On Business Simulations: Two Days of Learning What It's Like to Be CEO

A customized business simulation of your enterprise, business unit, or process, uses real-world competitive dynamics. It places leaders in a context where they can step out of their normal day-to-day role and gain exposure to the big picture. Simulations allow leaders to make critical decisions in a risk-free environment which ultimately sharpens leadership skills and improves agility.

The following panel discussion brings together development experts from the U.S. Navy, Humana, and strategy implementation consultancy BTS — in a lively discussion on the use of simulations for strategy execution, improved learning and on-the-job performance.

Question 1: What constitutes an effective simulation?

Peter Mulford, Executive Vice President, BTS: An effective simulation provides insight, knowledge about how to act; and inspiration, which is motivation to act. This is particularly true with customized simulations that are designed to create behavior change and action, which is the ultimate measure of effectiveness in a business setting.

Deb Gmelin, Corporate Director for the Leadership Institute at Humana, Inc.: An effective simulation opens the learning environment for rich discourse between the learning participants.

Ed Suraci, Commander, U.S. Navy: An effective simulation replicates real-world leadership challenges within a safe learning environment that minimizes, or completely eliminates, the risks associated with sub-optimum performance.

Question 2: What can or cannot be done in using a simulation for training/teaching and why is it more effective?

Mulford: Simulations have four key advantages over other instructional methods used in the classroom and on the job training.

One: Through the compression of time and space, simulations allow learners to experience business situations that would be expensive, dangerous, or even impossible to observe in the real world.

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Two: Simulations are extremely flexible in that instructors can exert a high degree of control over variables and focus areas.

Three: Simulations have been proven to generate improved performance in real world settings.

Four: Because they are simplifications of the real world, they can facilitate learning of critical skills by omitting distracting real-world elements.

Gmelin: I'd also add a Number Five: Simulations build the learner's confidence to better execute back on the job. Learning-to-application is accelerated. For all of these reasons, we have used simulations very effectively as a tool for organizational transformation. Humana continues to transform, accelerate business results and reposition itself, and a simulator helps our leaders and employees better understand the transformation, specifically the business side, upstream and downstream, of what we are trying to get done.

Suraci: Assuming that you have an effective design process, I'd be hard-pressed to imagine any challenge that could not be simulated. The critical element is the effectiveness with which your design replicates reality, and stretches the learner to a point where they could still imagine themselves in that reality.

Mulford: Simulations can have some disadvantages. High among them, simulations involve problem-based

"discovery learning" methodologies which ask participants to immerse themselves in problematic situations and experiment with different approaches. This is time-consuming compared to other modalities.

Another issue can be that if a simulation is generic or designed without periods of reflection and debriefing, participants may interact with it merely as a game.

Gmelin: Agreed. Also, if simulations try to cover too much they can be ineffective. There is definitely a balance and best-practices for how many variables you should allow.

Suraci: I also agree. While both a simulation and a "game" offer benefits of learning, each has its unique merits and limitations. I would differentiate a simulation as being more grounded in the reality of today, and a game as an attempt to replicate what a future might be. A game has more inherent risk: If the learners cannot identify themselves within the design, they run the risk of checking out. This dynamic makes the inclusion of facilitation and debriefing even more critical.

Question 3: What do you think are common assumptions or misconceptions about simulations?

Mulford: Many people confuse educational simulations with discrete or logical model simulations, which are used for scientific and engineering tests. There are a variety of different types of simulations that are

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available. Some people think of simulations as fixed "storyline" simulations, and aren't aware of open-ended simulations, the BTS mainstay. These allow learners to manipulate multiple variables in a business system and observe the results. Gmelin: People who've never experienced an effective simulation sometimes think that simulations are meant to be only a competitive game to be won or lost, missing the important element of learning.

Suraci: Some immediately recall a game like Monopoly or Risk, and think of it as leisure or fun, but not learning. What they fail to recognize is that even pure games like Monopoly or Risk have a lasting lesson of strategy and planning.

There is also some misperception in regard to cost, complexity and the use of technology. While some simulations can be 100% computer-based and fully automated—and fairly awesome experiences—other applications can be much simpler, yet equally effective. In some cases, a simulation can be as straightforward as "a role-playing experience tied to an effectively written business scenario."

Question 4: Use of simulations for training has steadily gained mainstream acceptance. What factors are influencing this and will they continue?

Mulford: Firms are reacting to changes in the global business environment by seeking adaptive advantages, also called

agility. Agility is the ability to balance analysis with experimentation to produce competitive advantage. Humana and their transformation is a good example. Simulations *decrease the cost* and *increase the effectiveness* of efforts to develop the human capital that lies at the heart of an agile enterprise.

Gmelin: Yes, and, in our case we found simulations worked so well internally that we've started running them externally as well, with influencers and customers in our market, as a thought leadership tool. The more specialized and complex our market becomes, the more important this experiential learning and collaboration will be. I don't see demand for it slowing down.

Suraci: The effective application of technology has allowed the learning to become more automated and cost-effective, and enhanced the inclusion of more remote locations. As more organizations experience well designed simulations, they discover the greater effectiveness and realism, and that learning can also be entertaining.

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BTS is a leading global strategy implementation consultancy dedicated to building alignment, mindset and capabilities that improve business results for our clients. Founded in 1986 and serving over 400 clients worldwide, BTS is a publically traded company with more than 25 offices in 18 countries.