

# *Faculty User Guide*



## *International Business Business Strategy*

### *The Game*

## **Why International Business/Strategy – The Game**

The purpose of the simulation is to provide your students with a hands-on experience of the topics being discussed in a typical international business and business strategy class using experiential learning technologies. The simulation reinforces the aspects of international business and strategic management. Functional operations include product design, marketing, human resources, and finance. The 4P's, internal operations, HR, cash flow, Investment decisions, product design, market value proposition, effectiveness of different advertising mechanisms, short term strategic planning, competitive analysis and several other concepts all emulated in an easy-to-use intuitive system. Global parameters such as currency exchange, purchasing power parity, the impact of culture, tariffs, sales quotas, repatriation of funds and others are embedded in the simulation. As a manager in a multinational corporation, your students will take responsibility for a department and proceed to make the appropriate decisions to ensure corporate success. The simulation also emphasizes teamwork and responsibility which leads to accountability and the development of a leadership persona.

Bringing decades of simulation modelling, firsthand experiences in international business and managing corporations plus over 20 years of academic practice SIMU-EX has created an excellent supplement to your course that will provide students with an experiential learning experience, using gamification, to reinforce your course content.

This is your opportunity to provide your students with the experience and thrill of managing a large international business without the risks. It's all about due diligence, decisions, teamwork, and actionable knowledge. You students reinforce what they are learning by doing and acting upon their experiences. You students will face challenges, in International Business/Business Strategy - The Game, how will they respond?

Provide your students with:

- an immersive hands-on experience
- the opportunity to practice what they have learned
- a product design experience and appreciation of the importance of the Value Proposition
- an opportunity to perform market analyses and experience the impact of their choices
- analyzing a variety of advertising mediums to create an advertising campaign
- experience managing cash flow and understanding the difference between equity and debt
- the insight into the real-world difficulties of projecting sales and the impact of excess inventory
- difficulties of managing a multi-national corporation with a variety of global driving factors
- experience in team dynamics and team work
- a “sandbox” to test their strategies and compete with other student teams
- an opportunity to become better managers by doing and experiencing the thrill of managing
- a hands-on opportunity to practice ‘responsibility’ and experience being held accountable
- a confidence building experiential learning tool that supports your teaching

*Your students should consider this a hands-on experience in managing a multi-national corporation. At the end of the simulation your students will have experience with:*

- Understanding the process of managing a business
- The importance of the 4P's in product marketing
- Determining a products Value Proposition and the concept of ‘EVAC’ (Effort, Value, Acceptance & Cost) in product design
- The forces that can cause business expansion to fail
- The driving factors in the decision-making process of a global corporation
- Country specific constraints (Tariffs, Quotas, Repatriation, Country Risk)
- Country differences (Inflation, Exchange rates, PPP, Culture, Tax)
- Identifying the market niche of a product or service
- Describing the components of a marketing plan and be able to prepare one
- The importance of HR management
- Projecting unit sales and revenue
- Developing a pricing strategy for a product
- Understanding the ‘Knowledge Chain’ culminating in Actionable Knowledge
- Managing cash, debt and equity
- Employ the process of Monitoring measures & metrics and when necessary, Managing adjustments
- *and much more ...*

SIMU-EX provides all of the supporting materials, examples on how to incorporate into you classes, a variety of grading schema, supplemental materials, etc.

**Student Procedure** (refer to your syllabus for a class specific procedure)

- A. Simulation Software – International Business/Strategy – The Game, Web site InternationalBiz.net or <https://lekacos.com/tpieint/Index.php>
- B. Create an account.
- C. Register using the Game Code assigned by your faculty.
- D. Purchase the License. Requires payment of \$38.99 during the account creation step.
- E. Be aware of your classes grading schema (refer to your syllabus)
- F. Meet your fellow team members and decide upon the organizational structure, team meetings and functional positions of each member.
- G. Note the Due Dates for each yearly processing
  - 1. Year 1 processing date
  - 2. Year 2 processing date
  - 3. Year 3 processing date
  - 4. Year 4 processing date
- H. Review all student training materials and terms used in game
- I. Yearly procedure (repeat these steps each of the 4 years)
  - 1. Due Diligence (analysis of yearly results)
  - 2. Product decisions
  - 3. Marketing decisions
  - 4. HR decisions
  - 5. Finance decisions
  - 6. CEO lead team meeting

#### **Student Checklist**

- A. Review Economic parameters for current year (Main Page)
- B. Discuss with team current year decisions
- C. Review Growth and Gap tables (Main Page starting in year 2)
- D. Product design decisions (if allowed after Year 1)
  - 1. Select or review product features
  - 2. Select or review export countries
- E. Marketing Decisions
  - 1. Select or review the Ad Plans
  - 2. Change or review Promotional Budgets
  - 3. Change or review Selling Prices
  - 4. Change or review Quantity to Order (QOO)
- F. HR Decisions
  - 1. Change or review Recruitment Budgets
  - 2. Change or review Training Budgets
  - 3. Change or review Corporate Loyalty Budgets
- G. Finance Decisions
  - 1. Review Cash-in-Bank
  - 2. Use or review Commercial Loans
  - 3. Use or review Bonds
  - 4. Use or review FDI investments (FDI country only)
  - 5. Use or review Inventory storage Investment
  - 6. Select or review stock sales
  - 7. Use or review transfer of cash
- H. Team meeting
  - 1. Discuss and finalize fiscal year decisions

## Countries/Markets

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The simulation has five markets, each can be a separate country or a different market segment in the same country. For example, two of the five slots can be the USA, one Italy, one China and the last Canada. In this case the USA has two business units selling into two different market segments. Another example, would be two markets in China and two markets in the UK and one in India. This example has two countries selecting into two different market segments and one country with one segment. A third example, the USA is selling into three different market segments and China is selling into two different segments. You can even have one country selling into five segments. This is typical for Business Strategy courses that wish to minimize global parameters.

### Constraints

- Only one country can be Domestic or FDI.
- Two or less countries can be exported into.
- Multiple markets in the same country are sold by different business units of the same holding company.

### Country selection.

- All five countries are different. In this case each country is unique.
- More than one country being the same. All designations for the same country must have the same sell through designation (i.e. Domestic, FDI, export). In this case multiple occurrences of the same country imply different markets in that country that are sold by different business units.
- All five countries are the same. This means we're selling in one country and each is a different market sold by a different business unit.

If two countries are the same, then the following economic parameters are negated:

- Exchange rate
- Purchasing Power Parity
- Tariff
- Quota
- Repatriation
- Risk
- These Economic parameters remain in effect
  - Corporate tax
  - Culture
  - Inflation
  - Shipping to other markets
  - Interest rates

If two countries have the same currency, the exchange rate is negated all other parameters remain in effect.

## Economic Parameters

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There are 11 Economic parameters in the simulation. In a generic game they will be randomly generated. However, faculty can override the parameters. In addition to the economic values, faculty can also modify the economic parameters for each selected country. Note: your professor can override the default range of values.

Parameter	Definition	Impact	Value range (default)
Currency Exchange	When transferring funds between countries the exchange rate is considered. The ratio	This value is normally in the range of .5-2.0 and it's always calculated as a	.5 — 2.0

	is calculated as transferred to country divided by transfer from country.	ratio TO/ FROM when transferring capital from one country to another.	To/From Ratio calculates the exchange
Purchasing Power Parity	PPP is another form of measuring the exchange of currency. However, it is based on the cost to <b>purchase the same item</b> in two different countries. For example, if it costs 100 currency units in country A and 150 units in country B then the exchange rate is 1.5. That means it takes 1.5 units to buy the same item in country B as one unit in country A. However, this is a subjective metric because the product is assumed to be the same and it may not be truly the same.	This is a numeric value that ranges between 10,000 and 100,000 currency units. The price on exported items and is impacted by this ratio. The effectiveness of HR recruitment, corporate loyalty programs and training in FDI countries are impacted by this ratio. The ratio is <b>FDI-PPP/Domestic-PPP</b> . For example: USD is \$52,747 and GBP is £46,191 (refer to table on slide 2). US is the domestic country, and the UK is an FDI country. The ratio is $46,191/52,747 = .88$ Therefore $£.88 = \$1$ for HR	10,000 — 100,000 a ratio is calculated based on the PPP of each country.
Tariffs	Tariffs only come into play when exporting into a country. This parameter adds a 'tax', 'fee', charge to the price of an item however that surcharge goes to the government and not the company.	This is a decimal value that adds the designated percentage to the selling price. That incremental amount is collected by the country.	0—.25 0 means no tariff
Quota	Quotas can normally apply to both imports and exports. However, in the game they only apply to imported units. This value represents the maximum number of units that an exporter may be able to import into a country based on the market size. This should be taken into consideration when projecting the units of sale.	This is a decimal value that calculates the maximum number of units, based on market size, that can be imported. For example, if the quota is .35 then there is a <b>possibility</b> that up to 35% will be allowed into the country. Any rejected units will be scrapped.	0—.9 0 means no limit. This value is always a range from 0 to the value shown and may not be in effect.
Corporate Tax	Corporate tax is the government tax on profits made in a specific country. This includes domestic, FDI and export countries.	This is a decimal value that calculates the tax on profits.	.1—.35 Tax on profit
Repatriation	This parameter limits the amount of capital that can be transferred out of one country. In the game, it is based on the cash-in-bank amount. This decimal value determines the maximum amount of the cash in bank that can be transferred to another country.	For example: Germany has a repatriation rate of .65 (refer to table on slide 2). That means the company can transfer up to 65% of the <b>cash in back</b> amount to another country.	0—1.0 0 means no transfers allowed
Country Risk	This parameter applies to FDI and Export countries. Investments in HR, FDI and inventory storage facilities can be lost due to political turmoil, conflict, social unrest, etc. It determines the <b>potential</b> for a loss of all assets in the country.	This is a decimal value that represents the probability that all assets will be lost. It is a range from 0 to .2 However, a positive value does not necessarily imply that a lost will occur only the potential risk.	0—.2 0 means no risk. A .2 means that there is up to a 20% risk that the assets will be lost.
Culture	Culture is a parameter that can impact HR, the value proposition (VP) of a product and the effectiveness of the advertising campaigns. Culture impacts these elements with a +/- effect. For example, depending upon the value of the culture parameter, the impact on training and corporate loyalty may increase or decrease. The same affect can occur with the VP and effectiveness.	For example: UK has a culture value of -.20 (refer to table on slide 2). That means the company investment in HR may have <b>up to</b> a 20% reduction in training and corporate loyalty effects. The salary investment will be discounted by <b>up to 20%</b> and the promotional budget in that country may be discounted by up to 20% as well as the product VP.	-.15—.15 +/- values

Inflation	This is a percentage that increases the product cost, promotional budgets, inventory holding costs and HR cost in a country. Essential it reflects increase in purchasing costs and thus a decrease in currency purchasing value.	It is a range from 0 to .1 A zero value implies no inflation, a baseline value for the cost. A positive value, increases that baseline cost by the respective percentage, reflecting an 'inflated' cost. This means less value for the same currency.	0—.1 0 means no inflation
Shipping	This parameter adds the cost of transporting a product that is being exported into the specific country. It is an added expense to the direct exporting process. The currency factor, TO/ FROM, will also be applied to determine the final adjusted cost of the purchased items.	This decimal value has a range from .1 to .3 increases the cost of the item being exported, into that country, irrespective whether it sold or not.	.1—.3 Increases cost
Loan Interest	This represents the interest rate on commercial loans taken in a specific country.	It is a decimal range between .03 and .15 that calculates the interest on loan balances.	.03-.15 On loan balance

## Main screen

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From this page you access the main decision screens that allow you to Manage your Product decisions, manage your Marketing decisions, manage your Country Sell-thru selection, manage your human resources and manage your finances. Since there are 4 Years to the simulation, before each Year is processed you review and change your decisions. In Year One you will create and design your Products (refer to training video). Note: depending on your Professors configuration you may not be allowed to revise the Product designs after Year One. In year one you also will select the domestic and FDI markets. Domestic and FDI markets are the same for every product and can only be designated on product one screen. You also can select up to two export countries for each product. If your faculty member has selected multiple markets in one country (I. E that means you will see the same country in more than one column) then you may be limited to how many countries, you can export into. Your screen below will inform you if this constraint has been imposed. All decisions for the Year must be submitted by the designated due date and time. Starting in Year 2 you will use the information on this screen to craft actionable knowledge, determine the competitive types of markets your products are in and review various financial & country measures. New organizational structure can have multiple product managers or product managers for each country. This is the team's decision on how to construct your organization.

## Product 1 screen

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On this screen, you select the 5 features that will comprise your product and select the countries you will be selling into. Effectively you are in the Innovative phase of the Product Life Cycle. In Years 2 through 4, you will be able to change those countries that were designated as export countries and depending upon your Professors configuration may be able to change the product features. Note: if no changes are made during a year the decisions will default to the previous Year's decisions. Begin designing your product by selecting up to 5 features from the Feature Table shown below. The Feature Table elements represent the values that are utilized to determine the Value Proposition of a Feature in each country/market and thus the value of the product in that country/market.

In addition to the Value Proposition of a Feature a cost and suggested retail price for the domestic market is shown. The value of a feature in a market/country can be an integer from 0 to 7 with 0 being the lowest value (i.e. effectively no value in that country or market) and 7 being the highest (i.e. very important to the country/market). If you select more than 5 features only the first 5 will be incorporated into the product. To determine a features Value Proposition (VP) refer to the table shown below. It shows a VP (0-7) for each of the five country/markets. As stated, zero is the lowest value whereas a 7 represents the highest possible value. As you design your product take note of the value proposition in each country/market and the associated cost and suggested retail. Once you have selected your features, perform a needs analysis, and then determine the selling mechanism for each country. After updating your design, review the created 'Product' in the second table. This reflects the total cost, recommended suggested retail and the associated VP in the country/markets. You can redesign the product anytime during Year 1 and depending upon the simulation's configuration may also revise the product in subsequent years. It is important to verify whether your game has been configured with this design constraint. Continue this process, for all products, until you are satisfied with their design.

The second major decision on this screen is the Sell Mode - You can only select 1 Domestic country and 1 FDI country. It is important to know that designating a country as domestic or FDI can only be performed on product screen one. The FDI country requires a minimum investment, however the company can expand operations in that country by investing additional funds (this is performed on the Finance screen). All four products are sold in the Domestic and FDI countries, whereas only those products designated as export are sold into the associated countries. Depending upon the number of "common" countries you may also have up to two countries to Export products into. The revenue from Exporting is automatically kept in country and is subject to the repatriation rates. Excess inventory will be discarded unless investments in Inventory storage facilities has been made (Finance screen) in that country. If your simulation contains multiple markets in the same country, you only will have the option to designate the selling mode in the first occurrence of that country and this may limit the number of export countries. For example, if you select domestic for that country

then all occurrences of that country will also be domestic. It is important to remember that the selection of domestic and foreign direct investment (FDI) can only take place during the first year of the simulation and on the product one screen. Once a country has been designated as domestic or FDI and year one has been processed, changes to that sell through mode cannot be made.

## Product Two, Three & Four

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On this screen, you select the 5 features that will comprise your **second product** and select the Export into countries. Effectively you are in the Innovative phase of the Product Life Cycle. In Years 2 through 4, you will be able to change those Exported into countries and depending upon your Professors configuration may be able to change the product features. Note: if no changes are made during a year the decisions will default to the previous Year's decisions. Begin designing your **second product** by selecting up to 5 features from the Feature Table shown below. The Feature Table elements represent the values that are utilized to determine the Value Proposition of a Feature in each country/market and thus the value of the product in that country/market.

In addition to the Value Proposition of a Feature a cost and suggested retail price for the domestic market is shown. The value of a feature in a market/country can be an integer from 0 to 7 with 0 being the lowest value (i.e. effectively no value in that country or market) and 7 being the highest (i.e. very important to the country/market). If you select more than 5 features only the first 5 will be incorporated into the product. To determine a features Value Proposition (VP) refer to the table shown below. It shows a VP (0-7) for each of the five country/markets. As stated, zero is the lowest value whereas a 7 represents the highest possible value. As you design your product take note of the value proposition in each country/market and the associated cost and suggested retail. Once you have selected your features, perform a needs analysis, and then adjust the product features as you deem necessary. After updating your **second products** design, review the created 'Product' in the second table. This reflects the total cost, recommended suggested retail and the associated VP in the country/markets. You can redesign the product anytime during Year 1 and depending upon the simulation's configuration may also revise the product in subsequent years. It is important to verify whether your game has been configured with this design constraint.

The second major decision on this screen is determining the countries to export into. Remember you can only designate domestic and FDI countries on product screen one. On this screen you can select up to two export countries for **product two**. - All four products are sold in the Domestic and FDI countries, whereas only those products designated as export are sold into the associated countries. Depending upon the number of "common" countries you may not be able to designate two countries to Export products into. The revenue from Exporting is automatically kept in country and is subject to the repatriation rates. Excess inventory will be discarded unless investments in Inventory storage facilities has been made (Finance screen) in that country. If your simulation contains multiple markets in the same country, you only will have the option to designate the selling mode in the first occurrence of that country and this may limit the number of export countries. For example, if you select domestic for that country then all occurrences of that country will also be domestic.



## Marketing

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This is your Marketing decision screen. Each Year you will be able to select up to 3 Ad Plans to create an Ad Campaign and for each country designated as Domestic, FDI or Export the associated Ad Campaign promotional budgets. For these countries you will also determine a Selling price and the number of units to order (i.e. your forecast). Note: if no changes are made the prior year decisions will be used.

You will need to select 3 Ad Plans from the 7 available. Each Ad Plan has an effective value (0-7) that indicates how effective that medium is in the respective country/market (refer to the Ad Plan Table below). The Ad Plan table reflects the effectiveness of the medium in that country with a low of zero (i.e. no effectiveness in promoting the product) and a high of 7 (i.e. extremely effective in promoting the product in the country). Based on the sell through mode you designated for each country on the Product Screen, chose the most effective Ad Plans to promote your product. Once these decisions have been entered and updated (click the Ad Plan Button) you can review the overall effectiveness of your promotional campaigns. Once you are satisfied with the effectiveness of the campaign then proceed to phase II. In this set of decisions you will first specify the promotional budget for each allowable country (domestic, FDI or export) and then the selling price and forecast. Your decision on how much to spend promoting your product should be based on the products value, campaign effectiveness, competitive nature of the country/market, country/market potential population etc. You will also decide upon a selling price of your product. Note: a suggested list price, in domestic dollars, is shown to provide guidance with the pricing decision.

The sales forecast needs to include any QOH and the consideration of any inventory storage in the country. The specific number of units to order (QOO) should take into consideration, the competition, your products value proposition, the market size, prior market share, etc. This is basically your forecast or projection of the number units you believe will sell. After Year 1 you may have remaining inventory, this is shown as QOH (quantity on-hand) and should be taken into consideration when ordering additional units QOO (quantity on-order) in subsequent years. Note: non-sold inventory will only be retained if there is sufficient inventory storage in that country. Any excess units that exceed the country inventory storage capacity will be scrapped at zero cost. The total QOH (the QOH in Year one is zero) and QOO will be available for sale. Note: when determining a unit sales projection, it is necessary to take into consideration the market populations. However, you should also be aware that achieving a '100%' market share is not feasible. Once these decisions have been entered update (click the Budgets Button).

## Human Resources

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While products are being designed and marketing campaigns planned, the Company needs to manage the corporate HR expansion. This is accomplished on this HR management screen. The HR Manager will be able to recruit, train and develop loyal programs. The yearly expenses are limited and should be coordinated with the Finance Manager. Your decision as the HR Manager should enhance the company's workforce in those countries that require staffing (Domestic and FDI). These actions will benefit the Company in each of markets/country's and improve the effectiveness of the workforce.

- HR Recruitment
- HR Training
- HR Corporate Culture development

Human Resource (HR) factor. Investing in your human capital increases your salary expense but also improves marketing effectiveness and operational efficiency. The Culture parameter can enhance these factors it may also adversely impact them. Culture may also require additional spending on recruitment (a negative Culture parameter may reduce the effectiveness of the recruitment process).

## Finance

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While products are being designed and marketing campaigns planned, the Company needs to manage the Cash using the pro-forma cash flow. That is accomplished on this finance and management screen. The Finance Manager will be able to request the desired/needed capital from the various sources (equity and debt). Some of the sources have a limit on how much can be taken or requested, others have interest that will be charged or Company ownership dilution. Your decision as the Finance Manager is to select the source and amount that will benefit the Company in each of its markets (country's). Remember that money borrowed must be repaid and ownership cannot be rescinded. Funds will also need to be appropriated for facilities such as Inventory Storage, in-country Investments (FDI), HR, etc. It is the teams' decisions if the Finance Manager is responsible for these corporate expenses, or another manager has been assigned the responsibility. Investments can only be made in domestic, FDI and export countries. Investment in export countries is limited to procurement of storage facilities. Storage facilities are required to store excess inventory. For example, if the marketing manager over forecasts the units to be sold and if there is no storage facility the excess units will be scrapped. This represents a loss to the corporation.

- Cash - Company Bank Account
- Commercial Loan (has an associated expense: Interest on Commercial Loan)
- Investment - Stock Sale (ownership)
- Bond Sale
- FDI - In-country investments
- Inventory Storage Facility (An inventory holding facility that stores QOH)

Other elements to consider when managing cash are as follows:

- Potential Revenue (projected revenue based on the QOH and QOO multiplied by the selling price). It is important to remember this is merely a forecast and not guaranteed revenue. Therefore, as finance manager, it is important to take into consideration when planning capital requirements the potential shortfall of an invalid rejection.
- Product Purchase Cost (cost associated with the purchase of inventory -  $QOO * Cost$ ). The company will pay for the products that have been purchased for resale however if there is not sufficient storage facilities, in country, then the excess inventory will be scrapped.
- Ad Campaign Budget (total of the Ad Campaign budgets)

## Team Configurations (Organizational Structures)



