

Stratsim simulation analysis



**ASSIGN
BUSTER**

Trading over four weeks in a Stratsim online simulation game, our group which consisted of three members were managing firm G, we made strategic decisions so as to make sure our company performs well, the firm had four vehicles in different classes such as Go in Economy, Gas in Family, Gone in Truck and Goofy in Minivan.

This report look at the performance of firm G alongside strategic goals inside the automobile industry by trading in a Stratsim simulation game, firm G used market information to notify strategy and to monitor performance of the firm. This report is concluding, more information in decision making process which helped to ensure performance and its achievement of the firm. Strategy essentially involves a generic planning process of setting objectives (or goals), identifying and implementing appropriate courses of action and monitoring achievements against the goals originally set. (Boddy 2000)

The game showed the realistic use of business theories in the automobile market. At the end there are many more to learn than achievements in this game for the those who were involved.

2. 0 FINAL SIMULATION RESULTS

Final Simulation Results were:

Sales (\$) 25. 5 Return on sales 12. 0

Sales (units) 1. 4 Return on assets 23. 0

Market share (\$)18. 7 Firm preference 18. 8%

Market share (units) 17. 6 Dealer Rating 61

Net income \$ 3. 0 Coas 84. 5%

Cumulative income \$ 7. 1 Capacity utilization 75. 7%

Stock price \$ 10. 0 Debt \$ 16. 8

Stock issued +5. 6%

Firm G was leading in overall value market share with 18%. All vehicle classes i. e. Economy, Family Gas, Truck Gone and Goofy the minivan contributed to the firm's sales and Goofy being the leader with 100% market share in vehicle class.(See Appendix 1)

3. 0 STRATEGIC THINKING

Johnson et al (2009) define strategy as follows strategy is the direction and scope of an organisation over the long term which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations.

Decisions made during the four weeks trading period focused Firm G made a long term strategy by maximizing plant capacity and putting more budget in marketing, which will allow more production and generate income hence the growth of the company.

Firm G's financial goals were to control cash flow and generate income as to create positive expectations to our share holders.

The main objective of firm G was to perform better against the seven competitors in the stratsim automobile Industry, in order to achieve this the strategy here was to have a “ first mover advantage; generally this timing of market entry is an important decision. (see appendix 2)

http://www.dp1-asia.com/img/strategic_thinking

3. 1 STRATEGIC ANALYSIS

The business environment can be described as concentric of layers each of these circles layers has different criteria Firm G gathered data which helped in predicting the future environmental changes in both the internal and internal environment.

[http://. www. tutor2u. net/business/strategy/what_is_strategy! htm-](http://.www.tutor2u.net/business/strategy/what_is_strategy! htm-)

The process of strategic analysis Firm G used some tools to help measure and gauge the changing in both internal and external situation at each level: the includes PESTEL framework, SWOT, Porters Five forces

3. 1. 1 MISSION & VISION

Mission

A strategic planning should start with a clear defined company mission.

Mintzberg defines a mission as follows:

” A mission describes the organization’s basic functions basic function in society, in terms of the products and services it products for its customers.”

Mission Statement should contain each of the following elements:

Tutor2u. net/business/strategy/mission. htmtutor

Firm G's Mission Statement:

To exceed our customers and continuous improvement and customer interaction.

Vision

In order to succeed in a long term businesses need a vision of how they will change and improve in the future

The components of a n effective . business vision; David identifies six requirements for success

It provides future direction

It expresses a consumer benefit

Is realistic

It motivates

Firm G's Vision statement is;

Be the world's best car manufacturing company; through all of our products , services and relationships, we will add to life's enjoyment

3. 1. 2 EXTERNAL ENVIRONMENT

The external environment includes Macro-environment this is first level which includes national and international level outside the industry.

MACRO ENVIRONMENT

In the simulation game Firm G found some information which was relevant to this level in the Economic outlook (See Appendix 3) which helped to detect changes which allows firm G to plan for any environmental changes.

PESTEL framework

PESTEL framework will determine the effect of the automobile industry external forces which has an effect on business operations. The framework includes:-

Image source: <http://www.businessmate.org/userupload/PESTEL.jpg>

Political:

Political factors has an effect on the automobile Industry import tariffs and trade agreement, charges in Political leaders (new government), regulatory frameworks such as taxes and duties of materials or finished product issues concerning pollution.

Economic:

Factors like changes in FDI and GDP can affect the automobile industry, infection, price index exchange rate all these factors can affect the automobile industry.

Social cultural:

Customers ability of choosing according decision making when it comes to buying a car, these are tastes and preference.

Technological:

The advancement in Technology has increased efficient and production of automobiles. Through internet people can order and buy, with the aid of computer stock and sales can be controlled.

Environmental:

Concerns about air pollution from the smoke generated by car engines has altered future manufacturing of automobiles.

Legal:

Laws and regulations concerning health and safety of workers has become main issues in automobile industry.

INDUSTRY SECTOR AND COMPETITORS

The level next to macro environment is the Industry which in this case is Automobile manufacturing and last layer after the industry is competitors.

To assess the position of Firm G in the automobile sector and identifying any opportunities and to know more about the capabilities of the firm's competitors and the number of market segments, product sales and distribution.

In order to assess the attractiveness and the sources of competition in the Industry. The five forces framework is a perfect tool in analyzing this situation. Michael Porter's five forces framework was developed as a way of assessing the attractiveness (profit potential) of different industries (Johnson et al (2009)).

Porter's five forces framework

Threat of New Entrants

In automobile industry the threat is low due to high capital costs it is difficult to achieve the economics of scale it's a barrier to entry.

Power of suppliers.

The supplier depend on a few number of manufacturers, this situation made the power of suppliers to be low as the supplier subjected to the demands of the manufacturer.

Power of Buyers:

In automobile industry power of buyers is high as customers had a wide range of choice according to their preference.

Threat of substitute:

Besides the high costs of acquiring and maintaining a reliable, still people can not find another alternative to automobile means of transport as it is easier to have this means of transport hence the threat is low.

Competitive Rivalry:

In automobile industry the competition is high. All the seven firms are operating in a same market. These will lead to price wars and reduce prices to attract the customers, Hence to make the rivalry high.

In this simulation game the market became so competitive. In the first two period other companies increased their production Firm G market share decreased during the second period of the game.

The external part SWOT analysis can be used to identify the opportunities and information regarding products of other Firms.

SWOT Analysis (External Part)

Opportunities (O):

There is also opportunity of opening more dealership and investing in technology which Firm may invest in long terms.

Threats (T):

These are general economic concerns like information of other competitors products and new technologies which will enhance the manufacturing capacity of competitors.

3. 1. 3 INTERNAL ENVIRONMENT

This part concerns about organisation's resources. Although there is a number of models to analyse the situation but in this report the internal part of SWOT analysis and VRIO can be used to analyse the situation.

SWOT Analysis (Internal Part)

Strength (S)

Our strategy of launching the new car promotion and new dealerships will increase the revenue and continue to lead on the market share.

Weakness (W)

Being new in the automobile Industry makes Firm G to have less experience, which lead the firm to weak financial position (see appendix 1)

VRIO

Value:

Firm G had resources and capabilities which responds to the changing economic situation.

Rarity:

The re-concept of launching a minivan Goofy made firm G to gain a first mover advantage to make it to be same and only firm to produce that class vehicle.

Imitation:

This new concept might lead Firm G to the opportunity to keep a head to any firm who any occur to imitate. Firm G will still be the first to launch a minivan.

Organization:

Firm G's management should be the ability work us together to achieve the targeted goals.

3. 2 STRATEGIC DECISIONS

As a team of management taking strategic responsibilities and come out with a conclusion in order to achieve our objectives.

At the beginning of the trading periods all the firms started in the same situation. Our long term strategy was to build awareness of our firm and products; so decision made to Heavy marketing attention and spending were given to the all our three vehicles Go, Gas and Gone (Appendix 3).

As our products are now familiar in the market we came of the strategy of increasing sales by lowering the MSRP and as we anticipated the demand to be high the production capacity was increased Appendix (Appendix (3)). We went through the Industry news and economic outlook and being notice the situation in the Business environment we issued bonds to finance our firms.

We came up with a long term strategy Decision minor upgrade for Gas, which resulted to lead in market share by class, (Appendix 2) and the new concept of developing Goofy the minivan which made Firm G to win the “first-mover” advantage and lead in market share by class 100% (Appendix 3). Due to the spending in marketing activities and technology; our income was reading negative (see Appendix 1).

Our last strategic decision which we believe will benefit our firm we launched minivan with a considerable price and we issued stocks, no dividends were paid until our income gain the stability.

4. 0 DECISION MAKING

Firm G members were working in making decisions it was an individual task we all passing through information provided in the game every , member came out with a suggestion but after discussing it as a team we came out with one decision which make the exercise to be easier and funny.

We made decisions to create awareness by putting efforts in marketing and price adjustments to increase sales.

This was helpful to all of us as we all participate full in making decision which lead our Firm to lead in market share.

9. 1 PERSONAL LEARNING

This simulation game was a good experience to me as a manager I learned how to think strategically before making any decisions, it was good to learn that all the theories which we learned academically came to a real practice.

Also I learned that every decision in a firm should be linked to the objectives of the firm and that all the department are interacting for example: when you market a product you have to make sure there is enough capacity of producing as to meet the demand and making sure of your financial resources can cover the costs incurred hence success of the firm.

5. 0 CONCLUSION

It is important for organization to have a long term direction. This is to say that, in order for a firm to achieve its objectives it is important the strategies to be formulated. The game was all about formulating strategies and by depending to each other as they were implemented

Firm being performing badly in its income we hope our long term strategies will generate income therefore our shareholder will enjoy the fruits soon.

Our firm believes that with the help of the tools and theories will be able to identify the forces outside and inside the firm so as to overcome the changes.