Effective Use of Simulations in Business Training

Craig B. Watters

Simulations offer talent managers a risk-free tool to gauge employees' skill levels, develop needed competencies and provide individuals with a broader business perspective.

Being an expert on one part of a puzzle does not mean someone can envision the big picture. Similarly, an employee's specialization in one aspect of a company's business does not mean that person understands the company overall.

A business simulation can help cross-pollinate disparate areas of expertise by offering a walk-a-mile-in-my-shoes machine that allows finance professionals to make marketing decisions, marketers to run a production department or a sales team to tackle long-term debt — all while honing strategic skills and improving overall business acumen.

In other words, today's sophisticated and well-designed simulation games allow an organization's specialists to better understand how all of that company's departments impact each other and the role they play in implementing corporate strategy.

Simulation training also can be a valuable tool for talent managers to uncover high-potential talent within an organization's workforce. They are used in industries ranging from finance to manufacturing, from insurance to software development. Talent managers can use them to help inform their decisions about reassignment, retention and promotion within the managerial ranks.

As specialists move up to become team leaders and managers, they find themselves making decisions in areas of the business for which they were not specifically trained. The best way to learn how to make decisions about business is to roll up your sleeves and run one. The beauty of an integrated business simulation is that it provides the hands-on experience without any actual capital risk.

The basic premise is not new. Contemporary simulations are used to replicate real-life scenarios in fields as varied as meteorology, ecology, economics and warfare. These days, no military or commercial pilot is allowed into a cockpit without first logging hundreds of training hours in a flight simulator.

In a complex business simulation, participants work in cross-functional teams to run their simulated business by developing

Simulations Offer Learning Up and Down the Ladder

Brian Knudson

Everyone makes mistakes, and letting employees experience failure is a successful way to ensure a lesson sticks. Unfortunately, simulation training typically is reserved for senior management. Whether the task at hand is physically or mentally complex, simulations can serve as a learning safety net wherever behavior change is needed to boost the bottom line.

Companies such as McDonald's are increasingly using simulations to train frontline workers. The traditional approach to training this type of audience has been through single-communication e-learning or think videos, possibly with some questions to test whether or not employees have memorized the 10 steps to cook a particular item. A day-in-the-life cooking simulation offering expert advice enables employees to flop in a fail-safe environment and prepare for hands-on training. As a result, McDonald's reduces time to competency and increases the quality of the customer experience.

Pick a topic, any topic, any audience and any content domain. Now, consider one thing a person should be able to do differently after taking the course. Once the talent manager has established that critical behavior or competency, he or she has essentially designed a simulation. Although the devil is in the details, approaching training and education with this mindset will go a long way to improve outcomes.

Hibernia National Bank needed to transform its customer-service representatives into financial consultants to drive sales. A custom-designed module guided trainees through simulated conversations with a number of customers facing a variety of challenges that required spontaneous reactions. To gauge the module's success, mystery shoppers pretended to be real customers inside the bank and outside of the module. The time to competency for customer-service representatives was reduced from four months to 60-75 days. Knowledge of products and services increased 21 percent, and sales of payment-protection plans jumped 37 percent. Sales of retail checking accounts increased 6 percent, as well.

A study was completed in November 2008 by Behavioral Tech Research, a group that tests new training methods to advance the practice of psychology. In this study, members in a community of 150 mental-health workers were randomly assigned to one of three training methods: online training, text-based treatment manuals and instructor-led training to learn dialectical behavior therapy (DBT). The research found participants in the online training group demonstrated significantly greater knowledge during post-training and follow-up compared to instructor-led training and text.

What made the difference? The module designed as part of the study enabled therapists to lead a group therapy session without the physical and emotional risks of backlash from patients.

What if surgeons could practice on patients without the risk of anyone dying? What if firefighters in training could storm a building without getting burned? Simulations have the potential to take learning to a new level, up and down the ladder. **TM**

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products to satisfy their customers' demands, marketing those products, scheduling production, hiring and training staff, financing their efforts and analyzing feedback based on their decisions to improve their tactics. They run the simulation anywhere from a few days to several weeks, with each "round" simulating one year of business. Working in a risk-free setting, they learn how every decision they make — big or small — impacts their company.

In the process, each "expert" discovers that his or her specialty has been reduced in complexity to a few key elements, specifically those that affect other parts of the simulated company. Each person's particular skill sets also have been simplified so others can get a better understanding of what it is they do. Better yet, participants realize that all other areas of expertise have been simplified to a level the entire group can now grasp. The simulation helps shift the emphasis from depth — the individual puzzle piece — to breadth — the big picture.

Individuals' performance in training can be measured by either financial results, peer feedback, quality of reporting or all three, and that's useful information for a talent manager making decisions on career-path planning.

For example, consider the music recording industry. Most people come to the music industry because they love music, and yet, being a businessperson in the music industry requires much more than great ears. A business simulation gives music executives the chance to run a whole business. Watching how their people put the pieces of the business puzzle together in a simulation helps talent managers assess their capacity for broader business roles.

While there are custom-built simulations for specific businesses, the most consistent results come from using an evolved simulation. An evolved simulation is a standardized teaching program that has been used and developed over the years by a wide variety of companies. An evolved program takes participants beyond their individual areas of expertise and comfort, and generates more creative out-of-the-box thinking.

A custom simulation never will be an exact replica of the real business it simulates. It is valuable for entry-level staff who need an overall orientation to business basics. More senior audiences, however, will spend most of their training time picking faults in the tool rather than focusing on learning something new. However, challenge people to run a company in an entirely unrelated industry, and they'll readily suspend disbelief and focus strongly on business integration, strategy and tactical deployment.

After managers at a Midwest specialty machine maker were trained with a business simulation, a senior executive reported he could tell which of his managers had gone through the simulation training because the quality and value of their reports improved dramatically.

A marketing manager said he'd learned more about accounting while using a simulation than he did in two full classes at university. The vague world of accounting was suddenly relevant because he was using it to help run his business rather than studying it in a vacuum. Dry financial data came to life, and he said cash flow became far more than an academic topic once his company went into bankruptcy.

Traditional college business education tends to focus on a case-study-review format. Case studies do have a lot to teach us, but they teach in the past tense, looking at business decisions made in a historical context. Further, students don't have to make personal decisions so there is no sense of accountability. Simulations, on the other hand, drop the students right into the thick of things: "Here's your $100 million company. Here's the product your company is going to produce. Now, let's see what you can do with it."

Further, business simulations can be engaging, entertaining and fun. It's a visceral experience, so the lessons stick and can be brought directly back to the workplace. The competitive nature of a simulation and the power of the learning often produces universally strong evaluations at the end of each program. By providing quality training that is valued by participants, the organization shows its commitment to career development, which can be a strong element to help an organization retain its best people.

In addition to helping talent managers with reassignment and retention, business simulations can be used for assessment, which aids succession planning.

Two years ago, Comp-XM was launched as the first simulation-based competency exam. It was developed in response to the increasing levels of accountability expected by academic accreditation agencies. To be assured of learning standards, accrediting agencies require quantifiable results and demonstrable proof of the relevance and effectiveness of the graduate's education. For business students, Comp-XM is a clear way to provide the evidence.

Because the simulation automatically tailors to each student's performance and decisions, no two exams are the same. However, the data can be captured and standardized to score individuals against large numbers of other participants and make cross comparisons. By comparing

{ **Fit the right participants to the right simulation, and the results can be impressive.**

a simulation user's results against a database of previous users, interested parties can statistically demonstrate that person's levels of skill and comprehension.

Work is under way to further improve the analysis of Comp-XM exam results to give talent managers more granular feedback on an individual's strengths and weaknesses in key business areas such as finance, marketing, competitor analysis and strategy.

Computer simulation technology will continue to penetrate competency testing and improve on-the-job training in all management disciplines. However, those of us creating the simulations need to keep our wits about us. A younger generation of gamers already is using computer programs with graphical user interfaces that are significantly more sophisticated than they were just a few years ago. As this generation comes into the workplace, it will bring higher expectations for the types of user interfaces available in business simulations.

It is important to keep up with those expectations and maintain the educational integrity of simulations so talent managers can continue to provide a tool that not only boosts business acumen but is a relevant diagnostic tool for them to make decisions about hiring, reassignment, retention and promotion. **TM**

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