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"The 'Class Approach' in Behavioral Simulation in a Business Policy/Strategic Management Course: A Progression Toward Greater Realism"

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ABSTRACT

The purpose of the capstone business course is to teach and illustrate, using various forms of simulation and methods, decision making situations encountered in the business world These simulations are designed to show various degrees of realism to gain a better perspective as to the development and execution of *a* particular strategy in as close to a real "world setting" as possible. The Class Approach' attempts to further the sense of realism in behavioral simulations *in* how it addresses three attributes of behavioral simulations; structural. contextual, and process.

INTRODUCTION

The use of case analysis has long since been one of the more conventional and traditional ways of teaching organizational management decision making. This is most commonly accomplished through the business capstone course which brings a sense of realism to the classroom by creating conditions similar to those that exist in the business world. Realism can be described as the degree of complexity that exists for a given situation and that this is related to the number of factors that surround that situation . The dimensions that contribute to realism are: the blending of classroom theory and "real life" situations: increased awareness of problems faced by real world managers: creation of a sense of realism in dealing with business problems; and the ability to gain a better perspective of business operations. The basis of this format follows the Kolb (1985) four -stage model of learning.

The "Class Approach's" approach to realism differs from other behavioral simulations in several ways. First. under structural attributes; the Board of Directors defines the major issue that the firm will consider: students are allowed to choose the area in which they will work or role play; hierarchy and structure are set by the firm's personnel. The determination of the firm's management style and organizational structure is at the discretion of current management. Secondly, under contextual attributes; the strategic direction is discussed and can be altered as current events change and new issues emerge: the strategic focus reflects the basic structure and context of the simulated firm. Third in terms of process attributes; the amount of information gathered for decision making is determined largely by the scope of the issue(s) under consideration and any past plans that were created by previous classes. Information, although is of a historical nature must be augmented with current events in the business world and as they concern the issue(s) at hand Strategic plans developed from prior classes can be reviewed as to the success or failure of the plan and to the cohesiveness that is present from the corporate level through the functional levels.

The focus of this type of behavioral simulation is illustrated in three areas; the hierarchy of strategy and strategy development within the firm, the interrelatedness of the levels of strategy, and the communication of goals and objectives through the levels of strategy in the firm.

METHODOLOGY

Data were collected from students in seven simulated companies from the business capstone course. Students were asked to rate the effectiveness the simulation had in illustrating concepts brought forth through the context of the course. Each company (class) is divided into seven areas that comprise three levels of strategy. These are divided as follows: 1) Corporate Level: Board of Directors. Top Management; 2) Business Level: Competitive Analysis; and 3) Functional Level: Finance and Accounting, Marketing, R & D and Operations, and Management Information Systems. Students are given job descriptions of different areas from which they can choose to work. If the student does not choose, the choice is made for them. The number and composition of people in each area is dependent on class demographics. Ideally, there should be at least one representative from each major in every department or area. Companies and their strategic plans are made available to the students so that they can review prior efforts and decide which company they want to "become", whereby a vote is then taken. The Board of Directors and Top Management meet to determine an initial key issue that the firm will face and begin to develop a strategic plan over the course of the semester that will address that issue. The class is actively encouraged to think of themselves as the corporation they have elected to become. This approach is similar to that taken by Naumes (1993).

Discussion as to the direction taken is indicated through the levels of strategy as the plan develops and historical information is augmented with current up-to-date information. As a consequence, the original issue may or may not exist as situations change and issues either manifest themselves or go away This plan is then presented to the Board of Directors and the stockholders *at a* three-day meeting at the term's end. Opportunity is given to ask questions of the presenters to justify or clarify certain aspects of their presentation. Lastly, the Board of Directors is required to comment on the plan or course of action taken by Top Management. The stockholders also have the opportunity to ask questions of the Board. Project evaluation is a composition of inter- and intragroup presentations, report write-up and how well the group (presenters) fielded questions from the class.

RESULTS

The simulation's realism was measured by looking at how sixteen factors contributed to determining the degree of realism and how these contributed toward fulfilling the three objectives of this simulation. Somers-d statistic was used as a measure of association using the realism as the dependent variable. The results of this analysis are shown in Tables 1-3. These show a positive association between these factors and the degree of realism present in the simulation, (i.e., the higher the effectiveness the greater the realism) The highest degrees of association can be seen along the dimensions of 1) increased ability in problem solving (Probrec) with a .56 on Communication of Goals and Objectives and a 39 on Interrelatedness of the Levels of Strategy and, *2)* Increased ability to gain a better perspective of business operations (BusPer) with .41 on Communication of Goals and Objectives and .33 on the Interrelatedness of the levels of strategy. Lowest levels of association can be seen in the ability to distinguish between relevant and irrelevant information (Inforel) as it pertains to both Blending Theory and Real Life (Reallife) and the awareness of problems faced by real world managers (Realworl) in the communication of Goals and Objectives.

CONCLUSION

The intent of this analysis was to show whether of not there is the existence of a positive relationship between the effectiveness of these factors on a particular dimension of realism as defined by this study. Although a positive relationship does exist between these factors and the degree to which they contribute realism in the simulation, they are but one part of the complete experience. The ability to formulate strategy or to

communicate already developed courses of action will long remain a challenge for business to some degree. The more we are able to build and use these facets, the greater will be the experiences gained and concepts learned. Discussions resultant from this study may suggest (and is forthcoming) comparing effectiveness and realism with the level of cohesion found to exist with each company as well as various compositional aspects of each simulated firm.

Table 1
Hierarchy of Strategy & Strategy Development

	Reallife	Realworl	Realprob	Busper	Probrec
Mission	.13	.15	.11	.20	.24
Stratdim	.23	.16	.18	.17	.32
Structur	.31	.26	.33	.30	.27
Keyfact	.23	.17	.26	.23	.28
Scenario	.35	.18	.27	.25	.30

Table 2
Interrelatedness of the Levels of Strategy

	Reallife	Realworl	Realprob	Busper	Probrec
Intergoal	.19	.22	.18	.23	.30
Resource	.16	.22	.26	.18	.33
Integare	.30	.29	.22	.29	.38
Areaaft	.28	.24	.31	.33	.39
Inteste	.24	.21	.18	.27	.26

Table 3
Communication of Goals and Objectives

	Reallife	Realworl	Realprob	Busper	Probrec
Inforel	.06	.07	.08	.27	.28
Infodec	.19	.18	.27	.41	.56
Feedback	.34	.27	.38	.37	.34
Commun	.37	.36	.42	.27	.35
Goalsobj	.21	.16	.14	.30	.27
Infosys	.22	.18	.19	.19	.19

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