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## A COST CHAIN FOR THE BUSINESS STRATEGY GAME SIMULATION

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The concepts of delivered cost and differentiation initially advanced by Hall (1980) and Porter (1980, 1985) have become central concepts in the field of business strategy and policy (Dess and Miller, 1993). Cost (Managerial) accounting addresses cost chain issues under the topic 'value chain' which is gaining emphasis in managerial accounting (Horngren and Foster, 1991).

Despite an increased, and even intense focus on the concepts in each field separately, little attention has been paid to specific, detailed applications of cost chains that describe the components of delivered cost for use in strategic decision making. Static exceptions exist, but Total Business Enterprise simulations offer an excellent opportunity to demonstrate dynamic cost chains, given the centrality of accounting-based reports in simulations.

This symposium and demonstration discusses the logic behind, and presents an application of a cost chain developed for use with the Business Strategy Game, 2nd ed. (Thompson and Stappenbeck, 1992).

The cost chain (decision support output) for year 10 is attached to illustrate the difference in information provided vs. the cost report included in the simulation. The two main ways in which the attached cost chain is different include additional information concerning areas where sales are possible, and more detail. Greater detail in information can enhance decision-making. Additionally, the attached cost chain uses a "cost of production" basis rather than a "cost of goods sold". When inventory changes significantly from year to year (as happens in this simulation), a cost of goods sold report can easily mislead strategic decision making. This cost chain remedies that limitation.

The cost chain template software and related documentation will be available to participants.

## REFERENCES

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- Thompson, A. A., & Stappenbeck, G. (1992) *The Business Strategy Game: A Global Industry Simulation*, 2nd ed. Homewood, Ill.: Irwin.