BizEd

Business Simulations Aren't Just Fun and Games

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I recently spoke with the CEO of a fast-growth company who needed his managers to gain an understanding of the many moving parts of the business. When I suggested that he train them through a business simulation, he recalled without enthusiasm how simulations were utilized during his years as an MBA student. "They were fun and games," he said. "I need serious assistance."

Many business schools and corporate learning centers (CLCs) employ simulations to teach participants functional disciplines such as accounting or financial analyses. The first management simulation, "Top Management Decision Game," was developed in the 1950s by the American Management Association and designed for managers. Today, simulations are used by students as well as executives as they attempt to learn the realities of business.

In the 21st century, those realities are dynamic, integrated, and shaped by powerful historical forces. Business leaders must understand the confluence of executive tasks, team building, and relationship development, but these three areas are often taught in isolation in the business school and remain separated in the workplace. The very best simulations can teach participants how to integrate knowledge across functions and industries and how to develop a big-picture outlook that will deliver a superior business impact.

However, from what I've observed, few business games available today are designed to help participants seek solutions for some of the real, tough corporate problems that today's executives face. I believe as more developers design and position simulations to be policy support tools for boards and executives, today's leaders will be able to use them to promote productive dialogue among engaged teams. I also believe both schools and CLCs can design their own simulations to provide students and executives with the training they need.

LEARNING IN THE LAB

Most business educators would agree that simulations can help students master three critical tasks. Simulations can immerse students in all parts of an organization, so they better understand the whole; they help students learn to integrate those parts and recognize the factors pulling the business apart; and they help students consider how an organization's history and culture must be considered if it is to move forward successfully.

At the same time, simulations increase how much information participants retain, because humans recall and are able to use information acquired through doing. Simulations can represent the optimal learning that "sticks."

Educators who use simulations, however, must take care that students aren't focused more on winning the simulation than on learning from it. Participants must embrace the trial-and-error method of the simulation so they can learn from their mistakes and build their instincts for sound decision-making.

I've found that the organizations that use simulations most effectively—both business schools and CLCs—have created simulation laboratories, or SimLabs. These are computer labs that allow teams of people to work together so they are not learning in isolation. Each team gets a dedicated screen for joint reviewing; coaches are on hand to help participants when they make errors or get stuck on a problem.

In university settings, SimLabs often are used by graduate students specializing in business areas such as finance, human resources, marketing, and operations. They work together in the SimLab to develop solutions to real-world problems that usually have been provided by corporations. Teams are typically interdisciplinary, composed of students who have completed a prerequisite course in business dynamics. As they work together to solve simulated problems, team members can try and fail again in virtually unlimited attempts—and have unlimited learning opportunities.

Unfortunately, many universities do not provide a SimLab environment, whether because of the expense involved or the difficulty in finding the right personnel to act as lab coaches. However, the benefits to students offset these challenges. SimLabs are especially valuable for EMBAs, who can use them to improve their skills and problem-solving capabilities in addition to addressing real company challenges.

In the corporate environment, SimLabs are slightly different from those in the academic setting. They tend to be built by experts

WHY CREATE A **SIMLAB?**

- **Experimentation**
  To test hypotheses through trial and error
- **Discovery**
  To encourage curiosity, deliberate thinking, and the formation of a learning culture
- **Scientific Study**
  To introduce the scientific method
- **Systemic Logic**
  To show connections and correlations among all parts of an organization
- **Safety**
  To provide a place to make and learn from mistakes without consequences

who customize simulations to match each company's particular challenges. Obviously, there is considerable cost to creating simulations from scratch, but companies such as Boeing, Fluor, and General Motors have benefited from using simulations to solve complex problems and achieve their strategic goals. The fact that some major corporations are relying on simulations is another reason business schools should expose MBA students to this style of learning before they enter the workplace.

PUTTING SIMULATIONS IN PLACE

Once an organization has committed to creating a SimLab or simply using simulations more frequently, it should consider how to get the best results from these learning tools. I would give two suggestions to business school administrators:

- ***Start using simulations early on to help students understand strategy integration***. Don't wait until students have mastered the foundational disciplines—which is when educators traditionally believe students are ready to pull all their knowledge together. Help them see business as a total entity, not as a static stack of functional areas. Facilitate their learning of functional knowledge and skills by using strategy simulations that "braid" all the disciplines together.
- ***Use simulations to teach students about applying the "zoom lens metaphor" to business systems.*** Corporate executives debate whether they should look at data through a "micro" or "macro" lens when they're facing business challenges. Because simulations can show how functional business systems are related, students learn how to zoom out to see the big picture when necessary, or zoom in on the smaller details when that makes more sense.

Facilitators at CLCs could also emphasize the zoom lens metaphor with the executives in their SimLabs. In addition, I would urge them to take one more step:

- ***Emphasize engaged learning.*** The best simulations encourage debate, discussion, and a chance to "walk in someone else's shoes." For instance, the marketing director can take on the role of HR manager during simulation. Shell Oil Company encourages this "rotational role-playing" as it grooms its managers for higher-level positions. When managers learn to ask tough questions and see problems from multiple perspectives, they are more likely to recall their lessons later and apply them in the workplace.

THE THREE C'S

While simulations offer excellent and sustained learning opportunities, they also have their limitations, and it's important for both education providers and participants to be aware of them. Each version has an underlying model that reflects the positioning and preferences of the developers. This means that no single simulation can provide the ultimate truth. Thus, it's important for business professors and CLC instructors to be aware of the three types of simulations that are generally available and the three C's they typically are built around: correlations, causality, and confluence.

Simulations built on correlations focus on the underlying theory of a particular field. They are generally designed to teach students the basics of a functional discipline such as accounting.

Simulations based on causality are more likely to incorporate time-delay effects and create the kind of feedback participants will encounter in the real world, giving participants a deeper understanding of potential issues and problems. These simulations confirm what we know (reinforcing our theories of business) and expose what we don't know (bringing us new knowledge). These experiences can offer powerful insights.

The most sophisticated types of simulations emphasize confluence, or the dynamic integration of business systems, and they help participants understand the dynamics of an entire business or industry. Like a pilot's flight simulator, these simulations allow participants to test ideas and processes in a safe environment; they also provide a sound basis for deciding policies or designing strategies.

Educators and corporate trainers must learn how to discern which kind of approach each simulation is using, so they can choose the right one to use for their specific learning goals.

THE NEXT STEP

The best kinds of simulations have enormous potential for delivering learning to students and executives. Simulations can teach them how to make policy, design strategy, and implement operational objectives—how to collectively build learning within organizations and how to gain competitive momentum.

But currently, only a few simulations address these issues. Three that excel at teaching strategy design, organizational confluence, and transparent implementation of objectives are People Express, GloSteel, and Service Dynamics. Many other commercially made simulations are merely supplements to case studies; they allow participants to analyze retrospectively what went wrong in a specific situation, but they generally don't result in a broader, more integrated view of a business or an industry. To be able to offer these more sophisticated simulations to their learners, both business schools and CLCs should consider creating their own simulations, as described above.

When businesses use their own data to build their own simulations, they create a deep, rich learning environment for their executives. They can build simulations that help executives master top-level strategizing and policy making, focus on real-world actions, and develop mental models for successful business.

By contrast, when schools build simulations, they create models that help students grasp underlying theory in specific areas of management. It's a different focus than will be found in the simulations developed by CLCs—but both kinds are needed.

HIGH POTENTIAL

We enhance our students' leadership potential when we apply the right technologies to the right tasks. Moreover, simulation technology can rescue learners from mundane classroom experiences and help them apply their creativity to solving chronic problems and generating fresh opportunities. Peter Drucker told us that the only way to forecast the future is to start building it. Simulations—intelligently developed, properly positioned, and wisely utilized—can help both business schools and corporate learning centers train participants to create that future for themselves.

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