

CAPSIM® Business Simulations are the most popular business simulation programs in America.

For over 20 years, CAPSIM®'s Capstone® Business Simulation program has been the primary teaching tool in the capstone course (final class of an MBA program) in America's finest Universities, and is also preferred by executive trainers at many fortune 500 firms.

Hundreds of major Universities like Harvard Business School, the University of Pennsylvania, and UCLA, have taught millions of students using CAPSIM Business Simulations. Students make real business decisions that impact the decisions all of the other companies in their industry. This Business Simulation program uses experiential learning to bring together all major MBA concepts into one comprehensive teaching tool.

Students will learn strategy in the functional roles of Research & Development, Marketing, Production, Human Resources, Finance, and Total Quality Management. Professors use the program, much like they would use a text book, to discuss management topics of importance in their classroom.

Each student team runs a \$100 million company for 6 to 8 simulated years - making key decisions from each of the functional areas. The students operate in a competitive marketplace of up to 6 student companies, and experience the positive — and negative — implications of their business decisions.

Students are expected to develop core competencies in each functional area (below) to satisfy the 4 basic customer buying criteria of positioning, price, quality, and age.

Functional Area Decisions

Research & Development

- Number of Products: Each team starts with 5 products; one in each of 5 segments, and has the ability to add up to 3 more products. Students need to decide which of 6 defined strategies (i.e. product life cycle, broad cost leader, niche differentiator, etc.) they will use in the simulation.
- Perceptual Map: Students must make decisions that affect the products positioning on a perceptual map within each segment. Students learn how to recognize the position of their products, their competitors products, how to correct weak positioning, and how positioning affects sales forecasts. The perceptual map allows a discussion of Michael Porters Generic Strategies (i.e. low-cost vs. differentiation).
- Mean Time Between Failure: Students learn the impact of raw material costs in each of their products segments and when to increase or decrease the quality of raw materials, based on customer buying criteria, which ultimately affects costs and demand for their products.
- Perceived Product Age: Low end customers and high-end customers have very different needs when it comes to product revision schedules. Low end customers want product consistency with little change year over year, while high-end customers want annual product revisions.

Marketing

- Pricing: Prices need to be set according to customer buying criteria ranges. It is important to understand the need to price appropriately, without allowing the firm to get into a price war, which will ultimately destroy firm value.
- Promotion and Sales Budgets: Professors have the option of allowing the student to set an annual budget for promotion and for sales for each product, or they can turn on a marketing sub-module so that students can make decisions about individual promotion and sales expenditures.
- Forecasting: Probably the most important and difficult function in the firm. The student must review how well each of their products meets the customer buying criteria for the given products in each segment, and for all of their competitors' products. In a class with 6 teams this could be as many as 48 products.

Production

- **Production Schedule:** The student must determine how units they will have available for sale based on their sales forecast, the amount of safety stock they wish to carry, and how much inventory they have on hand at the beginning of the year.
- **Capacity:** The students are required to determine if they have enough capacity on hand to satisfy customer demand for the next year as capacity is always purchased one year in advance of actual production. This forces the student to forecast sales an additional year in advance.
- **Automation:** The level of automation in the factory affects costs and R&D cycle time. Both capacity and automation are expensive and students are constrained by their plant, property and equipment budget. Therefore, the student must decide whether it is better to add capacity or automation. Automation will greatly reduce labor costs, but has a drag on R&D cycle time and therefore will hinder the students ability to get projects out of R&D on a timely basis.

Human Resources

- **Training:** Students must decide how much training each employee is given each year.
- **Bonus:** Students must determine how much of a sign on bonus new employees will receive.
- **Labor Negotiations:** Students must collectively bargain with the unionized employees. The final wage and benefit package from the firm is based on the best offer across all firms.

Finance

- **Stock:** Students must determine the correct amount of equity to issue to meet certain balanced scorecard objectives.
- **Bonds:** Students must determine the correct amount of bonds to issue to meet certain balanced scorecard objectives.
- **Short Term Debt:** Students must determine the correct amount of short term debt to issue to meet certain balanced scorecard objectives.
- **Accounts Receivable:** Students must balance the cost of tying up capital versus the extra amount of demand that they might receive based on their AR policy.
- **Accounts Payable:** Students must balance the cost of paying their accounts receivable on a timely basis with the possibility of supplier short-falls with an inappropriate AP policy.

Total Quality Management

- There are eight TQM initiatives that affect factors such as labor or materials cost, R&D cycle time, demand, and administrative costs. Students must decide where to spend their limited resources to get the best financial or operational results.

Why Simulate?

Studies show students retain less than 20% of what they see or hear alone, around 50% of what they both see and hear - but up to 80% of what they interact with. United States accrediting agencies recommend experiential learning and view it as a valuable tool in student development and accomplishing learning objectives.

Most managers have a narrow view of their company. They know their own department, but don't really know how that department fits within the needs of the overall business. Production knows production, but doesn't understand Marketing, etc. Therefore, these narrow decisions and recommendations are often impractical.

Simulation teaches managers to have a broad view of their organization so that their decisions are more realistic and beneficial. In short, they become better managers, and better managers grow better companies.

Millions of managers have participated in Capsim's Capstone simulations, and managers have rated cross-functional integration as the top learning benefit of the simulation. The simulation emphasizes the interaction between the functional areas of an organization.

BENEFITS:

Study and understand the elements of business planning.	Study and understand external factors that affect business.
Study the application of functional area alignment in support of a strategic plan.	Develop critical thinking skills & experience business decision-making from a senior manager perspective.
Study and apply business terminology.	Understand components of competitive intelligence and practice competitor analysis.
Identify and analyze the internal functional areas of business.	Study and understand basic principles of business finance.
Identify and describe the marketing role in new product development and release.	List components of competitor intelligence and practice competitor analysis.
Understand and conduct competitor analysis.	Identify and utilize activities associated with product sales and distribution.
Experience the effects of business decision making through simulation.	Identify and utilize activities associated with product promotion.
Study and understand the integration and application of marketing with other functional areas of business.	Analyze and understand the various elements of SWOT analysis and strategic planning.
Improve team skills.	

How to get started using Capstone Business Simulation:

The simulation can be run in many different student configurations depending upon the size of the class. For example, Harvard Business School runs 900 through the simulation all at one time. Harvard divides their 900 students into 20 industries of 6 companies each with 7 to 8 students per company.

Industry: this is the broadest unit. When there are more than 60 students in a class, it is better to break the class into 2 smaller industries. An industry may have anywhere from 2 to 6 companies. Six companies is more desirable because of the increased competition.

Company: a company (also called a team) can contain as many students as desired, however, the team size should be kept manageable at no more than 12 students per company so that students are better able to coordinate decisions each year.

Rounds: a round is also known as a year in the simulation. The simulation can run up to 8 years. It is not suggested to run less than 6 years as the students will not gain enough experience from the simulation.

Decisions: these are the actual strategic choices that student companies make. Decision are made in the 6 functional areas of R&D, Marketing, Production, Human Resources, Finance, and TQM. The User Guide provides extensive instructions regarding the current environment.

Instruction: professors use the actual results of the simulation as teaching opportunities to point out the decisions made and how they impacted company performance in general business such as revenue management, positioning, forecasting, production and capacity management; as well as profit, return on investment, and many other metrics that the professor may determine are important teaching topics.

For example, for a class of 60 students there would be one industry comprised of 6 companies with 10 students in each company. For example, for a class of 60 students there should be one industry with six companies of 10 students each. For a class of 120 students there would be two industries with

Sample class configurations

Number of students in class	Industries	Companies per industry	Students per company
900	20	6	7 to 8
200	4	5	10
120	2	5	12
60	1	6	10
40	1	4	10

The Capstone® Seminar simulation has proven itself to be a CEO and HR manager's dream tool. Companies like General Electric, Boeing, General Motors, Dell Computer, Honeywell, Caterpillar, Bertelsmann and Citibank have turned to the Capstone® Seminar to help their managers hone their skills and make smarter choices. Besides, the Capstone® Seminar is conducted as a 'must' finale in MBA programs of over 400 universities, whereby through the Seminar, in a simulated environment, entire syllabus is covered.

Capsim Corporate Clients

