When Simulation Is Better Than Reality

BY BRIAN KLAPPER

When simulations create learning that is applied on the job immediately, they quickly promote behavioral change.

"I never try to teach my students anything. I only try to create an environment in which they can learn."
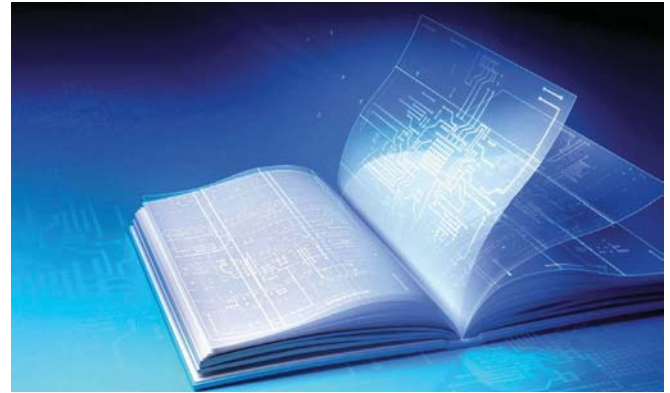
— *Albert Einstein*

Simulations can be produced in all fields through computer games, role-playing or building models. But a true simulation has a specific goal in mind — to mimic or simulate a real system so learners can explore it, perform experiments on it and understand it before implementing it in the real world. The most effective simulators are not games, nor are they training workshops, despite the fact that many are often used this way.

A simulator's ability to condense time and space remains among the most effective ways to uncover employees' intuitive response to stimuli, and to show them how their behavior contributes to or detracts from organizational value. As such, simulators are most often utilized within industries such as nuclear power, aviation and surgery where failure results in dire consequences. To maximize the value from a simulation learning experience, participants should immediately and directly apply their learning to a specific intervention within their organization.

The Link to Behavioral Change

Most organizations aspire to deploy significant change programs, only to find them nearly impossible to implement. That is largely because successful change requires more than a vision, thoughtful learning offerings and a coherent strategy; it requires a workforce that not only does not resist change, but embraces it.

To achieve success, an organization must build a transformation program that will allow change to be rapidly pulled across its departments and throughout its layers. Regardless of the level of senior management commitment, unless key thought leaders at all levels embrace the change, the initiative will die on the vine. To create this kind of widespread passion, learning leaders must expose the workforce to what could be, which will enable them to rethink their mental models, enable them to break free from their entrenched paradigms and embrace the opportunity to learn.

Allowing participants to enter a simulated environment provides them with the opportunity to experience alternative realities which can prompt them to rethink their current beliefs.

Behavioral change is not easy for most adults. Lectures, training programs and workshops can explain the intellectual elements of transformation, but they are seldom effective at getting to the behavioral aspects that lie at the heart of a significant change initiative. Further, under normal working conditions, managers rarely see the full effect of their employee development efforts. As such, an intervention like a simulation can provide the catalyst for change (see "Building a Model Store at KFC" on page 20 to see how a KFC franchise applied this).

'Fake' Reality Works as a Learning Tool

Despite their efficacy, most simulator-based training efforts fail for several common reasons:

• The simulation feels more like a game than reality. As such, it does not mirror the organization's complexities, which prevents employees from easily applying any learning received.

IN PRACTICE SIMULATIONS ACCELERATE TACIT KNOWLEDGE TRANSFER

FIGURE 1: BUSINESS SIMULATIONS AND TACIT KNOWLEDGE TRANSFER

Requirements to create and transfer tacit knowledge	How business simulations meet the requirements
Close physical proximity — bound to the senses, personal experience and bodily movement	Physical, on-site team area — war room or business lab where analysis and decision making occur.
Field of interaction	The simulated marketplace, customers and decision set.
Common language/externalization	The simulation "manual" establishes a common language for discussions. For customized simulations this language is company/industry specific.
Experimentation and comparison	During decision rounds, teams can evaluate multiple what-if scenarios based on different decision sets. When a decision round is finished, teams compare their actual results with their forecasted results. They also compare their actual performance with the performance of other competing teams.
Direct observation	Team members teach each other. For example, during a decision round, a team member who is an expert in marketing might drive the marketing decisions and in the process discuss why a specific marketing decision is good or bad.
Imitation	As decision rounds proceed, team members change roles. Some might jump into the role of running the marketing decisions in a later round, hence trying to imitate the process they observed in an earlier round.
Joint execution	Business simulations are a collaborative effort where all participants are required to contribute to decision making and analysis.
Organized	A highly structured process typically guides the team's activities. A proven process involving whole-class discussion, team decision making, pen and paper exercises and team presentations creates a structure within which effective creation occurs.
Codification/classification	The simulation, by design, creates a categorization and mental model within which team experiences are structured.
Pre-existing relationships	Artificial relationships are created within the teams. No longer is a participant Joe from accounting, he is now a member of the executive team of fictional company X. Most participants actively participate in this role play during the competition. They build camaraderie and teamwork with teammates quickly.

Source: Priszm Brandz, 2008

The knowledge employees learn over the years can be divided into two categories: explicit and tacit. Explicit knowledge is easily extracted, documented and replicated. Examples include how to read a profit and loss statement, how to write software, how to calculate a break-even point, how to reduce inventory and working capital or how to manage time. One company's creation and transfer of explicit knowledge will not be much different from another's because many of the most common mechanisms and methodologies have become packaged and commoditized.

Tacit knowledge is less tangible, thus creating and transferring can be more complex. Examples of tacit knowledge include: how to look at market opportunities and threats and select a market for product launch, how to anticipate competitors' actions, how to maintain focus in the midst of distracting events, how to develop mission and longer-term focus for an organization and how to lead.

The tacit knowledge required to make sound business decisions and to effectively lead is built from experiences over many years. To effectively build business knowledge, either explicit or tacit, leaders need to replicate experiences similar to the experiences that built that knowledge in the first place (Figure 1). For this reason, business simulations can be effective as knowledge creation/transfer tools. Business simulations provide a field of interaction where multiyear experiences are created in compressed timeframes. **CLO**

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- Unless the simulation allows the participants to declare "this is us," the ability to drive behavioral change is minimal.
- Simulation is considered to be just another form of training and therefore viewed as yet another course.
- Simulation is not immediately and directly tied to an on-the-job application that can generate the rapid results necessary to sustain the initiative and retain the new information.
- The wide misapplication of the word simulator to artificial

computer-based learning misrepresents the experience.

An effective simulation can be better than experience as a learning tool because it accelerates time, compresses space, and unlike reality is specifically designed to maximize participant learning. Simulations provide an immersive learning experience where skills, process and knowledge all can be highlighted in a way reality cannot. The ability to explore, experiment and repeatedly apply new knowledge in unlimited, risk-free models is what makes simulation one of

IN PRACTICE BUILDING A MODEL STORE AT KFC

In 2007, Priszm Brandz, one of the largest operators of quick service restaurants, including KFC, Taco Bell and Pizza Hut in Canada, was experiencing some difficulties. Stock price had declined from $13.50 to $1.50; its last 13 monthly promotions did not generate desired results; same store sales growth and traffic were in decline; profit was impacted by inflationary challenges; its customer base was eroding; the KFC brand in particular did not resonate with its customers; and field employee turnover exceeded 200 percent.

To dramatically improve overall business performance, the company needed to transform its operational, marketing, product development, merchandising and human resources processes. In the spring of 2008, Priszm began the transformation through creation of Model Store, a working restaurant and living experiment that would provide employees with insight about where value was created and lost. It also could serve as an incubator for new products, services and cooking approaches.

The Model Store was an actual store chosen because it was in the bottom 40 percent with regard to performance, and it was close to the headquarters so it could be monitored easily. The Model Store was executed with two goals in mind: make it happen in 45 days and on a budget of less than $20,000. It served as an innovation lab, a typical restaurant in its function and purpose, but atypical in that it could capture, document and leverage learning for use in future broader-scale rollouts. After participants turned around a typical store, the lessons learned could then be rolled out across the entire restaurant system.

Specifically, the Model Store was intended to provide the optimal dining experience for a KFC customer, which would include:

- The hottest, freshest food served daily.
- Unparalleled hospitality and service.
- Exciting new products.
- Consumer choice and a variety of menu items.
- A clean and comfortable dining experience.

The Model Store also would help to promote financial performance such as same store sales growth, increased average check and improved profitability.

Priszm's operations transformation team was composed of

representatives from consumer insights, product excellence, marketing, media, operations, supply chain, human resources, technology, finance planning, training and store employees. The learning experience would have to be powerful to enable this diverse group of associates to rapidly solve its challenges. Since the team included the president as well as front-line store employees, it was critical to level set the group, providing them with a shared experience that would enable them to become a high-performing work team immediately.

The client team developed the following success list to identify what value they expected from the simulation:

1. All team members should receive a common experience, a common vision for the future, and an analytic tool set that all members understood and were excited about applying.
2. The entire team should internalize that all levels of management, including the chairman, understood and supported the vision.
3. The mandate had to be far reaching, take people out of their comfort zones, and the simulation should create a passion for developing the Model Store concept.
4. The approach must allow people to define new rules, not be afraid to make the wrong decision and to pursue a course of action.

To prepare to work in the Model Store, the Priszm team attended a two-day simulation where they took command of NAVCorp, a $270 million company. NAVCorp absorbed much of KFC's culture, allowing participants to behave as they normally

RESULTS AFTER NINE MONTHS OF KFC MODEL STORE OPERATION		
Performance Measure	**Model Store**	**Control Group**
Sales growth (versus prior year)	+14.9 percent	+4.6 percent
Store visits (versus prior year)	+6.3 percent	+0.5 percent
Average check (versus prior year)	+7.8 percent	+4.1 percent

Source: Priszm Brandz, 2008

the most productive forms of learning.

Well-designed simulations can enable individuals and groups to develop a deep level of understanding about how their decisions and intuitive responses to business stimuli affect their fellow participants and the organization as a whole (see "Simulations Accelerate Tacit Knowledge Transfer" on page 19 for more on this). To reap the benefits, however, simulations must feel like reality. At the end of the successful simulation, participants must declare "this is us." If they don't, they will view the experience as a game, which can be difficult to apply on the job, or worse, irrelevant to everyday work tasks. To maximize benefits from simulation, participants should immediately apply the leaning from the experience to forge a seamless link between learning and doing. CLO

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would on the job. The experience began the behavioral change process by providing participants with new lenses from which to view how their work is performed.

In the simulation, NAVCorp's first fiscal year was characterized by:

- A lack of awareness and alignment of enterprise-wide business processes.
- A strong legacy-based organization structure dominated by entrenched silos.
- A widespread belief that customer focus is important, but departmental goals and individual objectives weren't aligned to achieve desired outcomes.
- Strong focus on individual tasks, rather than processes that serve customers, which led to inconsistency and unpredictability as work was done differently each time it was performed.

Participants encountered a series of significant business challenges that caused customer defection. They also experienced the stress, anxiety, time pressures and inconsistent data that lead to fatigue, frustration and failure, and learned why their conventional approaches — conference room solutions, workarounds that reward firefighters, rushes to judgment — are not sustainable in an environment that was just like their own.

During the second fiscal year of the simulation:

- There was stable but sub-optimal process organization with well-entrenched silos and conflicting goals and measures.
- Management began to understand the process concept and how the enterprise can use it to improve overall performance.
- The enterprise had identified and documented some, but not all, business processes.
- Employees realized the purpose of their work is to deliver exceptional customer value.
- Associates began to set stretch performance goals that aligned to company and customer objectives.

Participants were able to:

- Impact operational performance: cycle time, process time, productivity, quality, rework, customer satisfaction.
- Impact financial performance: income statement, balance sheet, stock price.
- Impact cultural status: level of goal alignment across the organization, employee satisfaction survey results.
- Draw strong connections between NAVCorp and their own organization.
- Believe "I can see how this might work in our company."
- Realize that successful enterprise-wide process transformation is not simply a series of related projects, but a thoughtful strategic journey.

By the third and final fiscal year of the NAVCorp simulation:

- The senior management team viewed its own work from a process perspective and became convinced process management is not a singular event, but a powerful way to manage the business on an ongoing basis.
- Participants exhibited a passion for operating in a standardized, process-centered organization with clearly defined and understood process measures, and optimized organizational performance.
- Partnership with customers and vendors became part of normal business.
- Associates recognized that change is inevitable and embraced it as an ongoing part of their professional lives.
- Process owners worked with their colleagues in customer and vendor organizations to drive inter-enterprise process optimization.
- NAVCorp's financial, operational and cultural performance gains were dramatic.
- Participants were more willing to work cross-functionally to solve problems — replacing the mentality of "blame the person" with "fix the process."
- Behavioral change began as enthusiasm for operational transformation grew.

Creating a Model Store was a first step in the transformation of Priszm Brandz. The store succeeded for years following the launch on all operating measures including sales growth, return visits and operating profit, and the concepts learned were rolled out across many other KFC stores. CLO

— *Brian Klapper*