STRATEGIC INNOVATIONS SIMULATION: BACK BAY BATTERY

How to Play
Video Transcript

This brief video will show you how to play the Strategic Innovation simulation. In this simulation, you are the president of Back Bay Battery, and your primary responsibility each year is to allocate R&D spending among two different energy storage devices that you produce: Nickel metal hydride batteries and ultracapacitors. You sell these products into three main markets: Power Tools, Two Way Radios, and Power Packs.

When you login, you’ll see that the simulation is divided into three sections: Prepare, Analyze, and Decide. Depending on the configuration chosen by your facilitator, you may only see the Prepare screen. In that case, the Analyze and Decide sections will be made available to you when your facilitator wants you to begin playing.

The Prepare screen explains a little bit about the battery industry and the company that you’re managing, Back Bay Battery. For more detailed information, you’ll also want to review the Foreground Reading, which is also available on this screen.

Besides this video, the Prepare screen also has a short text description of how to play. For more details, you can download a PDF reference guide on how to play. Note that depending on the configuration chosen by your facilitator, the scenario description on this screen will change.

The most common configuration, Advanced, will require you to enter yearly sales forecasts, and you’ll need to pay close attention to your sales variance so that you don’t get fired. In the Introductory Scenario, you’re not required to enter yearly sales estimates, so the simulation will automatically assign your sales forecast based on last year’s sales, and you won’t be held accountable for variance from that amount.

In the Analyze section, you’ll be presented with numerous sources of information to help you make your allocation decisions. The Dashboard overview provides a high-level view of the information available to you, including the sales history and the previous year’s Research and Development investments. For more details, you can navigate to the other screens by clicking on the menu items at the top.

You sell your battery products into three main markets: Power Tools, Two Way Radios, and Power Packs. You can see on the Unit Sales screen how your two technologies sell within each of these markets. On this screen, and other Analyze screens, you can toggle between “View Graphs” and “View Data.” The data view shows the same information in tabular form. Clicking on “copy to clipboard” pastes the data from that screen to the clipboard on your computer. You can then paste the data into your program of choice, most typically Excel.
Each market has different Desired Feature preferences, which you can see on this screen. Note that you can toggle between markets using these buttons at the top. Each graph shows you the desired feature performance, and how each battery technology compares to customer desires. Remember that in some cases, like Recharge Time and Price, a lower value is better. You can evaluate the importance of the feature to the market based on the shade of the bar – darker bars indicate higher importance, while lighter shades are less important.

The Feature Performance screen shows you how your R&D investments are impacting the technological capabilities of each battery type over time. You can toggle between each Feature type for a complete picture of your feature set investment and performance.

On the Potential Customers screen, you can evaluate the overall market size and how it’s divided between current adopters and potential adopters.

Your Income Statement shows your Yearly Net Income and can be sorted based on millions of dollars, by unit, or by percentage. Note that you start with three years’ worth of historical data, but your cumulative profit will not start accumulating until you begin submitting your decisions in 2012. Cumulative profit is one way to quickly gauge the health of your business.

The Sales Variance screen will only appear if your facilitator has chosen a configuration that requires you to estimate your yearly sales forecasts. If so, remember, you’ll need to keep a close eye on your sales variance, because a significantly negative sales variance, or a consistently negative sales variance, can get you fired.

The News screen provides market updates with every annual investment cycle. The current news can be accessed at any time by clicking on the tab. A number will appear indicating new unread news items. To view historic news stories, click “View All News”.

After you’re done conducting analysis, navigate to the “Decide” section. Here, under “Decisions”, you can enter your allocations for the year. Depending on the configuration selected by your facilitator, you may have to predict your annual sales forecasts. If the simulation is auto-generating your forecasts based on last year’s sales, this field won’t be editable.

Either way, the value in these fields, combined with the price that you set for each battery type, populates your yearly revenue. Your available R&D budget will be 3% of this value. If you try to allocate more than your R&D maximum, the total spending will turn to red, and the simulation will not allow you to advance the round.

To help you plan your R&D strategy, R&D investment opportunities are listed on this screen. You can see the estimated project length, cost of these investments, and what sort of improvement you can expect from the investment. These can also be found in the Foreground Reading.

In each round, you are asked to describe your investment strategy. Entry is mandatory in the first year, and in subsequent years, you can either keep the original text or edit it to reflect a strategy change. This will be useful during your class discussion afterwards, so be sure to give this careful thought. Once you’ve entered all your decisions and strategy, click “Submit Decisions” to advance to the next year.
The other screens in the Decide section will allow you to track your decision history as you progress from the simulation. You can review your R&D spending history cumulatively, as well as a snapshot of each investment over time. You can also see review your price history, and if applicable, your past sale forecasts. Please note, these graphs won’t populate until you begin playing.

This concludes your introduction to the Strategic Innovation simulation. Good luck!