

“One of the best exercises  
we have done in years!”  
M.S., Director, Norwich Union



# WHITE PAPER

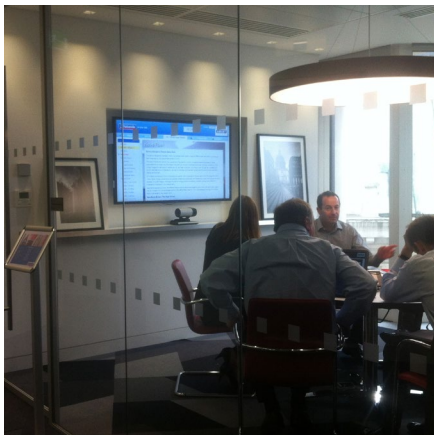
Why organisations are using simulations to accelerate the development of management capability.

# CONTENTS

Executive summary.....	3
The next generation of leadership development.....	4
Why business simulations are being used.....	5
How simulations are being used .....	6-7
Organisations are finding innovative ways of using simulations .....	8
The future of simulations .....	9
Case studies.....	10-12

## EXECUTIVE SUMMARY

The sky was darkening, the wind and rain was growing much stronger and the crew were feeling anxious as the situation became much more severe. A flight manual was shaken violently and fell to the floor with a terrible thud – but nobody was brave enough to loosen their grip on the controls to even think about picking it up. The crew knew that the decisions that they had to make in the next few minutes would bring safety or disaster to everybody on board. The pressure was on!



**Luckily, this was a training exercise – although it felt real enough for the crew to raise their blood pressure, it was carried out in a flight simulator. A simulator which pilots the World over have become accustomed to using before they take the controls of a real plane full of people just like you and me.**

### **Pilots benefited from flight simulations for years because:**

- Simulations provide a safe environment to practice, to test what if scenarios without ending in costly mistakes
- The lessons are indelibly imprinted in the pilot's mind because the training is dynamic and emotionally engaging
- The context and content is relevant, realistic, and directly applicable to the job
- Simulation shortens training time, as a few days of simulation can replace weeks of classroom activity.

Most of us wouldn't dare board an aircraft if the pilot hadn't first gained sufficient experience in a flight simulator. Yet, it seems acceptable to allow managers to manage ever more complex situations and scenarios without them first gaining the level of management experience and business acumen that is necessary to ensure success.

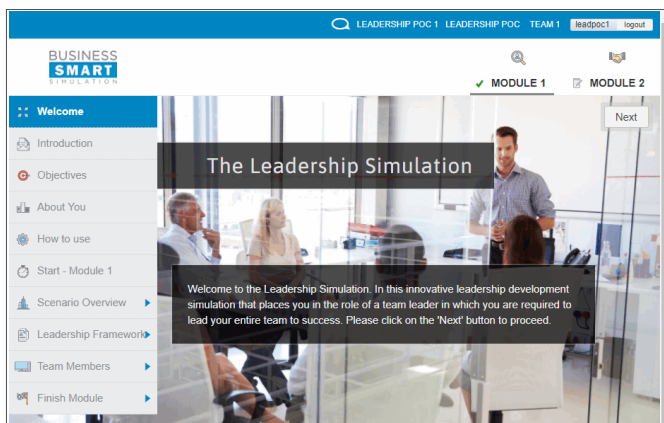
In the days when business was not so competitive, or so fast moving, this may not have been a major issue, but with today's competitors able to copy our products, process and strategies at the drop of a hat the skills and capabilities of our employees and managers are becoming a vital source of competitive advantage.

Although many trainers may have had the desire to provide a more sophisticated approach to development, similar to what the average pilot experiences, technology and the average training budget has not made this feasible. But now with the latest business simulations more and more organizations have the opportunity to provide such a rich learning experience and are adopting this new approach in greater numbers.

This white paper explores how business simulations are being used to create the next generation of management development programmes and provide a powerful learning experience for executives, managers and employees.

# THE NEXT GENERATION OF LEADERSHIP DEVELOPMENT

After decades of traditional management and leadership development, organisations are starting to create the next generation of programmes by introducing and integrating realistic business simulations.



It seems that there are two main drivers for this, both of which have progressed with some pace over the last 12 months. Firstly organisations and especially the Executive Management Team are realising that there is a serious lack of business and commercial acumen training missing in most development programmes. And secondly, technology has now made such rich and realistic experiential simulations a cost effective solution.

Unfortunately, change does not come readily to adults. Lectures, training modules, and workshops may lay bare the mechanics of organisational change, but they are unlikely to revolutionize people's work practices. Most of the time, we learn only through experience. But everyday business is seldom conducive to such learning, since delays and the complexity of most companies tend to obscure the link between decisions and their consequences. Under normal conditions, managers are rarely able to see the full effect of their actions.

## REALISTIC BUSINESS SIMULATIONS

With the advance of technology and the development of more sophisticated approaches to learning, business simulations have now gained popularity as a powerful tool for organisational trainers. The growth is being driven by the speed in which learners develop new capabilities and the immediate impact their new learning can have on organisational performance.

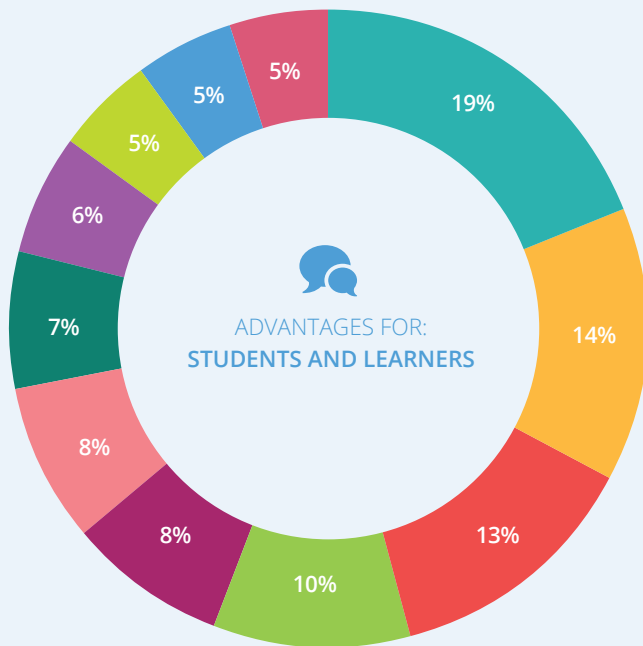
A realistic simulation is a powerful tool that facilitates individual and group learning in a simulated environment that replicates a typical organisation. It allows learners to be placed in a role that challenges them to discover how they can improve their decision-making, communication, leadership and team working all in a completely safe environment. And with the ability of simulations to compress the time line, learners can experiment with different strategies and techniques and see the consequences of them in the very next round. And as most simulations call for learners to work in teams they are also seeing the impact they have on others.

**"Done well, simulations can bring enormous benefits. Indeed, corporations using traditional management training programs may be wasting time and money by comparison. A well-designed simulation will yield much better results and prove more cost-effective, despite the initial expense of design and facilitation"**

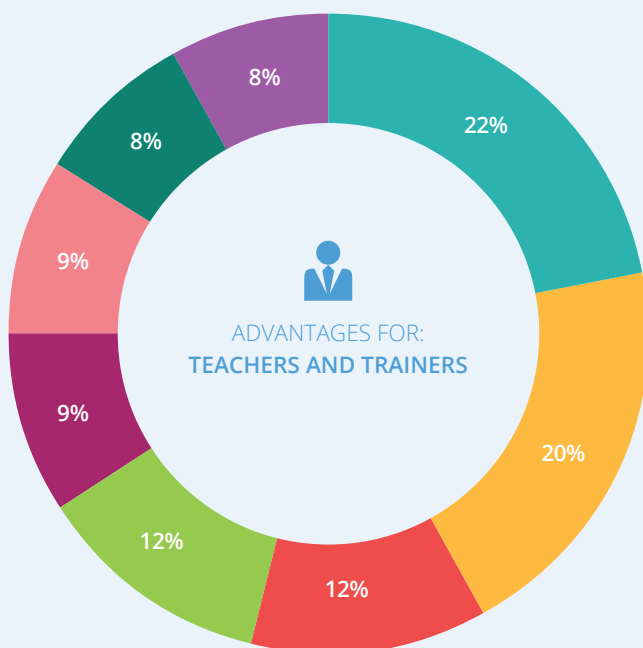
The McKinsey Quarterly

## Why simulations are being used

A survey conducted with 328 users of simulations revealed what is perceived as the greatest advantages for the learners and also for the trainers. The charts below show the responses.



- Provides experiential learning
- Integrates different functional areas
- Allows for theory application
- Consequences of decisions are seen
- Requires teamwork
- Requires involvement
- They are interactive / dynamic exercises
- They are realistic exercises
- Expose students to business competition
- They are fun
- They interest and motivate students



- They are interactive / dynamic exercises
- Allows for theory application
- They interest and motivate students
- Measure comprehension/understanding
- Integrate different functional areas
- Add variety/change course
- Easy to administer
- They are fun



## HOW SIMULATIONS ARE BEING USED

Because advanced simulations can replicate and simulate most functions of an organisation they can facilitate learning in just about all of the training and development areas commonly requested by managers and employees. And due to the relatively low cost per head of simulations they are also being used as an integrated enhancement within current training programmes.

### MANAGEMENT DEVELOPMENT

**A leading European manufacturing business has been using virtual business simulations as an integral part of their leadership and management programmes for the past 3 years. Each programme has 24 participants and runs over a period of 9 weeks. During the first 8 weeks the participants have to work together in teams of 4 in a simulation that links all team together in a competitive and dynamic environment.**

The teams are completing one 2-hour round per week; they have to find ways of working effectively together and making smart decisions that will improve the strength and results of their team. The final week of the programme contains a review of their experience and performance within the simulation plus several additional management development activities.

The flexibility of the more advanced simulations means that trainers can either use them during an intense 1, 2, 3 or 4 day development programme or as a time-phased approach that allows the managers to continue with their day jobs whilst learning new skills.

### TEAM BUILDING

If you are an employee you're probably in a team, if you're a manager you probably manage a team. In fact you are probably

not just in one team; it's more than likely in that you are in several teams. With the emphasis on teams in today's organisations it's not surprising that many trainers seek to find training activities that can help build a team, bond a team, strengthen a team and raise the game of team. But taking a 'chalk and talk' approach to team building rarely delivers the impact needed.

Many trainers now prefer to use team-building exercises that connect with the team on an emotional level as well as intellectual level, but caution must be used in choosing the activity if it is also to have a longer lasting benefit for the team and the organisation.

Recently, a government agency used a simulation for a team building event that allowed the participants to learn about team work by being in a team that was running a virtual business unit. Each team was competing directly with other teams in the room. The participants were informed that the team with the best results would be the victors and presented an award at the end of the day. Now if there is one thing that bonds a team very quickly it's an intense purpose and common objective. Therefore, individuals in the teams had to work well with each other and had to develop a strong bond within the team in just a few hours, something that any other approach would have been unable to accomplish.





### CROSS FUNCTIONAL GROUP WORKING

**A Chief Executive of a construction company identified the challenges their organisation faced. These challenges called for “joined up thinking” from all of their managers. He determined that he needed his managers to consider the impact of their decisions on the other functions of the business and on the business as a whole. He is not alone in facing this type of challenge as many trainers have witnessed what has become known as silo mentality or silo thinking and there is a real desire to develop new ways of thinking in their organisations to combat this dilemma.**

This Chief Executive decided to run an event with his top 70 managers and use a simulation to help illustrate the impact each department has on the overall business. The simulation enabled all of the managers to experience the challenge of running another department and to make this unfamiliar department a success and be integrated into the business as a whole. This was a creative way to allow each manager to get an appreciation of each other's department and how illustrate ways they may even be able to help each other in the future.

### COMMERCIAL AWARENESS, FINANCIAL LITERACY AND BUSINESS ACUMEN

Improved business results rely on better business decision-making and this often

means analysing financial or commercial information and assessing the possible implications. Many trainers would see commercial awareness or finance literacy as a very dry topic and would prefer not to personally facilitate such a training session. That may be a wise decision as trainers often find teaching this topic a dry and non-engaging experience, as a classroom lecture simply does not bring the topic alive.

Organisations who wish to bring the topic alive and demonstrate the full value of increased business acumen are rapidly introducing simulations into such programmes. And it's not only businesses that are introducing simulations, in fact just about every MBA faculty already uses simulations to provide students with a valuable opportunity to put their newly learned theory into practice.

An advantage with using an advanced simulation for developing commercial awareness and business acumen is the ability for learners to see the effect their decisions have on the financial as well as other areas of the business. Through a number of rounds they are also able to test different scenarios and strategies and learn which have the greatest impact on the organisations results. This tends to be why many senior managers and executives are keen for their managers to take part in an advanced simulation.

**People learn a tremendous amount; they learn a different vocabulary. They can talk to accountants more comfortably; they can read financial reports where they couldn't before. The tangible results? Better decision making, where people are challenging the norms instead of saying, 'Well that's just the way it is.'**

Harvard Management Update

**“Competitive advantage now relies more on skills and knowledge than on traditional assets such as brand names or big factories - and simulations are essentially a way of helping people develop their skills and knowledge quickly.”**

Harvard Management Update





## UK AND EUROPEAN ORGANISATIONS ARE FINDING INNOVATIVE WAYS OF USING BUSINESS SIMULATIONS

It is surprising how creative organisations are becoming in the use of simulations and apart from the areas listed above some of the more inventive approaches include:

### ► Team away days and conferences

Organisations are now building simulation events in to team away days and conferences as a way of providing a business focused team activity that is challenging and fun for everyone involved, and when they add in the competitive element it delivers an event that is energetic and memorable.



### ► £100,000 profit improvement programmes

Some organisations are keen to engage their managers in delivering immediate top or bottom-line results and are using simulations as a tool to teach them about business and how critical the need for better results.

This is also blended with a simulation project that focuses on their actual organisation and requires the managers and teams to each identify, researched and validated projects that will drive significant results in the short term. Many trainers even have the teams present their £100,000 plans to the executives and then follow the progress of each plan over the coming months.

### ► Measuring learner progress

With the advanced simulations incorporating some of the latest technology it has become possible for trainers to observe and monitor the growth of knowledge, skills and capability of their learners. Previous board based simulation have been limited in the analysis and reporting functions which have made it more difficult to evaluate the growth in learning throughout the activities.

### The level of analysis and reporting has advanced greatly and it's possible to measure:

- Retention of knowledge
- Functional capability of individuals and teams
- Growth in of individuals and team skill levels
- Strength and weaknesses of individuals and teams
- Decision making speed and ability
- Review and evaluation of team & business strategy
- Peer evaluations and feedback
- Ability to respond to change
- Plus many of the more traditional training measures are available in more readily accessible formats

**This level of measurement, analysis and reporting provides a powerful feature for trainers and managers who can now view the detailed progress and development of individuals and teams.**



# The future of simulations

With an estimated 90% of MBA faculties now using simulations and 60% of US organisations using some form of simulations it is anticipated that many more European organisations will be adopting simulations.

It is also anticipated that the existing users of simulation will continue to use them. A research document into early adopters of simulations demonstrates that an extremely high percentage of current users are very likely to continue to use simulations.

## IN CONCLUSION

It appears that business simulations have now caught the attention of trainers and executives because of their ability to take experiential learning to a new level and also because they are 100% relevant to the business and every manager's role. And as we have seen with the airline industry it looks like advanced simulations in training and development are definitely here to stay.



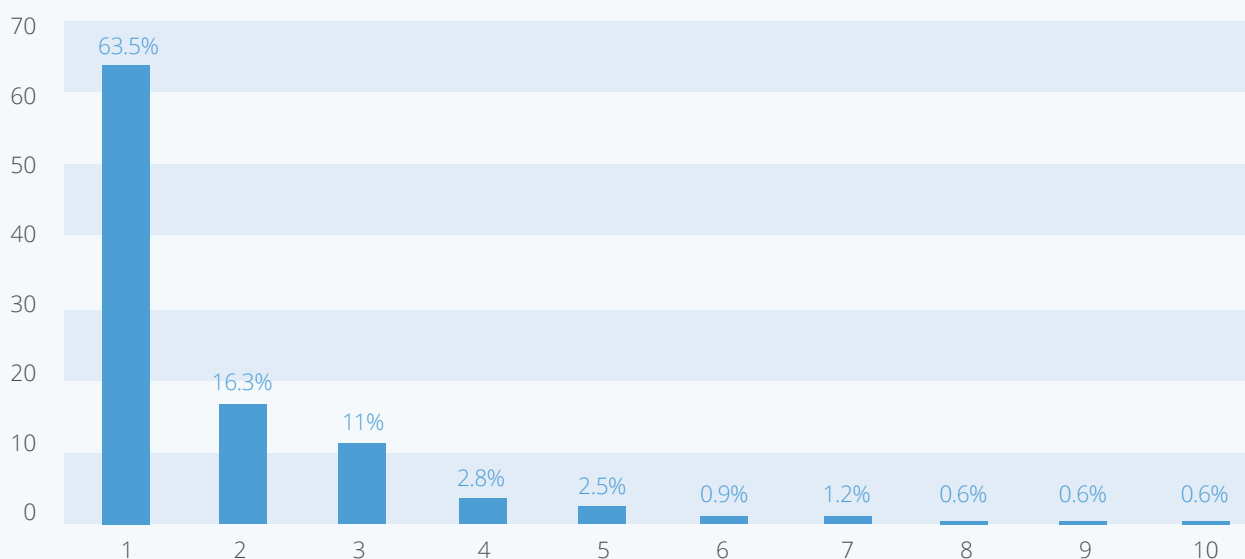
**"We chose one of your simulations, as we needed an exercise that would stimulate, engage and develop our managers. We also wanted one that would get them to think about business and create some lively debate – plus spark a little competition between the teams – your simulation certainly hit the mark"**  
S.C. Director, Barclays Bank

**"My team were looking for a simulation to help them develop their understanding of board level decision making, and wanted some fun too! Your simulation provided plenty of both and the feedback from the team was excellent. One of the best exercises we have done in years."**  
M.S. Director, Norwich Union



## HOW LIKELY ARE YOU TO CONTINUE USING SIMULATIONS?

1 – very likely 10 – not likely



\*All data taken from Simulation & Gaming, Volume 35 No 2, © Sage Publications

## CASE STUDIES



"The feedback we have had from all the team has been very positive. I must admit I have never before seen our sales team give up pre-dinner drinks because they had to complete a task in a team building exercise. This was a first!"

J.S. EMEA Director, BancTec

# A MAJOR FINANCIAL INSTITUTION

This organisation has for many years run a very comprehensive programme for a select group of high potential leaders, currently around 1% of their management community.

### TALENT PROGRAMME

**Each year the programme includes a wide mix of modules which the participants can self-select with topics such as: leadership, industry knowledge and commercial acumen.**

For the 2008 programme the committee wish to add a fresh module, which would create a new dimension to the programme. They chose to include an online business simulation and after a number of meetings with suppliers chose to use a Business Smart Online Business Simulation. The online simulation was run over a period of 12 weeks and included 60 participants who completed the six rounds in teams of six. The teams were purposely made up of managers from across the business and

most teams had members who did not know each other or had never met each other. This ensures that the participants not only learnt about developing a business, but also learnt about leading and managing in a remote team.

The business simulation module gained the support of a dozen senior executives who helped out during a 'Dragons Den' style pitch half way through the module. During this live funding pitch, held at their HQ, the teams had to pitch to the senior executives to secure additional funding to grow their businesses. The business simulation module also gained the support of the group CEO who attend the final day to present the awards to the winning team.



**THE ONLINE  
SIMULATION WAS RUN  
OVER 12 WEEKS**



**60 PARTICIPANTS  
COMPETED IN SIX  
ROUNDS OF SIX**



## A FINANCIAL SERVICES COMPANY

### MANAGEMENT DEVELOPMENT PROGRAMME

Having received a commitment from the executives of this organisation the training team set about creating a brand new high impact leadership development programme. One which would cover the core elements of Lead Self, Lead Others and Lead the Business. This programme would span all business functions and divisions across the UK and involve several hundred middle managers each year.

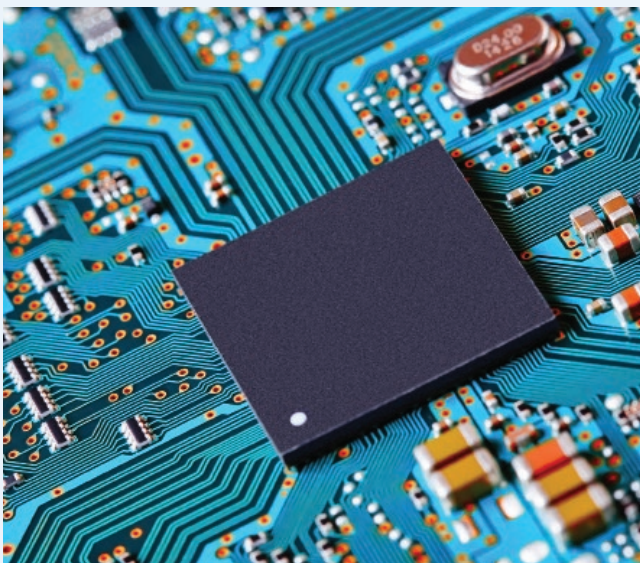
The senior managers and training team chose to use a Business Smart Simulation specifically to meet the objectives of the 'Lead the Business' module of this programme. This was seen as the most

powerful way of enabling the participants to understand the fundamentals of how business works and also to learn more about leading people in a business context with business objective to meet.

The schematic above show how the core modules fit within the whole programme. The programme is typically run over a period 10 to 12 weeks allowing a fortnight gap between each module. The feedback from the senior managers, training team and participant has been outstanding. Participants enjoyed the interactive nature of the simulation and also the very experiential way of learning about leading a business.



## A global high-tech manufacturing company



### ONLINE SELF-PACED SELF-MANAGED LEARNING – BUSINESS ACUMEN

**With a desire to provide a suite of business and commercial acumen programmes to their existing online learning resources this company immediately focused on online business simulations to meet their learners needs.**

They wanted a rich and comprehensive business simulation with authentic content written by industry and academic experts. They also

wanted a business simulation that was intuitively designed so an individual could complete it on their own without the need for the training teams input or involvement.

They selected a Business Smart self-paced business simulation which allows the users to move at a pace that suits their learning style and also their day-to-day work pressures. It was also necessary to provide complete online support and access to the instructor team, if help is needed at any point.

## CASE STUDIES

# AN INTERNATIONAL MOBILE PHONE COMPANY



### TEAM BUILDING EVENT

As a large company with an equally large sales team a fun and engaging team building event was sought for their sales conference. They specifically wanted an interactive and high-energy exercise which had a business focus to it.

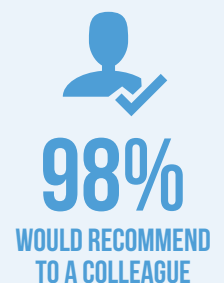
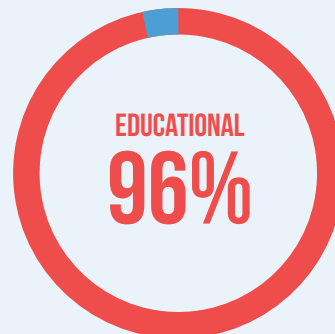
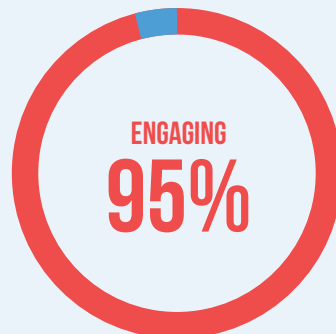
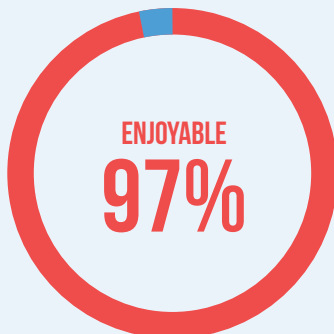
#### ► Over 100 attendees

With more than 100 attendees they needed it to be fast paced, with an automated system, which would produce the team's results and feedback in just minutes. In addition, they required a system that would work effortlessly, as there would be senior executives present on the day who also needed to engage with the audience.

#### ► One day conference

They turned to Business Smart to provide and run a fast paced business game during their one-day conference. To see the video of this event and also to hear what this company thought of the business game please go to the Video section of our website [www.business-smart.com](http://www.business-smart.com)

### WE MEASURE THREE KEY AREAS ON ALL OF OUR PROGRAMMES:



## A UK Utility Company

### A 2-day residential commercial awareness programme

As a business that is keen to engage and involve their employees in the understanding and development of their business, the executives and training team sought a 2-day programme to develop the commercial awareness of their managers.

To view this case study go to the video section of our website:  
[www.business-smart.com](http://www.business-smart.com)





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**BUSINESS  
SMART**  
INTERNATIONAL

BUSINESS SMART INTERNATIONAL  
Titan Court, Bishop Square,  
Hatfield, Hertfordshire AL10 9NA

+44 (0) 845 371 3088  
info@business-smart.com  
[www.business-smart.com](http://www.business-smart.com)