Guide to Comparing Business Acumen Simulations

June 2013
By Eliza Helweg-Larsen, Income/Outcome® Business Simulations
+1.919.933.6555 | Income-Outcome.com

Learn how to identify exceptional business acumen training simulations. Get better solutions that create more value by following the best practices in this guide.
Introduction

Choose the right business simulation game and your team will build business acumen, leadership, and accountability. Choose the wrong business simulation game and you may be worse off than making no investment at all.

Is there really a difference? Yes! The worst business simulations are boring, isolating experiences. If they have hidden rules the game feels “rigged” to produce a particular outcome, and the learners disengage. If the game has chance elements, a negative experience is attributed to ill luck and the participants miss out on a learning opportunity. If a game engages the participant’s mind but not their emotions, they will not be creatively engaged with the learning.

Moreover, some simulations represent financial information in detail, skipping over the big picture and main concepts; or they may not promote accountability; or they may introduce fictional drivers of business.

Added up, these shortcomings result in a training program that has little bearing on the work-related needs of participants. And that makes for a poor investment.

So here are tips on choosing a high quality, effective business simulation that will help your team rapidly develop a foundational understanding of business.

Please get in touch if we can help you as you weigh your choices. Feel free to email us at info@income-outcome.com or call our office at +1.919.933.6555.

Eliza Helweg-Larsen, Co-founder

p.s. Please share this PDF with others at your organization, or point them to www.income-outcome.com/top12
CHECKLIST: Top 12 Traits to Avoid in a Business Acumen Simulation (and What is Essential)

If you are seeking to develop foundational understanding of business among employees at all levels, below is a chart showing the key things to look for in a business simulation game.

<table>
<thead>
<tr>
<th>Avoid these qualities...</th>
<th>Seek these qualities...</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Closed decision-making</td>
<td>Open decision-making</td>
</tr>
<tr>
<td>2. A focus on your company</td>
<td>A focus on your industry</td>
</tr>
<tr>
<td>3. Isolating for participants</td>
<td>Team-based</td>
</tr>
<tr>
<td>4. Passive or automated</td>
<td>Truly experiential</td>
</tr>
<tr>
<td>5. Cognitive only</td>
<td>Physical + cognitive</td>
</tr>
<tr>
<td>6. Inappropriate business drivers</td>
<td>Relevant real-world business drivers</td>
</tr>
<tr>
<td>7. Hidden rules (or a ‘black box’ process)</td>
<td>Transparency</td>
</tr>
<tr>
<td>8. Fine-grained detail</td>
<td>Broad-brush concepts</td>
</tr>
<tr>
<td>9. Silo thinking</td>
<td>Whole business thinking</td>
</tr>
<tr>
<td>10. Partial financial statements</td>
<td>Full financial statements</td>
</tr>
<tr>
<td>11. Learning that ends when the workshop ends</td>
<td>Life-long learning</td>
</tr>
<tr>
<td>12. Simulations that do not play well together i.e. when targeting different audiences</td>
<td>A range of solutions that talk to each other</td>
</tr>
</tbody>
</table>

A simulation that does not meet the criteria on the right may still be useful in another application. For example, take a simulation game that helps customer service agents hone techniques for handling challenging calls, such as calls to cancel service. This simulation would not meet the above criteria because it focuses on a single part of your business – and, indeed, it will not develop agents’ foundational understanding of the business they represent – but it may be great at lowering service cancellations.
#1 Limited Decision-Making and Accountability

**Emotional engagement is essential to foundational learning**

Consider the kinds of decision-making and how they relate to accountability.

With open decision-making, teams have complete autonomy in running their business (e.g. pricing, capacity, borrowings, markets, product lines, etc.). In constrained decision-making, they are limited to a decision tree. But in both situations, they ‘own the results’ and the emotional engagement occurs.

In contrast, closed decision-making can actually disengage learners since they have no role in the process. An example of closed decision-making is where the facilitator describes a series of pre-scripted events and all teams end up in the same position. Random decision-making (e.g. dice rolls, or cards) can be engaging, but it does not allow the participant to actually apply any learning at all.

Ask questions! For example:

- What kinds of decision-making does the simulation use?
- How much ‘chance’ is there? Does it build accountability?
- Do participants truly own their results?
- Can participants apply what the learning to the simulation?

Think about how much accountability you want in your organization. That will determine how much accountability you want in the simulation.
#2 Too Much Focus on Your Company

**Encourage buy-in and critical thinking**

The simulation dynamics should reflect the key dynamics of your industry. However there is still the question of how much the simulation should model the particulars of your company. If the simulation focuses on a range of strategies, learners come away with the ability to understand, and contribute to, your corporate strategy. If it focuses on a single strategy, learners may not understand the reasons behind it, and may not support it.

A custom simulation can be a finely detailed (and accurate) model that describes a problem and outlines a prescribed solution. This creates organizational alignment but it gives little room for creative decision-making. When the problem changes, or when the learner moves on, the learning loses its applicability.

The alternative is to work with a more generalized model. You can still customize the game to model the fundamental dynamics of the industry (e.g. cost structure and competition) and the fundamental aspects of business (managing separately for both cash flow and profit). This kind of simulation will not present a ‘correct’ response to the problems that arise in the game (or in the real world company), but it will offer various strategic directions, any of which could be successful so long as it is managed well by the team... and any of which will fail if managed badly.

In this approach people will not necessarily arrive at the same answers as higher management, but they will have a better understanding of the issues and the reasons behind the management decisions. And they will be more responsive when the problem changes. They will also be better able to generate a wide range of creative responses and be better decision-makers themselves.

Questions to ask:

- Is the simulation appropriate for my industry?
- Does it encourage understanding of the strategic options within the industry?
#3 Isolating vs. Team-Based Learning

**How your organization benefits from team-based simulations**

A team-based simulation is interactive; it creates a dialogue as participants with different job functions express their views of what the simulated business needs. This is an opportunity for each person to absorb the different points of view generated by the game.

To maximize this interaction, the game should look at real-world roles, and require the team to move through the roles when making decisions: the team acts as the sales person, the team acts as the finance person, and so on. In addition to learning the rules of business and the language of finance, the participants will enhance their understanding of the various job functions, increase their communication skills and learn to better perform as a team.

Using a simulation in isolation, or using a simulation that does not cycle through team roles, will lose all the benefits of co-teaching and cross-functionality, and it can reinforce silo-thinking.

Questions to ask:

- How frequent are the dialogues?
- Is the dialogue driven by the need to make a decision?
- How many roles are represented?
- Who makes the decisions – individuals or the team? (Or the facilitator?)

Avoid training that involves individuals being isolated. Instead, opt for a team-based simulation that is interactive. This will help each person absorb the different points of view generated by the game.
#4 Passive vs. Experiential Learning

**Why your organization gets the best results if participants learn by doing**

Humans learn best by playing and doing – not just watching and listening. It is how we were designed to learn. With a good hands-on business simulation, participants can confront the abstract view of business in a tangible manner. They can see and touch the way a business operates. They can play at making business decisions and immediately measure the results. In other words, experiential learning leaves the participant with a mental matrix for retaining and applying concepts in the future.

When learners create the cause-effect relationship, they make the connections more rapidly and they develop their business acumen. But if there’s a gap between the decision and the effect, they can forget the decision or the reason for it. And if there are too many components generating a single result, they may fail to see which decisions were important. Either of these situations will weaken their learning.

Many simulations claim to offer experiential learning; but how are participants experiencing the learning? For example:

- Where is the content – is it in the game itself or is it primarily embodied in facilitator lectures, multimedia, and written materials?
- If there are separate rounds of activity, what happens during the intervals? If there is structured learning between rounds, does it relate to the game or to the real world or both?

Here are a few more questions that can produce telling answers:

- Are the participants watching, or starring in, the simulation?
- Is the simulation a unique experience that they can own?
- At the end of the day, are all teams in the same position?
- If they are in unique positions, how are they different and how did they get there?
#5 Cognitive-Only vs. Cognitive and Physical Learning

**Why physical, table-top simulations work best for teaching the foundations**

Business simulations can address a wide range of learning styles. A business acumen program is a foundation for other training and development, and a program that depends only on visual or auditory learning styles may not work for your entire audience.

To maximize the learning, and to protect your investment, look for a solution that includes kinetic/tactile, spatial/visual, auditory and logical learning styles, and includes multiple instances of each. For example:

- Does it use color and images?
- Are there sounds other than the voice of the facilitator?
- How do the game pieces feel in your hand?
- Are the participants up and moving around?
- Are they writing their own numbers or following yours?

All these things create participant involvement, and therefore increase learning. But it needs to natural, not artificial: participants should be up and moving around because they are curious to see what is happening on other teams, not because the facilitator tells them to walk around.

As Income/Outcome clients play this table-top simulation, they are engaged with kinetic/tactile, spatial/visual, auditory and logical learning styles. All these things create participant involvement, and therefore increase learning.
#6 Inappropriate Business Drivers

**Why you need a range of relevant real-world business drivers**

Some simulations have a ‘best strategy’ for winning. If it is possible to win simply by entering into a new market or region, the simulation may not be relevant to your audience (very few people are able to make this decision in the real world). Look for a business simulation that offers a range of business drivers – decisions in operations, sales, marketing, admin, finance – so that success in the game is determined by the same kinds of decisions that the participants make on the job.

Look at the kinds of decisions being made, and their import. For example:

- The decision to enter a new product line or region is a high-level decision
- A lower-level audience will be better served with a simulation that focuses on operational improvements

Some key things to ask:

- Does this simulation have a ‘best strategy’ for winning?
- Is this strategy the right solution most of the time?
- Is this a strategy that is truly relevant to your audience – do they contribute to this kind of decision on a regular basis? (And is this the thinking you want to drive?)

Don’t settle for inappropriate business drivers. You need relevant real-world business drivers – decisions in operations, sales, marketing, admin, finance – so that success in the game is determined by the same kinds of decisions that people make at work.
#7 Hidden Dynamics vs. Transparency

How transparency helps participants trust the business simulation

If you are going to teach foundational thinking, you need transparency. If learners can see how results are generated, they can trust the model.

The converse is the ‘black box’ – a team makes a guess at a good decision, inputs their choice to the system, and gets a result without actually seeing what exactly caused it. This can be useful in other situations, but if you are looking to build foundations, it muddies the waters.

A separate concern is that participants can easily be caught up in trying to ‘game’ the system – if they can see that the simulation has a mechanical aspect, they will respond to it by adopting a mechanical approach in order to ‘win’, without paying attention to the associated lessons.

If a business simulation seems to have hidden rules, participants won’t trust the model and won’t take away the necessary lessons. If you are going to teach foundational thinking, you need transparency. If learners can see how results are generated, they can trust the model.
#8 Fine-Grained vs. Broad-Brush Concepts

**The risks of not seeing the forest for the trees**

It’s tempting to use a highly accurate simulation to really challenge a high-level audience. But many people in high positions lack basic financial understanding because their career paths have focused on other areas. In fact, even people with strong finance background often lack overall business acumen – they understand the finance side of the business, but not, for example, the market drivers.

You can think of a simplified simulation as a cartoon – it leaves out unnecessary details, but it highlights the essentials. In this case, the essentials include the difference between cash flow and profit, the importance of supply and demand, and understanding cost structure.

A board game simulation is better suited to dealing with concepts rather than the details. It acts this way because it is dealing with whole physical objects as opposed to fractions and decimals. There is a natural emphasis on simple modeling of fundamental dynamics (financial statements; marketplace pressures; inventory control; innovation and improvement; the need to manage separately for profit and cash flow; and more); not on complex modeling of exact relationships of activity-based costing.

Computer simulations are useful for modeling the details of dollars and cents, but not as good for conveying concepts. You should not go to the detailed complexity until you are sure that your target audience has a clean, simple, big-picture overview of the conceptual structure of how a business works. Once the learners have mastered the foundational concepts, you might use a computer simulation to challenge them with a fine-grained look at your business.

Therefore, everyone benefits from a simplified model that focuses on the key drivers of financial results. Make sure everyone has the foundations of business understanding, and then follow up with the challenge of a fine-grained competition.
#9 Silo vs. Whole Business Thinking

**The value of the ‘big picture’**

The purpose of business acumen training is to improve the long-term health of a company. This requires an understanding of how all the components of the business work together to achieve results, and how decisions in one area don’t just impact the bottom line, but also impact the ability of other areas and departments to make good decisions.

For example, if Finance decides not to raise more capital, then Operations can’t expand, and then Sales can’t go after the largest (and potentially most profitable) customers. A simulation that only looks at one department will be encouraging silo thinking, and may be inadvertently hurting other departments.

Similarly, if only the views of a few of the stakeholders are given weight in the simulation, it may distance the learner from engagement and accountability. Why should they take that extra care if it only benefits, say, the shareholder? Including more stakeholders will help to create a big picture understanding of the needs of the business.

The best business simulations provide the view of all the stakeholders in the business:

- Customers who want value: low price, high quality, extended payment terms, and more
- Salespeople trying to increase market share
- Operations, trying to improve efficiency
- R&D and Marketing, both creating the future
- Finance, trying to reduce cash flow needs
- Suppliers who have their own businesses and want to be paid in a timely manner
- Bankers who want to minimize risk
- Investors who are prepared to accept risk in order to gain ‘shareholder value’: short-term reward (dividends, share price) and long-term stability and growth
- Senior managers who are responsible for holding it all together
#10 Partial vs. Full Representation of Financial Statements

**How you benefit from full representation of financial statements**

The ability to read financial statements is a key component of business acumen (and understanding how they are built is even better). Some key questions to ask here are:

- How well does the simulation support understanding the structure and purpose of financial statements?
- If the balance sheet and P&L are being modeled in the game, is there a complete representation, or are some elements missing?
- Is there an easy transition between the simulation representation and the financial statements?

Ensure the model used in your business acumen simulation represents all elements of the balance sheet and P&L (or income statement). (Income/Outcome’s game boards give these financial statements a physical structure that clarifies the inherent relationships.)

Ensure participants will come away with an ability to read financial statements. Simulations using partial financial statements don’t support that objective; instead, you need the model to represent all the elements of the balance sheet and P&L.
#11 Learning Ends When the Workshop Ends

Making training stick

Say your people have learned to complete a financial statement. They have learned to do a budget, so they have indeed improved their business acumen. But some key questions are:

- Is the simulation itself going to be an ongoing useful model for thinking?
- Will they be able to improve their work process or decision-making by referring back to the simulation experience?
- If so, is it useful enough and memorable enough to provide lifelong benefit?

At Income/Outcome we have developed a tool called The Company Board. It is a 3D visual representation of your current corporate financial position. This module transitions the learning from the classroom to the real world – your real world. It includes a physical model of the financial statements from the annual report, and SWOT analysis focused on the salient line items.

The Company Board facilitates life-long learning. The image stays with people and the ability to read financial statements and prioritize key information and ratios at a glance will stick for the rest of their career.

Above is a part of the Company Board representing Apple – a 3D visual representation of their actual financial position. Use of a Company Board in your workshops will transition the learning from the classroom to the real world. The image stays with people the rest of their career – helping to make the business acumen training stick.
#12 Simulations That Don’t Play Well Together vs. Family of Simulations

**What if you already know you need multiple simulations?**

Maybe a one-size-fits-all simulation will meet your specific training need. But if you are looking for multiple simulations for multiple audiences, make sure the simulations share a common ‘look and feel’. Separate training solutions for managers and supervisors should facilitate, not complicate, their communication.

If you are using multiple simulations to build business acumen across the organization, ask if the simulations are helping to create a common understanding of business. Will a salesperson be able to use their simulation experience when talking to someone from operations?

It is best to find a family of simulations with a common language, common dynamics, and common imagery; but each program is distinct in that its level of decision-making reflects the real-world activity of its target audience.

The Income/Outcome solution encompasses short workshops for front-line employees, longer programs for managers, and strategically complex workshops for senior executives. Since the workshops all use the same game board image and dynamics, they create a commonality of experience and understanding throughout the company.
How Can We Help?

We want to bring world class business acumen simulations to your business.

There is a way to get consistently excellent results from business acumen simulations: choose Income/Outcome! Here is what one client said after hiring us and seeing the results:

“I want every single person in my organization to understand how the decisions they make every day impact the bottom line. Income/Outcome makes it happen.”

- Jason Schweizer, Senior consultant, Houston Industries Inc.

Income/Outcome simulations are led by the best people using industry’s best practices – so you get training programs with direct bearing on the work-related needs of your participants. We use experiential learning methodologies, all integrated to demonstrate how decision-making affects the bottom line. The Company Board is one of the unique ways we make sure it sticks. Participants get such a strong mental image of the relationship between profitability, cash flow, working capital, customer service, and more, that for the rest of their career they will be able to read financial statements at a glance!

You have people with different training needs, and we have workshops with varying degrees of complexity. But since they all have the same look and feel, participants can communicate about their experiences no matter which training they’ve had.

Learn more

We want to bring world class business acumen simulations to your business. Learn more by filling out the Get Started page at our website - or call our office at +1.919.933.6555

Thank you!