

ECONOMIC SIMULATION (Econ 451) - Spring 2008

Background Information

Students enrolled in Economic Simulation, Economics 451, at Willamette University participate in a simulated business management competition among colleges and universities across the World. This course is designed to provide students with a hands-on understanding of business management and economics through participation in an intercollegiate business competition organized annually by University of San Diego. For over 45 years, The International Collegiate Business Strategy Competition has provided an exciting learning experience in a highly competitive environment.

The International Collegiate Business Strategy Competition is based upon a computer-based simulation of a manufacturing industry. Students compete with each other as members of management teams of hypothetical companies producing and selling a consumer durable. The game requires participants to set objectives, develop strategies to realize the objectives, and create operating policies to ensure that operating decisions support the strategy. Teams are responsible for making quarterly decisions for the functional areas of finance, marketing, and production. To be successful the participants find it necessary to engage in economic forecasting, sales forecasting, and profit planning. Participants must prepare and analyze cash flow statements, cost and sales reports, capital budgets, investment plans, production schedules, and marketing programs.

The business decisions of each team are regularly transmitted to a central location, where they will be played against the decisions of other schools. The course culminates in early April of each year in an intensive three days of competition. This year the intensive phase of the competition will take place in San Diego, California. The interactive simulation is sufficiently sophisticated to provide a realistic business environment and to present a significant challenge to even advanced students of business. The competition develops students' business management skills and gives them a practical appreciation for the difficulties and rewards effective of business management.

A panel of business executives judges the competition. Teams must submit to the judges a statement of policies and objectives, a business plan consistent with their objectives, and two annual reports to stockholders. In San Diego, each team orally briefs the judges on the state of the company's affairs and its plans for the future. Team evaluations are based on their company's financial performance in the simulation (the bottom line), how effectively they have accomplished their stated goals, and their written and oral presentations to the judges.

The computer is an integral part of the competition. Computer hardware and software support team decisions and the game itself. Economic and sales forecasting requires statistical software to run regressions. Performance evaluation, investment and production planning, and production scheduling require spreadsheet programs. Capital budgeting and cash flow planning require accounting software. Written reports and documents require graphics and word processing software. Finally, the quarterly decisions prior to the San Diego phase of the competition are submitted to the game administrators using communications programs. Thus, the competition not only gives participants realistic business training but also provides hands-on experience in how computer technology can support successful business decisions.

Required Text: Richard V. Cotter & David J. Fritzsche, Business Policy Game Player's Manual,

International Collegiate Business Strategy Competition, Home Page:

<http://www.eskimo.com/~fritzschi/icbpc/icbpc.html>