

Games Employees Play

Simulation exercises have become a popular training tool for employees who need to learn the business.

BY ANDREW R. McILVAINE

Can a board game explain everything a general manager needs to know about profitably managing a Pizza Hut restaurant?

The pizza franchise's owner, Tricon Global Restaurants Inc., certainly seems to think so. Several thousand of the company's restaurant general managers have gone through a business simulation game that puts them in charge of a fictional company and lets them experience firsthand what it's like to be the one calling the shots—and answering to the banks and shareholders when things go wrong.

"The managers, mostly high school graduates, have never really been exposed to finance or other disciplines. All they know is what happens to them, spills or falls on them in the restaurant," says Jack Landers, director of training effectiveness at Dallas-based Tricon.

But by raising capital, manufacturing and marketing a product and meeting payroll and other expenses during the simulation game, Landers says the managers not only learn the nuts and bolts of running a company, they also learn how their job affects the company's bottom line. "It's not enough to know what best practices are," he says. "You have to know why they're important."

Business simulation games can be more than simply a fun way for employees to learn about balance sheets and marketing strategies, Landers and others say. They can also be a powerful tool for showing players how their everyday actions can positively—or negatively—affect their companies' results.

Pocket Money

At Advanta Mortgage Corp. in Horsham, Pa., "Deep Pockets" isn't a reference to the CEO's salary. It's a business simulation game custom-designed for the mortgage company to teach employees about the senior leadership's business strategy for each year and how different areas of the company contribute to the whole.

In the game, designed by PriSim Business War Games Inc. of Libertyville, Ill., employees start by attending a series of seminars and discussions that help teach them the fundamentals of how a mortgage company works. Next, they are divided into teams of three to six people, and each team must successfully run a fictional \$600 million mortgage company called Deep Pockets.



Teams are presented with the closing results for the previous financial period and are asked to make decisions for the upcoming period. Among other things, the players must determine what category of borrowers to pursue, which region of the country they should concentrate on and the skills their employees will need. The players input their decisions into a computer, which generates results in the form of profitability reports, a competitive analysis and an industry newspaper.

Participants include a mix of employees from all of the company's areas, or "silos," such as accounting, marketing and HR, says Kevin McKeon, Advanta's training manager. "The immediate payback from the game is it shows employees how the company makes money," he says. "But it also lets players interact with people from different areas of the company and learn how those other jobs affect the bottom line."

For example, a player from the accounting department will learn how the amount spent on training can affect the salesforce's ability to reach the company's targeted market, he says.

At the same time, nonfinancial employees gain an insight into the inner workings of the company.

"I learned about all the different factors senior management must grapple with in their decision-making process," says McKeon, who joined the company recently. "I learned what all the acronyms in 'Advanta-speak' mean."

With this new understanding, McKeon says he's gained a better feel for the company's upcoming training needs and asks more pertinent questions of the senior leadership.

"These simulations allow you to see all the silos, run the company and see how decisions in one silo affect others and how it all boils down to the profit statement," says Jeff Lefebvre, the game's creator.

Lefebvre created the game in 1995 with help from Advanta's executive leadership, including the CEO, who had recently joined the firm and wanted to ensure that employees understood his business strategy.

"At the time, the company was losing \$10 million a year," says Lefebvre. "The new CEO had done business simulations before and thought they were a good way to turn the organization around by helping people understand the marketplace and how the organization makes money."

The CEO and other senior managers served as quality controllers, making sure the simulation closely paralleled Advanta's organizational structure and marketplace. Lefebvre also got detailed input from department managers throughout the company.

"We took pains to make this a living, breathing model of Advanta," he says.

When it was first rolled out, the game's goal was to teach players about the CEO's plan for targeted marketing and to give them a generic sense of how the company worked, says McKeon. Now the game is readjusted each year to reflect changes in Advanta's marketing strategy.

"This year we tweaked it a bit to focus more on our storefront operations, which haven't been emphasized in years past," he says. "Going forward, [we will] place more emphasis on profitability and shareholder return, and less on sheer volume."

So far, a total of 500 Advanta employees have gone through the game, with four to five classes each averaging 36 people annually, says McKeon. Although he says it's difficult to measure the game's exact return on investment, Lefebvre says its effect has been noticeable.

"The game facilitates strategic business discussions among employees, and I've noticed the CEO pause in a middle of a discussion with his senior managers and say, 'Hey, we're having a Deep Pockets moment here,' " he says.

And while McKeon admits that the game may not be solely responsible for employees' exceeding the CEO's initial sales goals by as much as 30 percent, he says it was certainly a factor.

Pizza Pizza

The key to maximizing the benefits of business simulation games is the trainer's ability to connect what

employees learn during the game to their regular jobs, says Tricon's Landers.

"Once they've played the game, you have to tell them 'Okay, tell me what you learned and apply it to your own operation,' " he says.

The Pizza Hut managers play Zodiak, developed by Paradigm Learning in Tampa, Fla. In the game, players spend three years—actually three hours—running a fictional company called Zodiak Industries. First they sign for a bank loan and attract investors willing to invest \$1 million each in the company.

Once the players obtain financing, they purchase raw materials and begin manufacturing and distributing products. At the same time, they must invest in the development of new products, pay taxes, manage overhead and purchase new equipment. Their progress is gauged by yearly income statements and balance sheets in which they must calculate key ratios to analyze results. Their goal is to have a company with a balance sheet firmly in the black by the game's conclusion.

"It's a simulation designed to help participants see and experience the big picture of running a business," says Raymond Green, CEO of Paradigm Learning.

Once the game is over, players then participate in an exercise called Connections, which can be custom-designed by Paradigm to help clients match game lessons to the players' everyday jobs.

"We discussed what they learned about shareholder value and how that applies to our company," says Landers. "Then we focused on the restaurant and what they have control over: staffing, production, storage, et cetera. We said, 'You had to make money during Zodiak, now apply that to the restaurant.' "

By using concepts they've learned during Zodiak, managers typically identify cost-saving or profit-making strategies that can increase a restaurant's operating margins by 1 1/2 and to 2 percent, Landers says.

"We have no way of knowing whether the managers go back and actually realize these improvements because there are just too many variables involved in running a restaurant to be able to determine that accurately," he says. "But I've never had so many regional managers call me and tell me how impressed they were with their managers' new attitude. After they've gone through this, they end up thinking of themselves as business people, not just pizza-makers."

-From Human Resource Executive Magazine, February 1999