Today’s business environment is characterized by global competition, changing conditions, and uncertainty. Many Western companies have responded by developing global distribution and production networks. The increasingly challenging business environment and the more complex structure of companies put great emphasis on organisations' ability to proactively develop and implement strategies that are dynamic and make it possible for the company to adapt to and plan for the changing circumstances.

Many approaches to strategy development exist, but most of them are based on either qualitative or quantitative approaches. Strategic simulation is the combination of narrative and numerical simulation and can be used as a tool to support strategic decision making by providing different scenarios in combination with computer modelling. The core of the combined simulation approach (CSA) is to make it possible for decision makers to systematically test several different outputs of possible solutions in order to prepare for future consequences. This systematic testing can make the strategy development more robust and create a more reflective and creative base for decision making.

The empirical part of the project was carried out as a case in GN Resound which is a Danish manufacturer of hearing aids. The project looked into how the supply chain could be further developed within distribution and production. Three new scenarios and strategies for the future distribution were examined in order to determine which one was the most cost efficient. It was found that the CSA could be used to investigate the different possible futures as well as give the researcher a deeper look into the organisation. The outsourcing and offshoring of production was also examined in order to define the total costs of the current outsourcing / offshoring strategy as well as the possible strategies. It was found that there were hidden costs in relation to outsourcing / offshoring that are significant and important to consider when making decisions. Especially the quality and the costs of poor quality must be taken into consideration.