

Simulation: The Force for Accelerating Time to Value of Corporate Initiatives



Simulation: The Force for Accelerating Time to Value of Corporate Initiatives

Much has been written in the last few years about the billions of dollars that corporations are spending on enterprise-wide initiatives. Companies have implemented these costly new structures, processes, and systems in an effort to achieve a greater level of operational excellence. But data on the results of these initiatives is discouraging, to say the least. Examples:

- Of 280,000 IT projects tracked, only 78,000 were classified as successful in 2000 (Standish Group)
- A third of all leadership development processes are ineffective (Hewitt Associates)
- At least 50% of CRM projects have significant problems (crmguru.com)
- 55% of all CRM installations did not produce any results (Gartner, Inc.)

The initial benefits from cost-cutting measures are short-lived; pressure from investors and shareholders is intensifying to find ways to increase the likelihood of seeing measurable, long-term results.

The bottom-line goal of most of these initiatives? To get people to behave differently, and to help them break through operational complexity, in a way that will either save money or increase revenue. It's as simple as that. It's getting people to act differently within complex organizational systems, to behave in ways that are needed for success.

Executives think, “but we’ve budgeted millions on training as part of this initiative.” Yes, and now people have shelves laden with thick binders or cd-roms, full of descriptions of phases, graphs, steps, objectives, etc. All good, well-designed information. “And we’ve moved from a functional to a process orientation, which is a best practice.” Yes, and now people are working in cross-functional groups that should be more effective. But, after all those millions spent, are these people actually behaving in a way that’s having an impact on the business? That’s getting the expected benefits from the initiative? That’s achieving operational excellence? According to the numbers, probably not.

The question is, how can the organization give people the opportunity to understand the initiative by experiencing it, to “live” in the situation with all its dynamics, to try out behaviors in the context of the new “world” and see the results without risk? How does the organization help its workforce know how to act in new, complex processes and systems, often with unfamiliar people from other functional areas?

BTS has a unique point of view on the answer to this question. We believe the best way to break through the people and process issues that are part of any initiative is through simulation. Over the last twenty years, we’ve built and deployed simulations to meet a variety of business needs, from business transformation to enterprise planning to common skill development. We are convinced that simulation is no longer just a “training” tool but a key element in driving business success.

Let’s take a closer look at how BTS and others define simulation. Then we’ll look at how BTS’s simulation products and services have been used for improvement of individual behavior in the context of specific corporate initiatives, and how we’ve used simulation to break through the intricacies of organizational systems and accelerate the time to value.

Using Simulation to Affect Individual Performance

What is simulation?

Historically, simulation has been viewed as a training tool to give users a way to practice a new skill, frequently in a classroom environment. Educators and trainers often look at simulation as a form of role-playing, a standard training technique. In many cases, this skill development is not linked to a business outcome. Then there is the other end of the spectrum, in which simulation is categorized as a game, often illustrated by popular interactive or virtual reality products like “The Sims.” Both of these descriptions are common, but relatively narrow.

Gartner, Inc., a leading research and advisory group, holds a much broader, more forward-thinking view of simulation. Gartner defines simulation as “a learning approach focused on enabling the student to experience the task or skill being taught. The goal is to simulate ‘learning by experience’.” (Gartner’s e-Learning Glossary, January

02, J. Lundy, K.Harris, B. Igou, M. Zastrocky). Instead of a traditional training focus, Gartner sees simulation as a key component of “the collaboration and learning metamorphosis” (J.Lundy, Gartner Symposium, October 2002) that includes e-learning suites, web services, virtual classroom, and knowledge management, linked to enterprise planning and human capital management. The key to all of these technologies is their application to business initiatives and return on investment.

BTS agrees. We see simulation not as just a training tool, but as a fundamental tool to improve organizational and individual performance that will ensure the success of any business initiative. Our definition encompasses a broad application of simulation to evaluate the “as-is” state and plan the “to-be” state, to communicate, to provide context, to integrate—all in the service of getting the desired results from a particular business transformation or initiative. We believe that simulation can be used at every level of the organization and the initiative to assess, evaluate, plan, calibrate, and to mobilize and align the workforce around a set of critical initiative activities.

At one end of the continuum, simulation is a planning tool, used to simulate the business, try different financial models, and test out new strategies. At the other end of the continuum, simulations center on a re-creation of the user’s business environment for the purpose of changing behavior that affects a particular initiative, process or system. In these simulations, the user plays a role in a “story” and makes decisions in the framework of the initiative he/she is involved with at that time, in the context of real-world business and financial dynamics. In the best applications, simulations support the user’s decisions with tools, resources, community and collaboration with others involved in the initiative. Users live in the future world risk-free, facing crises, system complexities, problems, uncertainty, and successes that will happen every day when the new process or system is fully operational.

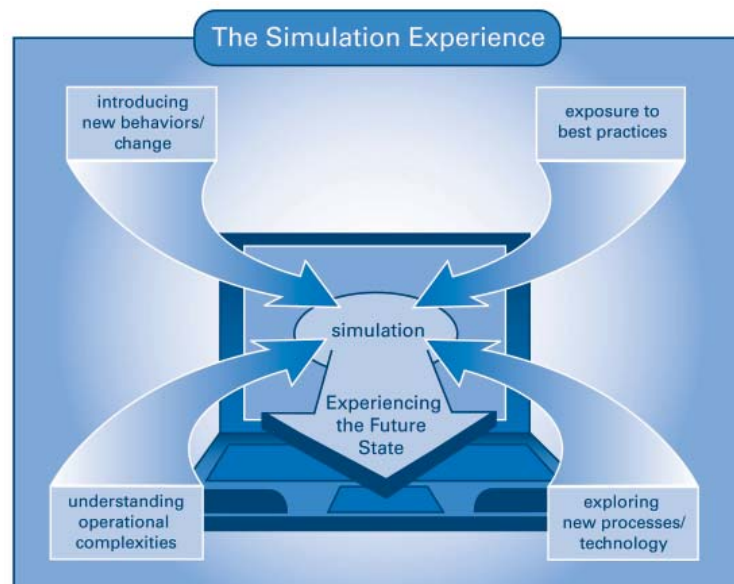
Why is simulation so effective in changing people’s behavior?

Research on behavior (Lewin, Kolb, Piaget, Knowles, etc.) is clear: people need context and practice to understand the business imperative and what role they play in affecting results. BTS’s simulations give users the opportunity to understand the business and grapple with the complexities and shifts in the system. In other words, users get the opportunity to experience the future. They see:

- How behavior and action fit into a larger picture, and how different elements of the system and the behavior of others relate directly or indirectly
- What situations will require new behaviors
- What the new behaviors actually look like
- When new behaviors should, and should not, be used
- What the impacts, both positive and negative, will be on the new behaviors
- What constraints, supports, and distractions will discourage the new behaviors
- What is important, to whom, in what circumstances, and how to alter behavior as things change
- How behaviors impact different aspects of the initiative, including financial results, getting things done, etc.

BTS's simulations put all of these elements together in a storyline that incorporates sophisticated financial information, business processes, functions and roles, to create an authentic replication of the individual's future life on the job. From a single experience (potentially over the course of weeks or months, or "just-in-time"), users can:

- Be exposed to best practices around an issue or an initiative
- Explore new methods, processes and technologies without risk
- Understand how they will work with others to be effective
- Immerse themselves in new behaviors required for initiative success
- Understand the integration of the initiative with other complex operational systems



BTS's Simulations and Their Effect on Business Performance

Simulation: A Vehicle to Achieve Results
<p>Industry: Telecommunications Issue: Increase sales win rate Initiative: Move from pricing selling to value selling Solution: A sales simulation to model the value selling process</p> <p>Results: \$25 million in net revenue during the study period (25:1 benefit to cost ratio), projected to \$85 million annualized</p>
<p>Industry: Pharmaceutical Issue: Realizing the benefits of a new, more efficient product development process Initiative: Improving Product Development Solution: A "micro-world" simulation gives users the experience of each phase of the new development process, offering them the opportunity to test out business decisions and negotiate the dynamics of various internal and external forces and their impact on the process</p> <p>Results: More cost-efficient, innovative drug development that improved time-to-market</p>
<p>Industry: Professional Services Issue: Creating a unified accounting methodology of two merged firms Initiative: Merging Professional Services Firms Solution: A simulation to demonstrate the methodology in which client-facing professionals see the impact of improper or inconsistent process and financial decisions on their clients</p> <p>Results: Improved client satisfaction, more efficient delivery of services, and decreased risk of audit litigation</p>
<p>Industry: Retail Issue: Realizing the benefits of a new unit-cost inventory process Initiative: Optimizing the Supply Chain Solution: A simulation gives thousands of purchasing specialists and buyers the opportunity to understand the inventory process, test it, see the financial implications of using it correctly or not, and the implications of continuing to use the old system.</p> <p>Results: Quicker, deeper results on the SCM initiative; more cost-efficient inventory control and supply chain management</p>
<p>Industry: Financial Services Issue: Financial-services call-center representatives with insufficient business knowledge Initiative: Improving Client Relationships at the Call Center Level Solution: A basic "Why Finance Matters" simulation that shows call center representatives the results of decisions and client recommendations</p> <p>Results: Improved client satisfaction and retention, increased sale of products and services</p>

Let's go through two business transformation examples that could achieve accelerated results from the use of simulation.

Example 1. Transforming the Corporate Infrastructure

A multinational conglomerate is undertaking a global initiative to transform critical aspects of its support function infrastructure (e.g., HR, IT, Finance). It has begun a portfolio of projects that will streamline organizational structures through the introduction of best practices, and cut overhead costs by 25%. Projects have resulted in shared service centers, consolidated offices, creation of new positions to replace vendor services, and deletion of non-critical tasks. For the organization to realize its targeted cost reduction, employees will need to collaborate more effectively and, in some cases, to change how they work. Every employee in the streamlined functions as well as those external to those functions will be affected by these changes. The success of the initiative depends on helping these employees improve not only individual performance, but also how they work together.

Now, let's see how simulation could accelerate this initiative. To begin, much of the upfront diagnosis and strategy could be done using a series of enterprise planning and modeling simulations. Then, the simulation platform could be used to assess the "as-is" state and plan out the "to-be" state, to identify measures for success and points of likely difficulty. As the initiative begins to take shape across the globe, a series of high-level simulations could be deployed that communicated the new vision and its urgency in a way that's consistent and compelling. These "context" simulations could be deployed in team meetings to give an opportunity for managers to align their teams to the new vision. More role and function-specific simulations could be built that focus on the consolidated offices, the shared service centers, and other new units. These simulations would help teams and individuals drill in to the specifics of the initiative to answer, "What does this mean for our team? For me? How will our jobs change?" These simulations could be done collaboratively, to help the new teams learn to work together more effectively. As the supporting projects progressed, simulations could be used to assess mastery of new information or skills and identify areas that required more attention. Throughout the initiative, enterprise planning and modeling simulations could be used to calibrate the progress of the initiative and plan for additional work to ensure its success.

Example 2: Transforming the HR Function

A large professional services firm is positioning itself to lead during what are tumultuous and uncertain times for its industry and to respond to an increased marketplace focus on quality. As part of this strategy, the firm is undertaking an enterprise initiative to transform its HR function to support and enable its businesses. Current HR processes and structures are multiple and redundant resulting in differing levels of service and duplicative costs. HR's new goal is to better align with the overall enterprise strategy, improve efficiency in how services are delivered, and provide a consistent level of service to everyone to better implement internal and external initiatives. HR will support the firm's businesses through increased capability in change leadership, project management and business consulting.

For HR to support the business in new ways, it is restructuring itself so that less time is spent on administrative processes and delivery than on business partnering and organizational effectiveness. As part of its transformation, the firm has consolidated its functions and transitioned processes to centralized service centers, centers of excellence and field operations. Numerous HR staff have taken on new positions in the restructured operations, and many need new skills to function effectively in their new roles.

The success of this initiative depends on each person understanding their new roles and how these roles support the greater business objective. How could simulation accelerate this understanding across the organization? At the first consideration of the need to re-engineer the HR function, the senior team could engage in an enterprise planning and modeling simulation to test out various strategies and structures. Assessments would help to understand the current state and compare it to best practices. High-level context setting simulations would communicate the new vision to the current HR organization, as well as the broader workforce, and would begin to

“sell” the new vision and the shared services model. Then, simulations could be used to describe the three new key roles (business consultant, change agent, and project manager) and assess required competence, helping potential candidates to understand their skill gaps and evaluate what role is right for them. Subsequent versions of these role-based simulations could be used by the functional groups to build a shared understanding of each role, foster collaboration and support in undertaking the new responsibilities, and to provide a rich library of tools, tutorials, and resources to succeed in the new role. Finally, a series of shared services simulations could act as an education vehicle to the larger workforce to help them get the most out of the shared services framework and each component.

These examples have comparable ways of using simulation. A future world is simulated, one built around the new initiatives, with all of the new roles and responsibilities involved in these kinds of business transformations, and all of the vagaries of redefined processes and systems. Information from these simulations is used to plan the initiative strategy. Then, as the initiative is implemented and simulations are integrated throughout the process, each person can see the future. Individuals can see the impact of their decisions upstream and down. The results of good decisions and bad, of confusion, of everyday occurrences that have to be negotiated, of uncontrollable forces, can be felt in “real time.” Financial results can be seen dynamically as people make decisions in the simulated world. The result is that people get to “live” in the future, to learn from practice and mistakes, to see the world from other perspectives, to try things in a risk-free environment. The experience is invaluable to build a new foundation of organizational and individual performance and provide ongoing support for implementing these initiatives.

Using Simulation to Achieve the Anticipated Results

Clearly, the use of simulation in these examples goes far beyond the common “learning” definition, or in fact, the common approach to implementing initiatives. Most initiatives right now utilize little more than training, using some form of slide presentations and documents in classrooms and on intranets. The result is varying degrees of awareness of the initiative and a cursory understanding of the roles and responsibilities of the people involved. Often, the intended users are unclear about not only “how” to use the new system, or process, but “why,” which means they don’t have all the information they need to make sound decisions that will actually impact the success of the initiative.

Compare that to an initiative supported by simulation as BTS defines it. The initiative sponsors and leaders can test out strategies, identify potential trouble spots, and plan accordingly. Each functional or sub-process group learns about the initiative by seeing it unfold, by working through the intricacies of the system, drilling in to the roles and behaviors that they and other groups will need to undertake, by doing a “test-run” of all of the activities that will take place. The workforce understands the underlying issues, drivers, and sponsorship of the initiative, giving them the context to make appropriate choices about actions and decisions an essential element in

achieving operational excellence. Clearly, this kind of simulation experience produces a deeper level of understanding, knowledge, commitment, and performance to get the expected and necessary benefits from the initiative.

BTS has seen these kinds of results. A Motorola EVP said after watching a group of his sales executives go through just a part of an BTS simulation on a new sales process, *“I actually observed our sales people change their behavior during the simulation. They learned from the consequences of their decisions in the first round and changed their behavior in later rounds (of the simulation) to improve their performance.”*

BTS’s Roadmap to Accelerate Time to Value

The process of understanding where and how simulation will provide the greatest benefit is critical. SMG works with its clients to answer the following questions:

- Does the initiative entail a new process?
- Does the initiative require several integrated processes, with “systems dynamic” elements?
- Do people need more than merely awareness about the initiative?
- Is significant behavior change required?
- Are different functional groups involved that will have to work together?
- Has the organization moved from a functional to a process orientation, requiring new relationships, dependencies, teams?
- Are there many people who need to understand the initiative, or relatively few?
- Is there a complex financial or business model involved?
- Is there likely to be resistance to the new way of doing business?
- Is the supporting infrastructure being put in place concurrently with the initiative?
- Would on-the-job practice (and unavoidable mistakes) be costly?
- Is there a high turnover rate in people that support the initiative?
- Are the fundamental processes or procedures involved in the initiative relatively static, but the supporting tools and information frequently changing?
- Is there a core set of fundamental skills and knowledge that increase performance on behaviors that support the initiative?
- Are there clear behaviors that would demonstrate operational excellence or success?
- Does the market data suggest that more traditional approaches to implementing similar initiatives are failing, or at least not achieving the desired results?

To help its clients answer these questions, BTS has developed a four-step process that produces a clear vision of the initiative and the simulation path to ensure success. Because not all organizations go through all four stages of the process with BTS, it has been developed to flex to the particular requirements of the client.



Phase 1: Discover and Focus

BTS works with the senior sponsor team to understand the “as-is” state and identify the barriers to enterprise success, the gaps, pain points, and issues. Enterprise planning and modeling simulations are often used during this phase to gain insight into the business, assess leadership and readiness for change, and plan strategy.

Phase 2: Imagine and Plan

Key questions during this phase are, “What is the ‘to-be’ state? What will success look like? How can simulation be used to go from the ‘as-is’ to the ‘to-be?’” This phase includes evaluating performance gaps, understanding the feasibility of closing the gaps, and identifying the specific process points where changes need to be made.

Phase 3: Mobilize and Align

This phase focuses on building commitment across the appropriate units and the larger organization, to get people to own the initiative for themselves and the business. During this phase, BTS works with the client to create the business case for the initiative, estimate the financial returns, and then understand how simulation can communicate a compelling vision.

Phase 4: Implement and Measure

This is the implementation and action phase, with simulation tools and services utilized at key points in the initiative process. This phase includes the design, development, and deployment of each simulation according to a careful rollout plan. Various ROI measures are put in place to insure the realization of the desired impact from the simulations and the initiative as a whole. Planning simulations are used throughout the process to calibrate the process, and identify and prepare for other business transformation needs.

Leveraging Simulation for Success

BTS believes that, if initiatives are to achieve the expected results, leaders must begin to consider simulation products and services not as a small component of the training budget, but as an integral part of the business and each initiative. Given the cost of failure of a major business transformation or enterprise-wide initiative, isn't this new definition of simulation worth a closer look?

References

Bernasek, Anna, "Tightwad CEOs," Fortune, June 10, 2002.

Brandon-Hall.com, e-Learning Simulations, 2002

Gredler, M. Designing and Evaluating Games and Simulations: A Process Approach. Kogan Page, London, 1992.

Knowles, M. "Adult Learning." The ASTD Training and Development Handbook. Ed. Robert L. Craig. New York: McGraw-Hill, 1996.

Lundy, J; Harris, K; Igou, B; Zastrocky, M; Gartner's e-Learning Glossary, January 2002, Gartner, Inc.

About BTS:

Founded in 1985 in Stockholm, Sweden, BTS is a fast-growing, entrepreneurial business consulting firm with a global clientele. Our mission: to support leading corporations in implementing change and profit improvements. By building knowledge and skills, sharpening business acumen and enhancing performance and focusing on profitability drivers, BTS helps its clients compete successfully in a demanding, global marketplace. Visit www.bts.com



Catalysts for Profitability and Growth

www.bts.com