Production Analysis will report the release date (but not the coordinates) of a new product if:

- Production capacity is purchased;
- A promotion budget is entered;

- A sales budget is entered.

Segment Analyses

The Market Segment Analyses, pages 5-9 of the Courier and pages 5-6 of the FastTrack, review each market segment in detail.

The Capstone market segments are called Traditional, Low End, High End, Performance and Size. The Foundation market segments are called Low Tech and High Tech.

The Statistics table in the upper-left corner reports Total Industry Unit Demand, Actual Industry Unit Sales, Segment % of Total Industry and the segment's Growth Rate for the upcoming round.

In the Standard scenario, the growth rates will remain the same year after year; in the Growth and Recession scenarios, the growth rates will vary. See 2.3.1 Simulation Parameters and Customization on page 5.

The Customer Buying Criteria table ranks the customer criteria within each segment:

- Ideal Position: The preferred product location as of December 31 of the previous year (the preferred location is also called the ideal spot-ideal spots drift with the segments, moving a little each month);
- Price: In Capstone, price ranges drop by \$0.50 each year. In Foundation, price ranges stay the same year after year;
- Age: Age preferences stay the same year after year;
- Reliability: MTBF requirements stay the same year after year.

Successful companies will determine how to profitably meet customer expectations.

The perceptual map shows the position of each product in the segment as of December 31 of the previous year.

Accessibility, Market Share And Top Products in Segment

The Accessibility Chart rates each company's level of accessibility. Accessibility is determined by the Marketing Department's sales budget— the higher the budget, the higher the accessibility. Accessibility is measured by percentage. 100% means every customer could locate the product.

The Market Share Actual vs. Potential Chart displays two bars per company. The actual bar reports the market percentage each company attained in the segment. The potential bar indicates what the company deserved to sell in the segment. If the potential bar is higher than the actual, the company under produced and missed sales opportunities. If the potential is lower than the actual, the company picked up sales because other companies under produced and stocked-out.

The Market Share Actual vs. Potential chart displays sales on a segment by segment basis. The Market Share Report, page 10 in the Courier and page 7 in the FastTrack, displays Actual and Potential sales on a product by product basis.

Top Products in Segment lists the products selling in the segment and reports:

- Market Share
- Units Sold to Segment
- Revision Date
- Stock Out (Whether the product ran out of inventory.)
- Performance and Size coordinates
- Price
- MTBF
- The product's Age on Dec. 31

3 INSTRUCTOR ENVIRONMENT

- Promotion and Sales budgets
- Awareness and Customer Survey

Customer Awareness is determined by the Marketing Department's promotion budget– the higher the budget, the higher the awareness. Awareness is measured by percentage. 100% means every customer knew about the product.

The December Customer Survey indicates how customers perceived the products in the segment. The survey evaluates the product against the buying criteria. Zero indicates the product met none of the criteria as of December 31, however it had a higher score earlier in the year. A perfect score of 100 would result when the product:

- Was priced at the bottom of the range;
- Was perfectly positioned (because the segment moves each month, this can occur only once each year);
- Had an MTBF specification at the top of the expected range;
- Had the ideal age for that segment (because the product ages each month, it can only have the ideal age once a year);
- Had 100% Awareness;
- Had 100% Accessibility.

Ages and distances from the ideal spots change throughout the year, therefore scores change month to month. If a repositioning project concludes late in the year, the survey score for December could be significantly higher than the scores for the previous months.

Participants can use the Customer Survey as they conduct a competitive analysis.

Market Share Report And Perceptual Map

The Market Share Report, page 10 in the Courier and page 7 in the FastTrack, details sales volume in all segments, reporting each product's actual and potential sales. This very useful report allows participants to see serious stock-out issues, for example a product's potential was 20% of segment demand, but the company only produced enough to make 10% of segment sales. When this happens, typically another product's actual sales is greater than its potential, as that product sold to customers who would have preferred the other had it been available.

The Perceptual Map displays all segments (five in Capstone and two in Foundation) and every product in the industry. The Perceptual Map quickly shows which products are competitively positioned and which are not.

HR/TQM/Sustainability Report

The HR/TQM Report displays investments and results when the optional TQM/Sustainability, Human Resources and/or Labor Negotiation modules are activated (Labor Negotiation is Capstone only).

3.6.4 ANNUAL REPORT

This area shows each company's financial performance in greater detail. The reports consist of:

- Balance Sheet
- Cash Flow Statement
- Income Statement

The reports are proprietary to each company. Instructors have access to all reports.

3.6.5 FINANCIAL HISTORY

The Financial History offers a one-stop comprehensive report of each team's performance for each round.

3.6.6 REHEARSAL COMPLETION

The report shows Rehearsal Tutorial results for each participant.

3.6.7 REPORT AVAILABILITY

Checking the Un-Schedule box next to any of the reports listed below will remove that report from the participants' Reports page for the entire simulation.

Checking the Round box will make that report available to the participants from that round through the end of simulation.

- Balanced Scorecard (See 3.8.1 Balanced Scorecard on page 19.)
- Classic Ten Rankings (See Classic Ten Rankings on page 21.)
- Round Analysis (See Round Analysis on page 21.)
- Analyst Report All Teams / Single Team (See Analyst Report on page 21.)
- Latest Round Debrief (See 3.7.1 , 3.7.2 Debrief, Tournament and 3.7.3 Debrief, Footrace)
- End of Simulation Debrief (See 3.7.1 Capsim Rubric
- The Capsim Rubric offers a comprehensive evaluation of a company and its products.

There are seven categories ranging from “Margins & Profitability” to individual products. Each line item is discussed, beginning with how it was scored.

Each item in the report is scored on a scale of zero to three:

Excellent – 3 points

Satisfactory – 2 points

Poor – 1 point

Trouble – 0 points

- 3.7.2 Debrief, Tournament 17 and 3.7.3 Debrief, Footrace on page 19.)
- Final Score Relative (See Weighted Relative on page 20.)
- Final Score Ranking (See Weighted Ranking on page 20.)

3.6.8 STUDENT DATABASE

Instructors can produce custom reports about each participant by selecting any or all of the following:

- Participant’s Name
- Registration Date
- Industry ID
- Team Name
- Last Date Logged In
- Number of Log Ins
- Online Situation Analysis
- Introductory Lesson Quiz
- Labor Tutorial Quiz
- HR Tutorial Quiz
- TQM/Sustainability Tutorial Quiz
- Marketing Tutorial Quiz

3.7 INDUSTRY RESULTS | DEBRIEF AND DECISIONS

3.7.1 CAPSIM RUBRIC

The Capsim Rubric offers a comprehensive evaluation of a company and its products.

There are seven categories ranging from “Margins & Profitability” to individual products. Each line item is discussed, beginning with how it was scored.

Each item in the report is scored on a scale of zero to three:

- Excellent – 3 points
- Satisfactory – 2 points
- Poor – 1 point

- Trouble – 0 points

3.7.2 DEBRIEF, TOURNAMENT

Latest Round

This Debrief section also leads to bar chart comparison of results:

- Sales Comparison
- Market Share
- ROS
- ROA
- ROE
- Asset Turnover
- Stock Price

Results to Date

This section displays bar chart comparison of the combined results and ratios of all completed rounds:

- Sales Comparison
- Market Share
- ROS
- ROA
- ROE
- Asset Turnover
- Stock Price

Simulation Database

As with the Student Database, instructors can produce custom reports by selecting from the list of options.

- Industry ID
- Team Name
- Round
- Success Measurements
- Cumulative Profit
- Profit
- Stock Price
- ROA
- ROS
- ROE
- Asset Turnover
- Market Share
- Market Capitalization
- Emergency Loan
- Cash
- Total Sales
- Leverage
- Stock
- Shares Outstanding
- Earnings Per Share
- Dividends Paid

3.7.3 DEBRIEF, FOOTRACE

Success Comparison

Any or all of the measures below can be selected to generate a custom report that compares each company's results. The report can be generated for any round.

- Profit
- Cumulative Profit
- ROS
- ROE
- ROA
- Stock Price
- Asset Turnover
- Market Capitalization
- Market Share

3.7.4 DECISION SUMMARIES

The Instructor has access to all decisions uploaded to the website.

Official Decisions

These are the latest set of Official Decisions, the decision set that was used at the end of the last round, or if uploaded for the current round, the most recent (but not necessarily final) set of decisions. Instructors can view every company's Official Decisions.

Audit Trail

This is a company by company list of every decision upload. The audit shows who uploaded what and at what time.

History

The History displays the official decisions used by the system for each company each round.

3.8 INDUSTRY SCORING

Capsim offers a variety of ways for you to assess performance.

3.8.1 BALANCED SCORECARD

My Teams

The Capsim Balanced Scorecard encourages the participants to steer their company toward long range success. For example, a common tactic in the final round is to sell company assets and take an extraordinary gain. The Balanced Scorecard Recap weighs Operating Profit so this distortion is not effective. In addition, by tracking Customer Satisfaction and Internal Business Processes, companies are encouraged to create good products, operate efficiently, and invest in employee productivity. The Balanced Scorecard implemented for Capstone, Foundation (and Comp-XM) provides an excellent overall assessment of company performance.

The philosophy of the Balanced Scorecard recognizes that financial measures are results, and management efforts can be leveraged by applying them upstream, that is, concentrating on prerequisites to profitability.

Tabs at the top of this page allow access to scores for each round. Within each round, clicking on any team score opens a page with a breakdown of that score.

Exact scoring methods are available by clicking the criteria name within the scoring breakdown.

Top Ten and the Capsim Balanced Scorecard

Top Ten rankings are based on the Capsim Balanced Scorecard.

The Balanced Scorecard Top Ten recognizes those teams whose results are in the top ten percent. Listings of this top decile recognize professor, school and team for each individual round as well as total performance through each

round. Because certain configurations of the simulation create more opportunities for profits than others, equitable comparison for Top Ten evaluation requires a level- playing-field.

Qualifiers:

- Must have a total of six teams participant or computer companies per industry;
- HR – the Human Resources module cannot start before Round 2;
- TQM/Sustainability – the TQM (Total Quality Management)/Sustainability module cannot start before Round 3.

Disqualifiers:

- No Student Bonuses
- No Cash Injections

Instructors are free to configure their simulations in any way which does not garner an undo advantage to their teams, relative to other simulations.

3.8.2 SUCCESS MEASURES

Success Measures are administered from the instructor’s Homework section (see 3.9.4 Entering Success Measures on 23).

If they wish, instructors can let their companies determine how they wish to be scored, while all interrelate, a company with high sales might not be as profitable as a niche player. Companies enter how they want to be judged via the participant Homework area (see 4.8.4 Success Measures on page 30).

Weighted Ranking

Final Score Ranking: This method displays charts that compare each team’s results against each team’s set of weights. Specifically, the Andrews chart will show every team’s performance based on Andrew’s success measures, the Baldwin chart will show every team’s results based on Baldwin’s measures, etc.

The final chart, “Overall Scoring,” shows each team’s performance based on their individual criteria, allowing an “across the board” comparison. Final Score Ranking calculations use a three-step process:

The system determines a raw score for each category:

Each team gets 1 point for itself and 1 point for each inactive team – however, teams with negative results could fall beneath this level.

Companies get an additional point for each active (participant or computer) team they beat.

There will be times when the first and second place team for a category are very close. Nevertheless, the first place team will always receive a score of 6 and the second place team a score of 5.

The system creates an adjusted score for each category by multiplying the team’s raw score by its success measurement weight. For example, if Andrews’ ROE weight were 20%, and if it were first in that category (scoring 6 raw points), it would receive 1.2 points.

The adjusted scores for each category are added together. The resulting score will always be between 1 and 6.

Weighted Relative

With the relative ranking, the system determines a raw score for each category by dividing the team’s score (Team’s Value) by the by the highest scoring team in that category (Highest Value). For example, if the Team’s Value for Profit is \$5,000,000 and the Highest Value is \$10,000,000, the team receives a raw score of 0.5 ($\$5,000,000 \div \$10,000,000 = 0.5$).

Next, the system multiplies the raw score by the success measure entry. Continuing with the example above, if the team’s success measure (Team Weighting) is 12.0, multiplying 12 by 0.5 will derive a “Score” of 6.

The scores for each category are added, and the resulting sum appears in the Total row.

The available measures include Market Share, Stock Price, ROE, ROA, ROS, Asset Turnovers, Market Cap, and Cumulative Profit.

Classic Ten Rankings

This area displays round by round the top ten companies and the position of the companies within the industry for the following:

- Profit
- Cumulative Profit
- Stock Price
- Return on Equity
- Return on Sales
- Return on Assets
- Asset Turnover

These results are not weighted.

3.8.3 ANALYSIS & SCORING

Analyst Report

The Analyst Report evaluates each company in ten categories of management performance.

- Margins
- Profits
- Emergency Loans
- Working Capital
- Market Share
- Forecasting
- Customer Satisfaction
- Productivity
- Financial Structure
- Wealth Creation

Each category is worth 100 points, for a total possible points per round of 1000; total possible points for an 8 Round simulation is 8000 points. To see how a category score was determined, select a category from the select box. The category report lists company performance and offers suggestions for improvement.

Some categories run counter to others. For example, a high Customer Satisfaction score calls for products to be priced towards the bottom of the price range, which can depress the Profits score.

Round Analysis

The Round Analysis is a simplified method for assessing company performance. Based on zero to five stars, the Round Analysis returns scores for these areas:

- Contribution Margin
- Emergency Loans
- Inventory
- Stock Price
- Profits

The Round Analysis is perfect for High School or Introduction to Business courses.

Star Summary

This section summarizes the stars awarded in the Round Analysis.

3.9 HOMEWORK

3.9.1 ASSIGNMENTS

The optional Homework Assignments area allows questions to be scheduled which participants answer within their environment.

Questions

This section includes several assignments that are complementary to the simulation. The system also allows instructors to create their own, custom Question Bank, which can be used in any Industry they create. Participants enter answers via the Homework section in their environment.

Schedule

Instructors can schedule more than one assignment for each round. Once an assignment is scheduled, instructors have the option of rescheduling or deleting the assignment. If instructors have entered round dates and times using the Manage Course | Schedule Rounds form, those dates will be carried into the Homework schedule. If dates have not been entered, instructors have the option of entering dates. Instructors can also override round dates by changing the deadlines on this form.

Grade

Instructors click the Grade link to review responses. A list with all assignments will display. Clicking any assignment produces a list of the participants, sorted by company.

If instructors take no action, the default percentage entered on the schedule form will be awarded to each participant who responds (but not revealed until instructors check the Reveal box – either individually, or as a group – and then select Save).

To review and grade, instructors click on a participant's name. The participant's answer will appear, or if the answer was included in an uploaded document instructors have an opportunity to download and review that document.

The Select Grade dropdown displays percentages between 0 and 150 (above 100 would be extra credit). For example, if the assignment has a Point Value of 100, and if instructors select 80%, the resulting grade of 80 points would be recorded for that participant; entering 150% would produce a grade of 150 points.

Clicking the Save button completes the grading process.

Reports

Responses and grades are available from the Reports link. Reports can be generated via four methods:

- Summary of replies and points earned
- Listing of all replies (Use this method to print responses.)
- Question/participant summary with individual detail
- Question/participant summary with complete detail (That is, all questions for all participants.)

3.9.2 PEER EVALUATIONS

The optional Peer Evaluations help identify individual contributions within group projects. The Peer Evaluations are a non-confrontational method for participants to help teammates establish their strong and weak points. Instructors may also use this feature to survey participants.

Questions

The Questions link allows instructors to create and review questions. To create a question, click the Add Question button. When the new page opens, type or paste a question into the text box. Click the Add Question button.

Clicking any existing question allows it be edited.

Instructors can review the Eval questions by clicking Create and scrolling down the page.

Create

Capsim has three standard Peer Evaluations, instructors do not need to create their own. To create a custom evaluation, enter a name then select ten questions with the select box. Next, click the Create button. The new evaluation is exclusive to the instructor who created it, and will be added to the standard evaluations and any other custom evaluations.

Schedule

Clicking the word Schedule next to any round opens a form. The three standard evaluations and any custom evaluations are available via a select box.

Choose an evaluation. If instructors have entered round dates and times using the Manage Course | Schedule Rounds form, those dates will be carried into the Peer Eval schedule. If dates have not been entered, instructors have the option of entering dates. Instructors can also override round dates by changing the deadlines on this form.

Reports

For each evaluation, the Student Peer Evaluation Summary table shows the evaluation response for each participant including the overall score.

3.9.3 NEW PEER EVALUATIONS

The measurement criteria for the new Capsim Peer Evaluation tool have three conceptual categories:

- Self-management/Accountability. Includes meeting attendance, preparation for meetings and communication.
- Quality of Work & Contextual Performance. Includes quality of contributions, consideration of other members and dispensability.
- Quantity of Work. Covers willingness to do a 'fair share' of necessary work.

There is also an option for each student to provide further comments on their team members where more explanation is necessary, and an overall ranking in which each student assesses the percentage contribution by each member of the team.

3.9.4 ENTERING SUCCESS MEASURES

This area controls the settings for the optional Success Measurements. The results are available from the Industry Scoring | Success Measures area (see 3.8.2 Success Measures on page 20).

In the real world, companies have different goals. Some firms want higher profits; others want higher share of market, etc. The Success Measurement feature shows how well each team succeeds in reaching any combination of eight goals:

- Profits
- Market Share
- ROS
- Asset Turnover
- ROA
- ROE
- Stock Price
- Market Capitalization.

Instructors may allow each company to decide which measurements it wishes to be judged upon. Companies can select values between 0% and 50%. Therefore, companies must select at least two measures. Instructors may enter weights for each company. Instructors can select any value between 0% to 100%.

Methods

The Methods link allows instructors to:

- Choose between Average, Ending, or (in the case of profit) a Cumulative criterion. Selecting NA will prohibit participants from using that measure.

3 INSTRUCTOR ENVIRONMENT

Capsim recommends Cumulative for Profit, Ending for Stock Price, and Average for all other measurements.

- For measures selected as Avg, instructors may decide whether to weigh each round's results evenly or prorated to allow for greater emphasis on later rounds.

Schedule

The Schedule link allows instructors to choose the round by which teams will be allowed to input their measures. If Instructors choose Round 3, participants will be able to enter measurement criteria up until the end of Round 3. Instructors can enter/change weights at any time. Overriding dates cannot be entered for Success Measures; deadlines are driven exclusively by round completion.

The schedule deadline applies to both Practice and Competition rounds. If the deadline is Round 1, and three Practice Rounds are played, the Success Measures will become available again when the simulation is reset to Competition Round 1.

Weights

This area allows instructors to view the weights participants have selected, or enter or change them after the deadline has passed.

Availability

The Industry Results | Reports | Report Availability link lets instructors determine by which round participants can view the results of their selections, which display for participants as Final Score Relative and/or Final Score Ranking results (see 4.7.2 Debrief Reports on page 30).

Keeping the reports hidden until later rounds will prevent companies from seeing their competitors' selections, which could reveal strategies.

3.10 INDUSTRY ROSTER

3.10.1 STUDENTS ALPHABETICALLY

For Tournament industries, click any name to change that participant's company assignment. Instructors can also move participants to any other of their active Tournament industries.

For Footrace industries, click any name to change that participant from his or her sub-industry back to the Footrace root (that is, back to the _000 suffix). That participant can then join or form a company.

3.10.2 STUDENTS BY TEAM (TOURNAMENT)

This area sorts participants by company. Unassigned participants will not appear in this list. Clicking any name allows for reassignment of company or Tournament industry.

3.10.3 STUDENTS BY COMPANY (FOOTRACE)

This area allows instructors to close enrollment for a company, or, if closed, open it again. Instructors can also change a company's name. If a participant needs to be moved to another company, instructors should use 3.10.1 Students Alphabetically.

3.11 HELP

3.11.1 CAPSIM SUPPORT

A support ticket system allows instructors to post queries to our support staff. The tickets and responses are archived for future reference.

3.11.2 PROFESSOR RESOURCES

Professor Resources includes links to the HTML (online) version of this guide, the PDF version of this guide, a Course Design section and the professor Tutorials and Demos page.

3.11.3 STUDENT RESOURCES

The Student Resources area duplicates some of the links available to participants.

All participant links are available via the Log Into Company link. See 3.12 Log Into Company below.

Adobe® Acrobat® PDF versions of the Guide are available here. For Capstone, the PDF has been translated into other languages. If instructors do not want participants to have access to the translated versions, they can use the Manage Course | Administration area to make them unavailable. Participants have access to the PDFs via their Help section.

Student Resources also includes links to the online Guide, participant FAQs and participant Tutorials and Demos.

3.12 LOG INTO COMPANY

This link allows instructors to view facsimiles of the participant's web environment (see 4.2 Participant Access on page 26).

3.13 MY COURSES

This link returns instructors to the Active Course list, from which it is possible to navigate back to the Professor pages and the Comp-XM environment (see 7.1 The Comp-XM Instructor Environment on page 39).

4

4 PARTICIPANT ENVIRONMENT

4.1 REGISTRATION

Instructors can review the participant registration process by following the registration links and stopping at the payment screen. An animated registration demonstration is available from the Capsim homepage (www.capsim.com).

Participants will appear in the Industry Roster after they register and enter payment information.

Participants first read then agree to a brief terms of use.

If participants know their Industry ID, they can enter that number to proceed directly to that Industry.

The Industry ID is not a registration number!

If they do not know the Industry ID, they have an opportunity to locate the school. Once there, they can find the correct industry by:

- Course name
- Section number
- Campus location
- Professor's initials

Participants then enter their personal information.

Next, they create a user ID and password – which they will use for all future logins at www.capsim.com and when opening the Excel® spreadsheets.

If participants bought a packet at a bookstore, or if the school has given them registration numbers, participants will use the I Have a Registration Number button. Registration numbers are at least ten digits in length.

Most participants pay online using a credit card or check.

Participants can stop at this page and pay later by returning to www.capsim.com and entering their user ID and password.

4.2 PARTICIPANT ACCESS

When registration is complete, participants return to the www.capsim.com homepage and enter their user ID and password. The next page displays a link that allows them to enter their Capstone or Foundation web pages. If Comp-XM is scheduled, participants can enter the examination from this page after the exam begins.

4.3 GETTING STARTED

The first time participants enter the Capstone or Foundation web pages, they will see a Getting Started section. Each subsequent login will bring them to their Dashboard, however the Getting Started area remains available via a link in their menu.

4.3.1 INTRODUCTORY LESSON

The company orientation begins with a brief introductory lesson. The lesson tours the sensor industry and the decisions to be made via the Capstone or Foundation Spreadsheets. Participants can then test their knowledge via a quiz.

4.3.2 THE INDUSTRY CONDITIONS REPORT

This section explains the Industry Conditions Report, which outlines the segment positions and segment buying criteria. Segment positions can vary from industry to industry, depending on the customization settings (see 2.3.1 Simulation Parameters and Customization on page 5).

4.3.3 THE TEAM MEMBER GUIDES

This section describes the printed and online guides. The in-depth Online Team Member Guide is also available from the participant Help link. Fully searchable, the Online Guide includes a section on running the spreadsheets.

4.3.4 THE REHEARSAL TUTORIAL

The Rehearsal Tutorial teaches participants basic simulation tactics, including how to invent and revise products, make marketing decisions, schedule production, buy/sell equipment and basic finance decisions.

4.3.5 THE CAPSTONE COURIER AND FOUNDATION FASTTRACK

All participants have access to industry newsletters, The Capstone Courier or Foundation FastTrack. These newsletters are a complete year-end report of the sensor industry – customer buying patterns, product placements, manufacturing capacity and public financial information. The Courier and FastTrack are available from the website's Reports link and from the Courier or FastTrack menus the Capstone or Foundation Spreadsheets.

4.3.6 JOIN A COMPANY

This area discusses company formation, and has links to join a company (Tournament) or form or join a company (Footrace). See 3.3.1 Team Assignment (Tournament Only) on page 9 and 3.5.5 Company Assignments (Footrace Only) on page 13).

4.3.7 THE SITUATION ANALYSIS

The Situation Analysis introduces the sensor market and indicates where it will be five rounds (simulated years) later.

The analysis has five parts:

- Perceptual Map
- Demand Analysis
- Capacity Analysis
- Margin Analysis
- Consumer Report

The Analysis can be done online or as a pen and paper exercise (available in the printed Guide). Companies can assign parts to individual participants, who can then report back to the group.

4.3.8 PICK A STRATEGY

This section links to the Online Guide's Six Basic Strategies article, which gives companies simple ideas on company direction. These strategies are not mandatory – companies can formulate any strategy they wish.

4.3.9 ADDITIONAL MODULES / PLUG-INS

If additional modules or plug-ins have been scheduled, participants will be notified in this section. The Task List on the participant's Dashboard provides links to online documentation for any scheduled modules and/or plug-ins.

4.4 DASHBOARD

The first time they login, participants are taken to the Getting Started section. Upon each subsequent login, participants go directly to their Dashboard. A link to the Getting Started area remains available.

The Dashboard also has a second link to the Rehearsal Tutorial.

4.4.1 PROFESSOR COMMENTS

If instructors have entered any comments, the message will appear at the top of the Dashboard (see 3.4.6 Professor Comments on page 12).

4.4.2 TASK LIST

The participant task list alerts participants to upcoming events:

- When the round deadline is scheduled (provided the instructor has entered them in the Course Schedule – see 3.4.3 Schedule Rounds on page 10).
- Rounds when Additional Modules are scheduled to begin, including links to the documentation;
- Rounds Peer Evals are scheduled;
- Rounds Homework is scheduled;
- Dates Tutorial Quizzes have been completed, or reminders if they have not.

4.4.3 CLASS ROSTER

For Tournament simulations, the roster displays each participant on each team, or if a company is run by computer.

Team Activity

This area shows participants the number of times each has logged into the Capsim website, and the last time they uploaded Official Decisions.

The Decision Audit area lists every Official Decision upload. See 4.6 Decision Audit on page 29.

4.5 DECISIONS

4.5.1 CAPSTONE AND FOUNDATION SPREADSHEETS

Company decisions are entered via the Capstone or Foundation Spreadsheets. The spreadsheets can be run via Microsoft® Excel® or online with a web browser. Apple users running Excel® 2008 must use the online versions.

Participants access the spreadsheets from this area.

Comp-XM users will find the CompXM Spreadsheet in the Comp-XM environment. See 7.4.3 on page 43.

As most companies are run by teams, participants must coordinate decision entry. The Online Guide includes an article on company organization, a section of which discusses decision coordination.

To work on Practice and Competition rounds, participants open the spreadsheet then enter their Capsim user ID and password.

4.5.2 MANUAL DOWNLOAD AND UPLOAD

Occasionally, computer security protocols, commonly called “firewalls,” prevent the Excel® versions of the spreadsheets from automatically downloading from and uploading to the website. Participants who encounter these issues can either use the Web Spreadsheets or follow links from the Excel page of the spreadsheet area that will allow them to download starting conditions and upload their decisions.

Comp-XM does not have manual download and upload provisions.

4.5.3 PLUG-IN LINKS

If a plug-in is scheduled, a link to the activity and documentation will appear under Decisions. The link will also be available from the Task List on the participant's Dashboard.

4.6 DECISION AUDIT

Companies are only allowed to see their own Decision Audit, a complete list of Official Decisions made by each participant within the company. This record can be used to analyze missteps and restore decision sets inadvertently overwritten.

4.7 REPORTS

All participants have access to the industry newsletters, the Capstone Courier or Foundation FastTrack for every round. All individual companies have access to their own Annual Reports for every round.

Most simulations include Practice Rounds. At the conclusion of Practice Rounds, simulations are restarted and the Competition Rounds begin. Practice Round Couriers, FastTracks and Annual Reports remain available for a time. However, they will be overwritten as the Competition Rounds progress. For example, the Practice Round 1 reports will be overwritten by the Competition Round 1 reports and the Practice Round 2 reports will remain until Competition Round 2 is processed. At that time, the Practice Round 2 reports will be overwritten by the Competition Round 2 reports.

4.7.1 SIMULATION REPORTS

Industry Conditions Report

Simulation parameters will differ depending on Scenario and Customization choices (see 2.3.1 Simulation Parameters and Customization on page 5). The Industry Conditions Report provides information based on the selected parameters, including segment locations and buying criteria breakdowns. This report is needed to complete the Situation Analysis.

Capstone Courier and Foundation FastTrack

These industry newsletters are the main focus for results analysis (see 3.6.2 Capstone Courier and Foundation FastTrack on page 14). The online versions contain the same information as those available from the Excel versions of the Capstone and Foundation Spreadsheets..

The online versions will not paginate properly when printed. If you need a properly paginated printed version of the Courier or FastTrack, print it from the Excel® versions of the Capstone and Foundation Spreadsheets or the instructor spreadsheets, CapDebrief and FoundationDebrief (see 8.4 The Debrief Menu on page 47).

The Couriers, FastTracks and Annual Reports in the Excel® versions of the Capstone and Foundation Spreadsheets are for the previous round. Reports from all other rounds are available only on the website.

Annual Reports

Each company has access to their own balance sheet, cash flow statement and income statement for each round. Companies are not allowed to see other company's Annual Reports (see 3.6.4 Annual Report on page 16).

The Courier and FastTrack Financial Statements page includes a synopsis of each company's Balance Sheet, Cash Flow Statement and Income Statement.

Financial Summaries

This page displays the Courier's or FastTrack's Financial Statements for every completed round.

4.7.2 DEBRIEF REPORTS

The remaining reports can be turned on or off by instructors via the Report Availability page in the Professor Environment (Industry Results | Reports | Report Availability – see 3.6.7 Report Availability on page 16).

- Balanced Scorecard (See 3.8.1 Balanced Scorecard on page 19.)
- Classic Ten Rankings (See Classic Ten Rankings on page 21.)
- Round Analysis (See Round Analysis on page 21.)
- Analyst Report (See Analyst Report on page 21.)
- Latest Round Debrief (See 3.7.1 Capsim Rubric on page 17, 3.7.2 Debrief, Tournament on page 17 and 3.7.3 Debrief, Footrace on page 19.)
- End of Simulation Debrief (See 3.7.1 Capsim Rubric on page 17, 3.7.2 Debrief, Tournament on page 17 and 3.7.3 Debrief, Footrace on page 19.)
- Final Score Relative (See Weighted Relative on page 20.)
- Final Score Ranking (See Weighted Ranking on page 20.)

4.8 HOMEWORK

4.8.1 ASSIGNMENTS

If they are scheduled, Homework assignments display in this area. Assignments can be scheduled by round or by start and stop time. The assignments will be available to participants during that period (see 3.9.1 Assignments on page 22).

4.8.2 PEER EVALS

If they are scheduled, Peer Evaluations display in this area. Just as with Homework assignments, Peer Evaluations can be scheduled by round or by start and stop time. The Evaluations will be available to participants during that period (see 3.9.2 Peer Evaluations on page 22).

4.8.3 NEW PEER EVALUATIONS

If instructors use the updated Peer Evaluation system (New Peer Evaluations), participants will access the input forms and results from this area.

4.8.4 SUCCESS MEASURES

If Success Measures are scheduled, participants use this area to input their choices and percentages (see 3.9.4 Entering Success Measures on page 23).

Input

Companies must choose at least two of the following measures. Instructors determine if Profits will be calculated as Average, Ending or Cumulative, and the remaining measures as Average or Ending (see Methods on page 23).

- Profit
- Market Share
- ROS
- Asset Turnover
- ROA

- ROE
- Stock Price
- Market Cap

The measure weights must total 100%. Companies cannot choose weight percentages higher than 50%. Instructors can enter weights of any percentage for companies (see Weights on page 24).

After the deadline has passed, participants will not be able to enter weights. Instructors can do so for them, or extend the deadline.

Any company member can enter weights, potentially overwriting another decision. Participants should come to a consensus and ensure those weights are entered by the deadline.

4.9 CONFERENCES

Instructors and participants also have the ability to place posts on the Company Conference.

In Tournament mode, instructors and participants can place posts on the Class Conference, which can be viewed by everyone within the Industry.

4.10 HELP

4.10.1 SUPPORT

A support ticket system allows participants to post queries to our specialists. The tickets and responses are archived for future reference.

4.10.2 ONLINE GUIDE

This is the online, expanded version of the Team Member Guide. The online version includes instructions on spreadsheet operation, and, for Capstone, the advanced Marketing Module.

4.10.3 GUIDE PDFS

This area gives participants access PDF versions of the Team Member Guide. For Capstone, the PDF has been translated into other languages. If Capstone instructors wish participants not to have access to the translated versions, they can go to Manage Course | Administration and select Make Unavailable to Students.

4.10.4 FAQs

This link directly opens the Frequently Asked Question section of the Online Guide, described above.

4.10.5 EMAIL (MESSAGES)

The participant email allows team members to email one another or the instructor. The system posts and stores the correspondence within the website. The system will also send an email to recipient's external address. While this email occasionally is blocked, the original correspondence remains on the Capsim server.



5 RUNNING FOOTRACES

Capstone and Foundation simulations can be run as a Footraces, where all participant teams compete against a common set of competitors. Footrace results are easy to monitor; instructors can compare a wide range of ratios and results, including Profit, Cumulative Profit, ROS, ROE, ROA, Stock Price, Asset Turnover, Market Capitalization and Market Share. Footraces are ideal for tracking performance in large classes.

Our largest Footrace to date involved 900 participants in a single class, taught by one professor with help from a small group of teaching assistants.

Footrace companies can be run by teams or by individuals. In Self-Paced mode, participants can proceed at their own rate, which can be helpful in independent study or make-up environments.

5.1 LAUNCHING FOOTRACES

Footrace simulations are launched the same way as Tournament simulations, as described in 2.2 Launching a Course on page 4. After the course is launched, continue through the Creating Industries section and select I'll Set Up my own Capstone or Foundation Footrace.

Participants will run one of up to six companies. The default company is Andrews, however instructors can choose to have participants run one of the other companies. This can be useful if instructors want to change the environment from one semester to another. Instructors can also make computer companies inactive. This too can change the environment, if for example Digby is inactive in the fall Semester and Erie in the spring.

Industries with inactive companies are disqualified from Top Ten Eligibility (see 3.8.1 Balanced Scorecard on page 19).

This is the only opportunity to select which company participants will run, and which will be inactive. Instructors cannot change these later.

Instructors can set computer companies at three levels of skill: Weak competition, average competition, and strong competition.

Footrace Computer Team Strategies for Capstone and Foundation:

Andrews– Cost Leader with a Product Lifecycle Focus
Baldwin– Differentiation with a Product Lifecycle Focus
Chester– Broad Cost Leader
Digby– Broad Differentiation
Erie– Niche Cost Leader
Ferris– Niche Differentiation

5.2 FORMING COMPANIES

Footrace industry numbers will end with a suffix of _000. As each participant company forms, a sub-industry will be created and assigned a unique suffix, for example _123.

Ask one person on each team to be its Founder by creating a Holding Company on the website. To do this, the Founder registers into the Footrace then:

- Logs into the Capsim website;
- Selects the Footrace industry;
- Selects the Dashboard link;
- Clicks Join or Form a Company and selects Form;
- Enters the name of the team's holding company.

The remaining team members can now enter the company by clicking Join or Form a Company.

Instructors can also control company assignments from the Manage Industry area. See 3.5.5 Company Assignments (Footrace Only) on page 13.

Why do teams need to name their company in a Footrace? In a Footrace all teams manage the same participant company, which is usually Andrews. The computer manages the remaining competitors. Therefore, the instructor needs some way to tell one team from another.

While participants are allowed to make up their own company names, instructors can direct participants to enter specific company names, for example "1001," "1002," etc. This can be helpful when managing large classes.

Participants also have the option of restricting others from joining the company by checking Close Registration.

5.3 INDUSTRY ROSTER

5.3.1 STUDENTS BY COMPANY

This area allows instructors to close enrollment for a company, or, if closed, open it again. Instructors can also change a company's name.

5.3.2 STUDENTS ALPHABETICALLY (REMOVING PARTICIPANTS FROM HOLDING COMPANIES)

Click any name in the alphabetical list to change that participant from his or her sub-industry back to the Footrace root (that is, back to the _000 suffix). That participant can then join or form a company.

5.4 SCHEDULED ROUNDS AND SELF-PACED

Instructors can opt to have participants advance at their own pace or schedule rounds in a similar fashion to Tournament simulations, including Auto Process. To schedule rounds:

- Click the Schedule Rounds link under Manage Industry;
- When the new page opens, click the Schedule Rounds button to the upper right;
- Select both the Practice and Competition options.

If a company misses an Auto Process deadline, its round will need to be manually processed (all others will proceed). See 5.5.1 Processing Companies That Miss Deadlines on page 34.

5.4.1 SELF-PACED OPTION

To allow participants to proceed at their own pace:

5 RUNNING FOOTRACES

- Click the Schedule Rounds link under Manage Industry;
- When the new page opens, click the Self-Paced Option button to the middle right;
- Select a round to which you want your participants to advance on their own, for example, Round 4 or Round 8;
- Click the Turn On button;
- If you wish to eliminate the Self-Paced option, repeat the steps above and click Turn Off.

When participants are ready to advance, they login to the website and click into their simulation. On the Dashboard, under the Task List, a link will display that allows participants to proceed to the next round (at least one set of decisions must be uploaded before this link will display). Once they advance, participants immediately can begin work on their next round.

When set for self-paced, instructors have the additional option of allowing participants to go back and redoing their previous round. When this option is on, participants will see a link on their Dashboard allowing them to reset and try again. This feature can be useful during the practice period as participants learn the simulation.

Group coordination is very important, as it is possible for any team member to advance the simulation. Teams might consider appointing a processing point person, who will check with the entire team prior to advancing the round.

5.5 MANUAL PROCESS

To manually process all or selected companies, go to Manage Industry | Process Round.

5.5.1 PROCESSING COMPANIES THAT MISS DEADLINES

If a company fails to upload a set of decisions prior to the round deadline, that company will need to be manually processed using Option 2 under Process Round. Select the checkbox next to the affected company, and click Process Selected Companies.

5.6 RESTARTING FOOTRACES

After the last Footrace Practice Round ends, instructors must restart the simulation to begin the Competition Rounds. Go to Manage Industry | Restart Industries. From here instructors can restart selected Footrace companies or all companies.

Instructors can also schedule a restart for all companies.

Upon restart, Analyst Report, Balanced Scorecard and Decision Audits will be erased, however instructors and participants will still have access to the online versions of the Capstone Courier or Foundation FastTrack and Annual Reports.

5.6.1 CHANGING FOOTRACE ADVANCED MODULES

Scheduled restarts allow instructors to remove, add or change the start rounds for Advanced Modules and/or the difficulty level of computer teams.

5.7 UNDO ROUND

The Undo Round feature allows instructors to backup individual companies one or more rounds; the remaining companies will not be affected.

5.8 COMPANY STATUS AND COMPANY ASSIGNMENTS

The Company Status area under Manage Industry displays each company's progress. This is especially useful when the Footrace is in Self-Paced mode. If a company was formed and the participants were later moved to other companies, leaving the original company empty, instructors can use this area to remove the unused company.

The Company Assignments area, also under Manage Industry, allows instructors to limit enrollment in each company to one participant, and later, if needed, return the enrolment status to multiple participants.

5.9 SUCCESS COMPARISON

The Footrace Success Comparison area quickly sorts company results among several key measures. Go to Industry Results | Debrief | Success Comparison.

5.10 SIMULATION DATABASE

As with Tournament simulations, the Simulation Database can produce custom reports by selecting from the list of options. The report can be generated for any round. Go to Industry Results | Debrief | Simulation Database. The results will display on the web page. A downloadable CSV file is also available, which easily can be imported into Microsoft® Excel® or other spreadsheet programs. The CSV file is also a great way to archive class results.



6 TIMEFRAMES

These schedules can serve as examples for incorporating the simulations. Most courses include a final debrief presentation and at least five decision rounds.

6.1 SAMPLE NINE WEEK SCHEDULE

WEEK 1

- Assign participants to companies;
- Direct participants to the Team Member Guide, which includes registration instructions (15 min);
- Determine role assignments for each participant. See How Can We Organize Our Company? in the Online Guide (15 min);
- Determine company strategy: Participants can create their own or choose from the Six Basic Strategies in the Guide;
- Participants register at www.capsim.com;
- Review Getting Started area of the website (5 min);
- Complete Rehearsal Tutorial, which introduces the simulation software (60 min);
- Complete Situation Analysis exercise in the Guide or the Online Guide. This will help participants analyze external/internal conditions prior to managing their corporation (60 min).

WEEK 2

- Make Practice Round 1 decisions (90 min);
- Essay Assignment on Vision Statement and/or Outlining Your Strategy (essay assignments are available from the homework assignment library).

WEEK 3

- Review results of Practice Round 1 (15 min);
- Review with participants the various reports automatically generated by the simulation, especially the Courier/FastTrack (15 min);
- Restart simulation to begin Competition Rounds;
- Make Competition Round 1 decisions (90-120 min);
- Enter Success Measures (15 min);
- Essay assignment on why Success Measures were chosen.

WEEKS 4- 7

- Review results for Rounds 1 through 4 one round per week (15 min);
- Make Round 2 through Round 5 decisions, one round per week (60-120 min);
- Optional Homework Assignments may include Core Competency and Competitor Advantage, Competitor Analysis, Best/Worst Case Forecast Development or Financial Structure Policy Statement.

WEEK 8

- Review results for Round 5 (15 min);
- Make Round 6 decisions (60 min);
- Prepare Stockholders' Final Debrief – participants defend decisions as the executive management team to the Board of Directors and Stockholders (60 min). This can also be done as final paper.

WEEK 9

- Stockholders' Final Debrief presentations (10 min per team);
- Review results for Round 6 and reveal the winner of the simulation (15 min).

6.2 SAMPLE FOURTEEN WEEK SCHEDULE**WEEK 1**

- Assign participants to companies;
- Direct participants to the Team Member Guide, which includes registration instructions (15 min);
- Determine role assignments for each participant. See How Can We Organize Our Company? in the Online Guide (15 min);
- Determine company strategy: Participants can create their own or choose from the Six Basic Strategies in the Guide;
- Participants register at www.capsim.com.

WEEK 2

- Review Getting Started area of the website (5 min);
- Complete Rehearsal Tutorial, which introduces the simulation software (60 min);
- Complete Situation Analysis exercise in the Guide or the Online Guide – this will help participants analyze external/internal conditions prior to managing their corporation (60 min).

WEEK 3

- Make Practice Round 1 decisions (90 min);
- Essay Assignment on Vision Statement and/or Outlining Your Strategy (essay assignments are available from the homework assignment library).

WEEK 4

- Review results of Practice Round 1 (15 min);
- Review with participants the various reports automatically generated by the simulation, especially the Courier/FastTrack (15 min);
- Make Practice Round 2 decisions (120 min);
- Essay Assignment on Outlining Your Strategy.

WEEK 5

- Review results for Practice Round 2 (15 min);
- Make Round 3 decisions (90 min);
- Essay assignment on Competencies and Advantage.

WEEK 6

- Review results of Practice Round 3 (60 min);
- Restart simulation to begin Competition Rounds;
- Make Competition Round 1 decisions (90-120 min);
- Enter Success Measures (15 min);
- Essay assignment on why Success Measures were chosen.

6 TIMEFRAMES

WEEK 7- 12

- Review results for rounds 1 through 6, one round per week (15 min);
- Make Round 2 through Round 7 decisions, one round per week (60- 120 min);
- Optional Homework Assignments may include Core Competency and Competitor Advantage, Competitor Analysis, Best/Worst Case Forecast Development or Financial Structure Policy Statement.

WEEK 13

- Review results for Round 7 (15 min);
- Make Round 8 decisions (30- 60 min);
- Stockholders' final debrief – participants defend decisions as the executive management team to the Board of Directors and Stockholders (60 min). This can also be done as final paper.

WEEK 14

- Stockholders' Final Debrief presentations (10 min per team);
- Review results for Round 8 and reveal the winner of the simulation (15 min).



7 COMP-XM

The Comp-XM Competency Exams can help supply the data needed for assurance of learning initiatives. Comp-XM comes in two versions, Basix and Concepts.

In Comp-XM, participants work alone – they are no longer on a team.

Comp-XM Basix puts each participant into the role of CEO of a struggling company. Their task: Turn the company around. Basix uses the previous simulation's scenario, Capstone or Foundation, so there is no additional learning curve. Basix measures business acumen using a balanced scorecard. Within each industry, participants will see identical starting conditions.

Administrating Basix is very similar to administrating Concepts, which is described below.

Comp-XM Concepts is built around a simulation similar to Capstone and Foundation.

The Concepts industry has four market segments. Each individual participant is the sole decision maker for the Andrews Company. Andrews competes against three computer companies, Baldwin, Chester and Digby. The Comp-XM simulation runs four rounds.

Simulation performance is judged using a Balanced Scorecard. Each round, a score is generated based on performance measures in these categories:

- Financial
- Internal Business Process
- Customer
- Learning and Growth

At the end of Round 4, a fifth score is generated using a different set of measures that evaluate the cumulative performance for Rounds 1-4.

Participants also answer five sets of multiple choice questions, called Board Queries. The questions are common for each participant, and therefore exam performance can be compared class-wide, school-wide or even across all Comp-XM users. However, the answers are based on each individual simulation. This makes the questions comparable but the answers unique. Instructors can assign Comp-XM as they set up Capstone or Foundation simulations, or later after the simulations are underway.

It is not possible to assign Comp-XM without a simulation. Capstone and Foundation can be considered preparation for Comp-XM.

Industries can be assigned after the exam is created.

7.1 THE COMP-XM INSTRUCTOR ENVIRONMENT

From the Professor Pages, click the My Comp-XM Exams link.

7.1.1 CREATE NEW EXAM

If instructors assign Comp-XM as they set up their Capstone or Foundation industries, they will still need to follow the Create New Exam procedure.

The Create New Exam area asks for a name for the test, a start time and a completion time. Instructors can also assign participants by associating their Capstone and Foundation sections with the exam.

If Comp-XM was not included when the Capstone or Foundation sections were created, and therefore participants were not asked to pay the additional cost, instructors are asked to follow the additional step of adding the exam to the participants Shopping Cart. Participants will be asked either to pay the additional cost or enter a Comp-XM registration number before being allowed to start the exam.

7.2 EXAMS

Upon clicking My Comp-XM Exams from the professor pages, professors are taken to the Exams page. This page lists all exams. Exams status falls into three categories:

- Pending (An exam that has yet to begin.)
- Active (An exam that is in progress.)
- Completed (An exam that is finished.)

7.3 EXAM DASHBOARD

Clicking the name of any exam on the Exams page opens that exam's Dashboard.

The Exam Dashboard is a central area from which instructors access the tools needed to administer and review the Comp-XM exam. The page includes a link to a sample of the Comp-XM participant environment, including Board Queries (see 7.4 The Comp-XM Participant Environment on page 42).

7.3.1 EXAM PREFERENCES

This area allows instructors to change whether results will be available to participants at the end of each round, when the exam is complete or not at all.

Comparative scoring methods can also be set. Participants can be compared against:

- All Comp-XM participants;
- Participants within the same peer group (Undergraduates, Graduates, etc.);
- Participants within the same simulation (Capstone or Foundation); or
- Participants within the same peer group and simulation.

Time zone and date formats are also set via preferences.

7.3.2 EXAM EDITOR

Located in the center of the Dashboard, the Exam Editor allows quick access to exam elements.

Clicking any cell beneath the Scorecards tab allows instructors to review the current Balanced Scorecard criteria.

Clicking any cell beneath the Questions tab allows instructors to review the current set of Board Query questions.

Clicking any cell beneath the Deadlines tab allows instructors to review and update round start and stop times.

By default, all Comp-XM exams are self-paced, that is participants can progress at their individual speed through the four rounds of the simulation and the five sets of Board Queries. Instructors need only enter a Round 1 start time and a Final deadline by clicking the appropriate rows in the Deadlines column.

Instructors who prefer to schedule rounds will enter round start and stop times for all four rounds and a final deadline for answering the final set of Board Queries.

Self-Paced exams only require a Round 1 start time and a Final deadline.

The Students tab opens an area where you can add or subtract the Capstone or Foundation sections you want associated with the Comp-XM exam. All participants registered in those sections will be assigned to the exam.

Exam Editor, Pending Exams

Instructors can customize Pending Exams with their own set of Board Queries or Balanced Scorecard values.

Participant's results can be compared to their peers, for example, Graduate and Undergraduate or Capstone and Foundation. However, if the Balanced Scorecard is customized or if the Board Queries are customized by adding more than five questions or deleting more than five questions from the standard exam, comparative data will not be available.

While this option creates flexibility, most instructors use the default questions and Balanced Scorecard values. If the exam is Pending, clicking the Scorecard cell in each row allows instructors to customize the Scorecard for that round. Clicking the Scorecard cell in the Final row allows instructors to customize the cumulative measures for Rounds 1-4.

If the exam is Pending, clicking the Question cell in each row allows instructors to customize the Board Queries for that round or the Final Board Query.

Exam Editor, Active Exams

Board Query and Balanced Scorecard values can be reviewed but cannot be changed for Active exams. Schedules for Active Exams can be adjusted.

Grading Essays

If they are scheduled, essay questions are reviewed and graded from the Exam Editor: A pencil icon appears when essays are uploaded and ready for review. Essay questions have a default point value. When grading, professors assign a percentage to each response. For example, if a participant answers an essay question worth 50 points and the professor awards 50%, the participant would receive 50% of 50 points or 25 points.

Essay questions are not part of the Capsim default question sets.

7.3.3 REVIEW BOARD QUERIES AS A STUDENT

This link allows instructors to review a facsimile of the participant's Comp-XM environment (see 7.4 The Comp-XM Participant Environment on page 42).

7.3.4 STUDENT PROGRESS

Instructors use a search form to open the Student Progress area. Selecting All displays every participant.

Scores in Progress

During the exam, Board Query answers and Balanced Scorecard results for each individual participant are available via Student Progress. At the conclusion of the exam, the Student Results area displays comprehensive results (see 7.3.5 Student Results below).

Tardy Students

If Comp-XM is not set for self-paced, instructors have two methods to catch tardy participants up with rest of the class. Instructors can advance participants from the Student Progress area, or opt to have those participants proceed in Self-Paced mode. Instructors can also undo simulation rounds and their associated Board Queries for individual participants.

If instructors undo a round for a participant, that participant will not receive a percentile rank in the 7.3.5 Student Results area, however the Raw Score will remain available (see 7.3.5 Student Results below).

7.3.5 STUDENT RESULTS

When Comp-XM completes, the links in the Student Results area become active.

Prior to exam completion, instructors can review participant Board Query answers and Balanced Scorecard results via the Student Progress area (see 7.3.4 Student Progress above).

Student Scores

Comp-XM Student Scores show the exact results for the Balanced Scorecard and the Board Queries. The page also provides links to a breakdown of each participant's Balanced Scorecard results and Board Query answers for each round.

Comparative Scores

Comp-XM Comparative Scores include a graphic display of each participants' percentiles based upon the performance of comparable groups (for example, other undergraduates).

Class Standings

The Class Standings link allows instructors to compare their participants' standings against the performance of comparable groups (for example, other undergraduates).

Assurance of Learning

The Assurance of Learning area generates reports designed to assist in the evaluation of specific learning goals. The reports can be used as supporting documentation (in conjunction with other methods and measures) for learning assessment purposes.

Export Data as a CSV File

CSV files, which can be imported into a Microsoft® Excel® spreadsheet, are available from the Student Results area. CSV files are a great way to archive results.

7.4 THE COMP-XM PARTICIPANT ENVIRONMENT

7.4.1 GETTING STARTED

The Getting Started area displays the first time participants enter the Comp-XM simulation. Participants should review the information. They can return to it at any time by clicking the Getting Started link.

7.4.2 DASHBOARD

Each subsequent login opens the Comp-XM Dashboard. The Dashboard is a central area for all participant activities. Some Comp-XM simulations progress on a set schedule. The start and stop times for each round will display in this area.

Most Comp-XM simulations are set for self-paced. When Comp-XM is set for self-paced, participants have the ability to move on to the next round whenever they feel they are ready. Once they have finalized their decisions using the Com-XM Spreadsheet and have answered all of the round's Board Queries in the website's Board Query area, participants click the Advance button to proceed to the next round. Participants will not be able to go back – they need to be sure their decisions and answers are final.

Instructors can return participants to a previous round via the 7.3.4 Student Progress area of the instructor's Dashboard (see page 41), however at the conclusion of the exam, that participant will only receive a raw score – a percentile score will not be calculated. See 7.3.5 Student Results on page 42.

7.4.3 THE COMP-XM SPREADSHEET

The Downloads area includes links to the Comp-XM Excel® and Web Spreadsheets, plus the PDF version of the Comp-XM booklet. Participants use the Comp-XM Spreadsheet to determine and upload decisions. Participants can download this file to as many locations as they need.

As they launch the Comp-XM Spreadsheet, a login form immediately opens. Participants use the same user ID and password that they used in their previous simulation. The Comp-XM Spreadsheet is very similar to Capstone and Foundation Spreadsheets, however, there are differences. The Perceptual Map has four segments, plus in Round 1 the segment positions are in the middle of the map. This is because participants assume control of an ongoing company in an evolved market. The participants' Comp-XM Help page includes an animation of the Comp-XM segment drift.

Unlike Capstone and Foundation, in Round 1 of Comp-XM all companies have different product locations and financial results.

The Comp-XM sensor industry has four competitors. Participants run the Andrews Company. They compete against Baldwin, Chester and Digby.

Individual participants are the sole decision makers – Comp-XM is not a team activity. Therefore, each save uploads all decisions.

7.4.4 HUMAN RESOURCE (HR) AND TQM (TOTAL QUALITY MANAGEMENT)/SUSTAINABILITY MODULES

All Comp-XM simulations use the Human Resources and TQM (Total Quality Management)/Sustainability Modules. If participants are not familiar with the HR and TQM/Sustainability modules, they can look at the documentation, which is available from the Comp-XM Help page on the website.

Unlike Foundation, HR decisions in Comp-XM are made in two places. Workforce Complement is still entered in the Production area, however Recruiting Spend and Training Hours are entered in the Human Resources area (click Decisions | Human Resources in the Comp-XM Spreadsheet menu).

7.4.5 COMP-XM INQUIRER

Industry results are available in the Comp-XM Inquirer, which participants can view from the spreadsheet or on the website.

Unlike the Capstone Courier and Foundation FastTrack, Comp-XM Inquirers for previous rounds are not available.

7.4.6 BOARD QUERIES

When participants click the Answer Board Query link, a new window will open.

Participants confirm they are the authorized user by clicking the I Agree button. The next page includes instructions on the right and a list of questions on the left. Participants select a question to begin.

The selected question opens and displays on the right. Almost all questions require the Comp-XM Inquirer. Links to the Inquirer are available from the Board Query area.

Unlike the Capstone Courier and Foundation FastTrack, the Comp-XM Inquirer includes Annual Reports for all four companies. This is because many Board Query answers require access to the opposing companies' reports.

If participants select the wrong answer they can change their answers as often as needed.

Participants can stop work and return later as long as they do not advance to the next round (if Comp-XM is in Self-Paced mode) or the round deadline does not pass.

8

8 CAPDEBRIEF AND FOUNDATIONDEBRIEF

8.1 LAUNCHING

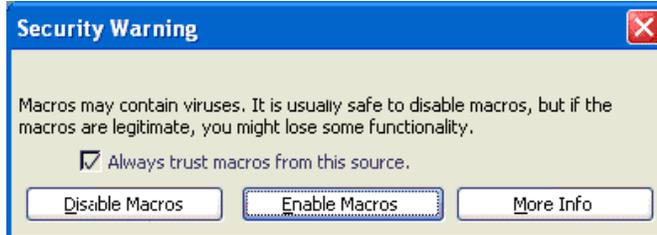
CapDebrief and FoundationDebrief are Microsoft Excel® spreadsheets that connect to the Internet and automatically retrieve simulation results. If the classroom is not connected to the Internet, instructors can download the files in their office, copy the files to a CD or USB device, then take them to the classroom.

CapDebrief and FoundationDebrief can be downloaded from the instructor's Welcome Page.

As these spreadsheets open, instructors might be asked to Enable Macros. Macros are needed for spreadsheet functions.

8.1.1 Excel® 2003

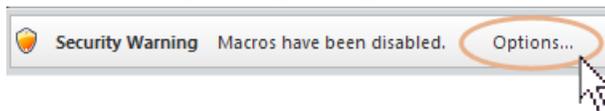
For Excel® 2003, when the spreadsheet opens this message displays:



Click Enable Macros. If the Enable Macros button is gray, click the “Always trust macros from this source.” box and then click Enable Macros. Alternatively, open Excel® to a blank workbook, select tools, macro, security, and change the setting to medium. Click OK then open the spreadsheet via File | Open.

8.1.2 Excel® 2007 and 2011

Locate the “Security Warning” message shown below. Click on the “Options” button.



A pop-up box opens. Near the bottom an option setting displays: “Trust all documents from this publisher.” Click in the circle then click OK.



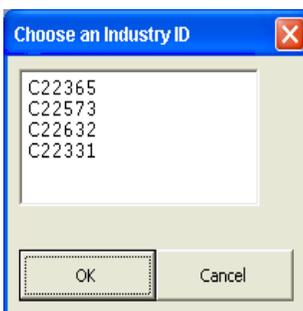
As the debrief files continue to open, a login box appears. Instructors enter their Capsim user ID and password.



Once the login is successful, the debrief files will ask instructors if they want to retrieve the latest set of results.



Clicking Yes will display a list of all current Industry IDs.

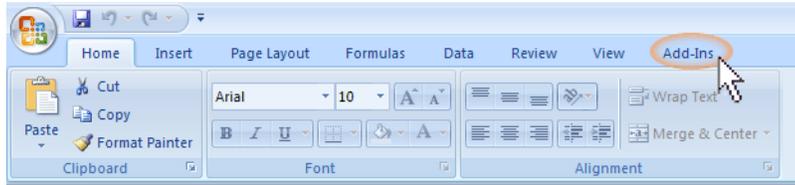


Instructors choose an Industry ID then click OK. The debrief files will retrieve the results from the website. Instructors are next given an option to save the file to a local computer. This is a great way to archive results.

Results are stored in a data file called DebriefData.prn, which will copy to the CapDebrief or FoundationDebrief location. If the Excel® file is in the My Documents folder, DebriefData.prn, will copy into My Documents. If instructors plan to take these files to another location, they need to make sure to bring both files.

8.2 MENUS

To display menus in Excel® 2007, click the Add-Ins tab.



The menu bar displays five options:

- File
- View
- Debrief
- Last Year's Reports
- Help

8.3 FILE MENU EXIT

Please use File | Exit to close the program (versus using the X in the upper right corner of the screen). Using Exit will ensure that the file closes completely and correctly.

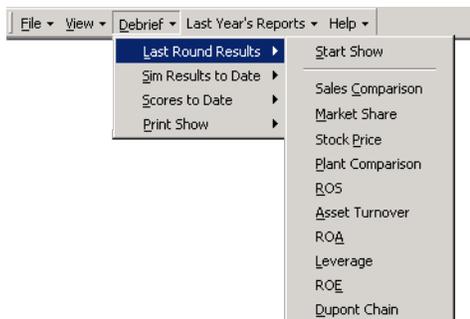
8.4 THE DEBRIEF MENU

The Debrief menu has four submenus:

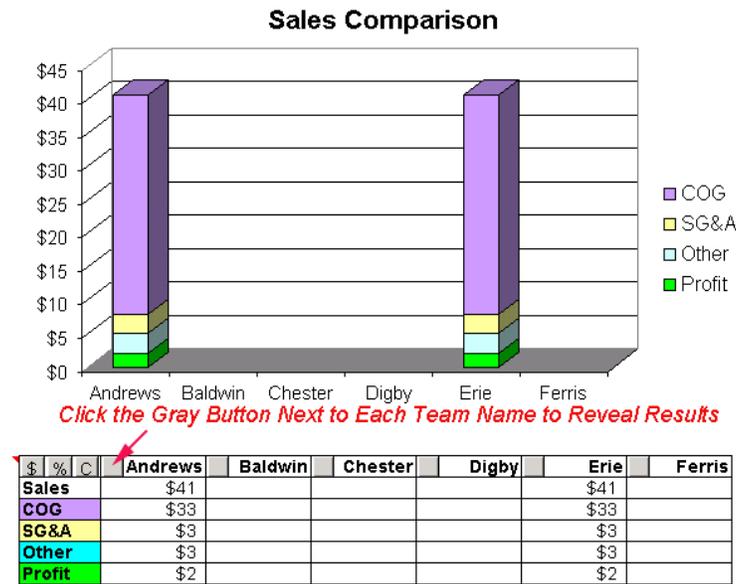
- Last Round Results
- Results to Date
- Scores to Date
- Print Show

The menu might be contracted by the Windows Operating System. When this happens, a double-down arrow appears. Clicking the double-down arrow expands the menu to reveal the full contents.

8.5 LAST ROUND'S RESULTS



Clicking Start Show brings up the Sales Comparison slide.



8.5.1 SALES COMPARISON

Sales Comparison

Sales Comparison allows instructors to project team comparisons via a bar graph. The chart opens with the bars hidden. This is done for presentation purposes. A row of boxes with each company name displays. Clicking the gray button next to the Andrews name opens a bar chart that shows Andrews Sales, Cost of Goods, Selling and General Admin expenses, Other expenses, and Profits for the year just completed (all figures in dollars).

Once instructors display the charts for all the teams, they can click on the percent sign (%) to show those same items as a percent of sales. Clicking the C to the right of the dollar sign (\$) and percent sign (%) clears the display.

8.5.2 MARKET SHARE

Market Share presents market share (by dollar) as a pie chart.

8.5.3 STOCK PRICE

Stock Price presents closing stock price as a bar chart.

8.5.4 PLANT COMPARISONS

Plant Comparisons displays the capacities of each company's production line, an indicator of long range strategic plans.

8.5.5 ROS

ROS (Return on Sales) compares Return on Sales as a bar chart.

8.5.6 ASSET TURNOVER

Asset Turnover compares Asset Turnover as a bar chart.

8.5.7 ROA

ROA (Return on Assets) compares Return on Assets as a bar chart.

8.5.8 LEVERAGE

Leverage displays each company's total assets at the end of the round just completed, divided by owners' equity for the same period.

8.5.9 ROE

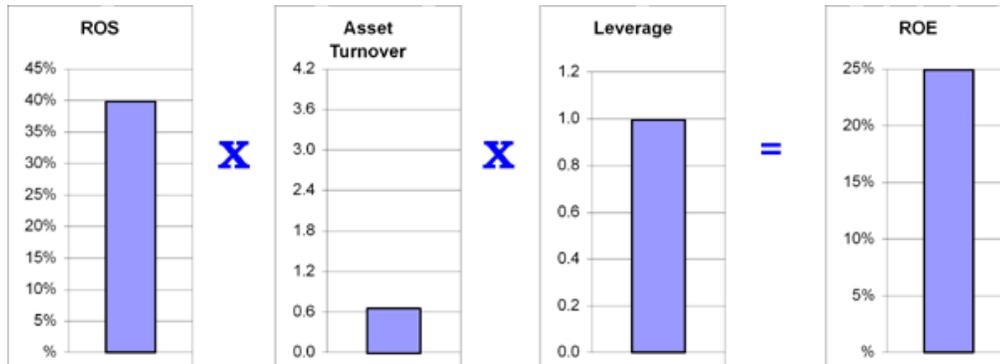
ROE (Return on Equity) compares Return on Equity as a bar chart.

8.5.10 DUPONT CHAIN

The DuPont Chain equation evaluates each team based on the DuPont Chain of Ratios:

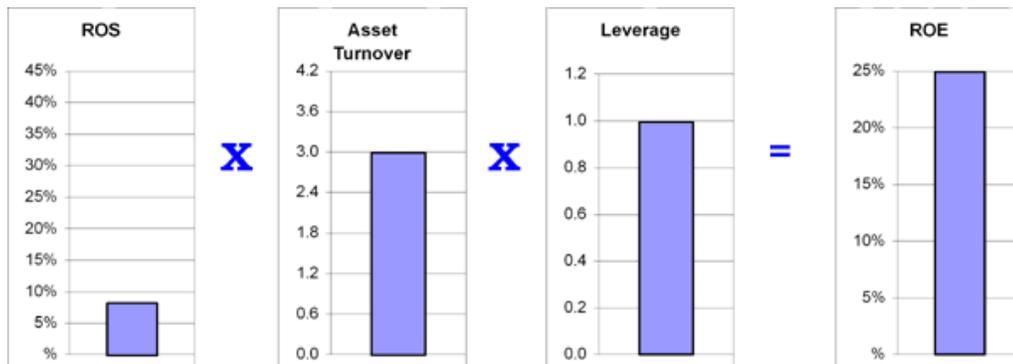
Return on Sales x Asset Turnover x Leverage = Return on Equity

While two companies might have the same Return on Equity (ROE), they could achieve those returns in very different ways. A company that sells differentiated products with high margins and low unit volume would have a DuPont Chain with a high Return on Sales and a low Asset Turnover.



Differentiator: Higher ROS, lower Asset Turnover

A company that sells cost-leading products with low margins and high unit volume would have a DuPont Chain with a low ROS and a high Asset Turnover.

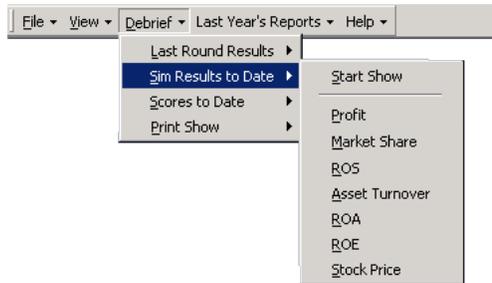


Cost Leader: Lower ROS, higher Asset Turnover

The DuPont Chain component ratios are shown below:

- Return On Sales (or Profitability) = Profit / Sales
- Asset Turnover (or Turnover) = Sales / Assets
- Leverage = Assets / Equity
- Return on Equity = Profit / Equity

8.6 RESULTS TO DATE



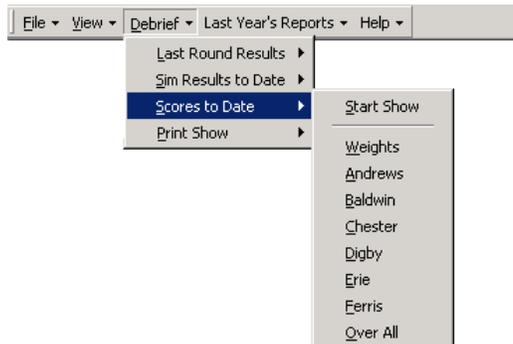
The Results to Date contain cumulative information for all rounds played. Clicking Start Show in the submenu brings up the Ending Profit comparison slide.

The other slides include:

- Market Share
- ROS (Return on Sales)
- Asset Turnover
- ROA (Return on Assets)
- ROE (Return of Equity)
- Stock Price

8.7 SCORES TO DATE

The Scores to Date slide show starts with the Success Measurement Weights . The Scoring section uses the Ranking method for displaying Success Measure results. Relative measures are available on the website (see Weighted Relative on page 20).



8.7.1 WEIGHTS

Weights are taken from the information entered on the website's Success Measurement page in the Homework section (either by instructors or participants, see 3.9.4 Entering Success Measures on page 23). The criteria determined by instructors also have an impact on results. Capsim suggests:

- Cumulative for Profits
- Ending for Stock Price and Market Capitalization
- Avg for Market Share, ROS, Asset Turnover, ROA, ROE

Selecting each company name displays a ranking of all companies based on the selected company's performance measurements.

8.7.2 SCORES

Each company gets 1 base point for itself and 1 for each inactive team: If there are no inactive companies, then the base score will be 1, if there is one inactive company, then the base score will be 2, if there are two inactive companies, then the base score will be 3, etc. Companies get an additional point for each active (participant or computer) company they beat. These points are then multiplied by the success measure weights.

For example, suppose there are six teams. Andrews got the highest ROE and Baldwin the lowest. Andrews gets 1 point for themselves and 5 points for beating the other teams. Total raw score = 6 points. Baldwin gets 1 point for coming in last. However, suppose Andrews weights ROE at 0% and Baldwin at 20%. Andrews final score would be $6 \times 0 = 0$. Baldwin would get $1 \times 0.2 = 0.2$ points. A perfect score is always 6.0 overall, which is equivalent to saying, “On every performance measure we picked, we came in first.”

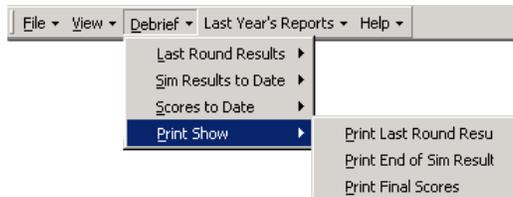
8.7.3 OVERALL

This section displays an overall ranking based on how well each company lived up to their own performance measurements, juxtaposed with how well the other teams lived up to theirs. For example, let’s say Baldwin chose 50% Asset Turnover and 50% Market Share as their measurements. It is possible that they could be number one in Profits, Stock Price, ROE, ROA and ROS, yet still lose.

The Scoring section uses the Ranking method for displaying Success Measure results. Relative measures are available on the website (see Weighted Relative on page 20).

8.8 PRINT SHOW

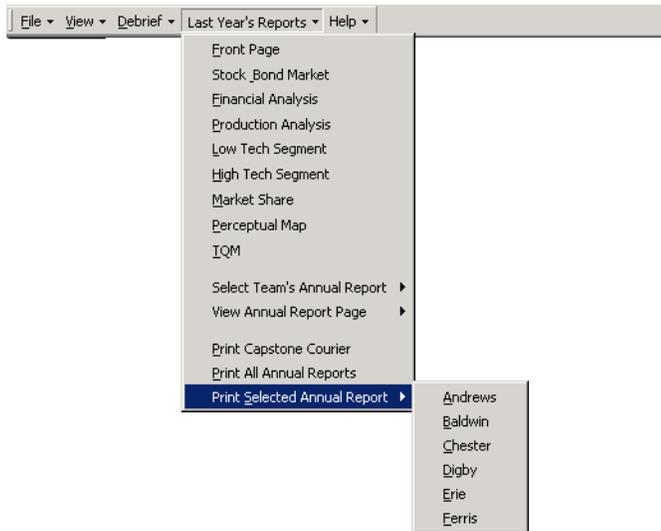
The Print Show submenu will send the Last Round Results, End Results and Final Score slides to your default printer.



If instructors wish to change the default printer, they should go to the printer folder (Start Button | Settings) right-click on the desired printer and click on default.

8.9 LAST YEAR'S RESULTS

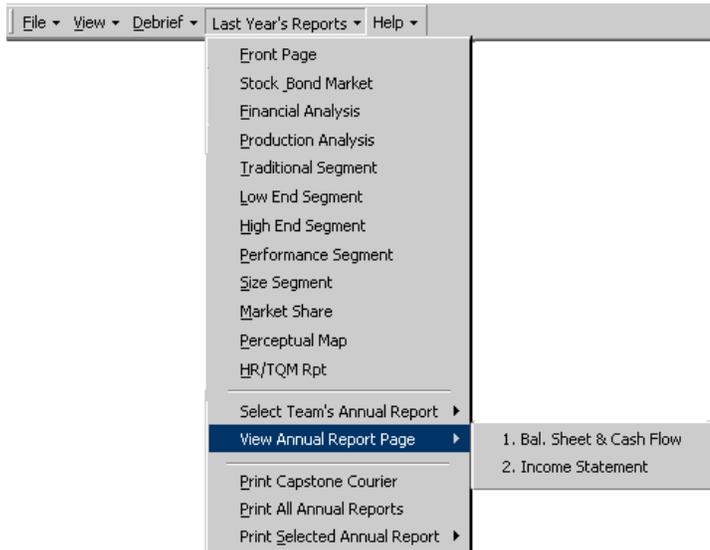
These reports are identical to the reports available to participants from the Courier or FastTrack menus in the Capstone and Foundation Spreadsheets. Simulation parameters will differ depending on Scenario and Customization choices (see 2.3.1 Simulation Parameters and Customization 2.3.1 on page 5). The Industry Conditions Report provides information based on the selected parameters, including segment locations and buying criteria breakdowns. This report is needed to complete the Situation Analysis (see 3.6.1 Conditions Report on page 14).



8.9.1 VIEW ANNUAL REPORT

After selecting a team, click on View Annual Report to see that team's report:

- Balance Sheet & Cash Flow
- Income Statement



For example, if instructors want to review the Chester team's detailed Income Statement, they would click on Select Team's Annual Report, select Chester, then click View Annual Report Page and select 2. Income Statement.



9 SIMULATION CHECKLIST

9.1 INDUSTRY IDS

Note your Industry ID(s). An Industry ID has the letter C or F followed by five digits or five digits plus _000. To register, your participants will need to know their Industry IDs or class number and section.

9.2 TOURNAMENT TEAM CONFIGURATIONS

If you are running a tournament competition, make sure that team configuration conforms to your needs. The table below shows a few examples.

Example 1

Andrews	Baldwin	Chester	Digby	Erie	Ferris
Participant	Participant	Participant	Participant	Participant	Participant

Example 2

Andrews	Baldwin	Chester	Digby	Erie	Ferris
Participant	Participant	Computer	Computer	Inactive	Inactive

Example 3

Andrews	Baldwin	Chester	Digby	Erie	Ferris
Participant	Participant	Computer	Computer	Inactive	Inactive

Team configurations for Tournament simulations can be changed from the [Manage Industry | Manual Restart](#) link.

9.3 THE CAPSTONE / FOUNDATION SPREADSHEETS

Download the Capstone or Foundation Spreadsheets from the participants' Decisions area.

9.3.1 THE REHEARSAL TUTORIAL

Instructors have an opportunity to review the Rehearsal Tutorial. The Rehearsal Tutorial trains participants to run the company R&D, Marketing, Production and Finance departments.

9.3.2 THE CAPSTONE AND FOUNDATION SPREADSHEETS

The Capstone and Foundation Spreadsheets allow instructors to review a company's Practice or Competition round (instructors select an Industry ID and company). Once it is open, instructors can print the Courier or FastTrack by clicking the Courier or FastTrack menu and selecting Print Reports.

Both Practice and Competition Rounds are opened with the company decision selection. When the Practice Rounds conclude, and the simulation is restarted to Competition Rounds, decisions sent via this selection will then apply to the Competition Rounds.

The Courier or FastTrack contains the starting conditions for the simulation. Participants use this information as they start making their practice round decisions. The information also is needed to complete the Situation Analysis.

Some instructors find it helpful to duplicate and distribute the Round 0 (beginning) Courier/FastTrack to the class.

9.4 SET DEADLINES

Here are a few suggestions for scheduling:

Suppose a class meets twice a week, Tuesday/Thursday, at 2PM. Capsim would suggest:

- Process the prior round at 2PM Friday;
- Debrief on Tuesday;
- Post work due by 2PM Friday.

Processing on Friday gives participants the weekend and Monday to review starting conditions for the new round and print their reports. Assignments can be posted to the website for both you and teammates to examine before class on Tuesday. Tuesday's class will be the first time that most participants see each other face to face. Many teams will schedule a group meeting before or after class. The better their preparation on the website, the shorter their face-to-face time will be. During Tuesday's class you should discuss the prior round. After Tuesday, participants have three days to prepare post work. In this particular Tuesday/Thursday schedule, instructors will also have a Thursday class to teach material beyond the simulation.

In general, instructors will find it useful to adjust schedules so participants have several days between processing and the next class to print reports, digest the results and make decisions. See 3.4.3 Schedule Rounds on page 10.

9.5 ROUND DEBRIEF

We offer two debrief methods:

- On the website, the Industry Results | Debrief link displays the Latest Round Results and Results to Date;
- CapDebrief or FoundationDebrief, which are spreadsheets available from the instructor Welcome Page. CapDebrief and FoundationDebrief automatically download and display round results (see page 45).

9.6 PROCESSING

If rounds are not scheduled to Auto Process, and if the simulation is not a Self-Paced Footrace, professors need to go to the Manage Industry | Process Round link and follow the instructions. Upon completion, the simulation advances to the next year. Starting conditions for the next round are posted and the simulation continues (see 3.4.3 Schedule Rounds on page 10).

9.7 ENCOURAGING TEAM CONSENSUS

As an optional measure, instructors can encourage or even specify work methods for participants via the participants' Conference and Email areas.

9.7.1 COMPANY CONFERENCE

The Company Conference area allows participants to discuss action plans before team meetings, and to prepare analysis after team meetings. This puts team members on a more equal footing, because slow participants can catch up, all participants arrive at meetings well prepared, and participants take positions on the important issues before arrival. Meetings are shorter, and the discussions are more focused.

The Company Conference area also presents a reasonable alternative to face-to-face meetings entirely.

The team can post and maintain a description of their strategic vision in their Company Conference. This statement would, of course, evolve with time. For example, a Capstone strategy might read "Our strategy targets the Traditional and Low End segments. By the end of the simulation we will have three products in each. Our plants will be relatively small but highly automated, so that we can run overtime without burden. Our competitive advantage derives from (1) cost leadership, (2) differentiation via new products, brand equity, and distribution systems, and (3) focus upon two segments instead of five. By improving productivity via automation, we will reward employees with excellent wages and never take a strike. We reposition our products every 2.5 years to keep up with segment drift, and we never plan to retire a product. We aim to achieve 50% share in each of our target segments, 20% ROS, and above average stock price. By the end of the game we plan to have no debt, preferring dividend streams to interest payments."

The team can record the activity in the team meetings and post them in a weekly report in the Company Conference. Were reports presented by individual members? What plans were proposed? Was consensus reached about each tactic, or were matters settled by a majority vote? What results does the group forecast for the next round?

Individuals can record their learning from the round. In what way does their opinion about company direction differ from the group? Do they feel they are living up to the vision statement? The strategy? Do they challenge any of their group's assessment of the scenario?

9.7.2 TEAM EMAIL

The email system allows team members to coordinate activities and make announcements.

9.8 PEER EVALUATIONS AND HOMEWORK

Review the Peer Evaluation and Homework sections (from the instructor's Homework menu). Peer Evaluation and Homework are great ways to keep every participant involved in the simulation (see 3.9.2 Peer Evaluations on page 22).

The Peer Evaluation system allows participants to privately evaluate peer performance. When participants understand evaluations will be conducted, team performance can improve because:

- It is more difficult for weak participants to be carried by strong participants.
- It is more difficult for strong participants to impose their point of view upon teammates.

The Homework system offers several stock Capsim questions, and also allows you to create questions of your own (see 3.9.1 Assignments on page 22).

9.9 FINAL PRESENTATIONS

Participants can be instructed to prepare slides and text that summarize their company's performance during the simulation. They can also be asked to evaluate their strategy's success, describe their group processes and explain how they arrived at decisions.

Participants can also be asked to outline their plans for the next five years.



10 ADVICE TO STRUGGLING TEAMS

10.1 LOW CONTRIBUTION MARGIN

Contribution margin is revenue minus labor, material and inventory carrying cost – expressed as a percentage of sales. It is reported on page 1 of The Courier/FastTrack as an aggregate average of each company's product portfolio. A good minimum benchmark is 30%. If contribution margin is below 30%, the company should consider reducing its cost of goods, and/or raising its prices.

Typical Problems

1. **MTBF Ratings Are Too High:** MTBF ratings directly affect material costs. Check the MTBF ratings of each product against the Customer Buying Criteria on the Segment Analyses of the Courier/FastTrack. Are they higher than they need to be? If the MTBF range is 12000-17000, and it is the least important buying criteria, as in the Capstone Low End Segment, there is little benefit in having MTBF set higher than the minimum.
2. **Prices Are Too Low:** Check the income statement in the company's annual reports. Compare the revenue of each product with the cost. Prices must be set high enough to allow reasonable revenue within the current cost structure.

10.2 EMERGENCY LOAN

Emergency loans are listed on page 1 of the Courier/FastTrack. Every time a cash flow shortfall occurs, an Emergency Loan with a 7.5% premium above the current debt interest rate is issued. Moderate emergency loans are no big deal. Emergency loans in excess of 10 million indicate serious problems.

Typical Problems

1. **Excess Inventory:** Check the inventory status of each product on page 4 of the Courier/FastTrack. If there is excessive inventory, try and determine why. Were sales forecasts simply too high (found in the Decision Audit, see 3.7.4 Decision Summaries on page 19)? Or, was it a matter of having a poor product (in the minds of the customers from that segment) when compared to the competition? Instructors can determine this by comparing products on the Market Segment Analyses.
2. **Unfunded Capacity and Automation Purchases:** Sometimes companies make big investments in plant but forget to raise the money. Check the Cash Flows From Investing Activities|Plant improvements line on page 3 of Courier/FastTrack (Financial Analysis). Were there large investments in plant & equipment? If so, how was the capital raised?

10.3 EXCESSIVE INVENTORY

It is very costly to carry large amounts of inventory (total unit cost is multiplied by a 12% inventory carrying charge). The ideal year-end inventory position is one unit in each product line: one would know that every potential sale was made, and the carry cost would be so small as to be inconsequential. Excessive inventory goes hand-in-hand with less

than expected revenue from sales – a double-whammy. Not only did the team experienced unanticipated inventory overhead, it also had substantially less income than planned.

Typical Problems

1. **Overly Optimistic Sales Forecasts:** Previous year customer demands (and segment growth rates) are listed on each market segment analysis. Compare the company's sales forecast figures (found in the Decision Audit, see 3.7.4 Decision Summaries on page 19) - against segment demand. Were their sales expectations unrealistic? For example, if the segment demand ceiling was 3 million units, and there are six teams with products in the segment, a "fair share" starting point is 500 thousand sales per team. If the company had a better than average product, its sales will be higher. The opposite is true for less than average products. However, companies should understand that every product that tracks within the rough-cut parameters will experience some sales. In other words, customers do not buy all of the best products first, and when it stocks out, then begin buying the second best product, etc. Instead, customers evaluate each product monthly. The best products get more sales than less desirable products, but it is relative. It is possible for less desirable products to stock out, while better products carry inventory. For example, say the Andrews team produces 250 thousand of a lousy product in the Capstone Size segment, and Baldwin produces 750 thousand of a great Size segment product. In this scenario, it would be feasible for Andrews to stock out while Baldwin ended up with 150 thousand units in inventory.

1. **Not Understanding How The Spreadsheets Work:** Sometimes participants get confused about the relationship between sales forecasts, production schedule, and production capacity:
 - Sales Forecasts, entered in the Marketing decision area only affect proformas, which help participants visualize financial results should the sales projections hold true.
 - Production Schedule in the Production decision area is the actual production decision for the year. It should reflect the forecast, subtracting for any inventory left over from the previous year. Participants must enter the number of units they want to produce. In the schedule.
 - First Shift Production Capacity is the size of the factory. If the capacity is 500 thousand, companies may produce up to one million units using a first and second shift. However, all units produced above 500 thousand will have a second shift labor cost, which is 150% of first shift labor cost.

10.4 STOCK PRICE DROP

Stock price is a function of:

- Book Value
- Earnings Per Share (EPS)
- Annual Dividend

Book value is equity divided by shares outstanding. Equity equals the common stock and retained earnings values listed on the balance sheet. Shares outstanding is the number of shares that have been issued. For example, if equity is \$50,000,000 and there are 2,000,000 shares outstanding, book value is \$25 per share.

EPS is calculated by dividing net profit by shares outstanding.

The dividend is the amount of money paid per share to stockholders each year. Stockholders do not respond to dividends beyond the EPS, they consider them unsustainable. For example, if an EPS is \$1.50 per share, and the dividend is \$2.00 per share, stockholders would ignore anything above \$1.50 per share as a driver of stock price.

Stock price generally drops in years where profits are less than previous years or losses occur.

10.5 EXCESSIVE LOSS

Profits and losses are listed on page 1 of the Courier/FastTrack. Losses are usually the result of overproduction resulting in excessive inventory or a combination of costs being too high and prices too low. Profit can also suffer from excessive expenditures in Sales and Promo budgets (entered in the Marketing area) heavy interest payments on debt, and write-offs when products are discontinued.



11 SENSOR CUSTOMER BUYING CRITERIA

Companies manufacture electronic sensors. Other manufacturers install these as components in their products, where sensors measure physical conditions such as speed, temperature and pressure.

Manufactures with similar sensor needs fall into Market Segments. In Capstone the segments are called:

- Traditional
- Low End
- High End
- Performance
- Size

In Foundation the segments are called:

- Low Tech
- High Tech

The criteria from the year prior to Round 1 (Round 0) for the standard industry set-ups with no customization display below (see 2.3.1 Simulation Parameters and Customization on page 5).

In Capstone, price ranges in all segments drop \$0.50 per year. For example, in Round 1 the Traditional price range will be \$19.50-\$29.50, in Round 2 it will be \$19.00-\$29.00. In Foundation, price ranges remain constant round after round. Positioning criteria for Capstone and Foundation change each round (see 11.4 Standard Capstone Segment and Ideal Spot Drift on page 62 and 11.5 on page 67).

Age and reliability (MTBF) criteria remain constant round after round for both Capstone and Foundation.

11.1 CAPSTONE BUYING CRITERIA

11.1.1 TRADITIONAL

Traditional customers seek proven products using current technology.

1. Age, 2 years– 47% of decision
2. Price (for Round 0), \$20.00-\$30.00– 23% of decision
3. Ideal Position (at the end of Round 0/Beginning of Round 1), performance 5.0 size 15.0– 21% of decision
4. MTBF, 14,000-19,000– 9% of decision

11.1.2 LOW END

Low End customers seek proven products, are indifferent to technological sophistication and are price motivated.

1. Price (for Round 0), \$15.00-\$25.00– 53% of decision
2. Age, 7 years– 24% of decision
3. Ideal Position (at the end of Round 0/Beginning of Round 1), performance 1.7 size 18.3– 16% of decision
4. MTBF, 12,000-17,000– 7% of decision

11.1.3 HIGH END

High End customers seek cutting-edge technology in both size and performance.

1. Ideal Position (at the end of Round 0/Beginning of Round 1), performance 8.9 size 11.1– 43% of decision
2. Age, 0 years– 29% of decision
3. MTBF, 20,000-25,000– 19% of decision
4. Price (for Round 0), \$30.00-\$40.00– 9% of decision

11.1.4 PERFORMANCE

Performance customers seek high reliability and cutting edge performance technology.

1. MTBF, 22,000-27,000– 43% of decision
2. Ideal Position (at the end of Round 0/Beginning of Round 1), performance 9.4 size 16.0– 29% of decision
3. Price (for Round 0), \$25.00-\$35.00– 19% of decision
4. Age, 1 year– 9% of decision

11.1.5 SIZE

Size customers seek cutting edge size technology.

1. Ideal Position (at the end of Round 0/Beginning of Round 1), performance 4.0 size 10.6– 43% of decision
2. Age, 1.5 years– 29% of decision
3. MTBF, 16,000-21,000– 19% of decision
4. Price (for Round 0), \$25.00-\$35.00– 9% of decision

11.2 FOUNDATION BUYING CRITERIA

11.2.1 LOW TECH

Low Tech customers seek proven products, are indifferent to technological sophistication and are price motivated.

1. Price, \$15.00-\$35.00– 41% of decision
2. Age, 3 years– 29% of decision
3. Reliability (MTBF), 14,000-20,000– 21% of decision
4. Ideal Position (at the end of Round 0/Beginning of Round 1), performance 4.8 size 15.2– 9% of decision

11.2.2 HIGH TECH

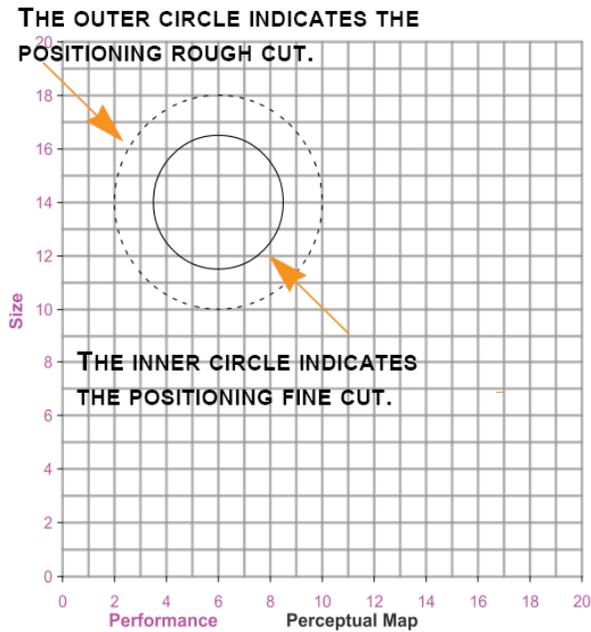
High Tech customers seek cutting-edge technology in both size and performance.

1. Ideal Position (at the end of Round 0/Beginning of Round 1), performance 7.4 size 12.6– 33% of decision
2. Age, 0 years– 29% of decision
3. Price, \$25.00-\$45.00– 25% of decision
4. Reliability (MTBF), 17,000-23,000– 13% of decision.

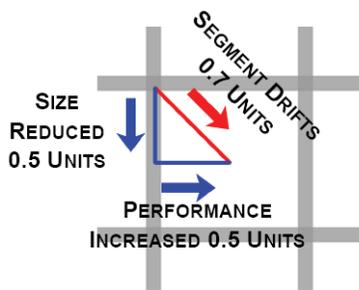
11.3 PERCEPTUAL MAP

A perceptual map is a tool used by marketers to graphically compare characteristics of competing sets of products. The Capstone and Foundation perceptual map compares sensor weight and girth, measured as size on the vertical axis, and speed of operation, measured as performance on the horizontal axis.

Each segment has its own preference for sensor size and performance, which are defined by segment circles on the map. The inner fine cut circle has a radius of 2.5 units. It represents the heart of the segment where demand is strong. In addition, each inner circle has an ideal spot, a location where demand is strongest. The larger outer rough cut circle has a radius of 4.0 units. It represents the outer fringe of the segment, where demand is weak.



Each year, customers demand smaller, better performing products. This causes the segments to move or drift across the map.



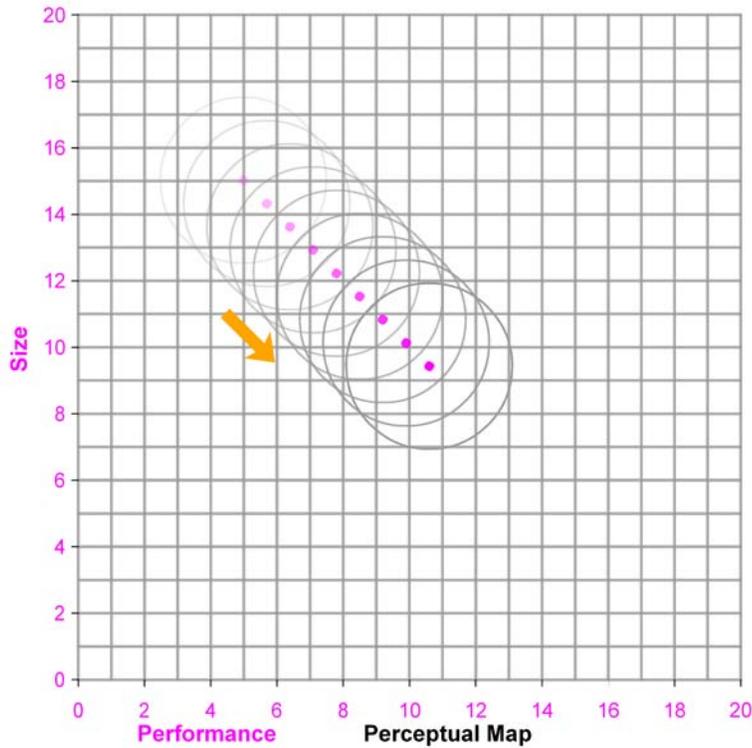
For example, in the Low End (Capstone) and Low Tech (Foundation) segments, size expectations decrease by 0.5 units and performance expectations increase by 0.5 units, moving the segment center 0.7 units across the map.

The information below illustrates the Standard scenario and no customization (Stock). See 2.3.1 Simulation Parameters and Customization on page 5.

11.4 STANDARD CAPSTONE SEGMENT AND IDEAL SPOT DRIFT WITH NO CUSTOMIZATION

11.4.1 TRADITIONAL DRIFT

Traditional Fine Cut Circles: The location at the end of Round 0 is to the upper left, the location at the end of Round 8 is to the lower right.



Drift Rate: Each year, the segment moves this distance on the Perceptual Map – the segment drifts 1/12th of this distance each month.

Pfmn	Size
+0.7	-0.7

Ideal Spot Offsets: The Ideal Spot location relative to the segment center.

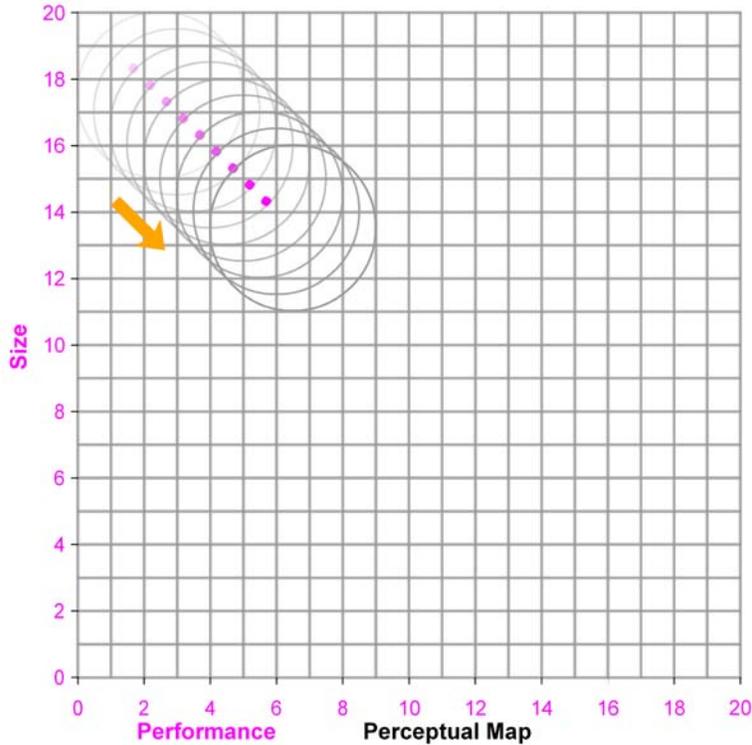
Pfmn	Size
0.0	0.0

Locations: Segment center and ideal spot locations at the end of each round.

Segment Center			Ideal Spot		
Round	Pfmn	Size	Round	Pfmn	Size
0	5.0	15.0	0	5.0	15.0
1	5.7	14.3	1	5.7	14.3
2	6.4	13.6	2	6.4	13.6
3	7.1	12.9	3	7.1	12.9
4	7.8	12.2	4	7.8	12.2
5	8.5	11.5	5	8.5	11.5
6	9.2	10.8	6	9.2	10.8
7	9.9	10.1	7	9.9	10.1
8	10.6	9.4	8	10.6	9.4

11.4.2 LOW END DRIFT

Low End Fine Cut Circles: The location at the end of Round 0 is to the upper left, the location at the end of Round 8 is to the lower right.



Drift Rate: Each year, the segment moves this distance on the Perceptual Map – the segment drifts 1/12th of this distance each month.

Pfmn	Size
+0.5	-0.5

Ideal Spot Offsets: The Ideal Spot location relative to the segment center.

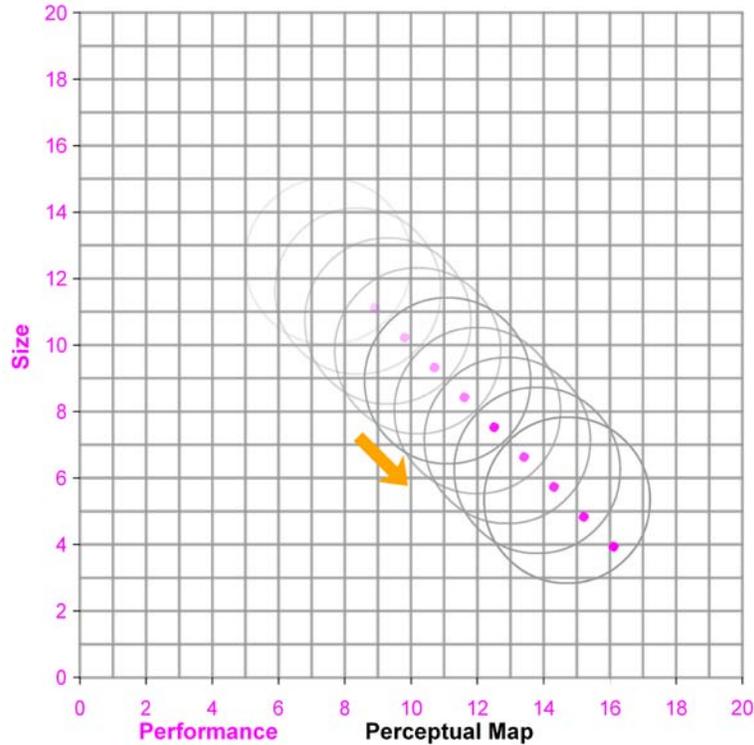
Pfmn	Size
-0.8	+0.8

Locations: Segment center and ideal spot locations at the end of each round.

Segment Center			Ideal Spot		
Round	Pfmn	Size	Round	Pfmn	Size
0	2.5	17.5	0	1.7	18.3
1	3.0	17.0	1	2.2	17.8
2	3.5	16.5	2	2.7	17.3
3	4.0	16.0	3	3.2	16.8
4	4.5	15.5	4	3.7	16.3
5	5.0	15.0	5	4.2	15.8
6	5.5	14.5	6	4.7	15.3
7	6.0	14.0	7	5.2	14.8
8	6.5	13.5	8	5.7	14.3

11.4.3 HIGH END DRIFT

High End Fine Cut Circles: The location at the end of Round 0 is to the upper left, the location at the end of Round 8 is to the lower right.



Drift Rate: Each year, the segment moves this distance on the Perceptual Map – the segment drifts 1/12th of this distance each month.

Pfmn	Size
+0.9	-0.9

Ideal Spot Offsets: The Ideal Spot location relative to the segment center.

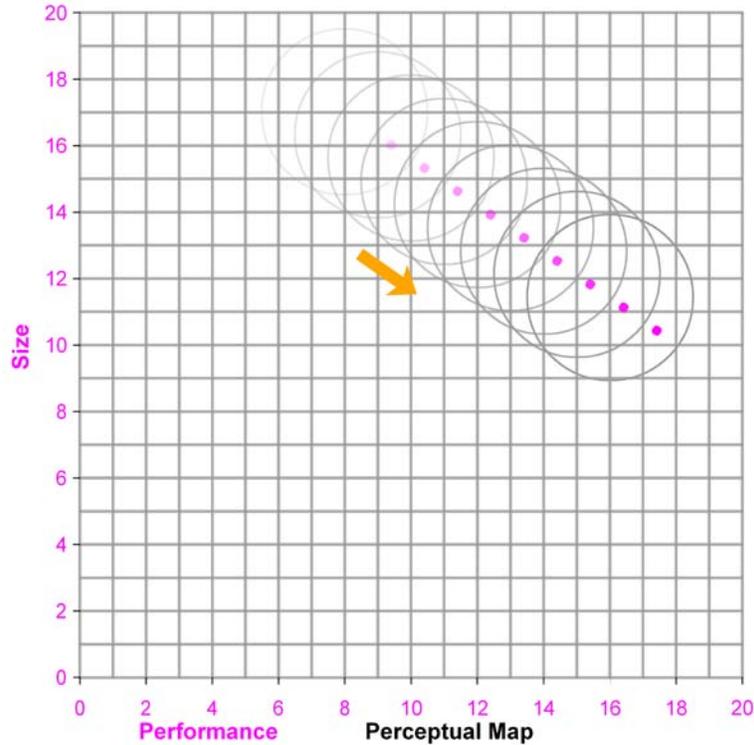
Pfmn	Size
+1.4	-1.4

Locations: Segment center and ideal spot locations at the end of each round.

Segment Center			Ideal Spot		
Round	Pfmn	Size	Round	Pfmn	Size
0	7.5	12.5	0	8.9	11.1
1	8.4	11.6	1	9.8	10.2
2	9.3	10.7	2	10.7	9.3
3	10.2	9.8	3	11.6	8.4
4	11.1	8.9	4	12.5	7.5
5	12.0	8.0	5	13.4	6.6
6	12.9	7.1	6	14.3	5.7
7	13.8	6.2	7	15.2	4.8
8	14.7	5.3	8	16.1	3.9

11.4.4 PERFORMANCE DRIFT

Performance Fine Cut Circles: The location at the end of Round 0 is to the upper left, the location at the end of Round 8 is to the lower right.



Drift Rate: Each year, the segment moves this distance on the Perceptual Map – the segment drifts 1/12th of this distance each month.

Pfmn	Size
+1.0	-0.7

Ideal Spot Offsets: The Ideal Spot location relative to the segment center.

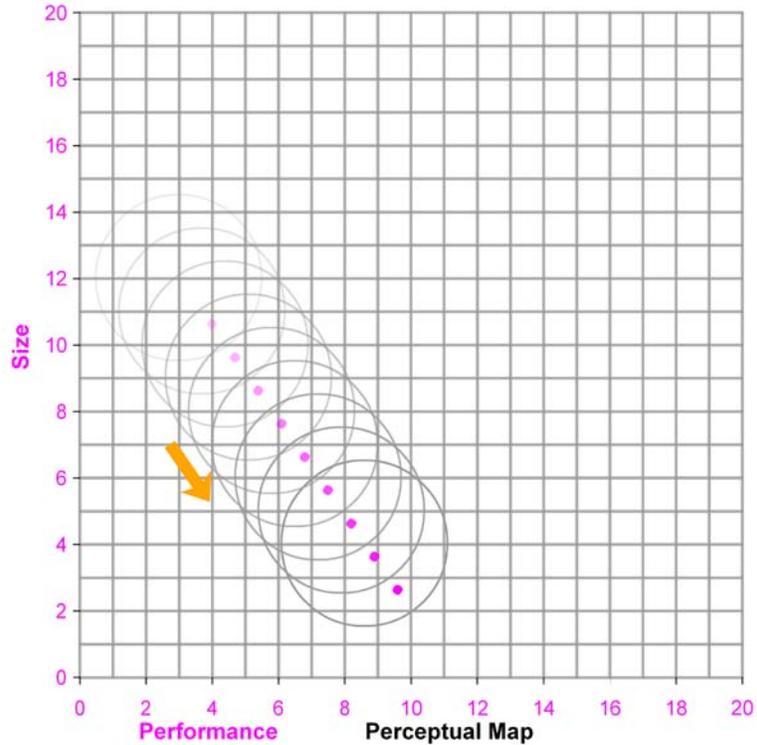
Pfmn	Size
+1.4	-1.0

Locations: Segment center and ideal spot locations at the end of each round.

Segment Center			Ideal Spot		
Round	Pfmn	Size	Round	Pfmn	Size
0	8.0	17.0	0	9.4	16.0
1	9.0	16.3	1	10.4	15.3
2	10.0	15.6	2	11.4	14.6
3	11.0	14.9	3	12.4	13.9
4	12.0	14.2	4	13.4	13.2
5	13.0	13.5	5	14.4	12.5
6	14.0	12.8	6	15.4	11.8
7	15.0	12.1	7	16.4	11.1
8	16.0	11.4	8	17.4	10.4

11.4.5 SIZE DRIFT

Size Fine Cut Circles: The location at the end of Round 0 is to the upper left, the location at the end of Round 8 is to the lower right.



Drift Rate: Each year, the segment moves this distance on the Perceptual Map – the segment drifts 1/12th of this distance each month.

Pfmn	Size
0.7	-1.0

Ideal Spot Offsets: The Ideal Spot location relative to the segment center.

Pfmn	Size
1.0	-1.4

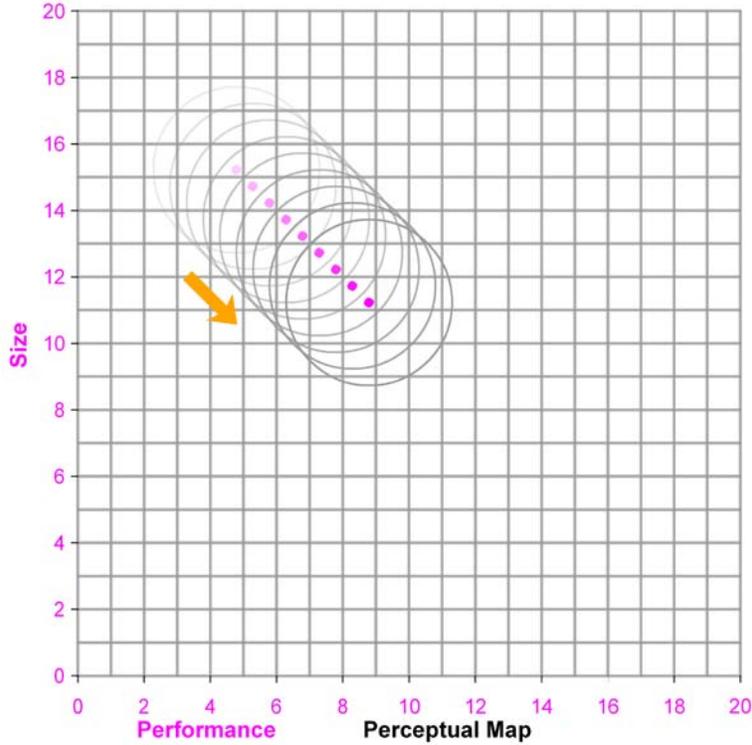
Locations: Segment center and ideal spot locations at the end of each round.

Segment Center			Ideal Spot		
Round	Pfmn	Size	Round	Pfmn	Size
0	3.0	12.0	0	4.0	10.6
1	3.7	11.0	1	4.7	9.6
2	4.4	10.0	2	5.4	8.6
3	5.1	9.0	3	6.1	7.6
4	5.8	8.0	4	6.8	6.6
5	6.5	7.0	5	7.5	5.6
6	7.2	6.0	6	8.2	4.6
7	7.9	5.0	7	8.9	3.6
8	8.6	4.0	8	9.6	2.6

11.5 STANDARD FOUNDATION SEGMENT AND IDEAL SPOT DRIFT WITH NO CUSTOMIZATION

11.5.1 LOW TECH DRIFT

Low Tech Fine Cut Circles: The location at the end of Round 0 is to the upper left, the location at the end of Round 8 is to the lower right.



Drift Rate: Each year, the segment moves this distance on the Perceptual Map – the segment drifts 1/12th of this distance each month.

Pfmn	Size
+0.5	-0.5

Ideal Spot Offsets: The Ideal Spot location relative to the segment center.

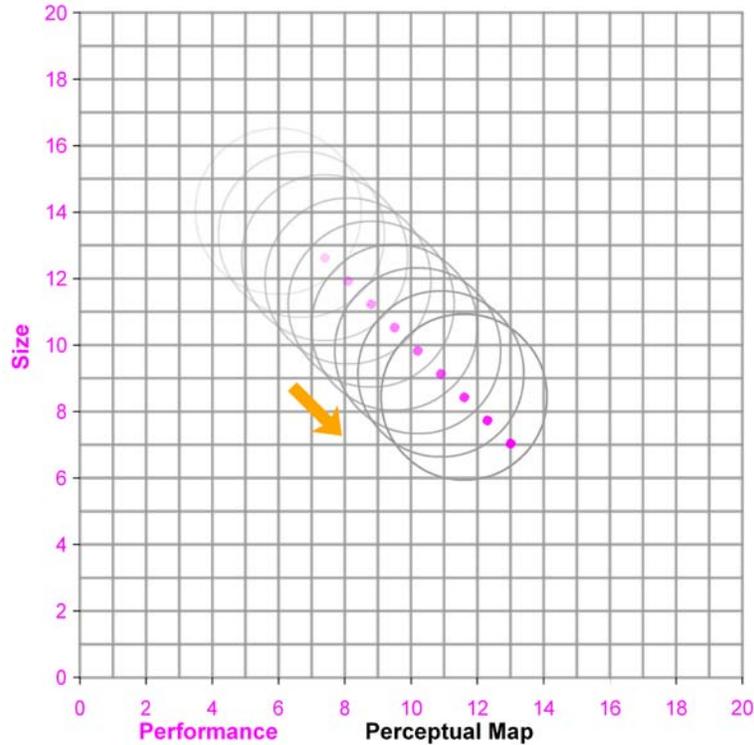
Pfmn	Size
0.0	0.0

Locations: Segment center and ideal spot locations at the end of each round.

Segment Center			Ideal Spot		
Round	Pfmn	Size	Round	Pfmn	Size
0	4.8	15.2	0	4.8	15.2
1	5.3	14.7	1	5.3	14.7
2	5.8	14.2	2	5.8	14.2
3	6.3	13.7	3	6.3	13.7
4	6.8	13.2	4	6.8	13.2
5	7.3	12.7	5	7.3	12.7
6	7.8	12.2	6	7.8	12.2
7	8.3	11.7	7	8.3	11.7
8	8.8	11.2	8	8.8	11.2

11.5.2 HIGH TECH DRIFT

High Tech Fine Cut Circles: The location at the end of Round 0 is to the upper left, the location at the end of Round 8 is to the lower right.



Drift Rate: Each year, the segment moves this distance on the Perceptual Map – the segment drifts 1/12th of this distance each month.

Pfmn	Size
0.7	-0.7

Ideal Spot Offsets: The Ideal Spot location relative to the segment center.

Pfmn	Size
1.4	-1.4

Locations: Segment center and ideal spot locations at the end of each round.

Round	Segment Center		Round	Ideal Spot	
	Pfmn	Size		Pfmn	Size
0	6.0	14.0	0	7.4	12.6
1	6.7	13.3	1	8.1	11.9
2	7.4	12.6	2	8.8	11.2
3	8.1	11.9	3	9.5	10.5
4	8.8	11.2	4	10.2	9.8
5	9.5	10.5	5	10.9	9.1
6	10.2	9.8	6	11.6	8.4
7	10.9	9.1	7	12.3	7.7
8	11.6	8.4	8	13.0	7.0

12

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS

The Capstone practice strategies include round-by-round decisions for each functional area. Participants entering these decisions will more easily understand the relationships between business strategy, tactics, functional alignment, and the Capstone simulation.

These plans are designed to work with the Standard scenario and no customization. See 2.3.1 Simulation Parameters and Customization on page 5.

In running practice rounds, instructors have two choices:

1. Allow teams to struggle through the decision process on their own, using the tutorials and other support materials available on the website and in the Guide.
2. Use the practice round business plans below.

There are pros and cons to both strategies. Participants who struggle through on their own are more likely to retain lessons learned from the practice rounds. Plus they can test alternate tactics of their own making, as opposed to the more controlled process outlined in the exercise below. On the other hand, participants who follow the practice round business plans focus more on the decision entry without the added pressure of making tactical decisions (albeit practice decisions).

If you wish to use the practice business plans, they can be printed from the Online Professor Guide.

These practice round plans are used to illustrate strategies. Participants do not need to follow them once competition rounds begin.

12.1 CAPSTONE COST LEADER WITH A PRODUCT LIFECYCLE FOCUS

This practice exercise will help you understand the relationships between business strategy, tactics, functional alignment, and the Capstone simulation. We will use the Andrews Company for this example. (During the practice rounds, each company is assigned a different strategy.)

You will execute your plan by inputting the decisions described below. At the same time, your competitors will execute their assigned plans. The practice exercise will take three rounds. As each round is processed, you will evaluate the results and then input the next round's assigned decisions.

Upon completion of the practice rounds, the simulation will be reset to the beginning. You can then create and implement your own strategic plan for the actual competition.

Executive Summary

We will adopt a Cost Leader with a Product Lifecycle Focus strategy, concentrating on the High End, Traditional, and Low End segments. We will gain a competitive advantage by keeping R&D costs, production costs, and material costs to a minimum. This will allow us to compete on the basis of price. Our "product Lifecycle" focus will enable us to reap sales for many years on each new product we introduce into the High End segment. Products will begin their lives in the High End, mature into Traditional, and finish as Low End products before they are retired and their assets sold.

Vision Statement

Reliable products for mainstream customers: Andrews' brands offer value. Our primary stakeholders are bondholders, stockholders, customers, and management.

Research and Development (R & D)

We will introduce a new High End product every two years and retire our Low End product when it becomes obsolete (falls outside the Low End segment circle). We will gradually phase-out our Performance and Size segment products (Aft and Agape). We will ultimately have a steady stream of products lined up along the High End, Traditional, and Low End segments.

Marketing

We will maintain awareness and accessibility in our targeted segments. After we establish our cost leadership position we will revisit our situation to decide whether sales and promotion budgets should be reduced or if we should keep pace with our competitors. Our prices will be lower than average for those segments. Our Performance and Size segment products (Aft and Agape) will be priced at the top of the expected range and we will discontinue advertising & sales budgets as we retire these products.

Our prices will be lower than average.

Production

We will significantly increase automation levels on products we intend to keep for more than three years (High End, Adam and Traditional, Able) and spend the money necessary to set-up highly automated plants for our new products as they are launched. We will sell off the plants for our Performance and Size segment products (Aft and Agape) over the next three years.

Finance

We will finance our investments primarily through long-term bond issues, supplementing with stock offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are not adverse to leverage, and expect to keep debt/equity (Leverage) between 2.0 and 3.0.

PRACTICE ROUND 1

Follow the decisions below. After the practice rounds are complete and the competition rounds begin, you are free to choose a different strategy; you are not obligated to continue as a Cost Leader with a Product Lifecycle Focus.

R & D Round 1

Able – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Increase Able’s performance by 0.1 and reduce MTBF by 1000 hours.

Acre – Leave positioning alone, which will allow the product to age further. Reduce reliability (MTBF) to reduce material cost. Example: Reduce Acre’s MTBF by 1000 hours.

Adam – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Reduce Adam’s size by 0.1, and reduce MTBF by 1000 hours.

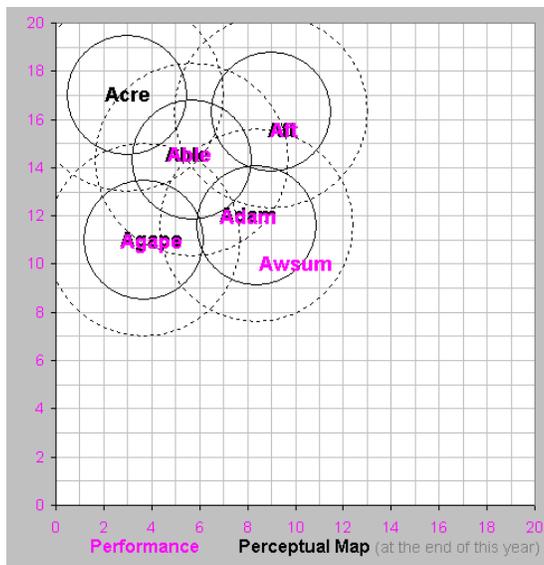
Aft – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material costs. Example: Increase Aft’s performance by 0.1 and reduce MTBF by 1000 hours.

Agape – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material costs. Example: Reduce Agape’s size by 0.1, and reduce MTBF by 1000 hours.

New Product: Launch a new High End product, with a project length less than 2 years (no later than December of next year). Example: Name: Awsum (replace the first NA in the list), positioned at the leading edge of High End segment, try a performance 10.0, a size of 10.0 and a minimum acceptable High End reliability (MTBF) of 20000.

Important: Under the rules of the simulation, the names of all new products must have the same first letter as the name of the company.

Important: With the exception of the new product, make certain that the projects complete during this year before December 31st. Under the rules, a new project can only begin on January 1st. If these projects do not complete before the end of this year, you cannot begin follow-up projects next year.



Perceptual Map from the Research & Development Spreadsheet: Product names in black indicate the product’s current location, names in magenta indicate the product’s revised position (with slight revisions, the names will overlap). Names of newly invented products appear in magenta.

Marketing Round 1

Able – Make a moderate cut in price. Maintain promotion, and sales budgets. Forecast sales higher sales over last year, driven by an improved age and price cut. Example: Price \$27.50, promotion budget \$1000, sales budget \$1000, and sales forecast 1500.

Acre – Make a moderate cut in price. Make moderate increases in promotion and sales budgets. Forecast moderate unit sales declines as competitors might introduce aggressive price cuts. Example: Price \$20.50, promotion budget \$1000, sales budget \$1000, and sales forecast 1700.

Adam – Make a moderate cut in price. Make moderate increases in promotion and sales budgets. Forecast a moderate increase in unit sales. Example: Price \$37.50, promotion budget \$1000, sales budget \$1000, sales forecast 450.

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS

Aft – Increase price, cut promo and sales budgets. Forecast a moderate decrease in unit sales. Example: Price \$34.50, promotion budget \$400, sales budget \$400, sales forecast 350.

Agape – Increase price, cut promo and sales budgets. Forecast a moderate decrease in unit sales. Example: Price \$34.50, promotion budget \$400, sales budget \$400, sales forecast 330.

Important: We will price and market Awsum during the year in which it begins production.

Production Round 1

Production schedules will plan for eight weeks of inventory. That is, have enough inventory on hand to meet demand eight weeks beyond the sales forecast. This requires a 15% inventory cushion ($8/52 = 0.15$). For example, suppose Marketing forecasts demand at 1000, and you have 100 units in inventory. You want $1000 \times 115\% = 1150$ available for sale. Since you have 100 on hand, you would schedule 1050 for production.

If you cannot meet demand, sales go to competitors. Therefore, you want to plan for the upside as well as the downside. Your proforma balance sheet will forecast about eight weeks of inventory. You hope that your actual sales will fall between your sales forecast and the number of units available for sale.

For each product, schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand.

Able – Increase automation level by 1.0 or 2.0 units.

Acre – Make no changes in plant capacity or automation.

Adam – Increase automation level by 2.0 or 3.0 units.

Aft – Sell 250,000 units of capacity by entering -250 in the Buy Sell Capacity cell.

Agape – Sell 250,000 units of capacity by entering -250 in the Buy Sell Capacity cell.

For your new product, do not buy capacity this year. Wait until next year.

Important: Your plant improvements might exceed the Max Invest allowed for the current round (Total Investment will be red). If this is the case, decrease your purchases until your Total Investment is less than or equal to the Max Invest.

Important: There is a one year lag between purchase and use of new capacity and automation for both new and existing products.

Finance Round 1

Your fiscal policies should maintain adequate working capital reserves to avoid a liquidity crisis. Working capital can be thought of as the money that you need to operate day-to-day. In Capstone working capital is current assets (cash + accounts receivable + inventory) - current liabilities (accounts payable + current debt). If you run out of cash because your sales are unexpectedly weak, an Emergency Loan will be issued.

Here are some guidelines to help you avoid an Emergency Loan. Your proforma balance sheet predicts your financial condition at the end of this year. Make conservative sales forecasts. Do not rely on the benchmark prediction. Override it with a forecast of your own. If you are conservative, it is unlikely that your worst expectations will be exceeded. Next, build additional inventory beyond your conservative expectations. This forces your proforma balance sheet to predict a future where your sales forecast comes true and you are left with inventory. (If you sell the inventory, that's wonderful.) On the Finance spreadsheet, issue stock, bonds or current debt until the December 31 Cash Position for the upcoming year equals at least five percent of your assets, as displayed on the proforma balance sheet. This creates an additional reserve for those times when your worst expectations are exceeded and disaster strikes.

As you gain experience with managing your working capital, you will observe that the guidelines above make you somewhat "liquid," and you may wish to tighten your policy by reducing cash and inventory projections. That is fine. The better your marketing forecasts, the less working capital you will require.

Match your plant investment with a long-term bond. If you do not have sufficient new bond debt capacity, issue stock to cover the shortfall.

Pay a dividend between \$0.50 and \$1.00.

Do not issue current debt.

Save decisions by selecting "Update Official Decisions."

PRACTICE ROUND 2

R & D ROUND 2

Able – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Decrease Able’s size by 0.1 and reduce MTBF by 1000 hours. Do not reduce MTBF below 14000 hours, because that is the lower limit of acceptable reliability (MTBF) for Traditional customers. Note that Able is approaching the Low End segment.

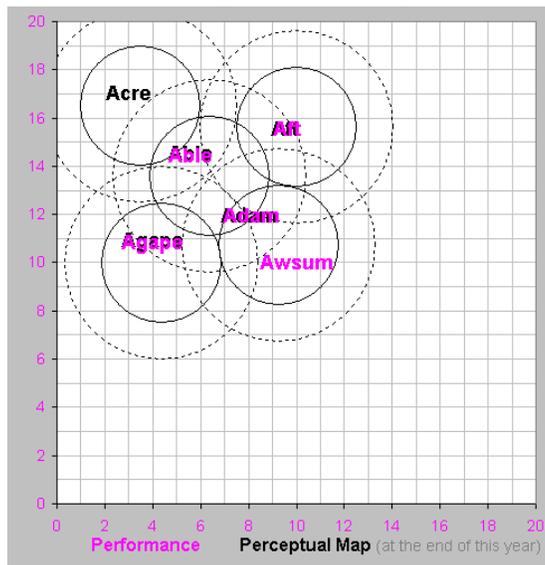
Acre – Leave positioning alone, allowing the product to age further. Reduce reliability (MTBF) to reduce material cost. Example: Reduce Acre’s MTBF by 500 hours. Do not reduce MTBF below 12000 hours, because that is the lower limit of acceptable reliability (MTBF) for Low End customers. Note that Acre will leave the Low End within two years.

Adam – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Increase Adam’s performance by 0.1 and reduce MTBF by 1000 hours. Do not reduce MTBF below 20000 hours, because that is the lower limit for MTBF in the High End segment.

Aft – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material costs. Example: Increase Aft’s performance by 0.1, and reduce MTBF by 1000 hours. Do not reduce MTBF below 22000 hours, because that is the lower limit for reliability (MTBF) in the Performance segment.

Agape – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material costs. Example: Reduce Agape’s size by 0.1, and reduce MTBF by 1000 hours. Do not reduce MTBF below 16000 hours because that is the lower limit for reliability (MTBF) in the Size segment.

New Product – Note that the new product’s row is yellow instead of green, and that you cannot change these cells. This is because your product will not emerge from R&D until its current project completes. Under the rules of the simulation, new R&D projects cannot begin until the old one completes.



Important: Plan R&D projects so that they complete before January 1st. For example, a 14– month project would complete in February of the following year. Because you can only begin a project on January 1st, you would give up the opportunity to do a follow-up project during the second year. Try to keep your projects less than 1 year in length, or just under 2 years.

Marketing Round 2

Able – Offer a price cut. Hold promotion and sales budgets near current levels. Forecast sales near average. Example: Price \$25.00, promotion budget \$1000, sales budget \$1000, and sales forecast 1400.

Acre – Slightly increase price, decrease promotion budget, and hold sales budget steady. Forecast average unit sales. Example: Price \$21.50, promotion budget \$900, sales budget \$1000, and sales forecast 1700.

Adam – Make moderate cuts in price, hold promotion and sales budgets steady. Forecast unit sales near last year’s level. Example: Price \$36.50, promotion budget \$1000, sales budget \$1000, sales forecast 450.

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS

Aft – Slightly decrease price, cut promo and sales budgets. Forecast a moderate decrease in unit sales. Example: Price \$34.00, promotion budget \$200, sales budget \$200, sales forecast 200.

Agape – Slightly decrease price, cut promo and sales budgets. Forecast a moderate decrease in unit sales. Example: Price \$34.00, promotion budget \$200, sales budget \$200, sales forecast 200.

New Product – Marketing decisions for the new High End product are not necessary because there is no production capacity with which to build the product. This is not an issue because the product would not emerge from R&D until very late in Round 2. Ignore price, promotion and sales budget decisions for your new product.

Production Round 2

For each product, schedule production using the formula:

$(\text{Unit Sales Forecast} \times 1.15) - \text{Inventory On Hand}$

Able – Increase automation level by 1.0.

Acre – No change.

Adam – Increase automation level by 1.0 or 3.0 points, not to exceed an automation level of 8.0.

Aft – Sell 150,000 units of capacity by entering -150 in the Buy Sell Capacity cell.

Agape – Sell 150,000 units of capacity by entering -150 in the Buy Sell Capacity cell.

New Product – Buy 500,000 units of capacity by entering 500 in the Buy Sell Capacity cell. Set an automation level of 7.0.

Important: Your plant improvements may exceed the Max Invest allowed for the current round (Total Investment will be red and crossed out). If this is the case, decrease the changes accordingly until your Total Investment is less than or equal to the Max Invest.

Finance Round 2

Match your plant investment with a long-term bond. If you do not have sufficient new bond debt capacity, issue stock to cover the shortfall.

Look at the proforma balance sheet, and add together your cash and inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in cash and inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory.

Adjust your cash position to meet the guideline from Round 1. If you are cash poor, issue stock. If you are cash rich, pay dividends and buy back stock.

Do not issue current debt.

Save decisions by selecting “Update Official Decisions.”

PRACTICE ROUND 3

R & D Round 3

Able – No change to positioning. Set MTBF to 14000 hours (the bottom of the Traditional range.) Note that Able is about to become a Low End product.

Acre – Leave positioning alone, allowing the product to age further. Set MTBF to 12000 hours, the bottom of the Low End range.

Adam – Note that Adam is now in the Traditional segment. Traditional customers want an ideal age of 2.0 years. If necessary, tweak positioning to reduce age so that sometime during the year Adam will be 2.0 years old. It may not require a positioning tweak. Reduce reliability (MTBF) to 20000, the bottom of the High End range.

Aft – No change required.

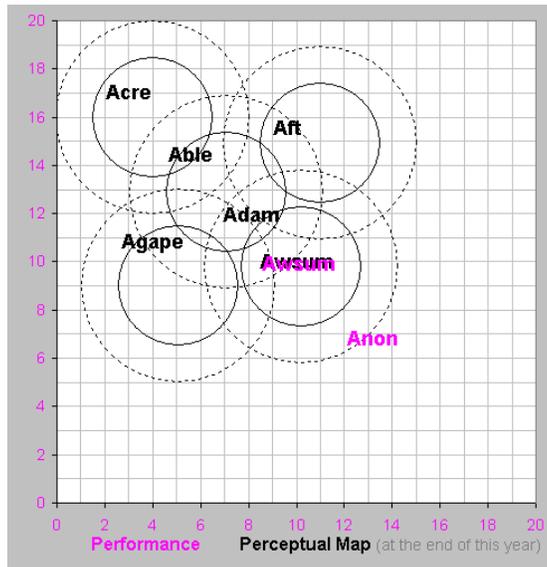
Agape – No change required.

New Product – Note that your product’s row in the table is green, indicating that it emerged from R&D late year. Tweak the positioning to keep the age low. Example: Increase performance by 0.1 and decrease size by 0.1.

Second New Product – Design a second new product ahead of the High End segment. Drive the project so that the product will emerge in just under 2 years. Example: Name: Anon (replace first available NA in the list). Make Performance at 13.0, Size at 6.8, and reliability (MTBF) at 21000.

Important: Under the rules of the simulation, the names of all new products must have the same first letter as the name of the company.

12.1 CAPSTONE COST LEADER WITH A PRODUCT LIFECYCLE FOCUS



Marketing Round 3

Able – Offer a price cut. Hold promotion and sales budgets near current levels. Expect Able to sell to both Traditional and Low End customers, but since Able does not offer a good product to either segment, plan on lower sales. Example: Price \$22.00, promotion budget \$1000, sales budget \$1000, and sales forecast 1000.

Acre – Decrease price, hold promotion budget and decrease sales budget. Forecast moderate sales growth unit sales. Example: Price \$20.00, promotion budget \$900, sales budget \$900, and sales forecast 1800.

Adam – Cut price, hold promotion and sales budgets steady. Price Adam within the Traditional and High End segments. Example: Price \$28.00, promotion budget at \$1000, sales budget at \$1000. Because Adam is transitioning between the High End and Traditional segments, do not expect Adam to have strong appeal to either segment. Set the sales forecast at 900.

Aft – Hold price, eliminate promo and sales budgets. Forecast that you will sell any remaining inventory from last year. Example: Price \$34.00, promotion budget \$0, sales budget \$0, set sales forecast at current inventory (check Production page). If inventory is 0, input 1 in the sales forecast. You are doing this because the Production of Aft is going to be eliminated.

Agape – Slightly decrease price, eliminate promo and sales budgets. Forecast that you will sell any remaining inventory from last year. Example: Price \$33.00, promotion budget \$0, sales budget \$0, set sales forecast at current inventory (check Production page). If inventory is 0, input 1 in the sales forecast. You are doing this because the Production of Aft is going to be eliminated.

New Product – Price high, promote strongly. Forecast average High End sales. Example: Price \$38.50, promotion budget \$1800, sales budget \$1200, and sales forecast 500.

Second New Product – No change required.

Production Round 3

For each product (except Aft and Agape), schedule production using the formula:

$(\text{Unit Sales Forecast} \times 1.15) - \text{Inventory On Hand}$

Important: As your new product is coming out sometime during the year, you might not be able to use the above formula – new products cannot begin production prior to their revision (release) date. Should the number you enter into the production schedule turn red, reduce the schedule until the red number turns black.

Able – Increase automation level by 1.0 or 2.0 points, not exceed the maximum level of 10.0.

Acre – No change.

Adam – Increase automation level by 1.0 or 3.0 points, not to exceed an automation of 8.0.

Aft – Sell the remaining capacity. Keep 1 unit of capacity if you have any remaining inventory on hand, otherwise sell all capacity. One unit of capacity keeps the product in the sales channel, allowing you to sell the remaining inventory.

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS

Agape – Sell the remaining capacity. Keep 1 unit of capacity if you have any remaining inventory on hand, otherwise sell all capacity. One unit of capacity keeps the product in the sales channel, allowing you to sell the remaining inventory.

New Product – No change.

Second New Product – Postpone buying additional capacity until next round.

Important: Your plant improvements might exceed the Max Invest allowed for the current round (Total Investment will be red). If this is the case, decrease your purchases until your Total Investment is less than or equal to the Max Invest.

Finance Round 3

Adjust your cash position to meet the guideline from Round 1. Do not retire long-term debt. Use excess cash to buy back stock and pay dividends and issue stock if you are short on cash.

Save decisions by selecting “Update Official Decisions.”

SUMMARY CONSIDERATIONS

Your instructor might want you to play another practice round. If so, continue the Product Lifecycle Cost Leader vision.

Having executed the plan for two or three rounds, you are now in a position to analyze it. Consider the following questions:

What are this plan’s strengths? Weaknesses?

How will competitors respond to your actions?

How can you influence competitors to avoid competing with you directly?

Which performance measures support this plan?

What is the long range potential of this plan? Its future sales volume? Its future profitability?

How can you best coordinate this plan as a team?

12.2 CAPSTONE DIFFERENTIATION STRATEGY WITH A PRODUCT LIFECYCLE FOCUS

This practice exercise will help you understand the relationships between business strategy, tactics, functional alignment, and the Capstone simulation. We will use the Baldwin Company for this example. (During the practice rounds, each company is assigned a different strategy.)

You will execute your plan by inputting the decisions described below. At the same time, your competitors will execute their assigned plans. The practice exercise will take three rounds. As each round is processed, you will evaluate the results and then input the next round's assigned decisions.

Upon completion of the practice rounds, the simulation will be reset to the beginning. You can then create and implement your own strategic plan for the actual competition.

Executive Summary

We will adopt a Differentiation Strategy with a Product Lifecycle Focus, concentrating on the High End, Traditional, and Low End segments. We will gain a competitive advantage by distinguishing our products with an excellent design, high awareness, easy accessibility, and new products. We will develop an R&D competency that keeps our designs fresh and exciting. Our products will keep pace with the market, offering improved size and performance. We will price above average. We will expand capacity as we generate higher demand.

Vision Statement

Premium products for mainstream customers: Baldwin brands withstand the tests of time. Our primary stakeholders are customers, stockholders, management, and employees.

Research And Development (R & D)

We will reposition our Size and Performance segment products (Buddy and Bold) to the Traditional segment. We will allow our present Traditional segment product to become a Low End segment product as the segments drift. We will eventually introduce a new product to the High segment and will ultimately have at least two products each in the High, Traditional, and Low End segments. Our goal is to offer customers products that match their ideal criteria for positioning, age, and reliability.

Marketing

We will spend aggressively in promotion and sales in our targeted segments (High, Traditional, and Low). We want every customer to know about our superb designs, and we want to make our products easy for customers to find. We will price at a premium.

Production

We will grow capacity to meet the demand that we generate, avoiding a second shift when possible. After our products are well positioned, we will investigate moderate increases in automation levels to improve margins, but never at the expense of our ability to reposition products and keep up with segments as they move across the perceptual map (higher automation levels increase the time required for R&D projects to complete).

Finance

We will finance our investments primarily through stock issues and retained earnings, supplementing with bond offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are somewhat adverse to debt, and prefer to avoid interest payments. We expect to keep assets/equity (Leverage) between 1.5 and 2.0.

PRACTICE ROUND 1

Follow the decisions below. After the practice rounds are complete and the competition rounds begin, you are free to choose a different strategy; you are not obligated to continue as a Product Lifecycle Differentiator.

R & D Round 1

Baker – Tweak positioning to reduce age. Leave reliability (MTBF) unchanged. Example: Increase Baker's size by 0.1. Baker will eventually become a Low End product.

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS

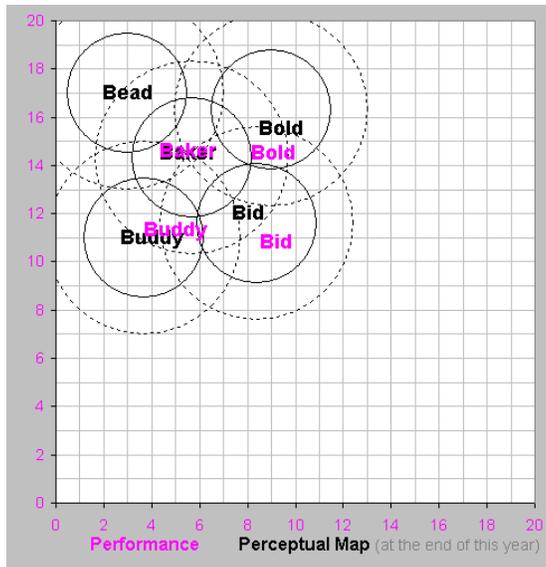
Bead – No changes. The customer wants an older product that trails the segment.

Bid – Improve positioning and reduce age. Leave reliability (MTBF) unchanged. Example: Increase Bid's performance by 1.2 and reduce size by 1.2.

Bold – Begin migration towards Traditional segment. Leave reliability (MTBF) unchanged. Example: Reduce Bold's performance by 0.3 and reduce size by 1.0.

Buddy – Begin migration to Traditional segment. Leave reliability (MTBF) unchanged. Example: Increase Buddy's performance by 1.0 and increase size by 0.3.

Important: Make certain that the projects complete during this year before December 31st. Under the rules, a new project can only begin on January 1st. If these projects do not complete before the end of this year, you cannot begin follow-up projects next year.



Perceptual Map from the Research & Development Spreadsheet: Product names in black indicate the product's current location, names in magenta indicate the product's revised position (with slight revisions, the names will overlap). Names of newly invented products appear in magenta.

Marketing Round 1

Baker – Significantly increase promotion and sales budgets. Implement a moderate price increase. Forecast improved unit sales, driven by an improved design and marketing expenditures. Example: Price \$28.50, promotion budget \$1500, sales budget \$1800, and sales forecast 1700.

Bead – Increase price, increase promotion and sales budgets. Forecast improved unit sales. Example: Price \$22.00, promotion budget \$1500, sales budget \$1800, and sales forecast 1800.

Bid – Increase price, increase promotion and sales budget. Forecast unit sales near last year's level. Example: Price \$39.50, promotion budget \$1500, sales budget \$1500, sales forecast 400.

Bold – Increase price, increase promotion budget, but decrease sales budget. The sales budget drives distribution systems in the Performance Segment, and we are leaving the segment. Forecast unit sales near last year's level. Example: Price \$34.50, promotion budget \$1500, sales budget \$300, sales forecast 400.

Buddy – Increase price, increase promotion budget, but decrease sales budget. Forecast unit sales near last year's level. Example: Price \$34.50, promotion budget \$1500, sales budget \$300, sales forecast 370.

Production Round 1

Production schedules will plan for eight weeks of inventory. That is, have enough inventory on hand to meet demand eight weeks beyond the sales forecast. This requires a 15% inventory cushion ($8/52 = 0.15$). For example, suppose Marketing forecasts demand at 1000, and you have 100 units in inventory. You want $1000 \times 115\% = 1150$ available for sale. Since you have 100 on hand, you would schedule 1050 for production.

12.2 CAPSTONE DIFFERENTIATION STRATEGY WITH A PRODUCT LIFECYCLE FOCUS

If you cannot meet demand, sales go to competitors. Therefore, you want to plan for the upside as well as the downside. Your proforma balance sheet will forecast about eight weeks of inventory. You hope that your actual sales will fall between your sales forecast and the number of units available for sale.

For each product, schedule production using the formula:

$(\text{Unit Sales Forecast} \times 1.15) - \text{Inventory On Hand}$.

Make no improvements to capacity or automation at this time.

Finance Round 1

Your fiscal policies should maintain adequate working capital reserves to avoid a liquidity crisis. Working capital can be thought of as the money that you need to operate day-to-day. In Capstone working capital is current assets (cash + accounts receivable + inventory) - current liabilities (accounts payable + current debt). If you run out of cash because your sales are unexpectedly weak, an Emergency Loan will be issued.

Here are some guidelines to help you avoid an Emergency Loan. Your proforma balance sheet predicts your financial condition at the end of this year. Make conservative sales forecasts. Do not rely on the benchmark prediction. Override it with a forecast of your own. If you are conservative, it is unlikely that your worst expectations will be exceeded. Next, build additional inventory beyond your conservative expectations. This forces your proforma balance sheet to predict a future where your sales forecast comes true and you are left with inventory. (If you sell the inventory, that's wonderful.) On the Finance spreadsheet, issue stock, bonds or current debt until the December 31 Cash Position for the upcoming year equals at least five percent of your assets, as displayed on the proforma balance sheet. This creates an additional reserve for those times when your worst expectations are exceeded and disaster strikes.

As you gain experience with managing your working capital, you will observe that the guidelines above make you somewhat "liquid," and you may wish to tighten your policy by reducing cash and inventory projections. That is fine. The better your marketing forecasts, the less working capital you will require.

Pay a dividend between \$0.50 and \$1.00.

Do not issue current debt. If you are short of cash issue stock.

Save decisions by selecting "Update Official Decisions."

PRACTICE ROUND 2

R & D Round 2

Baker – Tweak positioning to reduce age. Example: Increase Baker's Size by 0.1. Baker will soon become a Low End product, but it remains primarily a Traditional product for this year.

Bead – No changes. The customer wants an older product that trails the segment.

Bid – Improve positioning and reduce age. Leave reliability (MTBF) unchanged. Example: Increase Bid's performance by 1.1 and reduce size by 1.1.

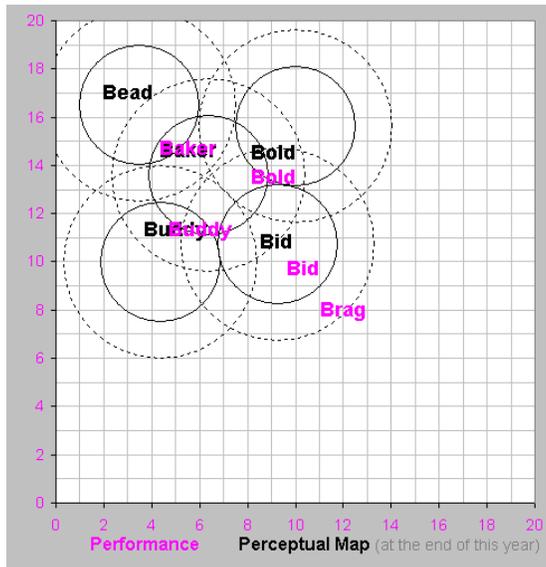
Bold – Continue migration towards Traditional segment. Target Bold for the leading point where the Performance and Traditional circles intersect. Reduce reliability (MTBF) to the bottom of the Performance customer's acceptable range. Example: Reduce Bold's size by 1.0 and reduce MTBF by 2000 hours.

Buddy – Continue migration to Traditional segment. Target Buddy for the leading point where the Size and Traditional circles intersect. Reduce reliability (MTBF) to the bottom of the Size customer's acceptable range. Example: Increase Buddy's performance by 1.0, and decrease MTBF by 2000 hours.

New Product: Launch a new High End product, with a project length of 20 to 23 months (no later than December of next year.) Example: Name: Brag (replace the first NA in the list), positioned at the leading edge of High End segment, try a performance 12.0, a size of 8.0 and a minimum acceptable High End reliability (MTBF) of 23000.

Important: Under the rules of the simulation, the names of all new products must have the same first letter as the name of the company.

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS



Marketing Round 2

Baker – Increase promotion and sales budgets. Hold price. Forecast unit sales near last year’s level. Example: Price \$28.50, promotion budget \$2000, sales budget \$2200, and sales forecast 1500.

Bead – Hold price, increase promotion and sales budget. Forecast moderate unit sales growth from last year. Example: Price \$22.00, promotion budget \$2000, sales budget \$2200, and sales forecast 1700.

Bid – Slightly decrease price, increase promotion and sales budget. Forecast slightly improved unit sales. Example: Price \$39.00, promotion budget \$2000, sales budget \$2000, sales forecast 450.

Bold – Slightly decrease price, increase promotion budget, and hold sales budget steady. Forecast unit sales near last year’s level. Example: Price \$34.00, promotion budget \$1800, sales budget \$300, sales forecast 350.

Buddy – Slightly decrease price, increase promotion budget, and hold sales budget steady. Forecast unit sales near last year’s level. Example: Price \$34.00, promotion budget \$1800, sales budget \$300, sales forecast 320.

Production Round 2

Continue to use the Production rule of thumb – plan for three months of inventory.

For each product, schedule production using the formula:

$$(\text{Unit Sales Forecast} \times 1.15) - \text{Inventory On Hand}$$

Make no improvements to capacity or automation at this time for existing products.

Increase capacity for Bold and Buddy by entering 100 in each products Buy/Sell Capacity cell.

For your new product, buy 600,000 units of capacity by entering 600 in the Buy Sell Capacity cell. Set an automation level of 4.0.

Important: There is a one year lag between purchase and use of new capacity and automation for both new and existing products.

Finance Round 2

Match your plant investment with a stock issue. If you cannot raise adequate capital to match the investment, issue bonds to cover the shortfall.

Look at the proforma balance sheet, and add together your cash and inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in cash plus inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory.

Do not issue current debt.

Save decisions by selecting “Update Official Decisions.”

PRACTICE ROUND 3

R & D Round 3

Baker – Do not change positioning age. Set reliability (MTBF) to the middle of the Low End customer's expectations. Baker will now become a Low End product. Example: change reliability (MTBF) to 15000.

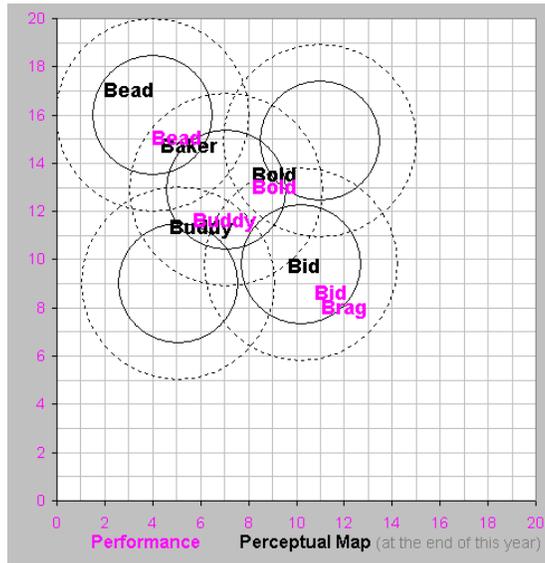
Bead – Reposition Bead to the current leading edge of the Low End segment. This will take 1.5 to 2.0 years, and it will sacrifice both positioning and age. It is necessary, however, to keep Bead within the Low End segment in the long run. Example: Increase performance by 2.0 and reduce size by 2.0.

Bid – Improve positioning and reduce age. Leave reliability (MTBF) unchanged. Example: Increase Bid's performance by 1.1 and reduce size by 1.1.

Bold – Enter the Traditional segment. Reduce reliability (MTBF) to the middle of the Traditional customer's acceptable range. Example: Reduce Bold's size by 0.5, and reduce MTBF by 5000 hours.

Buddy – Enter the Traditional segment. Leave reliability (MTBF) in the middle of the Traditional customer's acceptable range. Example: Increase Buddy's performance by 1.0 and increase size by 0.3.

New Product – Note that the new product's row is yellow instead of green, and that you cannot change these cells. This is because your product will not emerge from R&D until its current project completes. Under the rules of the simulation, new R&D projects cannot begin until the old one completes.



Marketing Round 3

Baker – Hold promotion and sales budgets. Drop price below \$23.50, the top of the Low End price range. Baker is transitioning between the Low End and Traditional segments, slightly reduce sales forecast. Example: Price \$23.00, promotion budget \$2000, sales budget \$2200, and sales forecast 1500.

Bead – Hold price, promotion and sales budgets. Forecast moderate unit sales growth from last year. Example: Price \$22.00, promotion budget \$2000, sales budget \$2200, and sales forecast 2000.

Bid – Slightly decrease price, promotion and sales budgets. Forecast improved unit sales. Example: Price \$38.50, promotion budget \$2000, sales budget \$2000, sales forecast 600.

Bold – Drop price below \$28.50, the top of the Traditional range. Hold promotion budget, and increase sales budget significantly to pump up the Traditional distribution channels. Forecast a major increase in unit sales from last year. Example: Price \$28.00, promotion budget \$1800, sales budget \$1800, sales forecast 1100.

Buddy – Drop price below \$28.50. Hold promotion budget and increase sales budget. Forecast a major increase in unit sales from last year. Example: Price \$28.00, promotion budget \$1800, sales budget \$1800, sales forecast 1200.

New Product – Price at the top of the High End segment. Enter promotion and sales budgets comparable to existing products. Example: Price \$38.50, promotion budget \$1800, sales budget \$1800, sales forecast 450.

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS

Important: New products begin production the day they emerge from R&D (Revision Date). Therefore, they cannot produce up to twice their first shift capacity in the year they are introduced. Therefore, no forecast is necessary. Production should plan to build as many units as it can produce. To calculate this, use the following formula: $\{[(\text{First Shift Capacity of the Newly Introduced Product} * 2) / 365] * \text{Number of Days Product is Available for Sale}\}$. To find the Number of days product is available for sale, calculate the number of days between the new product's revision date and December 31st of the current year.

PRODUCTION ROUND 3

Continue to use the Production rule of thumb – plan for three months of inventory.

For each existing product, schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand

Important: As your new product is coming out sometime during the year, you might not be able to use the above formula – new products cannot begin production prior to their revision (release) date. Should the number you enter into the production schedule turn red, reduce the schedule until the red number turns black.

Increase capacity on Bold and Buddy. For example, buy 400,000 units of capacity for each by entering 400 in the Buy Sell Capacity cell.

Finance Round 3

Match your Total Investment by issuing long-term debt.

Look at the proforma balance sheet, and add together your Cash and Inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in Cash plus Inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory.

Do not issue current debt.

Save decisions by selecting “Update Official Decisions.”

SUMMARY CONSIDERATIONS

Your instructor might want you to play another practice round. If so, continue the Product Lifecycle Differentiation vision.

Having executed the plan for two or three rounds, you are now in a position to analyze it. Consider the following questions:

What are this plan's strengths? Weaknesses?

How will competitors respond to your actions?

How can you influence competitors to avoid competing with you directly?

Which performance measures support this plan?

What is the long range potential of this plan? Its future sales volume? Its future profitability?

How can you best coordinate this plan as a team?

12.3 CAPSTONE BROAD COST LEADER

This practice exercise will help you understand the relationships between business strategy, tactics, functional alignment, and the Capstone simulation. We will use the Chester Company for this example. (During the practice rounds, each company is assigned a different strategy.)

You will execute your plan by inputting the decisions described below. At the same time, your competitors will execute their assigned plans. The practice exercise will take three rounds. As each round is processed, you will evaluate the results and then input the next round's assigned decisions.

Upon completion of the practice rounds, the simulation will be reset to the beginning. You can then create and implement your own strategic plan for the actual competition.

Executive Summary

We will adopt a Broad Cost Leader strategy, maintaining a presence in every segment. We will gain a competitive advantage by keeping R&D costs, production costs, and raw material costs to a minimum, enabling us to compete on the basis of price. Our Cost Leader orientation will allow us to gain a competitive advantage based upon low prices. Our products will keep pace with the market, offering improved size and performance. We will price below average. We will increase automation levels to improve our margins and to make it acceptable to run a second shift.

Vision Statement

Low priced products for the industry: Chester brands offer solid value. Our primary stakeholders are bondholders, customers, stockholders and management.

Research And Development (R & D)

We will keep our existing product line, maintain a presence in every segment, and work to keep our products up to date in each segment despite high automation levels.

Marketing

We will maintain awareness and accessibility. After we establish our cost leadership position we will revisit our situation to decide whether sales and promotion budgets should be reduced or if we should keep pace with our competitors. Our prices will be lower than average.

Production

We will significantly increase automation levels on all products. However, because automation sets limits upon our ability to reposition products with R&D, we will automate more in the slower moving Traditional and Low End segments than in the fast moving High End, Performance, and Size segments. We will prefer a second shift to capacity expansions.

Finance

We will finance our investments primarily through long-term bond issues, supplementing with stock offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are not adverse to leverage, and expect to keep debt/equity between 2.0 and 3.0.

PRACTICE ROUND 1

Follow the decisions below. After the practice rounds are complete and the competition rounds begin, you are free to choose a different strategy; you are not obligated to continue as a Broad Cost Leader.

R & D Round 1

Cake – Improve positioning and reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Increase Cake's performance by 0.5, reduce size by 0.5 and reduce MTBF by 1000 hours.

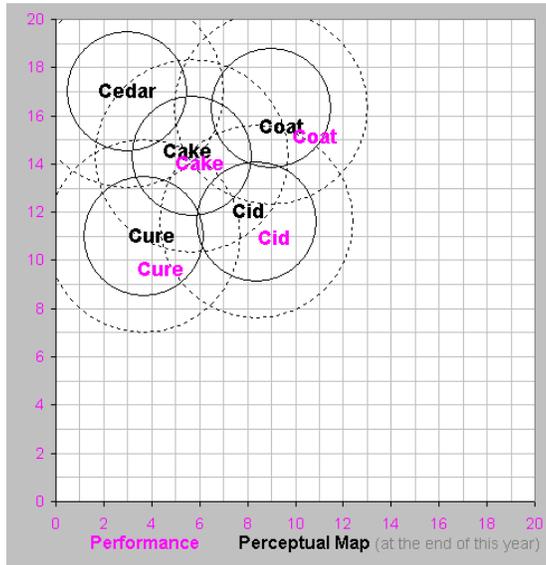
Cedar – Leave positioning alone, allowing the product to age further. Reduce reliability (MTBF) to reduce material cost. Example: reduce Cedar's MTBF by 1000 hours.

Cid – Improve positioning and reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Increase Cid's performance by 1.1, reduce size by 1.1 and reduce MTBF by 1000 hours.

Coat – Improve positioning and reduce age. Reduce reliability (MTBF) to reduce material costs. Example: Increase Coat's performance by 1.4, reduce size by 0.4, and reduce MTBF by 1000 hours.

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS

Cure – Improve positioning and reduce age. Reduce reliability (MTBF) to reduce material costs. Example: Increase Cure’s performance by 0.4, reduce size by 1.4, and reduce MTBF by 1000 hours.



Perceptual Map from the Research & Development Spreadsheet: Product names in black indicate the product’s current location, names in magenta indicate the product’s revised position (with slight revisions, the names will overlap). Names of newly invented products appear in magenta.

Important: Make certain that the projects complete during this year before December 31st. Under the rules, a new project can only begin on January 1st. If these projects do not complete before the end of this year, you cannot begin follow-up projects next year.

Marketing Round 1

Cake – Make a moderate cut in price, maintain promotion and sales budgets. Forecast sales as a moderate reduction from last year, because our product will not be revised until late this year. Example: Price \$27.00, promotion budget \$1000, sales budget \$1000, and sales forecast 950.

Cedar – Make a moderate cut in price. Make moderate increases in promotion and sales budgets. Forecast unit sales near last year’s level. Example: Price \$19.50, promotion budget \$1000, sales budget \$1000, and sales forecast 1900.

Cid – Make a moderate cut in price. Make moderate increases in promotion and sales budgets. Forecast decreased unit sales. Example: Price \$37.00, promotion budget \$1000, sales budget \$1000, sales forecast 400.

Coat – Make a moderate increase in price. Make moderate increases in promotion and sales budgets. Forecast unit sales near last year’s level. Example: Price \$34.00, promotion budget \$800, sales budget \$800, sales forecast 400.

Cure – Make a moderate increase in price. Make moderate increases in promotion and sales budgets. Forecast unit sales near last year’s level. Example: Price \$34.50, promotion budget \$800, sales budget \$800, sales forecast 350.

Production Round 1

Production schedules will plan for eight weeks of inventory. That is, have enough inventory on hand to meet demand eight weeks beyond the sales forecast. This requires a 15% inventory cushion ($8/52 = 0.15$). For example, suppose Marketing forecasts demand at 1000, and you have 100 units in inventory. You want $1000 \times 115\% = 1150$ available for sale. Since you have 100 on hand, you would schedule 1050 for production.

If you cannot meet demand, sales go to competitors. Therefore, you want to plan for the upside as well as the downside. Your proforma balance sheet will forecast about eight weeks of inventory. You hope that your actual sales will fall between your sales forecast and the number of units available for sale.

For each product, schedule production using the formula:

$$(\text{Unit Sales Forecast} \times 1.15) - \text{Inventory On Hand.}$$

Cake – Increase automation level by 1.0 or 2.0 points. Sell 500,000 units of capacity by entering -500 in the Buy Sell Capacity cell.

Cedar – Increase automation level by 1.0 or 2.0 points.

Cid – Increase automation level by 0.5 to 1.0 points.

Coat – Increase automation level by 0.5 to 1.0 points.

Cure – Increase automation level by 0.5 to 1.0 points.

Important: There is a one year lag between purchase and use of new capacity and automation for both new and existing products.

Finance Round 1

Your fiscal policies should maintain adequate working capital reserves to avoid a liquidity crisis. Working capital can be thought of as the money that you need to operate day-to-day. In Capstone working capital is current assets (cash + accounts receivable + inventory) - current liabilities (accounts payable + current debt). If you run out of cash because your sales are unexpectedly weak, an Emergency Loan will be issued.

Here are some guidelines to help you avoid an Emergency Loan. Your proforma balance sheet predicts your financial condition at the end of this year. Make conservative sales forecasts. Do not rely on the benchmark prediction. Override it with a forecast of your own. If you are conservative, it is unlikely that your worst expectations will be exceeded. Next, build additional inventory beyond your conservative expectations. This forces your proforma balance sheet to predict a future where your sales forecast comes true and you are left with inventory. (If you sell the inventory, that's wonderful.) On the Finance spreadsheet, issue stock, bonds or current debt until the December 31 Cash Position for the upcoming year equals at least five percent of your assets, as displayed on the proforma balance sheet. This creates an additional reserve for those times when your worst expectations are exceeded and disaster strikes.

As you gain experience with managing your working capital, you will observe that the guidelines above make you somewhat "liquid," and you may wish to tighten your policy by reducing cash and inventory projections. That is fine. The better your marketing forecasts, the less working capital you will require.

Match your plant investment with a long-term bond. If you do not have sufficient new bond debt capacity, issue stock to cover the shortfall.

Pay a dividend between \$0.50 and \$1.00.

Do not issue current debt.

Save decisions by selecting "Update Official Decisions."

PRACTICE ROUND 2

R & D Round 2

Cake – Improve positioning and reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Increase Cake's performance by 0.9, reduce size by 0.9, and reduce MTBF by 1000 hours.

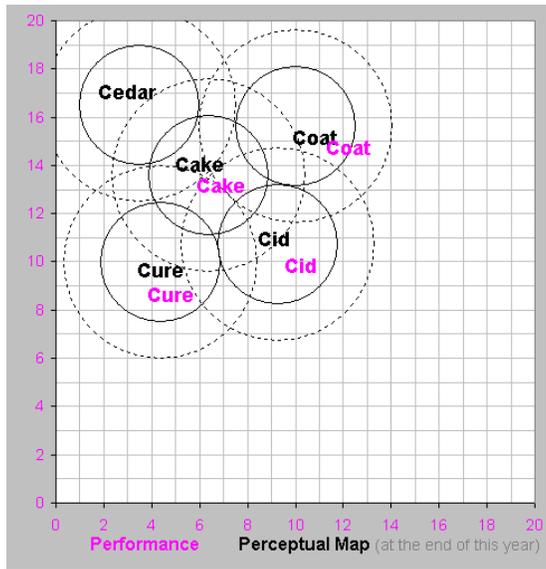
Cedar – Leave positioning alone, allowing the product to age further. Reduce reliability (MTBF) to reduce material cost. Example: Reduce Cedar's MTBF by 1000 hours.

Cid – Improve positioning and reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Increase Cid's performance by 1.1, reduce size by 1.1 and reduce MTBF by 1000 hours.

Coat – Improve positioning and reduce age. Reduce reliability (MTBF) to reduce material costs. Example: Increase Coat's performance by 1.4, reduce size by 0.4 and reduce MTBF by 1000 hours.

Cure – Improve positioning and reduce age. Reduce reliability (MTBF) to reduce material costs. Example: Increase Cure's performance by 0.4, reduce size by 1.4 and reduce MTBF by 1000 hours.

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS



Marketing Round 2

Cake – Offer a price cut, hold promotion and sales budgets near current levels. Forecast improved unit sales. Example: Price \$25.00, promotion budget \$1000, sales budget \$1000, and sales forecast 1400.

Cedar – Offer a price cut, hold promotion and sales budgets near current levels. Forecast improved unit sales. Example: Price \$18.50, promotion budget \$1000, sales budget \$1000, and sales forecast 2100.

Cid – Make moderate cuts in price, hold promotion and sales budgets steady. Forecast improved unit sales. Example: Price \$36.00, promotion budget \$1000, sales budget \$1000, sales forecast 480.

Coat – Make moderate cuts in price, hold promo and sales budgets. Forecast improved unit sales. Example: Price \$32.00, promotion budget \$800, sales budget \$800, sales forecast 520.

Cure – Make moderate cuts in price, hold promo and sales budgets. Forecast improved unit sales. Example: Price \$32.00, promotion budget \$800, sales budget \$800, sales forecast 450.

Production Round 2

For each product, schedule production using the formula:

$(\text{Unit Sales Forecast} \times 1.15) - \text{Inventory On Hand}$

Cake – Increase automation level by 1.0 or 2.0 points, not to exceed 8.0.

Cedar – Increase automation level by 1.0.

Cid – Increase automation level by 0.5 to 1.5 points, not to exceed an automation level of 6.0.

Coat – Increase automation level by 0.5 to 1.5 points, not to exceed an automation level of 6.5.

Cure – Increase automation level by 0.5 to 1.5 points, not to exceed an automation level of 6.5.

Important: Your plant improvements might exceed the Max Invest allowed for the current round (Total Investment will be red). If this is the case, decrease your purchases until your Total Investment is less than or equal to the Max Invest.

Finance Round 2

Match your plant investment with a long-term bond. If you do not have sufficient new bond debt capacity, issue stock to cover the shortfall.

Look at the proforma balance sheet, and add together your cash and inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in cash plus inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory.

Adjust your cash position to meet the guideline from Round 1. If you are cash poor, issue stock. If you are cash rich, pay dividends and buy back stock.

Do not issue current debt.

Save decisions by selecting "Update Official Decisions."

PRACTICE ROUND 3

R & D Round 3

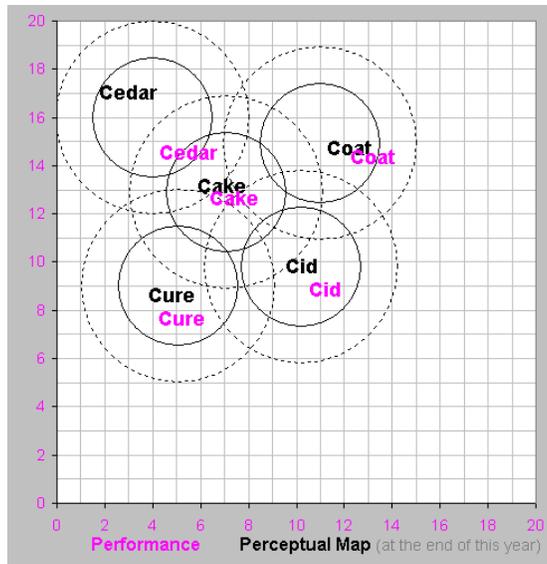
Cake – Improve positioning and reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Increase Cake's performance by 0.5, reduce size by 0.5, and reduce MTBF by 1000 hours. MTBF must not fall below the 14000 lower reliability (MTBF) limit for Traditional customers.

Cedar – Reposition Cedar to the current leading edge of the Low End segment. This will take 1.5 to 2.0 years, and it will sacrifice both positioning and age. It is necessary, however, to keep Cedar within the Low End segment in the long run. Example: Increase Cedar's performance by 2.0 and reduce size by 2.0.

Cid – Improve positioning and reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Increase Cid's performance by 0.6, reduce size by 0.6 and reduce MTBF by 1000 hours. MTBF must not fall below the 20000 lower reliability (MTBF) limit for High End customers.

Coat – Improve positioning and reduce age. Reduce reliability (MTBF) to reduce material costs. Example: Increase Coat's performance by 1.0, reduce size by 0.4 and reduce MTBF by 1000 hours. MTBF must not fall below the 22000 lower reliability (MTBF) limit for Performance customers.

Cure – Improve positioning and reduce age. Reduce reliability (MTBF) to reduce material costs. Example: Increase Cure's performance by 0.4, reduce size by 1.0 and reduce MTBF by 1000 hours. MTBF must not fall below the 16000 lower reliability (MTBF) limit for Size customers.



Marketing Round 3

Cake – Offer a price cut. Hold promotion and sales budgets near current levels. Forecast sales near average. Example: Price \$24.50, promotion budget \$1000, sales budget \$1000. Because Cake will have a Revision Date in September, it will lose appeal as its age approaches 3 years just prior to revision. Set the sales forecast of 1000.

Cedar – Offer a price cut, hold promotion and sales budgets near current levels. Forecast unit sales near last year's level. Example: Price \$18.00, promotion budget \$1000, sales budget \$1000, and sales forecast 2000.

Cid – Hold price, hold promotion and sales budgets steady. Forecast unit sales near last year's level. Example: Price \$36.00, promotion budget \$1000, sales budget \$1000, sales forecast 480.

Coat – Hold price, hold promo and sales budgets. Forecast an increase in unit sales. Example: Price \$32.00, promotion budget \$800, sales budget \$800, sales forecast 600.

Cure – Hold price, hold promo and sales budgets. Forecast an increase in unit sales. Example: Price \$32.00, promotion budget \$800, sales budget \$800, sales forecast 550.

**12 SAMPLE BUSINESS PLANS FOR CAPSTONE
PRACTICE ROUNDS**

Production Round 3

For each product, schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand

Cake – Increase automation level by 1.0 or 2.0 points, not to exceed 8.0.

Cedar – Increase automation level by 1.0 or 2.0 points, not to exceed the 10.0 upper limit.

Cid – Increase automation level by 0.5 to 1.5 points, not to exceed an automation level of 6.0.

Coat – Increase automation level by 0.5 to 1.5 points, not to exceed an automation level of 6.5.

Cure – Increase automation level by 0.5 to 1.5 points, not to exceed an automation level of 6.5.

Finance Round 3

You should be able to cover your plant investment with your cash on hand. If not, then issue stock to cover the shortfall.

Look at the proforma balance sheet, and add together your cash and inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in cash plus inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory.

Do not issue current debt.

Save decisions by selecting “Update Official Decisions.”

SUMMARY CONSIDERATIONS

Your instructor might want you to play another practice round. If so, continue the Broad Cost Leader vision.

Having executed the plan for two or three rounds, you are now in a position to analyze it. Consider the following questions:

What are this plan’s strengths? Weaknesses?

How will competitors respond to your actions?

How can you influence competitors to avoid competing with you directly?

Which performance measures support this plan?

What is the long range potential of this plan? Its future sales volume? Its future profitability?

How can you best coordinate this plan as a team?

12.4 CAPSTONE BROAD DIFFERENTIATION

This practice exercise will help you understand the relationships between business strategy, tactics, functional alignment, and the Capstone simulation. We will use the Digby team for this example. (During the practice rounds, each company is assigned a different strategy.)

You will execute your plan by inputting the decisions described below. At the same time, your competitors will execute their assigned plans. The practice exercise will take three rounds. As each round is processed, you will evaluate the results and then input the next round's assigned decisions.

Upon completion of the practice rounds, the simulation will be reset to the beginning. You can then create and implement your own strategic plan for the actual competition.

Executive Summary

The Digby team will adopt a Broad Differentiation strategy, maintaining a presence in every segment. We will gain a competitive advantage by distinguishing our products with an excellent design, high awareness, and easy accessibility. We will develop an R&D competency that keeps our designs fresh and exciting. Our products will keep pace with the market, offering improved size and performance. We will price above average. We will expand capacity as we generate higher demand.

Vision Statement

Premium products for the industry: Digby brands withstand the tests of time. Our primary stakeholders are customers, stockholders, management, and employees.

Research And Development (R & D)

We will keep our existing product line, maintaining a presence in every segment. Our goal is to offer customers products that match their ideal criteria for positioning, age, and reliability.

Marketing

We will spend aggressively in promotion and sales in all segments. We want every customer to know about our superb designs, and we want to make our products easy for customers to find. We will price at a premium.

Production

We will grow capacity to meet the demand that we generate, avoiding a second shift when possible. After our products are well positioned, we will investigate moderate increases in automation levels to improve margins, but never at the expense of our ability to reposition products and keep up with segments as they move across the perceptual map.

Finance

We will finance our investments primarily through stock issues and retained earnings, supplementing with bond offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are somewhat adverse to debt, and prefer to avoid interest payments. We expect to keep assets/equity (Leverage) between 1.5 and 2.0.

PRACTICE ROUND 1

Follow the decisions below. After the practice rounds are complete and the competition rounds begin, you are free to choose a different strategy; you are not obligated to continue as a Broad Differentiator.

R & D Round 1

Daze – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Daze's performance by 0.8 and reduce size by 1.0.

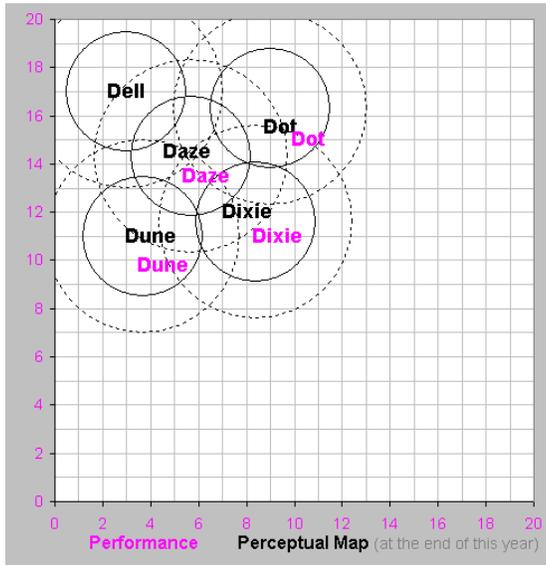
Dell – Leave positioning alone, allowing the product to age further. Hold reliability (MTBF) steady. Example: No change required.

Dixie – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Dixie's performance by 1.2 and reduce Size by 1.0.

Dot – Improve positioning and reduce age. Improve reliability (MTBF) to enhance demand. Example: Increase Dot's performance by 1.0, reduce size by 0.5 and increase MTBF by 1000 hours.

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS

Dune – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Dune’s performance by 0.5 and reduce size by 1.2.



Perceptual Map from the Research & Development Spreadsheet: Product names in black indicate the product’s current location, names in magenta indicate the product’s revised position (with slight revisions, the names will overlap). Names of newly invented products appear in magenta.

Important: Make certain that the projects complete during this year before December 31st. Under the rules, a new project can only begin on January 1st. If these projects do not complete before the end of this year, you cannot begin follow-up projects next year.

Marketing Round 1

Daze – Increase price, promotion budget, and sales budget. Forecast unit sales near last year’s level because our product will not be revised until late this year. Example: Price \$29.00, promotion budget \$2000, sales budget \$2000, and sales forecast 1100.

Dell – Increase price, promotion budget, and sales budget. Forecast decreased unit sales due to the price increase. Example: Price \$24.00, promotion budget \$2000, sales budget \$2000, and sales forecast 1400.

Dixie – Increase price, promotion budget and sales budget. Forecast unit sales near last year’s level. Example: Price \$39.50, promotion budget \$1800, sales budget \$1800, sales forecast 400.

Dot – Increase price, promotion budget and sales budget. Forecast unit sales near last year’s lfoievel. Example: Price \$34.50, promotion budget \$1700, sales budget \$1700, sales forecast 450.

Dune – Increase price, promotion budget and sales budget. Forecast unit sales near last year’s level. Example: Price \$34.50, promotion budget \$1800, sales budget \$1800, sales forecast 380.

Production Round 1

Production schedules will plan for eight weeks of inventory. That is, have enough inventory on hand to meet demand eight weeks beyond the sales forecast. This requires a 15% inventory cushion ($8/52 = 0.15$). For example, suppose Marketing forecasts demand at 1000, and you have 100 units in inventory. You want $1000 \times 115\% = 1150$ available for sale. Since you have 100 on hand, you would schedule 1050 for production.

If you cannot meet demand, sales go to competitors. Therefore, you want to plan for the upside as well as the downside. Your proforma balance sheet will forecast about eight weeks of inventory. You hope that your actual sales will fall between your sales forecast and the number of units available for sale.

For each product, schedule production using the formula:

$$(\text{Unit Sales Forecast} \times 1.15) - \text{Inventory On Hand.}$$

Make no improvements to capacity or automation at this time.

Finance Round 1

Your fiscal policies should maintain adequate working capital reserves to avoid a liquidity crisis. Working capital can be thought of as the money that you need to operate day-to-day. In Capstone working capital is current assets (cash + accounts receivable + inventory) - current liabilities (accounts payable + current debt). If you run out of cash because your sales are unexpectedly weak, an Emergency Loan will be issued.

Here are some guidelines to help you avoid an Emergency Loan. Your proforma balance sheet predicts your financial condition at the end of this year. Make conservative sales forecasts. Do not rely on the benchmark prediction. Override it with a forecast of your own. If you are conservative, it is unlikely that your worst expectations will be exceeded. Next, build additional inventory beyond your conservative expectations. This forces your proforma balance sheet to predict a future where your sales forecast comes true and you are left with inventory. (If you sell the inventory, that's wonderful.) On the Finance spreadsheet, issue stock, bonds or current debt until the December 31 Cash Position for the upcoming year equals at least five percent of your assets, as displayed on the proforma balance sheet. This creates an additional reserve for those times when your worst expectations are exceeded and disaster strikes.

As you gain experience with managing your working capital, you will observe that the guidelines above make you somewhat "liquid," and you may wish to tighten your policy by reducing cash and inventory projections. That is fine. The better your marketing forecasts, the less working capital you will require.

Pay a dividend between \$0.50 and \$1.00.

Do not issue current debt. If you are short of cash issue stock.

Save decisions by selecting "Update Official Decisions."

PRACTICE ROUND 2

R & D Round 2

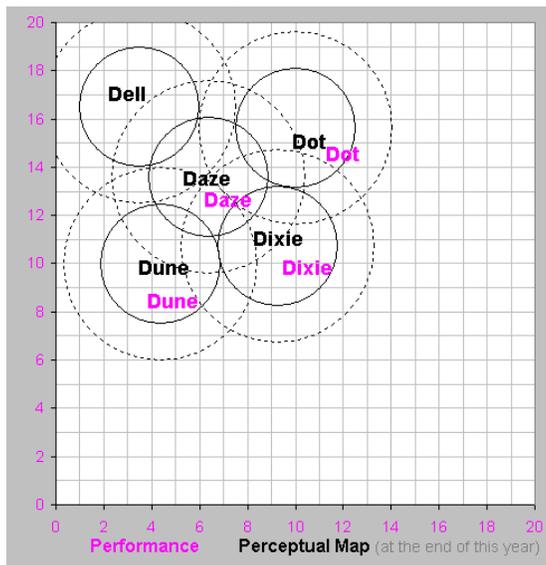
Daze – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Daze's performance by 0.9 and reduce size by 0.9.

Dell – Leave positioning alone, allowing the product to age further. Hold reliability (MTBF) steady. Example: No change required.

Dixie – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Dixie's performance by 1.2 and reduce size by 1.2.

Dot – Improve positioning and reduce age. Improve reliability (MTBF) to enhance demand. Example: Increase Dot's performance by 1.4, reduce size by 0.5, and increase MTBF by 1000 hours.

Dune – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Dune's performance by 0.4 and reduce size by 1.4.



**12 SAMPLE BUSINESS PLANS FOR CAPSTONE
PRACTICE ROUNDS**

Marketing Round 2

Daze – Hold price high, increase promotion and sales budget. Forecast sales as an improvement from last year. Example: Price \$29.00, promotion budget \$2200, sales budget \$2200, and sales forecast 1500.

Dell – Decrease price, increase promotion and sales budget. Forecast moderate unit sales growth. Example: Price \$23.50, promotion budget \$2200, sales budget \$2200, and sales forecast 1700.

Dixie – Decrease price, increase promotion and sales budget. Forecast unit sales near last year’s level. Example: Price \$39.00, promotion budget \$2000, sales budget \$2000, sales forecast 420.

Dot – Decrease price, increase promotion and sales budget. Forecast improved unit sales. Example: Price \$34.00, promotion budget \$1800, sales budget \$1800, sales forecast 500.

Dune – Decrease price, increase promotion and sales budget. Forecast improved unit sales. Example: Price \$34.00, promotion budget \$1800, sales budget \$1800, sales forecast 450.

Production Round 2

For each product, schedule production using the formula:

$(\text{Unit Sales Forecast} \times 1.15) - \text{Inventory On Hand}$

Make no improvements to capacity or automation at this time.

Finance Round 2

Look at the proforma balance sheet, and add together your cash and inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in cash plus inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory.

Adjust your cash position to meet the guideline from Round 1. If you are cash poor, issue additional stock or additional bonds. If you are cash rich, pay dividends.

Do not issue current debt.

Save decisions by selecting “Update Official Decisions.”

PRACTICE ROUND 3

R & D Round 3

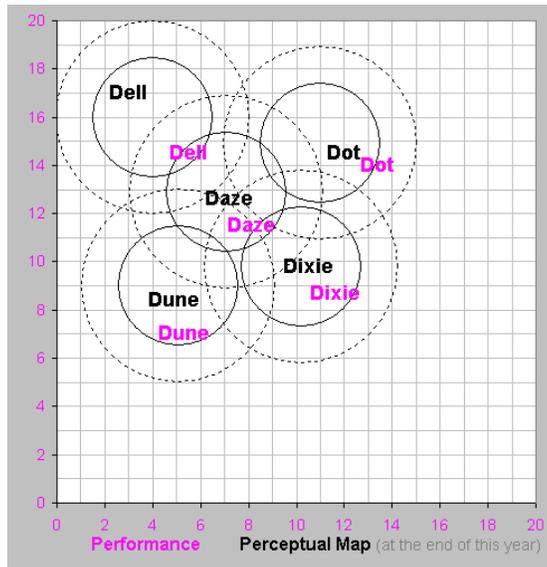
Daze – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Daze’s performance by 0.9 and reduce size by 0.9.

Dell – Reposition Dell to the current leading edge of the Low End segment. This will take 1.5 to 2.0 years, and it will sacrifice both positioning and age. It is necessary, however, to keep Dell within the Low End segment in the long run. Example: Increase Dell’s performance by 2.5 units and reduce size by 2.5 units.

Dixie – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Dixie’s performance by 1.1 and reduce size by 1.1.

Dot – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Dot’s performance by 1.4 and reduce size by 0.5.

Dune – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Dune’s performance by 0.4 and reduce size by 1.4.



Marketing Round 3

Daze – Decrease price slightly, maintain promotion and sales budget. Forecast reduced sales as Daze will not emerge from R&D until late in the year. Example: Price \$28.50, promotion budget \$2200, sales budget \$2200, and sales forecast 1700.

Dell – Decrease price slightly, maintain promotion and sales budget. Forecast moderate unit sales growth. Example: Price \$23.00, promotion budget \$2200, sales budget \$2200, and sales forecast 1800.

Dixie – Decrease price slightly, maintain promotion and sales budget. Forecast unit sales near last year's level. Example: Price \$38.50, promotion budget \$2000, sales budget \$2000, sales forecast 420.

Dot – Decrease price slightly, maintain promotion and sales budget. Forecast improved unit sales. Example: Price \$33.50, promotion budget \$1800, sales budget \$1800, sales forecast 650.

Dune – Decrease price slightly, maintain promotion and sales budget. Forecast improved unit sales. Example: Price \$33.50, promotion budget \$1800, sales budget \$1800, sales forecast 600.

Production Round 3

For each product, schedule production using the formula:

$(\text{Unit Sales Forecast} \times 1.15) - \text{Inventory On Hand}$

Daze – No change required.

Dell – No change required.

Dixie – No change required.

Dot – Buy 150,000 units of capacity by entering 150 in the Buy Sell Capacity cell.

Dune – Buy 150,000 units of capacity by entering 150 in the Buy Sell Capacity cell.

Important: There is a one year lag between purchase and use of new capacity and automation for both new and existing products.

Finance Round 3

You may have cash on hand to cover your plant and equipment investment. If not, issue stock to cover the shortfall.

Look at the proforma balance sheet, and add together your cash and inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in cash plus inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory.

Adjust your cash position to meet the guideline from Round 1. If you are cash poor, issue stock. If you are cash rich, pay dividends and buy back stock.

Do not issue current debt.

**12 SAMPLE BUSINESS PLANS FOR CAPSTONE
PRACTICE ROUNDS**

Save decisions by selecting “Update Official Decisions.”

SUMMARY CONSIDERATIONS

Your instructor may want you to play another practice round. If so, continue the Broad Differentiation vision.

Having executed the plan for two or three rounds, you are now in a position to analyze it. Consider the following questions:

What are this plan’s strengths? Weaknesses?

How will competitors respond to your actions?

How can you influence competitors to avoid competing with you directly?

Which performance measures support this plan?

What is the long range potential of this plan? Its future sales volume? Its future profitability?

How can you best coordinate this plan as a team?

12.5 CAPSTONE NICHE COST LEADER

This practice exercise will help you understand the relationships between business strategy, tactics, functional alignment, and the Capstone simulation. We will use the Erie team for this example. (During the practice rounds, each company is assigned a different strategy.)

You will execute your plan by inputting the decisions described below. At the same time, your competitors will execute their assigned plans. The practice exercise will take three rounds. As each round is processed, you will evaluate the results and then input the next round's assigned decisions.

Upon completion of the practice rounds, the simulation will be reset to the beginning. You can then create and implement your own strategic plan for the actual competition.

Executive Summary

We will adopt a Niche Cost Leader Strategy, concentrating on the Traditional and Low End segments. We will gain a competitive advantage by keeping R&D costs, production costs, and raw material costs to a minimum, enabling us to compete on the basis of price. Our Cost Leader orientation will allow us gain a competitive advantage based upon low prices. Our products will keep pace with the market, offering improved size and performance. We will price below average. We will increase automation levels to improve our margins and to make it acceptable to run a second shift).

Vision Statement

Reliable products for low technology customers: Erie brands offer value. Our primary stakeholders are bondholders, stockholders, customers, and management.

Research And Development (R & D)

We will concentrate our existing product line into the Low End and Traditional segments. Eat and Ebb will serve the Low End segment. Echo, Edge, and Egg will serve the Traditional segment. During the early years we will migrate (gradually) our Performance and Size segment products (Edge and Egg) to the Traditional segment. We will allow Eat (Traditional) to slip into the Low End while Edge (High End) slips into the Traditional segment.

Marketing

We will maintain awareness and accessibility in our targeted segments. After we establish our cost leadership position we will revisit our situation to decide whether sales and promotion budgets should be reduced or if we should keep pace with our competitors. Our prices will be lower than average. While Edge and Echo are being repositioned, we will price somewhat below and discontinue sales budgets as we exit the specialty Performance and Size segments.

Production

We will significantly increase automation levels on our products. However, because automation sets limits upon our ability to reposition products with R&D, we will postpone automation for Edge and Egg until they arrive in the Traditional Segment. We will prefer second shift to capacity expansions.

Finance

We will finance our investments primarily through long-term bond issues, supplementing with stock offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are not adverse to leverage, and expect to keep debt/equity between 2.0 and 3.0.

PRACTICE ROUND 1

Follow the decisions below. After the practice rounds are complete and the competition rounds begin, you are free to choose a different strategy; you are not obligated to continue as a Niche Cost Leader.

R & D Round 1

Eat – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Decrease Eat's size by 0.1 and reduce MTBF by 1000 hours.

Ebb – Leave positioning alone, allowing the product to age further. Reduce reliability (MTBF) to reduce material cost. Example: Reduce Ebb's MTBF by 1000 hours.

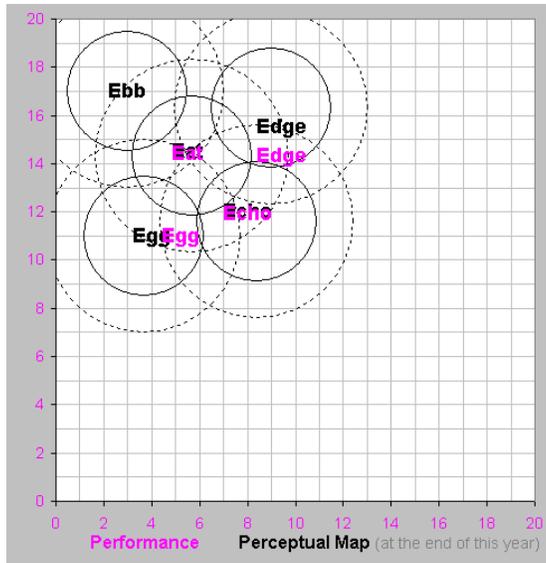
12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS

Echo – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Reduce Echo’s size by 0.1 and reduce MTBF by 1000 hours.

Edge – Begin migration towards Traditional segment. Reduce reliability (MTBF) to reduce material costs. Example: Decrease size by 1.2 and reduce MTBF by 1000 hours.

Egg – Begin migration towards Traditional segment. Reduce reliability (MTBF) to reduce material costs. Example: Increase performance by 1.2 and reduce MTBF by 1000 hours.

Important: Make certain that the projects complete during this year before December 31st. Under the rules, a new project can only begin on January 1st. If these projects do not complete before the end of this year, you cannot begin follow-up projects next year.



Perceptual Map from the Research & Development Spreadsheet: Product names in black indicate the product’s current location, names in magenta indicate the product’s revised position (with slight revisions, the names will overlap). Names of newly invented products appear in magenta.

Marketing Round 1

Eat – Make moderate cuts in price, promotion, and sales budgets. Forecast increased sales over last year, driven by an improved age and price cut. Example: Price \$27.00, promotion budget \$900, sales budget \$900, and sales forecast 1400.

Ebb – Make moderate cuts in price. Hold promotion and sales budgets constant. Forecast unit sales near last year’s level. Example: Price \$20.00, promotion budget \$900, sales budget \$900, and sales forecast 1700.

Echo – Make moderate cuts in price, slightly increase promotion budget, and slash sales budget. Forecast unit sales near last year’s level. Example: Price \$37.50, promotion budget \$900, sales budget \$500, sales forecast 400.

Edge – Make moderate cuts in price, trim promotion budget, and slash sales budget. Forecast unit sales near last year’s level. Example: Price \$32.50, promotion budget \$600, sales budget \$100, sales forecast 350.

Egg – Make moderate cuts in price, trim promotion budget, and slash sales budget. Forecast unit sales near last year’s level. Example: Price \$32.50, promotion budget \$600, sales budget \$100, sales forecast 350.

Production Round 1

Production schedules will plan for eight weeks of inventory. That is, have enough inventory on hand to meet demand eight weeks beyond the sales forecast. This requires a 15% inventory cushion ($8/52 = 0.15$). For example, suppose Marketing forecasts demand at 1000, and you have 100 units in inventory. You want $1000 \times 115\% = 1150$ available for sale. Since you have 100 on hand, you would schedule 1050 for production.

If you cannot meet demand, sales go to competitors. Therefore, you want to plan for the upside as well as the downside. Your proforma balance sheet will forecast about eight weeks of inventory. You hope that your actual sales will fall between your sales forecast and the number of units available for sale.

For each product, schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand.

Eat – Increase automation level by 1.0 or 2.0 points.

Ebb – Increase automation level by 1.0 or 2.0 points.

Echo – Increase automation level by 1.0 or 2.0 points.

Edge – No change.

Egg – No change.

Important: Your plant improvements might exceed the Max Invest allowed for the current round (Total Investment will be red). If this is the case, decrease your purchases until your Total Investment is less than or equal to the Max Invest.

Important: There is a one year lag between purchase and use of new capacity and automation for both new and existing products.

Finance Round 1

Your fiscal policies should maintain adequate working capital reserves to avoid a liquidity crisis. Working capital can be thought of as the money that you need to operate day-to-day. In Capstone working capital is current assets (cash + accounts receivable + inventory) - current liabilities (accounts payable + current debt). If you run out of cash because your sales are unexpectedly weak, an Emergency Loan will be issued.

Here are some guidelines to help you avoid an Emergency Loan. Your proforma balance sheet predicts your financial condition at the end of this year. Make conservative sales forecasts. Do not rely on the benchmark prediction. Override it with a forecast of your own. If you are conservative, it is unlikely that your worst expectations will be exceeded. Next, build additional inventory beyond your conservative expectations. This forces your proforma balance sheet to predict a future where your sales forecast comes true and you are left with inventory. (If you sell the inventory, that's wonderful.) On the Finance spreadsheet, issue stock, bonds or current debt until the December 31 Cash Position for the upcoming year equals at least five percent of your assets, as displayed on the proforma balance sheet. This creates an additional reserve for those times when your worst expectations are exceeded and disaster strikes.

As you gain experience with managing your working capital, you will observe that the guidelines above make you somewhat “liquid,” and you may wish to tighten your policy by reducing cash and inventory projections. That is fine. The better your marketing forecasts, the less working capital you will require.

Match your plant investment with a long-term bond. If you do not have sufficient new bond debt capacity, issue stock to cover the shortfall.

Pay a dividend between \$0.50 and \$1.00.

Do not issue current debt.

Save decisions by selecting “Update Official Decisions.”

PRACTICE ROUND 2

R & D Round 2

Eat – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Decrease Eat's size by 0.1 and reduce MTBF by 1000 hours.

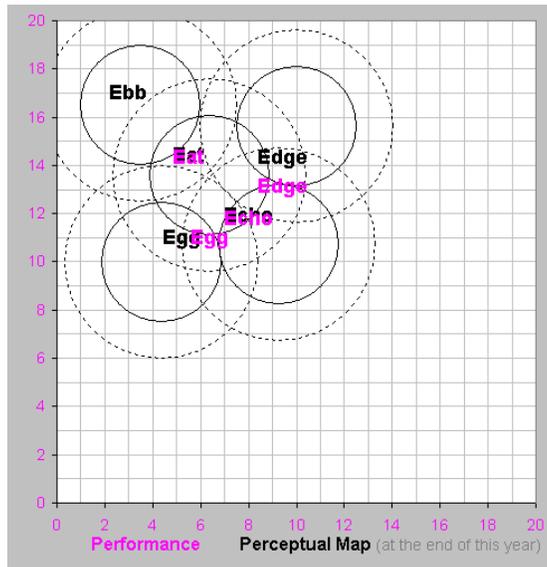
Ebb – Leave positioning alone, allowing the product to age further. Reduce reliability (MTBF) to reduce material cost. Example: reduce Ebb's MTBF by 1000 hours.

Echo – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Decrease Echo's size by 0.1 and reduce MTBF by 1000 hours.

Edge – Continue migration towards Traditional segment. Reduce reliability (MTBF) to reduce material costs. Example: Decrease Edge's size by 1.2 and reduce MTBF by 2000 hours.

Egg – Continue migration towards Traditional segment. Reduce reliability (MTBF) to reduce material costs. Example: Increase performance by 1.2. and reduce MTBF by 1000 hours.

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS



Marketing Round 2

Eat – Offer a price cut to the lower end of the Traditional price range. Hold promotion and sales budgets near current levels. Forecast unit sales near last year’s level. Example: Price \$20.00, promotion budget \$900, sales budget \$900, and sales forecast 1300.

Ebb – Hold price, promotion budget, and sales budget steady. Forecast unit sales near last year’s level. Example: Price \$20.00, promotion budget \$900, sales budget \$900, and sales forecast 1700.

Echo – Make moderate cuts in price, hold promotion and sales budgets steady. Forecast unit sales near last year’s level. Example: Price \$36.00, promotion budget \$900, sales budget \$500, sales forecast 450.

Edge – Make moderate cuts in price, hold promotion and sales budget steady. Forecast unit sales near last year’s level. Example: Price \$31.00, promotion budget \$600, sales budget \$100, sales forecast 320.

Egg – Make moderate cuts in price, hold promotion and sales budget steady. Forecast unit sales near last year’s level. Example: Price \$31.00, promotion budget \$600, sales budget \$100, sales forecast 300.

Production Round 2

For each product, schedule production using the formula:

$(\text{Unit Sales Forecast} \times 1.15) - \text{Inventory On Hand}$

Eat – Increase automation level by 2.0.

Ebb – Increase automation level by 2.0.

Echo – Increase automation level by 2.0 or 3.0 points, not to exceed an automation level of 8.0.

Edge – No change.

Egg – No change.

Finance Round 2

Match your plant investment with a long-term bond. If you do not have sufficient new bond debt capacity, issue stock to cover the shortfall.

Look at the proforma balance sheet, and add together your cash and inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in cash plus inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory.

Adjust your cash position to meet the guideline from Round 1. If you are cash poor, issue stock. If you are cash rich, pay dividends and buy back stock.

Do not issue current debt.

Save decisions by selecting “Update Official Decisions.”

PRACTICE ROUND 3

R & D Round 3

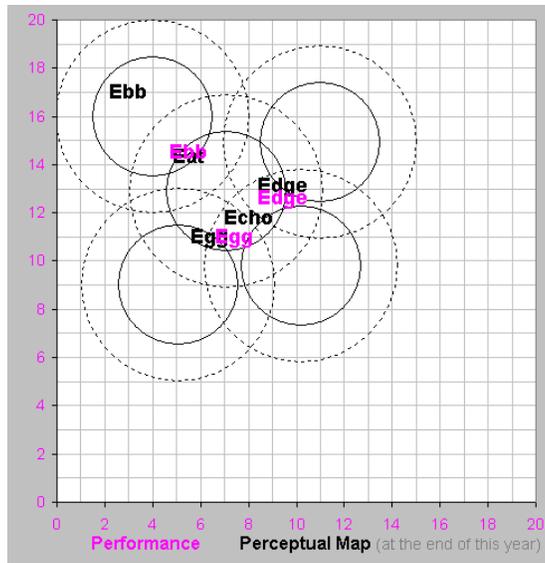
Eat – No change to positioning. Set MTBF to 14000 hours (the bottom of the Traditional range.) Note that Eat is about to become a Low End product.

Ebb – Reposition Ebb to the current leading edge of the Low End segment. This will take 2.0 to 2.5 years, and it will sacrifice both positioning and age. It is necessary, however, to keep Ebb within the Low End segment in the long run. Example: Increase Ebb's performance by 2.5 and decrease size by 2.5.

Echo – Note that Echo is now within the Traditional segment. Traditional customers want an ideal age of 2.0 years. If necessary, tweak positioning to reduce age so that sometime during the year Echo will be 2.0 years old. It may not require a positioning tweak. Reduce reliability (MTBF) to 19000.

Edge – Enter the Traditional segment. Reduce reliability (MTBF) to the middle of the Traditional customer's acceptable range. Example: Decrease size by 0.5, and reduce MTBF by 5000 hours.

Egg – Enter the Traditional segment. Leave reliability (MTBF) in the middle of the Traditional customer's acceptable range. Example: Increase performance by 1.0.



Marketing Round 3

Eat – Keep price the same. Hold promotion and sales budgets near current levels. Expect Eat to sell to both Traditional and Low End customers, but since Eat does not offer a good product to either segment, plan for decreased sales. Example: Price \$20.00, promotion budget \$900, sales budget \$900, and sales forecast 1300.

Ebb – Hold price, promotion budget, and sales budget steady. Forecast unit sales near last year's level. Example: Price \$20.00, promotion budget \$900, sales budget \$900, and sales forecast 1800.

Echo – Cut price, hold promotion budget steady and increase sales budget. Remember, Echo has left the High End. It is now in the Traditional fine cut, with poor positioning and age, therefore forecast low sales when compared to other products in the Traditional segment. Example: Price \$26.00, promotion budget \$900, sales budget \$900, sales forecast 900.

Edge – Cut price, hold promotion budget, and increase sales budget. therefore forecast low sales when compared to other products in the Traditional segment. Example: Price \$27.00, promotion budget \$600, sales budget \$600, sales forecast 900.

Egg – Cut price, hold promotion budget, and increase sales budget. therefore forecast low sales when compared to other products in the Traditional segment. Example: Price \$27.00, promotion budget \$600, sales budget \$600, sales forecast 900.

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS

Important: Your plant improvements might exceed the Max Invest allowed for the current round (Total Investment will be red). If this is the case, decrease your purchases until your Total Investment is less than or equal to the Max Invest.

Production Round 3

For each product, schedule production using the formula:

$(\text{Unit Sales Forecast} \times 1.15) - \text{Inventory On Hand}$

Eat – Increase automation level by 1.0 or 2.0 points, not exceed the maximum level of 10.0.

Ebb – Increase automation level by 1.0 or 2.0 points, not exceed the maximum level of 10.0.

Echo – Increase automation level by 1.0 or 2.0 points, not to exceed an automation level of 8.0.

Edge – Increase automation level by 1.0 or 2.0 points.

Egg – Increase automation level by 1.0 or 2.0 points.

Finance Round 3

Adjust your cash position to meet the guideline from Round 1.

Do not retire long-term debt. Use excess cash to buy back stock and pay dividends.

Save decisions by selecting “Update Official Decisions.”

SUMMARY CONSIDERATIONS

Your instructor might want you to play another practice round. If so, continue the Niche Cost Leader vision.

Having executed the plan for two or three rounds, you are now in a position to analyze it. Consider the following questions:

What are this plan’s strengths? Weaknesses?

How will competitors respond to your actions?

How can you influence competitors to avoid competing with you directly?

Which performance measures support this plan?

What is the long range potential of this plan? Its future sales volume? Its future profitability?

How can you best coordinate this plan as a team?

12.6 CAPSTONE NICHE DIFFERENTIATION

This practice exercise will help you understand the relationships between business strategy, tactics, functional alignment, and the Capstone simulation. We will use the Ferris team for this example.

You will execute your plan by inputting the decisions described below. At the same time, your competitors will execute their assigned plans. The practice exercise will take three rounds. As each round is processed, you will evaluate the results and then input the next round's assigned decisions.

Upon completion of the practice rounds, the simulation will be reset to the beginning. You can then create and implement your own strategic plan for the actual competition.

Executive Summary

We will team will adopt a Niche Differentiation strategy that focuses upon the high technology segments (High End, Performance, and Size). We will gain a competitive advantage by distinguishing our products with an excellent design, high awareness, easy accessibility, and new products. We will develop an R&D competency that keeps our designs fresh and exciting. Our products will keep pace with the market, offering improved size and performance. We will price above average. We will expand capacity as we generate higher demand.

Vision Statement

Premium products for the technology oriented customers: Ferris brands define the cutting edge. Our primary stakeholders are customers, stockholders, management, and employees.

Research And Development (R & D)

We will keep our existing technology products (Fist, Foam, and Fume), phase out Fast and Feat, and introduce new technology new products in the High End, Performance and Size segments. Our goal is to offer technology oriented customers products that match their ideal criteria for positioning, age, and reliability.

Marketing

We will spend aggressively in promotion and sales in the technology segments. We want every customer to know about our superb designs, and we want to make our products easy for customers to find. We will price at a premium. In the low technology segments we will exit gracefully, harvesting our Fast and Feat products as they exit the Low End segment.

Production

We will grow capacity to meet the demand that we generate, avoiding overtime when possible. After our products are well positioned, we will investigate moderate increases in automation levels to improve margins, but never at the expense of our ability to reposition products and keep up with the high technology segments as they move across the perceptual map.

Finance

We will finance our investments primarily through stock issues and retained earnings, supplementing with bond offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are somewhat adverse to debt, and prefer to avoid interest payments. We expect to keep assets/equity (Leverage) between 1.5 and 2.0.

PRACTICE ROUND 1

Follow the decisions below. After the practice rounds are complete and the competition rounds begin, you are free to choose a different strategy; you are not obligated to continue as a Niche Differentiator.

R & D Round 1

Fast – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Increase Performance by 0.1 and reduce MTBF by 1000 hours.

Feat – Leave positioning alone, allowing the product to age further. Reduce reliability (MTBF) to reduce material cost. Example: reduce MTBF by 1000 hours.

Fist – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Fist's performance by 1.1 and decrease size by 1.1.

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS

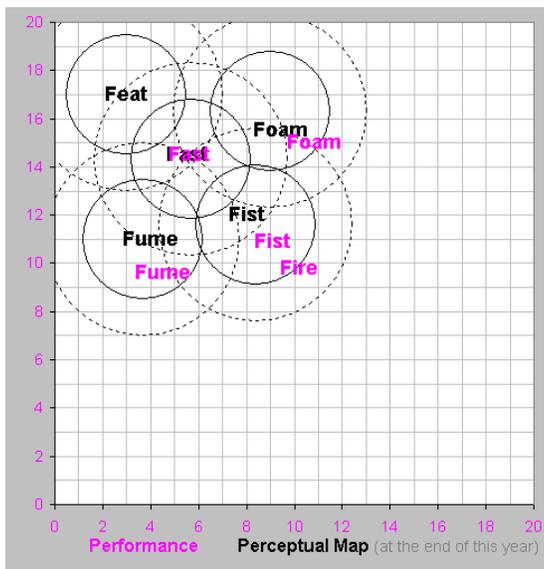
Foam – Improve positioning and reduce age. Improve reliability (MTBF) to enhance demand. Example: Increase Foam’s performance by 1.4, decrease size by 0.5, and increase MTBF by 1000 hours.

Fume – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Fume’s performance by 0.5 and decrease size by 1.4.

New High End Product – Launch a new High End product, with a project length of 20 to 23 months (no later than December of next year.) Example: Name: Fire (replace the first NA in the list), positioned at leading edge of High End segment, say Performance 10.2, Size 9.8. Set MTBF in the middle of the High End reliability (MTBF) range: MTBF 23000.

Important: Under the rules of the simulation, the names of all new products must have the same first letter as the name of the company.

Important: With the exception of the new product, make certain that the projects complete during this year before December 31st. Under the rules, a new project can only begin on January 1st. If these projects do not complete before the end of this year, you cannot begin follow-up projects next year.



Perceptual Map from the Research & Development Spreadsheet: Product names in black indicate the product’s current location, names in magenta indicate the product’s revised position (with slight revisions, the names will overlap). Names of newly invented products appear in magenta.

Marketing Round 1

Fast – Increase price, make cuts in promotion and sales budget. Forecast unit sales near last year’s level. Example: Price \$28.50, promotion budget \$600, sales budget \$600, and sales forecast 1100.

Feat – Increase price, make cuts in promotion and sales budget. Forecast a decrease in unit sales from last year due to the price increase and decrease in promotion and sales. Example: Price \$23.50, promotion budget \$600, sales budget \$600, and sales forecast 1400.

Fist – Increase price, promotion budget and sales budget. Forecast an increase in unit sales over year. Example: Price \$39.50, promotion budget \$2000, sales budget \$2000, sales forecast 400.

Foam – Increase price, promotion budget and sales budget. Forecast an increase in unit sales over year. Example: Price \$34.50, promotion budget \$2000, sales budget \$2000, sales forecast 490.

Fume – Increase price, promotion budget and sales budget. Forecast an increase in unit sales over year. Example: Price \$34.50, promotion budget \$2000, sales budget \$2000, sales forecast 440.

New High End Product – No change required because the product will not emerge from R&D until next year.

Production Round 1

Production schedules will plan for eight weeks of inventory. That is, have enough inventory on hand to meet demand eight weeks beyond the sales forecast. This requires a 15% inventory cushion ($8/52 = 0.15$). For example, suppose

Marketing forecasts demand at 1000, and you have 100 units in inventory. You want $1000 \times 115\% = 1150$ available for sale. Since you have 100 on hand, you would schedule 1050 for production.

If you cannot meet demand, sales go to competitors. Therefore, you want to plan for the upside as well as the downside. Your proforma balance sheet will forecast about eight weeks of inventory. You hope that your actual sales will fall between your sales forecast and the number of units available for sale.

For each product, schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand.

Fist – Sell 200 to 300 units of capacity. Fist has too much capacity, and given our new product it is unlikely that we will need 900 units of capacity in the future.

Make no other plant improvements to capacity or automation at this time.

Finance Round 1

Your fiscal policies should maintain adequate working capital reserves to avoid a liquidity crisis. Working capital can be thought of as the money that you need to operate day-to-day. In Capstone working capital is current assets (cash + accounts receivable + inventory) - current liabilities (accounts payable + current debt). If you run out of cash because your sales are unexpectedly weak, an Emergency Loan will be issued.

Here are some guidelines to help you avoid an Emergency Loan. Your proforma balance sheet predicts your financial condition at the end of this year. Make conservative sales forecasts. Do not rely on the benchmark prediction. Override it with a forecast of your own. If you are conservative, it is unlikely that your worst expectations will be exceeded. Next, build additional inventory beyond your conservative expectations. This forces your proforma balance sheet to predict a future where your sales forecast comes true and you are left with inventory. (If you sell the inventory, that's wonderful.) On the Finance spreadsheet, issue stock, bonds or current debt until the December 31 Cash Position for the upcoming year equals at least five percent of your assets, as displayed on the proforma balance sheet. This creates an additional reserve for those times when your worst expectations are exceeded and disaster strikes.

As you gain experience with managing your working capital, you will observe that the guidelines above make you somewhat "liquid," and you may wish to tighten your policy by reducing cash and inventory projections. That is fine. The better your marketing forecasts, the less working capital you will require.

Pay a dividend between \$0.75 and \$1.25.

Do not issue current debt. If you are short of cash issue stock.

Save decisions by selecting "Update Official Decisions."

PRACTICE ROUND 2

R & D Round 2

Fast – Tweak positioning to reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Decrease Fast's size by 0.1 and reduce MTBF by 1000 hours.

Feat – Leave positioning alone, allowing the product to age further. Reduce reliability (MTBF) to reduce material cost. Example: reduce MTBF by 1000 hours.

Fist – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Fist's performance by 1.1. and decrease size by 1.1.

Foam – Improve positioning and reduce age. Improve reliability (MTBF) to enhance demand. Example: Increase Foam's performance by 1.4, decrease size by 0.5, and increase MTBF by 1000 hours.

Fume – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: increase Fume's performance by 0.5 and decrease size by 1.4.

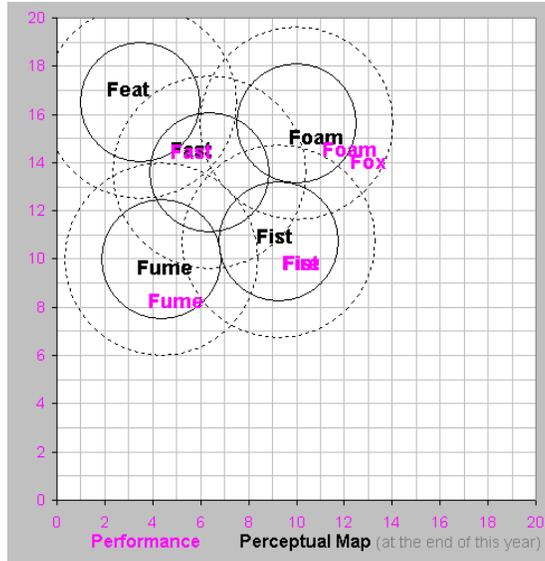
New High End Product – Note that the new product's row is yellow instead of green, and that you cannot change these cells. This is because your product will not emerge from R&D until its current project completes. Under the rules of the simulation, new R&D projects cannot begin until the old one completes.

New Performance Product – Launch a new Performance product, with a project length of 20 to 24 months (no later than December of next year.) Example: Name: Fox (replace the first NA in the list), positioned beyond the leading edge of Performance segment, say performance 13.0, size 14.0. Set MTBF near the top of the Performance reliability (MTBF) range: MTBF 26000.

12 SAMPLE BUSINESS PLANS FOR CAPSTONE PRACTICE ROUNDS

Important: Under the rules of the simulation, the names of all new products must have the same first letter as the name of the company.

Important: Under the rules of the simulation, the names of all new products must have the same first letter as the name of the company.



Marketing Round 2

Fast – Hold price, promotion and sales budgets. Forecast decreased unit sales over last year because the price was not reduced to match the segment’s desire for cheaper products. Example: Price \$28.50, promotion budget \$600, sales budget \$600, and sales forecast 1000.

Feat – Reduce price, and hold promotion and sales budgets. Forecast increased unit sales due to the price cut. Example: Price \$21.50, promotion budget \$600, sales budget \$600, and sales forecast 1400.

Fist – Drop price \$0.50. Hold promotion budget and sales budget. Forecast a moderate increase in unit sales. Example: Price \$39.00, promotion budget \$2000, sales budget \$2000, sales forecast 500.

Foam – Drop price \$0.50. Hold promotion budget and sales budget. Forecast a moderate increase in unit sales. Example: Price \$34.00, promotion budget \$2000, sales budget \$2000, sales forecast 500.

Fume – Drop price \$0.50. Hold promotion budget and sales budget. Forecast a moderate increase in unit sales. Example: Price \$34.00, promotion budget \$2000, sales budget \$2000, sales forecast 450.

New High End Product – No change required because the product will not emerge from R&D until the end of this year, and it does not have production capacity.

New Performance Product – No change required because the product will not emerge from R&D until next year.

Production Round 2

For each product, schedule production using the formula:

$(\text{Unit Sales Forecast} \times 1.15) - \text{Inventory On Hand}$

New High End product – Buy 600,000 units of capacity by entering 600 in the Buy Sell Capacity cell. Set an automation level of 5.0.

Make no other improvements to capacity or automation at this time.

Finance Round 2

Look at the proforma balance sheet, and add together your cash and inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in cash plus inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory.

Do not issue current debt.

Save decisions by selecting “Update Official Decisions.”

PRACTICE ROUND 3

R & D Round 3

Fast – No change required. Fast is entering the Low End segment. Next round, reduce reliability (MTBF) to 12000 hours.

Feat – No change required.

Fist – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Fist’s performance by 0.2 and decrease size by 0.2.

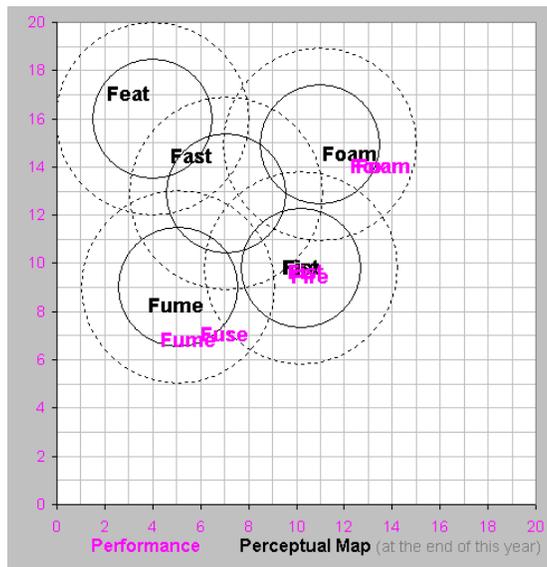
Foam – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Foam’s performance by 1.4, decrease size by 0.5.

Fume – Improve positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Fume’s performance by 0.5 and decrease size by 1.4.

New High End Product – Tweak positioning and reduce age. Hold reliability (MTBF) steady. Example: Increase Performance by 0.4 and decrease size by 0.4.

New Performance Product – No change required. The product will emerge later this year.

New Size Product – Launch a new Size product, with a project length of 20 to 24 months (no later than December of next year.) Example: Name: Fuse (replace the first NA in the list), positioned at leading edge of the Size segment, say Performance 7.0, Size 7.0. Set MTBF near the middle of the Size reliability (MTBF) range: MTBF 19000.



Marketing Round 3

Fast – Reduce price, maintain promotion and sales budgets. Fast is now a Low End product, but since Fast is not a “good” Low End product, plan for poor sales. Example: Price \$23.00, promotion budget \$600, sales budget \$600, and sales forecast 800.

Feat – Reduce price, maintain promotion and sales budgets. Forecast unit sales near last year’s level. Example: Price \$20.00, promotion budget \$600, sales budget \$600, and sales forecast 1150.

Fist – Hold price high, maintain promotion and sales budgets. Forecast improved unit sales. Example: Price \$38.00, promotion budget \$2000, sales budget \$2000, sales forecast 900.

Foam – Hold price high, maintain promotion and sales budgets. Forecast improved unit sales. Example: Price \$33.00, promotion budget \$2000, sales budget \$2000, sales forecast 950.

Fume – Hold price high, maintain promotion and sales budgets. Forecast improved unit sales. Example: Price \$33.00, promotion budget \$2000, sales budget \$2000, sales forecast 950.

New High End product – Price high, mirror promotion and sales budgets of other high technology products. Forecast good unit sales. Example: Price \$38.00, promotion budget \$2000, sales budget \$2000, sales forecast 800.

Production Round 3

For each product, schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand

Important: As your new product is coming out sometime during the year, you might not be able to use the above formula – new products cannot begin production prior to their revision (release) date. Should the number you enter into the production schedule turn red, reduce the schedule until the red number turns black.

Fast – Sell 1,000,000 units of capacity by entering -1000 in the Buy Sell Capacity cell.

Feat – Sell 700,000 units of capacity by entering -700 in the Buy Sell Capacity cell.

Fist – Increase automation by 1.0 or 2.0 points.

Foam – Increase automation by 1.0 or 2.0 points.

Fume – No change required.

New High End Product– No change required.

New Performance Product – Buy 600,000 units of capacity by entering 600 in the Buy Sell Capacity cell. Set an automation level of 5.0.

New Size Product– No change required. The product will emerge later this year.

Important: There is a one year lag between purchase and use of new capacity and automation for both new and existing products.

Finance Round 3

You may have cash on hand to cover your plant and equipment investment. If not, issue stock to cover the shortfall.

Look at the proforma balance sheet, and add together your cash and inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in cash plus Inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory.

Adjust your cash position to meet the guideline from Round 1. If you are cash poor, issue stock. If you are cash rich, pay dividends and buy back stock.

Do not issue current debt.

Save decisions by selecting “Update Official Decisions.”

SUMMARY CONSIDERATIONS

Your instructor might want you to play another practice round. If so, continue the Niche Differentiation vision.

Having executed the plan for two or three rounds, you are now in a position to analyze it. Consider the following questions:

What are this plan’s strengths? Weaknesses?

How will competitors respond to your actions?

How can you influence competitors to avoid competing with you directly?

Which performance measures support this plan?

What is the long range potential of this plan? Its future sales volume? Its future profitability?

How can you best coordinate this plan as a team?

13

13 SAMPLE BUSINESS PLANS FOR FOUNDATION PRACTICE ROUNDS

The Foundation practice strategies include round-by-round decisions for each functional area. Participants entering these decisions will more easily understand the relationships between business strategy, tactics, functional alignment, and the Foundation simulation.

These plans are designed to work with the Standard scenario and no customization. See 2.3.1 Simulation Parameters and Customization on page 5.

In running practice rounds, instructors have two choices:

1. Allow teams to struggle through the decision process on their own, using the tutorials and other support materials available on the website and in the Guide.
2. Use the practice round business plans below.

There are pros and cons to both strategies. Participants who struggle through on their own are more likely to retain lessons learned from the practice rounds. Plus they can test alternate tactics of their own making, as opposed to the more controlled process outlined in the exercise below.

On the other hand, participants who follow the practice round business plans focus more on the decision entry without the added pressure of making tactical decisions (albeit practice decisions).

If you wish to use the practice business plans, they can be printed from the Online Professor Guide.

These practice round plans are used to illustrate strategies. Participants do not need to follow them once competition rounds begin.

13.1 FOUNDATION COST LEADER WITH A PRODUCT LIFECYCLE FOCUS

This practice exercise will help you understand the relationships between business strategy, tactics, functional alignment, and the Foundation simulation. We will use the Andrews Company for this example. (During the practice rounds, each company is assigned a different strategy.)

You will execute your plan by inputting the decisions described below. At the same time, your competitors will execute their assigned plans. The practice exercise will take three rounds. As each round is processed, you will evaluate the results and then input the next round's assigned decisions.

Upon completion of the practice rounds, the simulation will be reset to the beginning. You can then create and implement your own strategic plan for the actual competition.

Executive Summary

The Andrews team will adopt a Cost Leader with a Product Lifecycle Focus strategy, concentrating on the High Tech and Low Tech segments. We will gain a competitive advantage by keeping R&D costs, production costs, and raw material costs to a minimum, enabling us to compete on the basis of price. Our "product lifecycle" focus will allow us to reap sales for many years on each new product we introduce into the High Tech segment. Products will begin their lives in the High Tech market and mature into Low Tech products before they are retired and their assets harvested.

Vision Statement

Reliable products for mainstream customers: Andrews' brands offer value. Our primary stakeholders are bondholders, stockholders, customers, and management.

Research And Development (R & D)

We will introduce a new High Tech product every two years and retire our Low Tech product when it becomes obsolete (falls outside the Low Tech segment circle). We will ultimately have a steady stream of products lined up along the leading edge of the High Tech segment, trailing edge of the High Tech segment, and trailing edge of the Low Tech segment.

Marketing

We will maintain awareness and accessibility in our targeted segment. After we establish our cost leadership position we will revisit our situation to decide whether sales and promotion budgets should be reduced or if we should keep pace with our competitors. Our prices will be lower than average.

Production

We will significantly increase automation levels on products we intend to keep for more than three years and spend the money necessary to set-up highly automated plants for our new products as they are launched. We will sell off the plants for products that become obsolete as opposed to repositioning.

Finance

We will finance our investments primarily through long-term bond issues, supplementing with stock offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are not adverse to Leverage, and expect to keep assets/equity (Leverage) between 2.0 and 3.0.

PRACTICE ROUND 1

Follow the decisions below. After the practice rounds are complete and the competition rounds begin, you are free to choose a different strategy; you are not obligated to continue as a Cost Leader Product Lifecycle Focus.

R & D Round 1

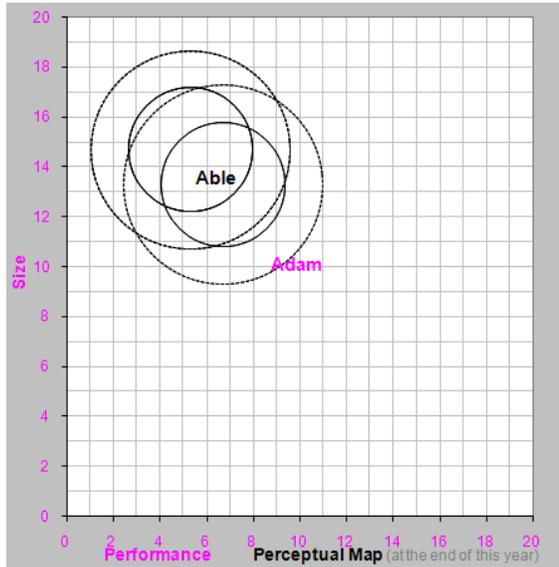
Able – Reduce reliability (MTBF) to reduce material cost. Example: Reduce MTBF from 21000 to 17000. Do not reduce MTBF below 17000 hours, because that is the lower limit of acceptable MTBF for High Tech customers.

New Product – Launch a new High Tech product, with a project length less than 2 years (no later than December of next year). Example: Name: Adam (replace the first NA in the list), performance 9.9, size 10.1 and an MTBF of 24000.

13.1 FOUNDATION COST LEADER WITH A PRODUCT LIFECYCLE FOCUS

Important: Under the rules of the simulation, the names of all new products must have the same first letter as the name of the company.

Important: Make certain the Able project completes during this year, before December 31st. Under the rules, a new project can only begin on January 1st. If a project does not complete before the end of this year, you cannot begin follow-up project next year.



Perceptual Map from the Research & Development Spreadsheet: Product names in black indicate the product's current location, names in magenta indicate the product's revised position (with slight revisions, the names will overlap). Names of newly invented products appear in magenta.

Marketing Round 1

Able – Make moderate cut in price, but maintain promotion, and sales budgets. Forecast sales as a moderate decrease over last year because the age of the product is causing it to lose appeal among High Tech customers. Example: Price \$33.00, promotion budget \$1000, sales budget \$1000. Forecast sales of 1250 units.

New Product – No change required because the product will not emerge from R&D until next year.

Production Round 1

Production schedules will plan for eight weeks of inventory. That is, have enough inventory on hand to meet demand eight weeks beyond the sales forecast. This requires a 15% inventory cushion ($8/52 = 0.15$). For example, suppose Marketing forecasts demand at 1000, and you have 100 units in inventory. You want $1000 \times 1.15 = 1150$ available for sale. Since you have 100 on hand, you would schedule 1050 for production.

If you cannot meet demand, sales go to competitors. Therefore, you want to plan for the upside as well as the downside. Your proforma balance sheet will forecast about eight weeks of inventory. You hope that your actual sales will fall between your sales forecast and the number of units available for sale.

For each product, schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand.

Able – Increase automation level by 1.0 point.

Make no other plant improvements to capacity or automation at this time.

Important: There is a one year lag between purchase and use of new capacity and automation for both new and existing products.

Finance Round 1

Your fiscal policies should maintain adequate working capital reserves to avoid a liquidity crisis. Working capital can be thought of as the money that you need to operate day-to-day. In Foundation working capital is current assets (cash

13 SAMPLE BUSINESS PLANS FOR FOUNDATION PRACTICE ROUNDS

+ accounts receivable + inventory) - current liabilities (accounts payable + current debt). If you run out of cash because your sales are unexpectedly weak, an Emergency Loan will be issued.

Here are some guidelines to help you avoid an Emergency Loan. Your proforma balance sheet predicts your financial condition at the end of this year. Make conservative sales forecasts. Do not rely on the benchmark prediction. Override it with a forecast of your own. If you are conservative, it is unlikely that your worst expectations will be exceeded. Next, build additional inventory beyond your conservative expectations. This forces your proforma balance sheet to predict a future where your sales forecast comes true and you are left with inventory. (If you sell the inventory, that's wonderful.) On the Finance spreadsheet, issue stock, bonds or current debt until the December 31 Cash Position for the upcoming year equals at least five percent of your assets, as displayed on the proforma balance sheet. This creates an additional reserve for those times when your worst expectations are exceeded and disaster strikes.

As you gain experience with managing your working capital, you will observe that the guidelines above make you somewhat "liquid," and you may wish to tighten your policy by reducing cash and inventory projections. That is fine. The better your marketing forecasts, the less working capital you will require.

Match your plant investment (which you will make for the new product next round) with a long-term bond. If you do not have sufficient new bond debt capacity, issue stock to cover the shortfall.

Pay a dividend between \$0.50 and \$1.00.

Do not issue current debt.

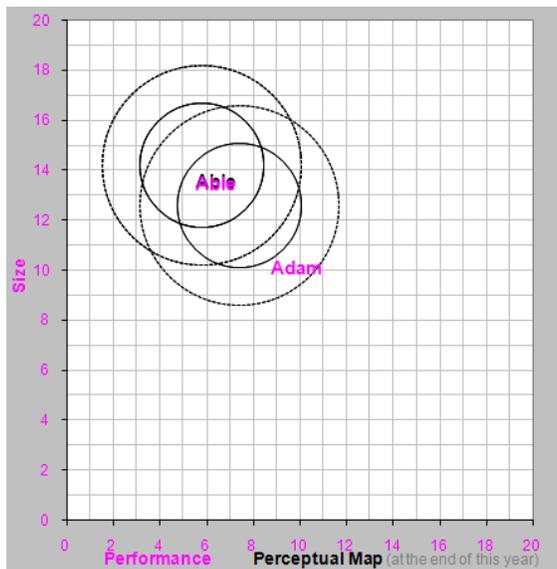
Save decisions by selecting "Update Official Decisions."

PRACTICE ROUND 2

R & D Round 2

Able – Tweak positioning to reduce age. Example: Decrease Able's size by 0.1. Note that Able is leaving the High Tech segment. Next year you will reduce the MTBF to 14000.

New Product – Note that the new product's row is yellow instead of green, and that you cannot change these cells. This is because your product will not emerge from R&D until its current project completes. Under the rules of the simulation, new R&D projects cannot begin until the old one completes.



Marketing Round 2

Able – Hold price, promotion and sales budgets at current levels. Do not change sales forecast. Example: Price \$33.00, promotion budget \$1000, sales budget \$1000, and sales forecast 1250.

New Product – Marketing decisions for the new High End product are not necessary because there is no production capacity with which to build the product. This is not an issue because the product will not emerge from R&D until very late in Round 2. Ignore price, promotion and sales budget decisions for your new product.

Production Round 2

Schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand

Able – Sell 100,000 units of capacity by entering -100 in the Buy/Sell Capacity Cell.

New Product – Buy 300,000 units of capacity by entering 300 in the Buy/Sell Capacity cell. Set an automation level of 2.0.

Finance Round 2

Match your plant investment with a long-term bond. If you do not have sufficient new bond debt capacity, issue stock to cover the shortfall.

For this round, look at the proforma balance sheet and apply the following rule of thumb. Keep your cash account in between 6% and 10% of your projected sales for the following round. To do this, look at your proformas income statement to see your projected Total Sales. Take the listed Total Sales and make sure that your Cash account on your proformas balance sheet is 6%-10% of that number (Ex: Proformas Cash/Proformas Total Sales = Number between .06 & .10).

Adjust your cash position to meet the above guidelines. If you are cash poor, issue stock. If you are cash rich, pay dividends and buy back stock.

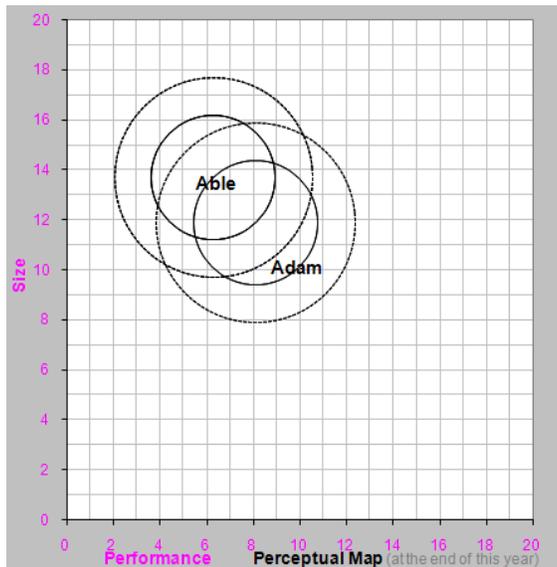
Do not issue current debt.

Save decisions by selecting “Update Official Decisions.”

PRACTICE ROUND 3

R & D Round 3

Able – Reduce reliability (MTBF) to reduce material cost. Example: Reduce Able’s MTBF to 14000.



Marketing Round 3

Able – Hold promotion and sales budgets steady. Able will now be a Low Tech product, therefore the sales forecast should adjust for the loss of High Tech sales. Example: Price \$33.00, promotion budget \$1000, sales budget \$1000, and sales forecast 1100.

New Product – Price at \$45. Set promotion and sales budgets at \$1200 each. Enter 450 for Your Sales Forecast.

Production Round 3

Schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand

New Product – Purchase 350,000 units of capacity by entering 350 in the Buy/Sell Capacity box.

13 SAMPLE BUSINESS PLANS FOR FOUNDATION PRACTICE ROUNDS

Important: As your new product is coming out sometime during the year, you might not be able to use the above formula – new products cannot begin production prior to their revision (release) date. Should the number you enter into the production schedule turn red, reduce the schedule until the red number turns black.

In future rounds, you will begin phasing out your Able product by selling off your production capacity. You will also launch a new product to the High Tech segment as Adam transitions into a Low Tech product.

Finance Round 3

For this round, look at the proforma balance sheet and apply the following rule of thumb. Keep your cash account in between 6% and 10% of your projected sales for the following round. To do this, look at your proformas income statement to see your projected Total Sales. Take the listed Total Sales and make sure that your Cash account on your proformas balance sheet is 6%-10% of that number (Ex: Proformas Cash/Proformas Total Sales = Number in between .06 & .10).

Do not retire long-term debt. Use excess cash to buy back stock and pay dividends.

Save decisions by selecting “Update Official Decisions.”

SUMMARY CONSIDERATIONS

Your instructor may want you to play another practice round. If so, continue the Product Lifecycle Cost Leader vision.

Having executed the plan for two or three rounds, you are now in a position to analyze it. Consider the following questions:

What are this plan’s strengths? Weaknesses?

How will competitors respond to your actions?

How can you influence competitors to avoid competing with you directly?

Which performance measures support this plan?

What is the long range potential of this plan? Its future sales volume? Its future profitability?

How can you best coordinate this plan as a team?

13.2 FOUNDATION DIFFERENTIATION STRATEGY WITH A PRODUCT LIFECYCLE FOCUS

This practice exercise will help you understand the relationships between business strategy, tactics, functional alignment, and the Foundation simulation. We will use the Baldwin Company for this example. (During the practice rounds, each company is assigned a different strategy.)

You will execute your plan by inputting the decisions described below. At the same time, your competitors will execute their assigned plans. The practice exercise will take three rounds. As each round is processed, you will evaluate the results and then input the next round's assigned decisions.

Upon completion of the practice rounds, the simulation will be reset to the beginning. You can then create and implement your own strategic plan for the actual competition.

Executive Summary

We will adopt a Differentiation Strategy with a Product Lifecycle Focus. We will gain a competitive advantage by distinguishing our products with an excellent design, high awareness, easy accessibility, and new products. We will develop an R&D competency that keeps our designs fresh and exciting. We will price above average. We will expand capacity as we generate higher demand.

Vision Statement

Premium products for mainstream customers: The company brands withstand the tests of time. Our primary stakeholders are customers, stockholders, management, and employees.

Research And Development (R & D)

We will allow our present product to become a Low Tech product as the segments drift – eventually phasing it out as it becomes totally obsolete. We will introduce a new product to the High Tech segment every other year, and will ultimately have a High Tech product, a transitional product, and a Low Tech Product.

Marketing

We will spend aggressively in promotion and sales. We want every customer to know about our superb designs, and we want to make our products easy for customers to find. We will price at a premium.

Production

We will grow capacity to meet the demand that we generate, avoiding overtime when possible. After our products are well positioned, we will investigate moderate increases in automation levels to improve margins, but never at the expense of our ability to reposition products and keep up with segments as they move across the perceptual map.

Finance

We will finance our investments primarily through stock issues and retained earnings, supplementing with bond offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are somewhat adverse to debt, and prefer to avoid interest payments. We expect to keep assets/equity (Leverage) between 1.5 and 2.0.

PRACTICE ROUND 1

Follow the decisions below. After the practice rounds are complete and the competition rounds begin, you are free to choose a different strategy; you are not obligated to continue as a Product Lifecycle Differentiator.

R & D Round 1

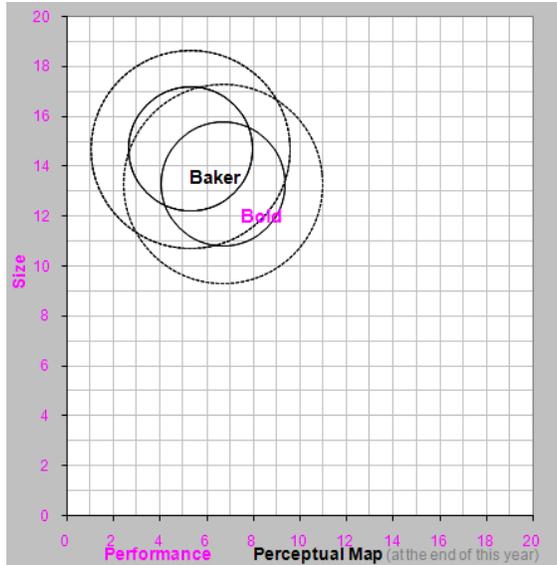
Baker – Slightly reduce reliability (MTBF) to reduce material cost. Example: Reduce MTBF to 20000.

First New Product – Launch a new High Tech product, with a project length less than 2 years (no later than December of next year). Example: Name: Bold (replace the first NA in the list), performance 8.4, size 12.0 and a reliability (MTBF) 23000.

Important: Under the rules of the simulation, the names of all new products must have the same first letter as the name of the company.

13 SAMPLE BUSINESS PLANS FOR FOUNDATION PRACTICE ROUNDS

Important: Make certain the Baker project completes during this year, before December 31st. Under the rules, a new project can only begin on January 1st. If a project does not complete before the end of this year, you cannot begin follow-up project next year.



Perceptual Map from the Research & Development Spreadsheet: Product names in black indicate the product's current location, names in magenta indicate the product's revised position (with slight revisions, the names will overlap). Names of newly invented products appear in magenta.

Marketing Round 1

Baker – Make moderate price increase and generous increases to promotion and sales budgets. Expect slightly higher sales over last year due to the increase in Marketing budgets. Example: Price \$35.00, promotion budget \$2000, sales budget \$2000. Forecast sales of 1300 units.

First New Product – No change required because the product will not emerge from R&D until next year.

Production Round 1

Production schedules will plan for eight weeks of inventory. That is, have enough inventory on hand to meet demand eight weeks beyond the sales forecast. This requires a 15% inventory cushion ($8/52 = 0.15$). For example, suppose Marketing forecasts demand at 1000, and you have 100 units in inventory. You want $1000 \times 1.15 = 1150$ available for sale. Since you have 100 on hand, you would schedule 1050 for production.

If you cannot meet demand, sales go to competitors. Therefore, you want to plan for the upside as well as the downside. Your proforma balance sheet will forecast about eight weeks of inventory. You hope that your actual sales will fall between your sales forecast and the number of units available for sale.

Schedule production for your existing product using this formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand.

First New Product – Buy 300,000 units of capacity by entering 300 in the Buy Sell Capacity cell. Set an automation level of 4.0.

Important: There is a one year lag between purchase and use of new capacity and automation for both new and existing products.

Finance Round 1

Your fiscal policies should maintain adequate working capital reserves to avoid a liquidity crisis. Working capital can be thought of as the money that you need to operate day-to-day. In Foundation working capital is current assets (cash + accounts receivable + inventory) - current liabilities (accounts payable + current debt). If you run out of cash because your sales are unexpectedly weak, an Emergency Loan will be issued.

13.2 FOUNDATION DIFFERENTIATION STRATEGY WITH A PRODUCT LIFECYCLE FOCUS

Here are some guidelines to help you avoid an Emergency Loan. Your proforma balance sheet predicts your financial condition at the end of this year. Make conservative sales forecasts. Do not rely on the benchmark prediction. Override it with a forecast of your own. If you are conservative, it is unlikely that your worst expectations will be exceeded. Next, build additional inventory beyond your conservative expectations. This forces your proforma balance sheet to predict a future where your sales forecast comes true and you are left with inventory. (If you sell the inventory, that's wonderful.) On the Finance spreadsheet, issue stock, bonds or current debt until the December 31 Cash Position for the upcoming year equals at least five percent of your assets, as displayed on the proforma balance sheet. This creates an additional reserve for those times when your worst expectations are exceeded and disaster strikes.

As you gain experience with managing your working capital, you will observe that the guidelines above make you somewhat "liquid," and you may wish to tighten your policy by reducing cash and inventory projections. That is fine. The better your marketing forecasts, the less working capital you will require.

Issue a long-term bond to cover your investment in the new factory for Bold. If you do not have sufficient new bond debt capacity, issue stock to cover the shortfall.

Since we are taking on debt to invest in a new factory, do not pay a dividend.

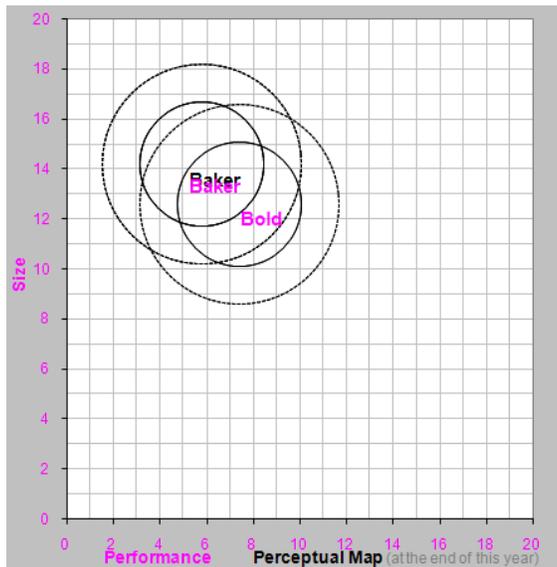
Save decisions by selecting "Update Official Decisions."

PRACTICE ROUND 2

R & D Round 2

Baker – Reduce size to improve positioning and cut age. Example: Decrease size to 13.3.

First New Product – Note that the new product's row is yellow instead of green, and that you cannot change these cells. This is because your product will not emerge from R&D until its current project completes. Under the rules of the simulation, new R&D projects cannot begin until the old one completes.



Marketing Round 2

Baker – Hold price, promotion and sales budgets at current levels. Slightly increase the sales forecast. Example: Price \$35.00, promotion budget \$2000, sales budget \$2000, and sales forecast 1350.

First New Product – Price at \$45.00 Set promotion and sales budgets at \$2000 each. Enter 300 for Your Sales Forecast.

Production Round 2

Schedule production for your existing product using this formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand

First New Product – Buy 100,000 units of capacity by entering 100 in the Buy Sell Capacity cell.

13 SAMPLE BUSINESS PLANS FOR FOUNDATION
PRACTICE ROUNDS

Finance Round 2

Match your plant investment with a stock issue. If you cannot raise adequate capital to match the investment, issue bonds to cover the shortfall.

For this round, look at the proforma balance sheet and apply the following rule of thumb. Keep your cash account in between 6% and 10% of your projected sales for the following round. To do this, look at your proformas income statement to see your projected Total Sales. Take the listed Total Sales and make sure that your Cash account on your proformas balance sheet is 6%-10% of that number (Ex: Proformas Cash/Proformas Total Sales = Number between .06 & .10).

Adjust your cash position to meet the above guidelines. If you are cash poor, issue additional stock or additional bonds. If you are cash rich, pay dividends.

Do not issue current debt.

Save decisions by selecting "Update Official Decisions."

PRACTICE ROUND 3

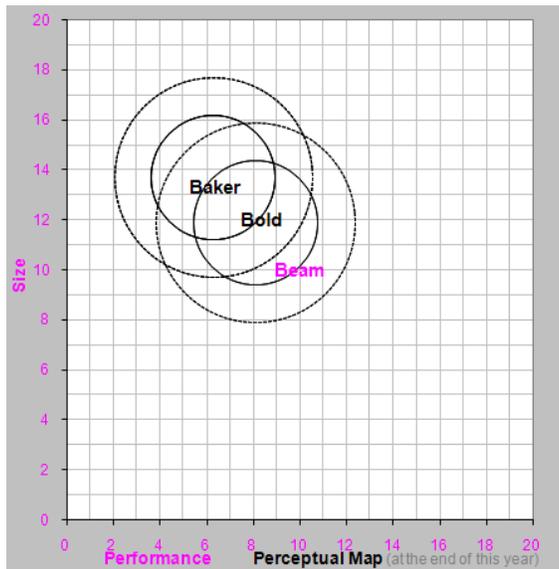
R & D Round 3

Baker – Reduce reliability (MTBF) to reduce material cost. Example: Reduce MTBF to 17000.

First New Product – Reduce reliability (MTBF) to reduce material cost. Example: Reduce MTBF to 20000.

Second New Product – Launch a second new High Tech product, with a project length less than 2 years (no later than December of next year). Example: Name: Beam (replace the first NA in the list), performance 10.0, size 10.0 and a reliability (MTBF) 23000.

Important: Under the rules of the simulation, the names of all new products must have the same first letter as the name of the company.



Marketing Round 3

Baker – Change Baker’s promotion and sales budgets to \$1500. Leave the price at \$35.00. Baker will now be a Low Tech product, therefore the sales forecast should adjust for the loss of High Tech sales. Enter a Sales Forecast of 1100.

First New Product – Decrease price to \$44.00, promotion and sales budgets at last year’s levels. Enter a Sales Forecast of 500.

Production Round 3

For each product, schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand

Important: As your new product is coming out sometime during the year, you might not be able to use the above formula – new products cannot begin production prior to their revision (release) date. Should the number you enter into the production schedule turn red, reduce the schedule until the red number turns black.

Second New Product – Buy 450,000 units of capacity by entering 450 in the Buy Sell Capacity cell. Set an automation level of 4.0.

Finance Round 3

You may be able to pay for your new plant with cash on hand. If not, raise the additional capital with stock.

Look at the proforma balance sheet, and add together your cash and inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in cash plus Inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory. Retire stock or issue dividends if you have excess cash and issue stock if you are short.

Do not issue current debt.

Save decisions by selecting “Update Official Decisions.”

SUMMARY CONSIDERATIONS

Your instructor may want you to play another practice round. If so, continue the Product Lifecycle Differentiation vision.

Having executed the plan for two or three rounds, you are now in a position to analyze it. Consider the following questions:

What are this plan’s strengths? Weaknesses?

How will competitors respond to your actions?

How can you influence competitors to avoid competing with you directly?

Which performance measures support this plan?

What is the long range potential of this plan? Its future sales volume? Its future profitability?

How can you best coordinate this plan as a team?

13.3 FOUNDATION BROAD COST LEADER

This practice exercise will help you understand the relationships between business strategy, tactics, functional alignment, and the Foundation simulation. We will use the Chester Company for this example. (During the practice rounds, each company is assigned a different strategy.)

You will execute your plan by inputting the decisions described below. At the same time, your competitors will execute their assigned plans. The practice exercise will take three rounds. As each round is processed, you will evaluate the results and then input the next round's assigned decisions.

Upon completion of the practice rounds, the simulation will be reset to the beginning. You can then create and implement your own strategic plan for the actual competition.

Executive Summary

The Chester team will adopt a Broad Cost Leader strategy, maintaining a presence in both segments. We will gain a competitive advantage by keeping R&D costs, production costs, and raw material costs to a minimum, enabling us to compete on the basis of price. Our Cost Leader orientation will allow us to gain a competitive advantage based upon low prices. We will increase automation levels to improve our margins and to make it acceptable to run overtime (which we can also view as a second shift).

Vision Statement

Low priced products for the industry: Chester brands offer solid value. Our primary stakeholders are bondholders, customers, stockholders and management.

Research and Development (R&D)

We will keep our existing product line and launch one new product in order to maintain a presence in both the Low Tech and High Tech segments. We will work to keep our products up to date (i.e. Size and Performance) in each segment despite high automation levels.

Marketing

We will maintain awareness and accessibility. After we establish our cost leadership position we will revisit our situation to decide whether sales and promotion budgets should be reduced or if we should keep pace with our competitors. Our prices will be lower than average.

Production

We will significantly increase automation levels on all products. However, because automation sets limits upon our ability to reposition products with R&D, we automate more in the slower moving Low Tech segment than in the fast moving High Tech segment. We will prefer overtime to capacity expansions.

Finance

We will finance our investments primarily through long-term bond issues, supplementing with stock offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are not adverse to leverage, and expect to keep debt/equity between 2.0 and 3.0.

PRACTICE ROUND 1

Follow the decisions below. After the practice rounds are complete and the competition rounds begin, you are free to choose a different strategy; you are not obligated to continue as a Broad Cost Leader.

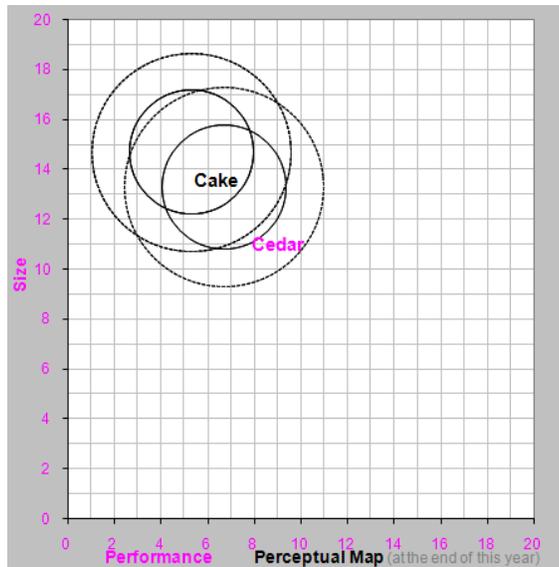
R & D Round 1

Cake – Reduce reliability (MTBF) to reduce material cost. Example: Reduce MTBF from 21000 to 18000. Do not reduce MTBF below 17000 hours, because that is the lower limit of acceptable reliability (MTBF) for High Tech customers.

New Product – Launch a new High Tech product, with a project length less than 2 years (no later than December of next year). Example: Name: Cedar (replace the first NA in the list), performance 9.0, size 11.0 and a reliability (MTBF) 20000.

Important: Under the rules of the simulation, the names of all new products must have the same first letter as the name of the company.

Important: With the exception of the new product, make certain that the projects complete during this year before December 31st. Under the rules, a new project can only begin on January 1st. If these projects do not complete before the end of this year, you cannot begin follow-up projects next year.



Perceptual Map from the Research & Development Spreadsheet: Product names in black indicate the product's current location, names in magenta indicate the product's revised position (with slight revisions, the names will overlap). Names of newly invented products appear in magenta.

Marketing Round 1

Cake – Make moderate price cuts and decrease promotion and sales budgets. Forecast unit sales near last year's level. Example: Price \$33.50, promotion budget \$800, sales budget \$800. Forecast sales of 1300 units.

New Product – Marketing decisions will be made next year when the new product is ready to begin production.

Production Round 1

Production schedules will plan for eight weeks of inventory. That is, have enough inventory on hand to meet demand eight weeks beyond the sales forecast. This requires a 15% inventory cushion ($8/52 = 0.15$). For example, suppose Marketing forecasts demand at 1000, and you have 100 units in inventory. You want $1000 \times 115\% = 1150$ available for sale. Since you have 100 on hand, you would schedule 1050 for production.

If you cannot meet demand, sales go to competitors. Therefore, you want to plan for the upside as well as the downside. Your proforma balance sheet will forecast about eight weeks of inventory. You hope that your actual sales will fall between your sales forecast and the number of units available for sale.

Schedule production for your existing product using this formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand.

New Product – Buy 300,000 units of capacity by entering 300 in the Buy Sell Capacity cell. Set an automation level of 3.0.

Important: There is a one year lag between purchase and use of new capacity and automation for both new and existing products.

Important: Make certain the Cake project completes during this year, before December 31st. Under the rules, a new project can only begin on January 1st. If a project does not complete before the end of this year, you cannot begin follow-up project next year.

Finance Round 1

Your fiscal policies should maintain adequate working capital reserves to avoid a liquidity crisis. Working capital can be thought of as the money that you need to operate day-to-day. In Foundation working capital is current assets (cash + accounts receivable + inventory) - current liabilities (accounts payable + current debt). If you run out of cash because your sales are unexpectedly weak, an Emergency Loan will be issued.

**13 SAMPLE BUSINESS PLANS FOR FOUNDATION
PRACTICE ROUNDS**

Here are some guidelines to help you avoid an Emergency Loan. Your proforma balance sheet predicts your financial condition at the end of this year. Make conservative sales forecasts. Do not rely on the benchmark prediction. Override it with a forecast of your own. If you are conservative, it is unlikely that your worst expectations will be exceeded. Next, build additional inventory beyond your conservative expectations. This forces your proforma balance sheet to predict a future where your sales forecast comes true and you are left with inventory. (If you sell the inventory, that's wonderful.) On the Finance spreadsheet, issue stock, bonds or current debt until the December 31 Cash Position for the upcoming year equals at least five percent of your assets, as displayed on the proforma balance sheet. This creates an additional reserve for those times when your worst expectations are exceeded and disaster strikes.

As you gain experience with managing your working capital, you will observe that the guidelines above make you somewhat "liquid," and you may wish to tighten your policy by reducing cash and inventory projections. That is fine. The better your marketing forecasts, the less working capital you will require.

Match your plant investment with a long-term bond. If you do not have sufficient new bond debt capacity, issue stock to cover the shortfall.

Do not pay a dividend.

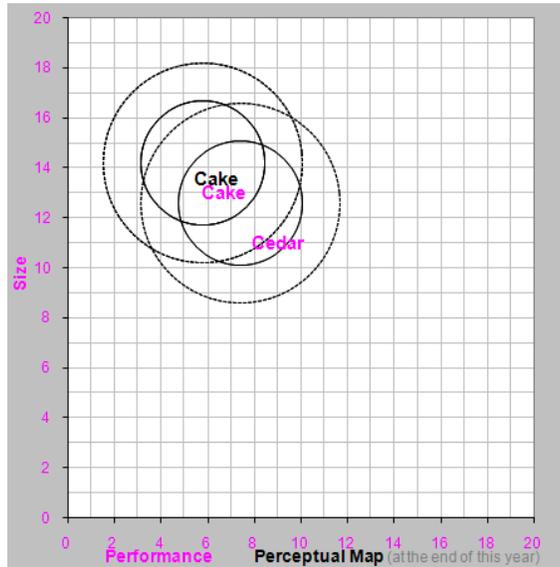
Save decisions by selecting "Update Official Decisions."

PRACTICE ROUND 2

R & D Round 2

Cake – Improve positioning and reduce age. Reduce reliability (MTBF) to reduce material cost. Example: Increase Cake's performance to 6.7, reduce size to 13.0, and reduce MTBF to 17000.

New Product – Note that the new product's row is yellow instead of green, and that you cannot change these cells. This is because your product will not emerge from R&D until its current project completes. Under the rules of the simulation, new R&D projects cannot begin until the old one completes.



Marketing Round 2

Cake – Offer a price cut to \$32.50. Hold promotion and sales budgets at \$800. Cake will still sell to both Low Tech and High Tech customers. Enter a forecast of 1100.

New Product – Price at \$44.00, Promotion at \$1000, Sales at \$1000. Since Cedar won't be ready to enter production until well into this year, so enter 200 for sales forecast.

Production Round 2

Schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand

Important: As your new product is coming out sometime during the year, you might not be able to use the above formula – new products cannot begin production prior to their revision (release) date. Should the number you enter into the production schedule turn red, reduce the schedule until the red number turns black.

Cake – Increase automation by 1.0 points.

New Product – Increase automation level, but only by 1.0 points. We will want to begin repositioning it next year in order to keep it fresh for High Tech customers. The higher the automation rating, the more difficult it is to reposition. We must strike a balance between our cost pressure requirements vs. our need to reposition often.

FINANCE ROUND 2

Match your plant investment with a long term debt (bond). If you do not have sufficient new bond debt capacity, issue stock to cover the shortfall.

For this round, look at the proforma balance sheet and apply the following rule of thumb. Keep your cash account in between 6% and 10% of your projected sales for the following round. To do this, look at your proformas income statement to see your projected Total Sales. Take the listed Total Sales and make sure that your Cash account on your proformas balance sheet is 6%-10% of that number (Ex: Proformas Cash/Proformas Total Sales = Number between .06 & .10).

Adjust your cash position to meet the above guidelines. If you are cash rich, pay dividends and buy back stock.

Do not issue current debt.

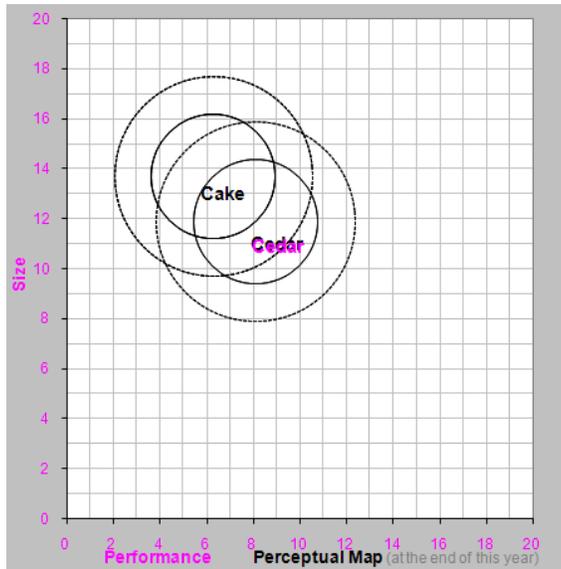
Save decisions by selecting “Update Official Decisions.”

PRACTICE ROUND 3

R & D Round 3

Cake – Reduce reliability (MTBF) to reduce material cost. Example: Reduce Cake’s MTBF to 14000.

New Product – Slightly improve the product to reduce its age. Reduce Reliability to 19000 MTBF.



Marketing Round 3

Cake – Offer a price cut. Slightly reduce promotion and sales budgets. Cake will now be a Low Tech product, therefore the sales forecast should adjust for the loss of High Tech sales. Example: Price \$32.00, promotion budget \$750, sales budget \$750, and sales forecast 1100.

New Product – Offer a price cut to \$43.00. Keep promotion and sales budgets steady. Enter a sales forecast of 500.

Production Round 3

For each product, schedule production using the formula:

$$(\text{Unit Sales Forecast} \times 1.15) - \text{Inventory On Hand}$$

New Product – Buy 200,000 units of capacity by entering 200 in the Buy Sell Capacity cell.

Finance Round 3

Match your plant investment with a long term bond. If you do not have sufficient new bond debt capacity, issue stock to cover the shortfall.

Follow the guidelines from last round to manage your cash position.

If you are cash poor, issue stock. If you are cash rich, pay dividends and buy back stock. Do not issue current debt. Save decisions by selecting "Update Official Decisions."

SUMMARY CONSIDERATIONS

Your instructor may want you to play another practice round. If so, continue the Broad Cost Leader vision.

Having executed the plan for two or three rounds, you are now in a position to analyze it. Consider the following questions:

What are this plan's strengths? Weaknesses?

How will competitors respond to your actions?

How can you influence competitors to avoid competing with you directly?

Which performance measures support this plan?

What is the long range potential of this plan? Its future sales volume? Its future profitability?

How can you best coordinate this plan as a team?

13.4 FOUNDATION BROAD DIFFERENTIATION

This practice exercise will help you understand the relationships between business strategy, tactics, functional alignment, and the Foundation simulation. We will use the Digby Company for this example. (During the practice rounds, each company is assigned a different strategy.)

You will execute your plan by inputting the decisions described below. At the same time, your competitors will execute their assigned plans. The practice exercise will take three rounds. As each round is processed, you will evaluate the results and then input the next round's assigned decisions.

Upon completion of the practice rounds, the simulation will be reset to the beginning. You can then create and implement your own strategic plan for the actual competition.

Executive Summary

We will adopt a Broad Differentiation Strategy. We will gain a competitive advantage by distinguishing our products with an excellent design, high awareness, easy accessibility, and new products. We will develop an R&D competency that keeps our designs fresh and exciting. We will price above average. We will expand capacity as we generate higher demand.

Vision Statement

Premium products for the industry: When only the best will do. Our primary stakeholders are customers, stockholders, management, and employees.

Research and Development (R&D)

We will allow our present product to become a Low Tech product as the segments drift, eventually investing enough R&D to keep it at the cutting edge of the Low Tech segment. We will introduce new products to ultimately have multiple leading-edge High Tech products and multiple leading-edge Low Tech products.

Marketing

We will spend freely in promotion and sales. We want every customer to know about our superb designs, and we want to make our products easy for customers to find. We will price at a premium.

Production

We will grow capacity to meet the demand that we generate, avoiding overtime when possible. After our products are well positioned, we will investigate moderate increases in automation levels to improve margins, but never at the expense of our ability to reposition products and keep up with segments as they move across the perceptual map.

Finance

We will finance our investments primarily through stock issues and cash from operations, supplementing with bond offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are somewhat adverse to debt, and prefer to avoid interest payments. We expect to keep assets/equity (Leverage) between 1.5 and 2.0.

PRACTICE ROUND 1

Follow the decision guidelines below unless directed otherwise by your instructor. After the practice rounds, you are free to pursue any strategy you wish, and can abandon the Broad Differentiation strategy entirely.

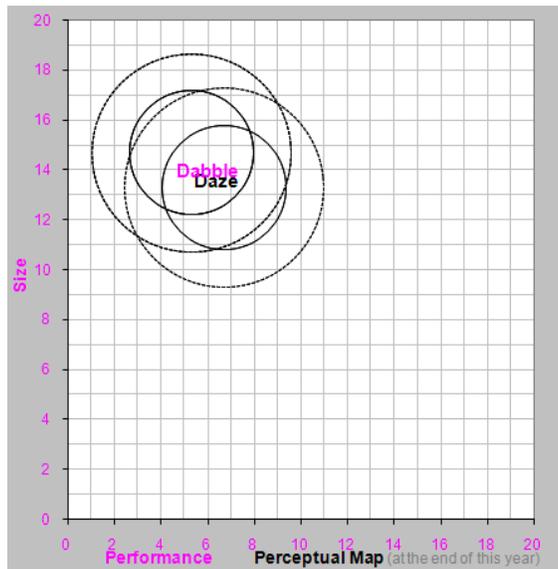
R & D Round 1

Daze – Slightly reduce reliability (MTBF) to reduce material cost. Example: Reduce MTBF to 19500.

First New Product – Launch a new Low Tech product, with a project length less than 2 years (no later than December of next year). Example: Name: Dabble (replace the first NA in the list), performance 6.0, size 14.0 and a reliability (MTBF) 18000.

Important: Under the rules of the simulation, the names of all new products must have the same first letter as the name of the company.

13 SAMPLE BUSINESS PLANS FOR FOUNDATION PRACTICE ROUNDS



Perceptual Map from the Research & Development Spreadsheet: Product names in black indicate the product's current location, names in magenta indicate the product's revised position (with slight revisions, the names will overlap). Names of newly invented products appear in magenta.

Marketing Round 1

Daze – Make moderate price increase and increase promotion and sales budgets. Forecast unit sales near last year's level. Example: Price \$34.75, promotion and sales budgets of \$1150 and a sales forecast 1200.

New Product – Marketing decisions will be made next year when the product is ready to begin production.

Production Round 1

Production schedules will plan for eight weeks of inventory. That is, have enough inventory on hand to meet demand eight weeks beyond the sales forecast. This requires a 15% inventory cushion ($8/52 = 0.15$). For example, suppose Marketing forecasts demand at 1000, and you have 100 units in inventory. You want $1000 \times 115\% = 1150$ available for sale. Since you have 100 on hand, you would schedule 1050 for production.

If you cannot meet demand, sales go to competitors. Therefore, you want to plan for the upside as well as the downside. Your proforma balance sheet will forecast about eight weeks of inventory. You hope that your actual sales will fall between your sales forecast and the number of units available for sale.

Schedule production for your existing product using this formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand.

New Product – Buy 450,000 units of capacity by entering 450 in the Buy Sell Capacity cell. Set an automation level of 2.0.

Important: There is a one year lag between purchase and use of new capacity and automation for both new and existing products.

Finance Round 1

Your fiscal policies should maintain adequate working capital reserves to avoid a liquidity crisis. Working capital can be thought of as the money that you need to operate day-to-day. In Foundation working capital is current assets (cash + accounts receivable + inventory) - current liabilities (accounts payable + current debt). If you run out of cash because your sales are unexpectedly weak, an Emergency Loan will be issued.

Here are some guidelines to help you avoid an Emergency Loan. Your proforma balance sheet predicts your financial condition at the end of this year. Make conservative sales forecasts. Do not rely on the benchmark prediction. Override it with a forecast of your own. If you are conservative, it is unlikely that your worst expectations will be exceeded. Next, build additional inventory beyond your conservative expectations. This forces your proforma balance sheet to predict a future where your sales forecast comes true and you are left with inventory. (If you sell the inventory, that's wonderful.) On the Finance spreadsheet, issue stock, bonds or current debt until the December 31 Cash Position for the upcoming year equals at least five percent of your assets, as displayed on the proforma balance

sheet. This creates an additional reserve for those times when your worst expectations are exceeded and disaster strikes.

As you gain experience with managing your working capital, you will observe that the guidelines above make you somewhat “liquid,” and you may wish to tighten your policy by reducing cash and inventory projections. That is fine. The better your marketing forecasts, the less working capital you will require.

Match your plant investment with a long term debt (bond.) If you do not have sufficient new bond debt capacity, issue stock to cover the shortfall.

Do not pay a dividend.

Save decisions by selecting “Update Official Decisions.”

PRACTICE ROUND 2

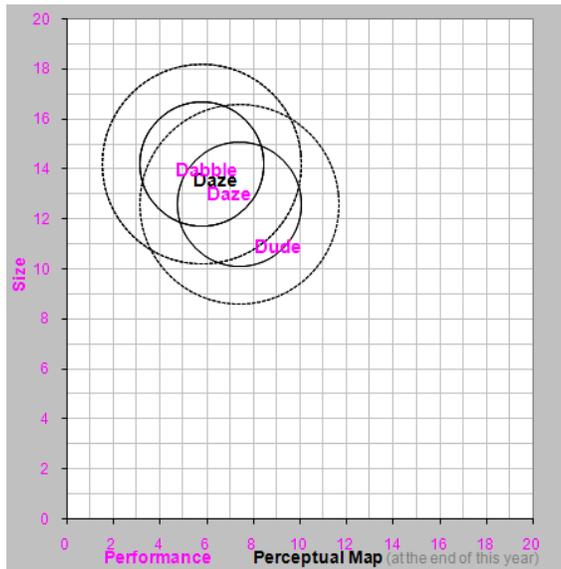
R & D Round 2

Daze – Improve positioning and reduce age. Example: Increase Daze’s performance to 7.0, reduce size to 13.0.

First New Product – Note that the new product’s row is yellow instead of green, and that you cannot change these cells. This is because your product will not emerge from R&D until its current project completes. Under the rules of the simulation, new R&D projects cannot begin until the old one completes.

Second New Product – Launch a second new product placed in the High Tech Segment, with a project length less than 2 years (no later than December of next year). Example: Name: Dude (replace the first NA in the list), performance 9.1, size 10.9 and a reliability (MTBF) 21000.

Important: Make certain the Daze project completes during this year, before December 31st. Under the rules, a new project can only begin on January 1st. If a project does not complete before the end of this year, you cannot begin follow-up project next year.



Marketing Round 2

Daze – Hold price, promotion and sales budgets at current levels. Forecast unit sales near last year’s level. Example: Price \$34.75, promotion budget \$1150, sales budget \$1150, and sales forecast 1200.

First New Product – Enter promotion and sales budgets of \$1150, and a price of \$35.00. The product will not be released by R&D until after the first of the year, therefore enter a sales forecast of 500.

Second New Product – Marketing decisions will be made next year when the product is ready to begin production.

Production Round 2

Schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand

13 SAMPLE BUSINESS PLANS FOR FOUNDATION PRACTICE ROUNDS

Important: As your new product is coming out sometime during the year, you might not be able to use the above formula – new products cannot begin production prior to their revision (release) date. Should the number you enter into the production schedule turn red, reduce the schedule until the red number turns black.

First New Product – Increase automation to 3.0.

Second New Product – Buy 450,000 units of capacity by entering 450 in the Buy Sell Capacity cell. Set an automation level of 2.0.

Finance Round 2

Match your plant investment with a stock issue. If you cannot raise adequate capital to match the investment, issue bonds to cover the shortfall.

For this round, look at the proforma balance sheet and apply the following rule of thumb. Keep your cash account in between 6% and 10% of your projected sales for the following round. To do this, look at your proformas income statement to see your projected Total Sales. Take the listed Total Sales and make sure that your Cash account on your proformas balance sheet is 6%-10% of that number (Ex: Proformas Cash/Proformas Total Sales = Number between .06 & .10).

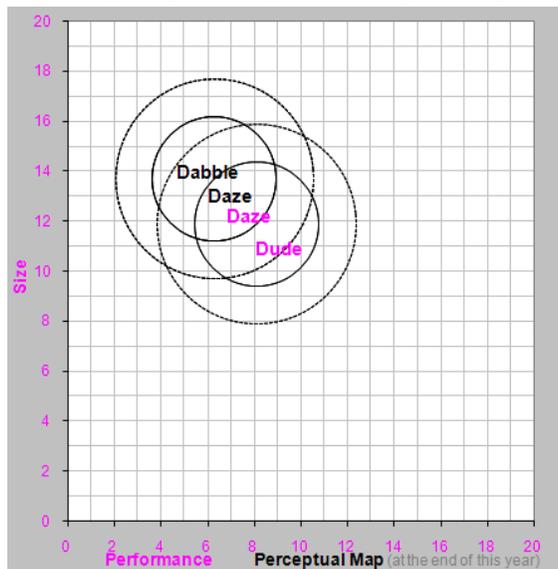
Adjust your cash position to meet the above guidelines. If you are cash poor, issue additional stock or additional bonds. If you are cash rich, pay dividends.

Save decisions by selecting “Update Official Decisions.”

PRACTICE ROUND 3

R & D Round 3

Daze – Improve positioning and reduce age. Example: Increase Daze’s performance to 7.8 and reduce size to 12.2.



Marketing Round 3

Daze – Change Daze’s promotion and sales budgets to \$1200, and a price of \$35.00. Forecast unit sales near last year’s level. Enter a sales forecast of 1200.

First New Product – Enter promotion and sales budgets of \$1200, and a price of \$34.00. Enter a sales forecast of 750.

Second New Product – Enter a promotion and sales budget of \$1000, and a price \$45.00. The product will not be released by R&D until late in the year, therefore enter a sales forecast of 200.

Production Round 3

For each product, schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand

Important: As your new product is coming out sometime during the year, you might not be able to use the above formula – new products cannot begin production prior to their revision (release) date. Should the number you enter into the production schedule turn red, reduce the schedule until the red number turns black.

Finance Round 3

Follow the guidelines from last round to manage your cash position.

If you are cash poor, issue additional stock or additional bonds. If you are cash rich, pay dividends and retire stock.

Save decisions by selecting “Update Official Decisions.”

SUMMARY CONSIDERATIONS

Your instructor may want you to play another practice round. If so, continue the Broad Differentiation vision.

Having executed the plan for two or three rounds, you are now in a position to analyze it. Consider the following questions:

What are this plan’s strengths? Weaknesses?

How will competitors respond to your actions?

How can you influence competitors to avoid competing with you directly?

Which performance measures support this plan?

What is the long range potential of this plan? Its future sales volume? Its future profitability?

How can you best coordinate this plan as a team?

13.5 FOUNDATION NICHE COST LEADER

This practice exercise will help you understand the relationships between business strategy, tactics, functional alignment, and the Foundation simulation. We will use the Erie Company for this example. (During the practice rounds, each company is assigned a different strategy.)

You will execute your plan by inputting the decisions described below. At the same time, your competitors will execute their assigned plans. The practice exercise will take three rounds. As each round is processed, you will evaluate the results and then input the next round's assigned decisions.

Upon completion of the practice rounds, the simulation will be reset to the beginning. You can then create and implement your own strategic plan for the actual competition.

Executive Summary

The Erie team will be a Low Tech Cost Leader. We will gain a competitive advantage by keeping R&D costs, production costs, and raw material costs to a minimum, enabling us to compete on the basis of price. Our Cost Leader orientation will allow us to gain a competitive advantage based upon low prices. Our products will keep pace with the market, offering improved size and performance. We will price below average. We will increase automation levels to improve our margins and to make it acceptable to run second shift/overtime.

Vision Statement

The Low Tech Experts. For cost conscious customers – Erie brands offer the best value. Our primary stakeholders are bondholders, stockholders, customers, and management.

Research and Development (R & D)

We will concentrate our efforts in the Low Tech segment, keeping costs to a minimum.

Marketing

We will maintain awareness and accessibility in our targeted segment. After we establish our cost leadership position we will revisit our situation to decide whether sales and promotion budgets should be reduced or if we should keep pace with our competitors. Our prices will be lower than average.

After we establish our cost leadership position, we will revisit our situation to explore options to improve awareness and accessibility.

Production

We will significantly increase automation levels on our products. We will prefer second shift/overtime to capacity expansions.

Finance

We will finance our investments primarily through long-term bond issues, supplementing with stock offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are not adverse to leverage, and expect to keep debt/equity between 2.0 and 3.0.

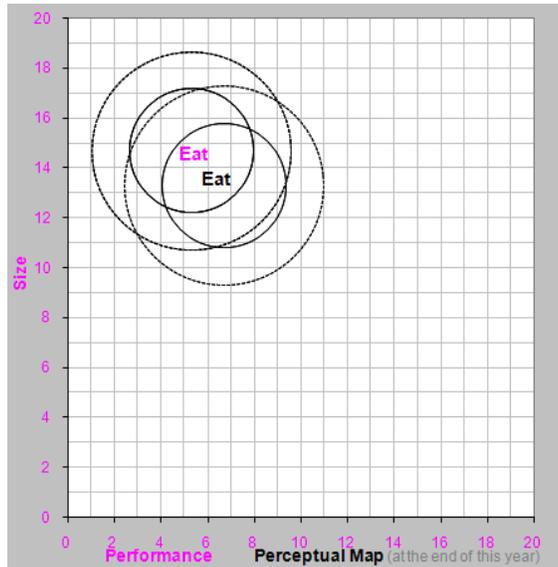
PRACTICE ROUND 1

Follow the decision guidelines below unless directed otherwise by your instructor. After the practice rounds, you are free to pursue any strategy you wish, and can abandon the Niche Cost Leader strategy entirely.

R & D Round 1

Eat – Change positioning into the Low Tech segment. Example Change Eat's performance to 5.4, and size to 14.6.

Important: Make certain the Eat project completes during this year, before December 31st. Under the rules, a new project can only begin on January 1st. If a project does not complete before the end of this year, you cannot begin follow-up project next year.



Perceptual Map from the Research & Development Spreadsheet: Product names in black indicate the product's current location, names in magenta indicate the product's revised position (with slight revisions, the names will overlap). Names of newly invented products appear in magenta.

Marketing Round 1

Eat – Reduce price, keep promotion and sales budgets at current levels. Expect a moderate increase in sales over last year. Example: Change Eat's price to \$33.50, promotion budget \$1000, sales budget \$1000 and sales forecast 1400.

Production Round 1

Production schedules will plan for eight weeks of inventory. That is, have enough inventory on hand to meet demand eight weeks beyond the sales forecast. This requires a 15% inventory cushion ($8/52 = 0.15$). For example, suppose Marketing forecasts demand at 1000, and you have 100 units in inventory. You want $1000 \times 115\% = 1150$ available for sale. Since you have 100 on hand, you would schedule 1050 for production.

If you cannot meet demand, sales go to competitors. Therefore, you want to plan for the upside as well as the downside. Your proforma balance sheet will forecast about eight weeks of inventory. You hope that your actual sales will fall between your sales forecast and the number of units available for sale.

Schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand.

Eat – Enter 4.8 for New Automation Rating.

Finance Round 1

Your fiscal policies should maintain adequate working capital reserves to avoid a liquidity crisis. Working capital can be thought of as the money that you need to operate day-to-day. In Foundation working capital is current assets (cash + accounts receivable + inventory) - current liabilities (accounts payable + current debt). If you run out of cash because your sales are unexpectedly weak, an Emergency Loan will be issued.

Here are some guidelines to help you avoid an Emergency Loan. Your proforma balance sheet predicts your financial condition at the end of this year. Make conservative sales forecasts. Do not rely on the benchmark prediction. Override it with a forecast of your own. If you are conservative, it is unlikely that your worst expectations will be exceeded. Next, build additional inventory beyond your conservative expectations. This forces your proforma balance sheet to predict a future where your sales forecast comes true and you are left with inventory. (If you sell the inventory, that's wonderful.) On the Finance spreadsheet, issue stock, bonds or current debt until the December 31 Cash Position for the upcoming year equals at least five percent of your assets, as displayed on the proforma balance sheet. This creates an additional reserve for those times when your worst expectations are exceeded and disaster strikes.

13 SAMPLE BUSINESS PLANS FOR FOUNDATION PRACTICE ROUNDS

As you gain experience with managing your working capital, you will observe that the guidelines above make you somewhat “liquid,” and you may wish to tighten your policy by reducing cash and inventory projections. That is fine. The better your marketing forecasts, the less working capital you will require.

Borrow two million dollars short-term by entering 2000 in Borrow under Current Debt.

Since we are taking on debt to invest in additional automation for Eat, do not pay a dividend, retire stock, or retire debt.

Save decisions by selecting “Update Official Decisions.”

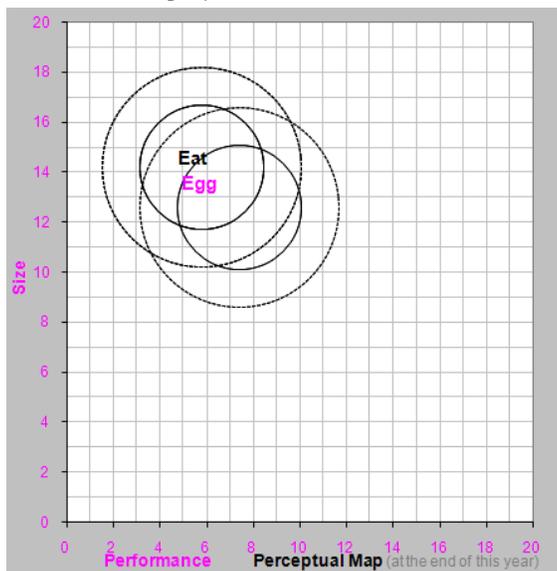
PRACTICE ROUND 2

R & D Round 2

Eat – Reduce reliability (MTBF) to reduce material cost. Example: Reduce MTBF from 21000 to 18000.

New Product – Launch a new Low Tech product, with a project length less than 2 years (no later than December of next year). Example: Name: Egg (replace the first NA in the list), performance 5.7, size 13.6 and a reliability (MTBF) 18000.

Important: Under the rules of the simulation, the names of all new products must have the same first letter as the name of the company.



Marketing Round 2

Eat – Keep price, promotion and sales budgets at current levels. Eat will exit the High Tech fine cut this year, reduce the sales forecast. Example: Price to \$33.50, promotion budget \$1000, sales budget \$1000 and sales forecast 1350.

New Product – There are no Marketing decisions yet as it is projected to be in R&D all year.

Production Round 2

Continue to use the Production rule of thumb – plan for six weeks of inventory:

(Unit Sales Forecast X 1.15) - Inventory On Hand.

New Product – Buy 350,000 units of capacity by entering 350 in the Buy Sell Capacity cell. Set an automation level of 2.0.

Finance Round 2

Match your plant investment with a stock issue. If you cannot raise adequate capital to match the investment, issue bonds to cover the shortfall.

Look at the proforma balance sheet, and add together your Cash and Inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in Cash plus Inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory.

Adjust your cash position to meet the above guidelines. If you are cash poor, issue additional stock or additional bonds. If you are cash rich, pay dividends.

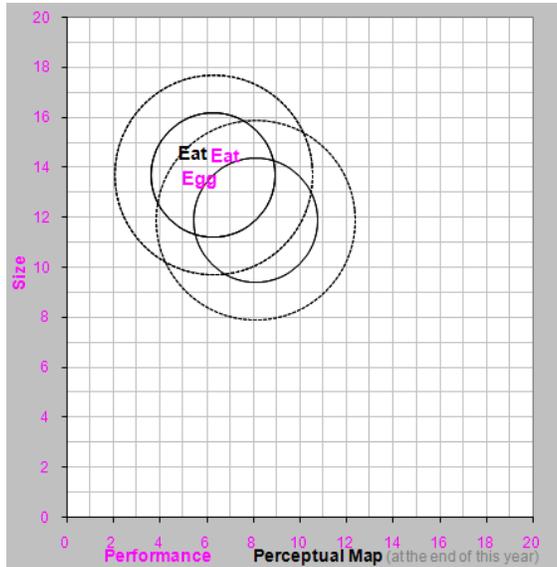
Save decisions by selecting “Update Official Decisions.”

PRACTICE ROUND 3

R & D Round 3

Eat – Improve positioning and reduce age. Example: Increase Eat’s performance to 6.8 and reduce size to 14.5.

New Product – Note that the new product’s row is yellow instead of green, and that you cannot change these cells. This is because your product will not emerge from R&D until its current project completes. Under the rules of the simulation, new R&D projects cannot begin until the old one completes.



Marketing Round 3

Eat – Keep price, promotion and sales budgets at current levels. Forecast unit sales near last year’s level. Example: Price to \$33.50, promotion budget \$1000, sales budget \$1000 and sales forecast 1350.

New Product – Enter promotion and sales budgets of \$1200, and a price of \$32.50. Enter a sales forecast of 600.

Production Round 3

Continue to use the Production rule of thumb – plan for six weeks of inventory:

(Unit Sales Forecast X 1.15) - Inventory On Hand.

Important: As your new product is coming out sometime during the year, you might not be able to use the above formula – new products cannot begin production prior to their revision (release) date. Should the number you enter into the production schedule turn red, reduce the schedule until the red number turns black.

Finance Round 3

Look at the proforma balance sheet, and add together your cash and inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in cash plus inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory.

Adjust your cash position to meet the above guidelines. If you are cash poor, issue additional stock or additional bonds. If you are cash rich, retire stock and pay dividends.

Save decisions by selecting “Update Official Decisions.”

SUMMARY CONSIDERATIONS

Your instructor may want you to play another practice round. If so, continue the Niche Cost Leader vision.

Having executed the plan for two or three rounds, you are now in a position to analyze it. Consider the following questions:

**13 SAMPLE BUSINESS PLANS FOR FOUNDATION
PRACTICE ROUNDS**

What are this plan's strengths? Weaknesses?

How will competitors respond to your actions?

How can you influence competitors to avoid competing with you directly?

Which performance measures support this plan?

What is the long range potential of this plan? Its future sales volume? Its future profitability?

How can you best coordinate this plan as a team?

13.6 FOUNDATION NICHE DIFFERENTIATION

This practice exercise will help you understand the relationships between business strategy, tactics, functional alignment, and the Foundation simulation. We will use the Ferris Company for this example. (During the practice rounds, each company is assigned a different strategy.)

You will execute your plan by inputting the decisions described below. At the same time, your competitors will execute their assigned plans. The practice exercise will take three rounds. As each round is processed, you will evaluate the results and then input the next round's assigned decisions.

Upon completion of the practice rounds, the simulation will be reset to the beginning. You can then create and implement your own strategic plan for the actual competition.

Executive Summary

We will adopt a Niche Differentiation strategy. We will gain a competitive advantage by distinguishing our products with an excellent design, high awareness, easy accessibility, and new products. We will develop an R&D competency that keeps our designs fresh and exciting. Our products will keep pace with the market, offering improved size and performance. We will price above average. We will expand capacity as we generate higher demand.

Vision Statement

Premium products for the technology oriented customers: Ferris brands define the cutting edge. Our primary stakeholders are customers, stockholders, management, and employees.

Research and Development

We will have multiple product lines in the High Tech Segment. Our goal is to offer technology oriented customers products that match their ideal criteria for positioning, age, and reliability.

Marketing

We will spend freely in promotion and sales in the technology segments. We want every customer to know about our superb designs, and we want to make our products easy for customers to find. We will price at a premium.

Production

We will grow capacity to meet the demand that we generate, avoiding second shift/overtime when possible. After our products are well positioned, we will investigate moderate increases in automation levels to improve margins, but never at the expense of our ability to reposition products and keep up with the High Tech segment as it moves on the perceptual map.

Finance

We will finance our investments primarily through stock issues and cash from operations, supplementing with bond offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are somewhat adverse to debt, and prefer to avoid interest payments. We expect to keep assets/equity (Leverage) between 1.5 and 2.0.

PRACTICE ROUND 1

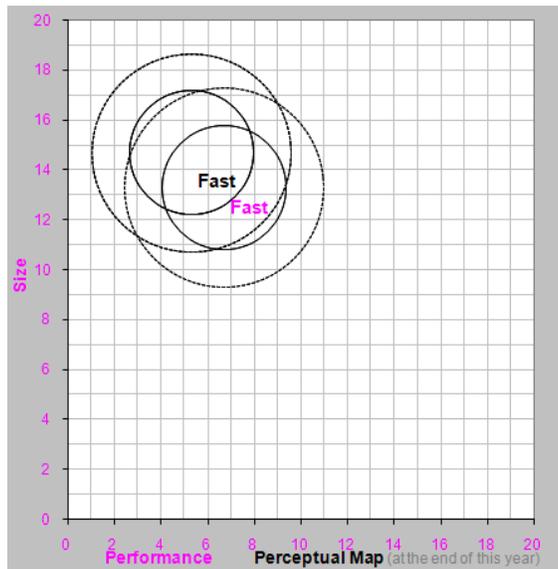
Follow the decision guidelines below unless directed otherwise by your instructor. After the practice rounds, you are free to pursue any strategy you wish, and can abandon the Niche Differentiation strategy entirely.

R & D Round 1

Fast – Improve positioning. Example: Increase Fast's performance to 7.8, reduce size by 12.5. Leave the MTBF at 21000.

Important: Make certain the Fast project completes during this year, before December 31st. Under the rules, a new project can only begin on January 1st. If a project does not complete before the end of this year, you cannot begin follow-up project next year.

13 SAMPLE BUSINESS PLANS FOR FOUNDATION PRACTICE ROUNDS



Perceptual Map from the Research & Development Spreadsheet: Product names in black indicate the product's current location, names in magenta indicate the product's revised position (with slight revisions, the names will overlap). Names of newly invented products appear in magenta.

Marketing Round 1

Fast – Make a moderate price increase and increase promotion and sales budgets. Forecast unit sales near last year's level. Example: Price Fast at \$35.00, and increase promotion and sales budgets to \$1200. Enter a sales forecast of 1200.

Production Round 1

Production schedules will plan for eight weeks of inventory. That is, have enough inventory on hand to meet demand eight weeks beyond the sales forecast. This requires a 15% inventory cushion ($8/52 = 0.15$). For example, suppose Marketing forecasts demand at 1000, and you have 100 units in inventory. You want $1000 \times 115\% = 1150$ available for sale. Since you have 100 on hand, you would schedule 1050 for production.

If you cannot meet demand, sales go to competitors. Therefore, you want to plan for the upside as well as the downside. Your proforma balance sheet will forecast about eight weeks of inventory. You hope that your actual sales will fall between your sales forecast and the number of units available for sale.

Schedule production using the formula:

(Unit Sales Forecast X 1.15) - Inventory On Hand.

Fast – Increase automation to 4.0.

Finance Round 1

Your fiscal policies should maintain adequate working capital reserves to avoid a liquidity crisis. Working capital can be thought of as the money that you need to operate day-to-day. In Foundation working capital is current assets (cash + accounts receivable + inventory) - current liabilities (accounts payable + current debt). If you run out of cash because your sales are unexpectedly weak, an Emergency Loan will be issued.

Here are some guidelines to help you avoid an Emergency Loan. Your proforma balance sheet predicts your financial condition at the end of this year. Make conservative sales forecasts. Do not rely on the benchmark prediction. Override it with a forecast of your own. If you are conservative, it is unlikely that your worst expectations will be exceeded. Next, build additional inventory beyond your conservative expectations. This forces your proforma balance sheet to predict a future where your sales forecast comes true and you are left with inventory. (If you sell the inventory, that's wonderful.) On the Finance spreadsheet, issue stock, bonds or current debt until the December 31 Cash Position for the upcoming year equals at least five percent of your assets, as displayed on the proforma balance sheet. This creates an additional reserve for those times when your worst expectations are exceeded and disaster strikes.

As you gain experience with managing your working capital, you will observe that the guidelines above make you somewhat “liquid,” and you may wish to tighten your policy by reducing cash and inventory projections. That is fine. The better your marketing forecasts, the less working capital you will require.

Since we are projecting a cash surplus, retire \$1,000,000 worth of stock by entering 1000 in Retire Stock.

Save decisions by selecting “Update Official Decisions.”

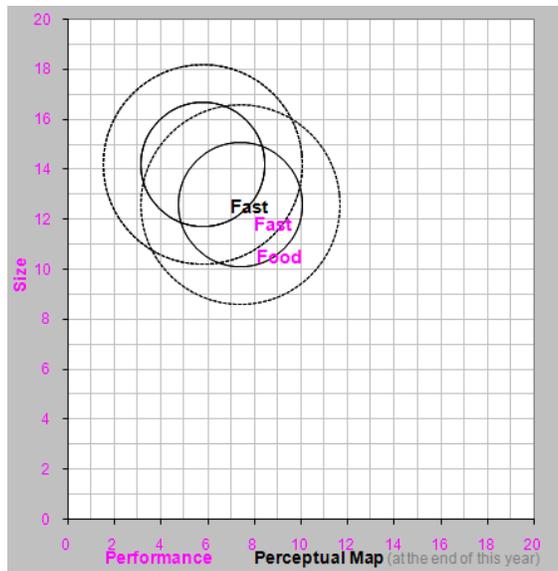
PRACTICE ROUND 2

R & D Round 2

Fast – Improve positioning. Example: Increase Fast’s performance to 8.8, reduce size to 11.8. Leave the MTBF at 21000

First New Product – Launch a new High Tech product, with a project length less than 2 years (no later than December of next year). Example: Name: Food (replace the first NA in the list), performance 9.1, size 10.5 and a reliability (MTBF) 21500.

Important: Under the rules of the simulation, the names of all new products must have the same first letter as the name of the company.



Marketing Round 2

Fast – Increase Fast’s price to \$36.00. Leave promotion and sales figures the same as last year. The price increase will further discourage Low Tech customers, therefore reduce the unit sales forecast to 1100.

First New Product – Marketing decisions will be made next year when the new product is ready to begin production.

Production Round 2

Continue to use the Production rule of thumb – plan for six weeks of inventory:

(Unit Sales Forecast X 1.15) - Inventory On Hand.

First New Product – Buy 300,000 units of capacity by entering 300 in the Buy Sell Capacity cell. Set an automation level of 2.0.

Finance Round 2

Match your plant investment with a bond issue.

Look at the proforma balance sheet, and add together your Cash and Inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in Cash plus Inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory.

Retire Stock by entering the “Max Stock Retire” in the “Retire Stock” cell.

Save decisions by selecting “Update Official Decisions.”

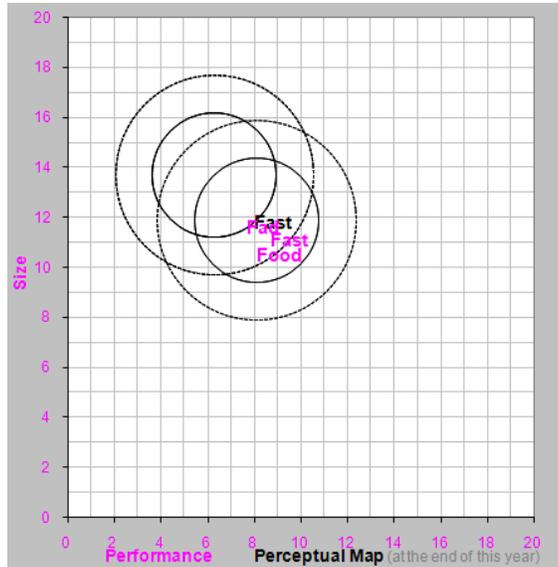
PRACTICE ROUND 3

R & D Round 3

Fast – Improve positioning. Example: Change Fast’s performance to 9.5, and size to 11.1.

First New Product – Note that the new product’s row is yellow instead of green, and that you cannot change these cells. This is because your product will not emerge from R&D until its current project completes. Under the rules of the simulation, new R&D projects cannot begin until the old one completes.

Second New Product – Launch a second new High Tech product, with a project length less than 2 years (no later than December of next year). Example: Name: Fad (replace the first NA in the list), performance 8.4, size 11.6 and a reliability (MTBF) 20500.



Marketing Round 3

Fast – Put promotion and sales figures at \$1200. Fast has now departed the Low Tech fine cut, price and sales forecasts should adjust to reflect this change. Enter a price of \$41.00 and a sales forecast of 500.

First New Product – Enter promotion budget at \$1000, sales budget at \$1200, price \$45.00, and a sales forecast of 375.

Second New Product – Marketing decisions will be made next year when the new product is ready to begin production.

Production Round 3

Continue to use the Production rule of thumb – plan for six weeks of inventory:

(Unit Sales Forecast X 1.15) - Inventory On Hand.

Important: As your new product is coming out sometime during the year, you might not be able to use the above formula – new products cannot begin production prior to their revision (release) date. Should the number you enter into the production schedule turn red, reduce the schedule until the red number turns black.

Fast – Sell 300,000 units of capacity by entering -300 in the Buy Sell Capacity cell.

First New Product – Buy 100,000 units of capacity by entering 100 in the Buy Sell Capacity cell. Set the automation level of 3.0.

Second New Product – Buy 300,000 units of capacity by entering 300 in the Buy Sell Capacity cell. Set the automation level of 2.0.

Finance Round 3

Look at your plant investment. You should have sufficient cash on hand to pay for it. If not, borrow or issue stock.

Look at the proforma balance sheet, and add together your cash and inventory accounts. Apply the following rule of thumb. Keep between 15% and 20% of your balance sheet assets in cash plus Inventory. You do not care about the mix, but you do want to have adequate reserves to cover unexpected swings in inventory. Retire stock or issue dividends if you have excess cash and issue stock if you are short.

Save decisions by selecting "Update Official Decisions."

SUMMARY CONSIDERATIONS

Your instructor may want you to play another practice round. If so, continue the Niche Differentiation vision.

Having executed the plan for two or three rounds, you are now in a position to analyze it. Consider the following questions:

What are this plan's strengths? Weaknesses?

How will competitors respond to your actions?

How can you influence competitors to avoid competing with you directly?

Which performance measures support this plan?

What is the long range potential of this plan? Its future sales volume? Its future profitability?

How can you best coordinate this plan as a team?



14 INSTRUCTOR FAQs

SETTINGS AND COMPANY ASSIGNMENT

HOW CAN I SWITCH A COMPUTER OR INACTIVE COMPANY TO A PARTICIPANT, OR A PARTICIPANT COMPANY TO COMPUTER OR INACTIVE?

Changing company configurations requires restarting the Industry. If companies have uploaded decisions for Round 1, or if the simulation has progressed to Round 2 or beyond, all decisions will be lost.

To restart the Industry, go to Manage Industry and select Manual Restart (Restart Industries in Footrace). Step 2, Configure Simulation, will allow you to change companies to participant, computer or inactive.

HOW DO I ACTIVATE, DEACTIVATE OR CHANGE STARTING ROUNDS FOR ADDITIONAL MODULES?

Adjusting modules requires restarting the Industry. To restart the Industry, go to Manage Industry and select Manual Restart (Restart Industries | Schedule Restart in Footrace). Step 2, Configure Simulation, will allow you to activate or deactivate modules, or change the round in which they are to start, or with Labor Negotiations (Capstone only), the round in which they are to occur.

HOW DO I MOVE PARTICIPANTS TO A DIFFERENT COMPANY?

In Footraces, instructors control company assignments from Company Assignment in the Manage Industry area. See 3.5.5 Company Assignments (Footrace Only) on page 13.

For both Footrace and Tournament, the Industry Roster area displays participant names alphabetically and by company. Clicking a participant's name opens a form that will allow you to change the company assignment. If you have more than one industry you can also change the participant's Industry ID.

Be sure to click the Update button to complete the change.

For Footrace industries, click any name in the alphabetical list to change that participant from his or her sub-industry back to the Footrace root (that is, back to the _000 suffix). That participant can then join or form a company.

HOW DO I USE THE TEAM ASSIGNMENT AREA (TOURNAMENT ONLY)?

The Team Assignment area is useful if you wish to assign several participants to companies across different industries. This area requires:

1. Clicking the checkbox in the row for each participant to be changed
2. Selecting the company
3. Clicking the Assign button to complete the process

HOW CAN I MOVE PARTICIPANTS TO A DIFFERENT INDUSTRY?

If you wish to move a participant to an Industry ID assigned to a different professor, please use the Capsim Support system under the Help heading and tell us who needs to be moved, or please call 877-477-8787 in the U.S.; all others please call 1-312-477-7200.

If you wish to move a participant to a different Industry ID assigned to you, go to Industry Roster, select the alphabetical list and click on the participant's name. When the form opens, click the down arrow in the Industry ID combo box and choose another industry.

HOW DO I CHECK PARTICIPANT ASSIGNMENT PROGRESS?

Go to Industry Results | Reports | Student Database. Select the options for the desired information then click Build.

HOW MANY PARTICIPANTS SHOULD BE ON EACH COMPANY?

Capsim recommends 4-6 participants per team.

ROUND PROGRESS AND RESTARTS

HOW DO I SCHEDULE ROUND DEADLINES?

Go to Manage Industry | Schedule Rounds. This page will let you schedule Practice and Competition rounds. In the Time column, you can select the auto process option, which will advance the round automatically at the selected time.

HOW DO I CHANGE THE SCHEDULE?

Go to Manage Industry | Schedule Rounds. The Date and Time for each round can be updated in this section.

HOW DO I RESTART AN INDUSTRY?

For Tournament Competitions:

Go to Manage Course | Schedule Restart. This area schedules a restart time for all the industries associated with your course, which allows you to change the industries from Practice to Competition mode. This feature also allows you to remove, add or change the start rounds of Advanced Modules for all Industries within your course. You will not be able change team configurations via a Schedule Restart; or

Go to Manage Industry | Manual Restart. This area allows you to restart an individual industry within a course. Manual Restart will allow also you to change Team Configurations (that is, change a company from Computer to Participant, etc.).

For Footrace Users

Go to Manage Industry | Restart Industries. This area will allow you to manually restart selected industries or all industries and change industries from Practice to Competition mode. It also allows you to schedule a restart time for all the industries. When you schedule a restart, you can change the industries from Practice to Competition mode. Scheduled Restarts also allow you to remove, add or change the start rounds for Advanced Modules associated with your Footrace.

CAN I UNDO A ROUND AFTER IT PROCESSES?

Yes. Go to Manage Industry and click Undo Round.

WHERE DO PARTICIPANTS GET RESULTS?

Participants can get the Capstone Courier/Foundation FastTrack on the website from the Reports menu heading. They can also get the Courier/FastTrack from the Capstone or Foundation Spreadsheets.

IN THE TOURNAMENT TEAM ACTIVITY AREA, WHAT DO READY, UPLOADED AND WAITING MEAN?

As they upload decisions, participants have an opportunity to notify instructors that their decisions are final. This can facilitate simulation progress if the rounds are not scheduled. Uploaded means at least one set of decisions has been sent, but it is not necessarily the final set of decisions. If a round is processed, either automatically or manually, Uploaded decisions will be used even if they are not marked final. If teams have not uploaded (shown as Waiting), the simulation will process the last set of decisions from the previous round.

SUCCESS MEASURES AND BALANCED SCORECARD

HOW CAN I ENTER SUCCESS WEIGHTS FOR MY COMPANIES?

Under Homework, click Success Measure Weights. This area will let you select the methods and determine by which round participants must enter their weight percentages. If you prefer, you can enter them by clicking the Weights link. The Overview section offers additional information.

HOW DO I VIEW THE SUCCESS MEASURE RESULTS?

Success results can be found under Industry Scoring | Success Measures. There are two evaluation methods, Weighted Ranking and Weighted Relative. Please see each of these areas for discussions of the calculation methods.

WHAT ARE THE BALANCED SCORECARD TOP TEN ELIGIBILITY RULES?

The Balanced Scorecard Top Ten recognizes those teams whose results are in the top ten percent. Listings of this top decile recognize professor, school and team for each individual round as well as total performance through each round (overall round-to-date). Because certain configurations of the simulation create more opportunities for profits than others, equitable comparison for Top Ten evaluation requires a level-playing-field. Instructors are free to configure their simulations in any way which does not garner an undo advantage to their teams, relative to other simulations.

Qualifiers:

- Six companies per Industry
- Companies without participants must be computer managed
- The Human Resources module cannot start before Round 2
- The Sustainability/IQM module cannot start before Round 3

Disqualifiers:

- No Student Bonuses
- No Cash Injections

REHEARSAL TUTORIAL

IN THE REHEARSAL TUTORIAL, WHY DO PARTICIPANTS SEE ANDREWS AND NOT THE COMPANY TO WHICH THEY ARE ASSIGNED?

Every participant plays the Andrews company as they go through the Rehearsal Tutorial.

WHERE CAN I SEE COMPLETION INFORMATION FOR REHEARSAL TUTORIALS?

Go to Industry Results | Reports and click on Rehearsal Completion.

HOW CAN I PLAY THE REHEARSAL TUTORIAL?

From the Instructor Welcome page, click the Log Into Team link and select a company. When the new page opens, expand the Decisions menu item and select Rehearsal.

PEER EVALS

HOW DO I SCHEDULE PEER EVALS?

Go to Homework | Peer Evaluations and click on Schedule. The Overview offers additional information.

STRATEGIES

DO MY PARTICIPANTS HAVE TO FOLLOW A SPECIFIC STRATEGY?

No. Your participants are welcome to run their companies with a strategy of their choosing. There is no obligation to follow the strategies employed by the computer generated companies.

SITE NAVIGATION

HOW DO I RETURN FROM THE PROFESSOR PAGES AFTER I LOG INTO TEAM OR COMPANY?

When you are ready to return to the Professor pages after logging into a team or company environment, click Return to Professor Course in left hand menu. This will immediately return you to the Professor environment.

WHERE DO I FIND THE POWERPOINT PRESENTATIONS?

PowerPoint presentations are available from the Online Professor Guide.

A

Accessibility, 15, 16
Active Courses, 8
Additional Modules, 7, 28, 31
Administration, 8, 10, 25, 31
Advanced Marketing, 2, 7
Advice to Struggling Teams, 56
Analysis & Scoring, 21
Analyst Report, 17, 21, 30
Annual Report, 52
Annual Reports, 14, 29, 44
Archived Courses, 8
Asset Turnover, 18, 19, 20, 21, 23, 30, 48, 49, 50, 51
Assigning Teams, 6, 9
Assignments, 9, 13, 22, 27, 30, 33, 36, 38, 54, 55, 138
Associates, 8
Assurance of Learning, 42
Audit Trail, 19
Availability, 16, 24, 30
Awareness, 16

B

Balanced Scorecard, 6, 7, 17, 19, 30, 39, 40, 41, 42, 140
Board Queries, 39, 40, 41, 42, 43
Buying Criteria, 15, 56, 58, 59, 60

C

CapDebrief, 9, 29, 45, 46, 54
Capstone.xls, 9, 27, 28, 43
Capstone® Courier, 14, 27, 29, 43, 44, 139
Checklist, 9, 53
Class Standings, 42
Classic Ten Rankings, 17, 21, 30

Company Assignments (Footrace only), 9, 13, 33, 35, 138
Company Status (Footrace only), 13, 35
Comparative Scores, 42
Competition Rounds, 2, 10, 11, 12, 29, 36, 37, 54
CompXM.xls
 Download, 28, 43
Comp-XM®, 2, 4, 8, 10, 19, 25, 26, 28, 29, 39, 40, 41, 42, 43, 44
Comp-XM® Inquirer, 43, 44
Comp-XM® Instructor Environment, 8, 25, 39
Comp-XM® Participant Environment, 40, 41, 42
Conferences, 12, 31
Courier, 14, 15, 16, 27, 29, 30, 36, 37, 43, 44, 54, 56, 57
Course Information, 4
Create, 22, 23, 40
Create New Exam, 40
Creating Industries, 5
Customization, 5, 14

D

Dashboard, 11, 12, 27, 28, 40, 42, 43
Debrief Menu, 29, 47
Debrief Reports, 24, 30
Debrief, Footrace, 17, 19
Debrief, Tournament, 17, 18
Decision Audit, 28, 29, 56, 57
Decision Summaries, 19, 56, 57
Decisions, 53
Decisions Menu Item, 28
Downloads, 43
DuPont Chain, 49

E

Editions, 1, 4
Email, 7, 12, 31, 55
Emergency Loan, 18, 21, 56, 72, 79, 85, 91, 97, 103, 110, 114, 115, 120, 124, 129, 134
Enrollment Agreement, 4
Ethics Plug-In, 10
Exam Dashboard, 40
Exam Editor, 40, 41
Exams, 8, 39, 40, 41
Excel®, 3, 26, 42, 43, 45, 46, 47
Excessive Loss, 57

F

FAQs, 25, 31, 138
FastTrack, 14, 15, 16, 27, 29, 30, 36, 37, 43, 44, 51, 54, 56, 57, 139
Financial History, 16
Financial Statements, 14, 30
Financial Summaries, 30
Footrace, 2, 6, 7, 9, 11, 12, 13, 17, 19, 24, 27, 30, 32, 33, 34, 54, 138, 139
Footrace Team Assignment, 33
Form a Company, 27, 33
Foundation.xls, 9, 27, 28, 29, 43, 139
Foundation®
 FastTrack, 14, 27, 29, 43, 44, 51
FoundationDebrief, 9, 29, 45, 46, 54
Front Page, 14

G

Getting Started, 27, 28, 36, 37, 42
Grade, 22
Grading Essays, 41
Guides, 27, 36, 37

H

Help, 12, 25, 27, 31,
43, 47, 58
History, 16, 19
Homework, 20, 22, 28,
30, 36, 38, 50, 55,
140
HR/TQM/Sustainability
Report, 16
Human Resource, 1, 2,
7, 16, 20, 43, 140

I

Implementation, 2
Inactive Courses, 8
Industries, 5, 6, 7, 10,
11, 12, 13, 33, 39,
139
Industry Conditions
Report, 29
Industry IDs, 7, 33, 46,
53
Industry Results, 14,
17, 24, 30, 54, 139,
140
Industry Roster, 9, 24,
26, 28, 33, 138, 139
Industry Scoring, 19,
23, 140
Instructor Environment,
8, 39
Introductory Lesson,
17, 27
Inventory Amounts, 56

L

Labor Negotiation
(Capstone® only), 7
Last Round Results, 47
Last Year's Results,
14, 47, 51
Latest Round, 17, 18,
30, 54
Launch a New Course,
4
Leverage, 18, 48, 49,
70, 77, 89, 101, 108,
113, 123, 133
Log Into Company, 25
Low Contribution
Margin, 56

M

Manage Course, 8, 10,
13, 22, 23, 25, 31,
139
Manage Industry, 11,
12, 53, 54, 138, 139
Manual Download and
Upload, 28
Manual Restart
(Tournament Only),
13
Market Share, 15, 16,
18, 19, 20, 21, 23,
30, 48, 50, 51
Market Share Report
And Perceptual Map,
16
Master Schedule, 12
Menus, 47
Messages, 12, 31
Methods, 23, 30
My Account, 8
My Comp-XM®
Exams, 8, 39, 40
My Courses, 12, 25
My Teams, 19

N

New Peer Evaluations,
23, 30
Number of Competing
Companies Within an
Industry, 6
Number of Industries in
Tournament
Courses, 6
Number of Participants
per Company, 6

O

Official Decisions, 19,
54
Online Guide, 27, 28,
31, 36, 37, 58

P

Participant
Environment, 26, 40,
41, 42
Participant Web
Pages, 26, 27
Participant, Computer
and Inactive
Companies, 6

Peer Evaluations, 22,
23, 28, 30, 55, 140
Peer Evaluations, New,
23, 30
Perceptual Map, 16,
27, 43, 61, 62, 63,
64, 65, 66, 67, 68,
71, 78, 84, 90, 96,
102, 109, 114, 119,
124, 129, 134
Plant Comparisons, 48
Plug-Ins, 3, 4, 10
Practice Rounds, 2, 10,
11, 12, 24, 29, 54,
69, 107
Print Show, 47, 51
Process Round, 54
Process Round, 11,
12, 34, 54
Process Round, 54
Production Analysis,
14
Professor Account, 4
Professor Comments,
12, 28
Professor Community,
8
Professor Pages, 8, 39

R

Registering a Course,
4
Registration, 17, 26
Rehearsal Completion,
16, 140
Rehearsal Tutorial, 3,
10, 12, 16, 27, 36,
37, 53, 140
Report Availability, 16,
24, 30
Reports, 14, 16, 22,
23, 24, 27, 29, 30,
44, 47, 54, 139, 140
Requirements, 3
Restart, 7, 10, 11, 12,
13, 34, 36, 37, 53,
138, 139
Results to Date, 18,
47, 50, 54
Return on Assets, 14,
21, 48, 50
Return on Equity, 21,
48, 49
Return on Sales, 21,
48, 49, 50

Roster, 9, 24, 26, 28,
33, 138
Round Analysis, 17,
21, 30
Round Debrief, 17, 54

S

Sales Comparison, 18,
47, 48
Sample Board Queries
as a Student, 41
Sample Business
Plans, 69, 107
Sample Fourteen
Week Schedule, 2,
37
Sample Nine Week
Schedule, 2, 36
Scenarios, 5, 14
Schedule Restart
(Footrace), 34
Schedule Restart
(Tournament), 7, 11
Schedule Rounds, 10,
12, 22, 23, 28, 54,
139
Scores, 41, 42, 47, 50,
51
Scores in Progress, 41
Scores to Date, 47, 50
Scoring, 19, 20, 21, 23,
50, 51
Segment Analyses, 15,
56
Segment Drift, 61, 62,
63, 64, 65, 66, 67, 68
Set Deadlines, 54
Simulation
Customization, 5, 14
Simulation Database,
35

Simulation Database,
18
Simulation Parameters,
5
Simulation Reports, 29
Simulation Scenarios,
5, 14
Situation Analysis, 17,
27, 36, 37, 54
Standard Checklist, 9
Star Summary, 21
Stock & Bond
Summaries, 14
Stock Price, 18, 19, 20,
21, 23, 24, 31, 48,
50, 51, 57
Student Bonuses
(Tournament Only),
13
Student Database, 17,
18, 139
Student Progress, 35,
41, 42, 43
Student Results, 41,
42, 43
Student Scores, 42
Student Scores, 42
Students
Alphabetically, 24, 33
Students by Company
(Footrace), 24, 33
Students by Team
(Tournament), 24
Success Comparison,
19, 35
Success Measures, 20,
23, 24, 30, 36, 37,
50, 140
Support, 3, 25, 31

T

Task List, 11, 28
Team Activity, 9, 28
Team Activity
(Tournament Only), 9
Team Assignment
(Tournament Only), 9
Team Member Guides,
27, 31, 36, 37
Timeframes, 36
Tournament, 2, 6, 7, 9,
12, 13, 17, 18, 24,
27, 28, 31, 53, 138,
139
TQM (Total Quality
Management)/Sustain-
ability, 1, 2, 7, 20,
43
Typical Problems, 56,
57

U

Undo Round, 12, 34,
139

V

View Annual Report,
52

W

Weighted Ranking, 17,
20, 30, 140
Weighted Relative, 17,
20, 30, 50, 51, 140
Weights, 24, 31, 50,
140
Welcome Page, 8, 9,
45