

INDUSTRY ANALYSIS, PORTER'S FIVE FORCES MODEL, AND STRATEGIC GROUP MAPS IN THE BUSINESS STRATEGY GAME SIMULATION

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ABSTRACT

The purpose of this presentation is to show how one can use several related theories to help students identify and understand important variables and their relationships in a reasonably complex simulation; and how that application then reinforces and enriches students' understanding of the theories.

INTRODUCTION

Getting "up to speed" on an unfamiliar simulation takes quit a bit of time and effort on the part of students. Theories can be used as lenses or filters to help interpret and organize complex reality. Use of Industry Analysis, Porter's Five Forces Model, and Strategic Group Maps has helped, not necessarily in the time required, but in the level of understanding achieved in the initial "getting up to speed" phase of in the *Business Strategy Game* (BSG) Simulation. The theories, when later included in the strategic planning process, have further enriched students' understanding of those theories, as they were applied to dynamic, complex environments.

The environmental and/or SWOT analysis section in many strategic management texts include discussions of Industry Analysis, Thompson and Strickland (1998), the Five Forces Model, Porter (1980), Business Definition, Abell (1980), and Strategic Group Maps, Hitt, Ireland, and Hoskisson (1999). In the past, cases such as the U.S. Airline Industry (Parks and Noer, 1993) has been used as the assignment in which students

applied these theories. The question arose, "why not use the BSG industry," with the intent of helping students learn the theory and the simulation simultaneously?

There were hurdles to overcome; ways in which the BSG environment fails to represent reality. For example, how does one deal with the threat of new entrants in a simulation with a fixed number of competitors? There have also been unexpected benefits. Within the strategic planning process, teams have reached a more complete, representative analysis of their competition.

This presentation and discussion illustrates a more complete application of these theories to BSG, emphasizing the advantages and disadvantages. A sample strategic group map of the Business Strategy Game is attached.

REFERENCES

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