

FORCES SHAPING OUR FUTURE

UNDERSTANDING BUSINESS SIMULATIONS

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Summary

A great company—one that expects and elicits exceptional performance from its employees—understands that workers must not only be able to effectively execute tactics in support of a strategy, they also must understand how their actions and decisions contribute to the implementation of the business strategy and,

ultimately, the achievement of overall corporate goals. There are several important factors to consider in determining if a simulation is the right learning solution for empowering your workers to support your corporate strategy.

Business simulations are quite successful in communicating corporate strategy. There are simulations for nearly every timeframe, budget, and business need. In fact, many companies find that the hardest part isn't deciding to use a simulation; it's narrowing down the choices and picking the one that makes the most sense for their situation.

It is impossible to compile a complete list of simulations, since new programs are created all the time. Instead, we'll explore a comprehensive model we call SIMTEC, which provides a framework for understanding the key requirements of all business simulations.

The SIMTEC Model

The SIMTEC model is a framework Regis Learning Solutions developed to understand and address the types of questions businesses must work through when selecting a simulation that works best for their unique needs: Which type of simulation is best for your company? Which features do you need? Can simulations really model the real world? What decisions need to be made regarding technology, tools, and content in the creation of your simulation environment?

Based on the belief that learning objectives need to align with company goals, the SIMTEC model serves both as a checklist for choosing and a blueprint for designing simulations.

At the center of the model is the business strategy (S). All decisions regarding a business simulation

drive toward addressing your business strategy, starting with the implementers (I)—which define how to execute the strategy—and the motivators (M)—which define how to engage participants. These first three dimensions determine the overall goals and structure of the simulation.

The first three parts of the SIMTEC model must be followed in order. The strategy must be identified first, followed by the implementers, and then the motivators. The implementers and motivators will drive the design of the “TEC” (technology & tools, environment, and content) part of the model. Because the final three dimensions are interrelated (a decision in one dimension will affect another dimension), it does not really matter where you start. Ultimately, as the model shows, broad requirements (outer circle in the diagram) will

gradually be refined toward the strategy.

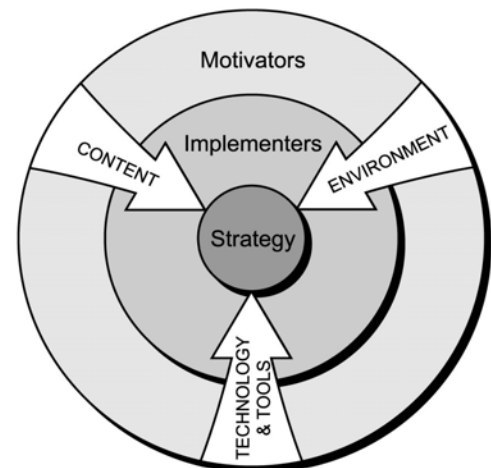
As we go through the SIMTEC model, we will explore how two real organizations used it to identify business strategies, define and select key implementers, motivate participants, and create a simulation using technology and tools, environment, and content dimensions as guides. The first case study provides an example of a classroom-based sales simulation. The second demonstrates how the model was used to create an on-line simulation.

Strategy

Successful corporations are goal-driven. Companies depend on strategies and specific action plans to accomplish the goals that set them apart from their competition. Great executives understand the importance of ensuring that employees both clearly understand the company's goals and the plans to achieve them, and that they have the skills to successfully execute them. Without the right skills, execution is not possible and goals are rarely achieved.

There are, however, common barriers to an employee's successful execution of business strategies, regardless of the executive's desire. These include:

- Employees don't possess the skills or knowledge to implement a strategy effectively
- Employees don't understand how the strategy relates to the business goal
- Employees don't understand how their roles contribute to the strategy
- Employees don't understand how one strategy impacts another in support of the same business goal
- Employees' motivations to implement the strategy are inadequate
- Communication among individuals and teams is poor



- Inadequate processes impede workers' efforts to implement a strategy effectively

Great companies realize that the key to successful execution of corporate strategy depends on their employees' ability to understand how their actions impact that strategy.

Most often, goals (e.g., to become a market share leader) of an organization are set by the executive team, who then share the vision with management—usually through simple PowerPoint presentations or corporate memos. Management, in turn, authors specific strategies (e.g., to increase customer loyalty and release new products) for accomplishing the goal.

These strategies then are presented to employees (again, typically through PowerPoint presentations or via e-mail), who then focus on the tactical aspects of implementing the direction. These employees work tirelessly to perform their assigned tasks—hopefully believing that their actions will contribute in some way to helping the company achieve its goal.

It doesn't always work out well. Managers focused only on their individual areas of the organization often feel disconnected from the overall corporate goal. They fail to understand or appreciate how

their strategies ultimately impact achievement of a goal. Employees, for their part, may be in an even worse position. Focused primarily on tactical matters and day-to-day operations and challenges, they often are too far removed from the goals they are supposedly working to support, and they fail to understand how their individual actions influence the bigger picture. And yet executives stay awake at night worrying that employees might innocently take an action that seriously damages the organization’s strategic execution.

When this scenario occurs, the “executive nightmare” is too often the reality: everyone works hard, but only a few executives have a clear idea of what they’re working toward.

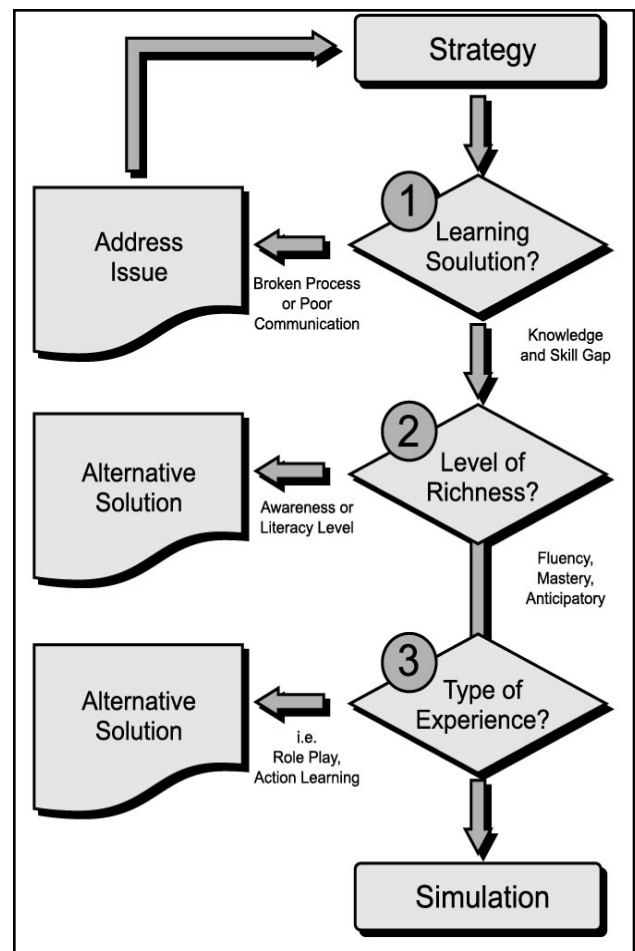
The purpose of a business simulation is to create an environment in which employees can develop the skills they need to execute the company’s strategies. In a simulation, employees examine their assumptions, assess different circumstances, link strategies to operations, and evaluate results. At the same time, they’re challenged to re-evaluate everything they believe they understand.

The Simulation Decision Tree

The first key to training success is deciding whether a business simulation will help you implement your strategy. The following Simulation Decision Tree outlines a three-step process to address the specific and unique issues you are likely to encounter as you address the strategy component of SIMTEC.

The Decision Tree will help you identify your business strategy and decide whether or not a simulation is the best solution for developing your employees to implement that strategy. It will also challenge you to think through and categorize the type of intervention necessary to implement your strategy (learning vs. non-learning solution) and determine the performance level (awareness, literacy, fluency, mastery, or anticipatory).

Like all established performance models, the tree provides opportunities to select non-instructional interventions. This is intentional. Simulations are not necessary for many business strategies. In fact, more often than not, other solutions—from work-environment support to motivational programs and beyond—will suffice.



Step 1: Which learning solution will help you implement your strategy?

Training departments too often implement learning solutions without a clear idea of how the training relates to the business strategy. The first step in the Decision Tree, from the training department's perspective, is to ensure that a learning solution will help workers to implement a particular strategy.

Simulations are impressive and highly effective, but like all learning solutions, they are not necessarily the answer for everything. Business strategies that merely require a company to improve employee motivation, re-engineer a process, or enhance communication can be implemented with non-learning interventions.

If you are trying to accomplish any of these three things, a simulation is not an appropriate intervention and you should stop your journey through the Decision Tree here. The best training program—simulation or otherwise—will not help you implement your strategy when the cause of a problem you are attempting to address is lack of motivation, poor communication, or lack of adequate process.

Before deciding to implement a specific kind of training program, consider whether non-learning interventions will suffice.

If the strategy can be implemented by improving a process, establishing better communication procedures, or changing the motivational structure, do that first. More often than not, strategy implementation requires changes in at least one of these areas first, before a learning solution can be used to teach and reinforce the changes. If it's clear that a learning solution is ultimately needed, then move to step 2.

Determining if a Learning Solution Is Needed

Here's a simple litmus test for determining whether a learning solution will help you implement your business strategy.

If employees could perform a task or action associated with implementing strategy "if their lives depended on it," then they likely possess the necessary skills or knowledge to perform, but are not doing so for some other reason. In this instance, your root cause likely is a motivation, communication, or process issue that should be solved with a non-learning solution.

If employees could not perform the task or action associated with implementing company strategy if their lives depended on it, then a skill or knowledge gap likely exists, and a learning solution, such as a simulation or other intervention, is probably appropriate.

Step 2: What level of richness will your learning solution require?

If you have gotten this far, you have decided that a learning solution will help you implement your business strategy. Does this mean that implementing a simulation is your next step? Not quite.

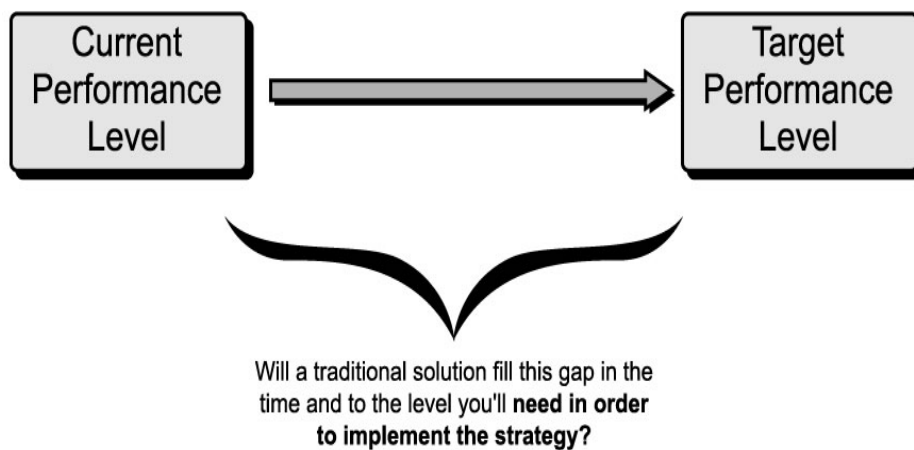
Before selecting any learning intervention, determine the desired level of performance (or richness) employees will need to achieve in order to implement the business strategy.

Understanding where you are and where you want to go is critical to developing a learning solution. Eventually, you'll need to answer the questions, "Can a traditional learning solution solve our problems? Can it improve performance to the level the business requires quickly enough to meet our goal?"

PERFORMANCE LEVEL	AT THIS LEVEL EMPLOYEES:
Awareness	<ul style="list-style-type: none"> ■ Recall essential principles, concepts, and vocabulary.
Literacy	<ul style="list-style-type: none"> ■ Discuss and explain basic concepts and vocabulary. ■ Connect basic concepts to their daily work tasks.
Fluency	<ul style="list-style-type: none"> ■ Apply and implement knowledge and skills related to their daily work tasks quickly and efficiently. ■ Explain basic concepts, principles, and vocabulary to others.
Mastery	<ul style="list-style-type: none"> ■ Perform at the fluency level. ■ Solve unusual challenges and deftly apply skills and knowledge to both ordinary and extraordinary tasks.
Anticipatory	<ul style="list-style-type: none"> ■ Perform at the mastery level. ■ Foresee changes, problems, and the impact of trends and take actions to minimize their impact. ■ Foresee opportunities to leverage change to the organization's advantage.

On average, sixty percent of all corporate initiatives fail. Of those that succeed, most exceed their budgets. A major contributor to failed or over-budget projects is lack of experience. Reading about how to run a project from a manual is not enough. Understanding the process of how to take a product to market does not make a person a Product Manager.

Examine the gap between the current and target performance levels for the process and the time necessary to gain the know-how and confidence. Determine if a traditional learning solution will close the gap.



If implementing your strategy requires employees to achieve only an awareness level of proficiency, a simulation is probably unnecessary. It would be difficult to justify incurring the costs and investing the time necessary to develop or purchase an experientially-focused simulation when less expensive, less time-consuming traditional solutions—such as classroom lectures, e-learning, or workbooks—can provide employees with the target level of awareness.

However, if you are tasked with moving employees to a mastery level of knowledge and skills or beyond, an experiential solution may be a good decision.

Step 3: What type of experiential solution is appropriate?

There is a simple way to identify whether an experiential solution is necessary.

Adults learn best through practice. As you think about the skills that your employees need to move from their current performance levels to the new levels, consider whether those skills can be acquired and fully understood through a method other than practice. In other words, will your employees be able to understand and apply these skills without being on the job for a period of time, practicing, making mistakes, and refining their skills?

To ensure that the skill you identify can be effectively taught through a simulation, determine if the skill can be measured. If you see the skill performed, could you provide feedback on what worked and what did not work?

The primary benefit of determining what kind of learning solution you need is one of cost. If you don't need a simulation, then it's obviously better to invest your dollars in a more appropriate, cost-effective solution. However, it's imperative that you think realistically about what it will take to effectively apply acquired skills to the jobs you want your employees to do. Implementing the wrong solution will not only waste money; it will also waste time, fail to improve productivity, and cause you to fall short of your target performance levels.

Remember, executives are looking for solutions that produce fast results. Stop-gap training initiatives, used year after year, may create the illusion of action, but they will not produce the results necessary to achieve the business strategies.

The previous step of the Simulation Decision Tree discussed the importance of knowing where you are and where you want to go. Once you know those things, you need to be realistic about whether the skills you need to get there can be acquired through any method other than through a simulated environment. You can use the following checklist to guide your thinking.

Do the skills required to execute your organization's strategy:

- Require workers to create a “mental map” or expert's model of how the business strategy works (in other words, a map of the path they must follow in order to implement the business strategy)?

- Require that workers apply multiple skills that have either direct or indirect impact on their ability to effectively implement the strategy?
- Require workers to understand how the application of multiple implementers impacts successful execution of the strategy over a long period of time? (If so, in order for the workers to understand the cause-and-effect relationship between their decisions and actions and the outcomes of those decisions and

actions over time, they'll need to "simulate" time.)

- Require extensive practice in a real-world-like environment in order to learn new skills?

If you checked all of the items on the list, then a simulation is the right solution for your need. Simulations provide exactly this level of fluency with the benefit of experience.

