Using a business simulation to develop key skills – the MERKIS experience

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Abstract

Purpose – The paper seeks to give information about business simulation and its advantages by giving an example of the MERKIS business simulation game.

Design/methodology/approach – A description of the business simulation game is given, including an explanation of the game structure and several examples of the problem areas MERKIS can be applied to, as well as four illustrative cases from real-life experiences.

Findings – The article highlights the opportunities and benefits of the business simulation, as well as a list of the skills that can be acquired during the MERKIS simulation game.

Practical implications – The paper is a useful source of information for company management and individuals who are looking for effective alternatives to traditional seminars and training courses.

Originality/value – The article presents a different approach to personnel/management training and could be of great value to managers, especially HR managers.

Keywords – Management games, Simulation, Teaching methods

Paper type – Technical

MERKIS is a new comprehensive business simulation game that teaches team building, strategy, communication skills, financial management and an enterprise-wide perspective of how the whole organization works together, as well as many other skills and concepts. This game is designed for companies that would like to gain a strategic business advantage over their competitors.

MERKIS may be applied as a testing ground where participants, in a non-risk environment, can develop, test, and improve their business ideas and company strategies before actually implementing them in their own enterprise.

MERKIS is a real-time business simulation where participants actually manage a model company in a realistic business environment and compete with each other. The game ensures the active participation of players and their involvement in the operation of the company by depicting real-world conditions.

The MERKIS structure is a physical simulation. Work is performed by teams and each team has a model factory to manage. Each team has a physical factory floor with production machines. No computers are used, a small railroad delivers raw materials to the factory, and transports finished products to the customers. During the course of the game the teams have to set goals, compete for contracts, purchase raw materials, manufacture and deliver products, manage their time, and track their profit and loss.

Structure of the seminar

The game has rounds which we call “years”. Each year is 50 minutes long. After each year each team produces a profit and loss statement and evaluates how they have done based on the goals they set at the beginning of the year. The company is managed over a number of
years, thereby providing the participants with the ability to see the results and consequences of decisions made in the past and the way those decisions influence further development of the company. They also build relationships, within the team and with customers and suppliers, and quickly recognize the impact of their relationship, or lack of relationship, on their ability to get work done.

The simulation happens in real time. Time management has a real impact during the game. Participants have to manage their time as well as the new technologies through which it is possible to increase production while decreasing production time, which is important. Here, as in real life, time is money.

Each team member also has a separate role, such as president, head of marketing, head of finance, chief engineer, head of production and production worker. Team members are assigned roles, keeping in mind that they will learn from what they do, not from what they already know.

The seminar is structured so that each round teaches skill sets, theory and/or strategy issues.

The power of MERKIS lies in its ability to immediately test and apply the skills learned between years during the next year of the game. The participants will not have to wait until the end of the training to apply the skills to real work. The cycle of learning, application, and reflection speeds and deepens learning.

The biggest benefit of the MERKIS game is that players get the big picture of how the whole enterprise works. They can then make their decisions, based on how the decisions align with the organization’s goals and the effect those decisions will have on all other parts of the enterprise, and ultimately on the profit and loss of the company. This is particularly important for large companies where people perform only narrow functions and have difficulty getting the big picture.

This simulation is also used for teaching communication skills and team building, as people work together in a division. When communication skills are taught by the trainer, participants can then apply them in the game environment. The trainer gets immediate feedback about how well individuals are applying the skills and concepts, which need to be reinforced.

Participants find the process fun, engaging and physical. We purposely do not use computers. We find that when people manually calculate profit and loss, they gain a deeper understanding of how their income statement is done. Participants very much enjoy the physical activity of planning, producing products, running the railroad, meeting production goals, figuring profit and loss, planning for the next year, and other activities required in the game.

MERKIS is a very flexible tool. Its biggest advantage is that it can be applied to different purposes, achieving different goals and outcomes. There are some standard processes within the game and it can be tailored to specific business issues the company is facing. Company- or industry-specific issues can even be incorporated or included in the game, so that people solve problems in the game rather than making mistakes in real life.

Case 1: an American brewing company in Europe

The company had a multi-country structure and 12 large breweries, with the management team overseeing all of those breweries. Within the management team the newly-appointed Chief Executive Officer from the company came from a financial background.

The American who had been serving as Chief Executive Officer resigned and went back to the USA. The company promoted their Financial Manager to become CEO. He was not feeling confident about his leadership abilities in managing people who were once his peers.

In this case we placed him in the role of team leader. Within the course of the game, roles are switched. Participants get different experiences from working in different roles within the company. When we switched the roles we put him in the position of President of the
company, where he had to work with his former peers. Conflicts arose with them, which increased his insecurity.

We provided him with an executive coach who gave him real-time feedback on his leadership style and skills. We also did some coaching work with him before the session. The combination of coaching and his roles in the simulation prepared him well for taking on his leadership role.

Ultimately, he took very well to the training. He became a real leader for his team, and his team out-performed the other teams playing the game. The most important thing is that he really took the leadership coaching and applied it in the game. He reported in coaching sessions that he has taken his leadership style into his whole life.

Case 2: a pharmaceutical company

When discussing with the management team of a pharmaceutical company what they expected from the game and what the real-life challenges were, it appeared that they were facing two challenges. The first was a new competitor who had developed a product similar to theirs, therefore threatening their market position. The second challenge was a decision about a merger they were considering. Those were the two biggest issues at the corporate strategy level. We created the following scenario: we took the executive management team of 12 people and played the game in two teams. They played for two days, learning skills and concepts. On the third day they arrived from their hotel rooms to play the game to find a third factory – another team of people working there (actually their direct reports). Suddenly, they were facing their real problem – their competitor had entered the market. Not only was their competitor right there, but they had a factory up and running with even better technology. So what did they do? They had to face the reality, compete, and work out their strategies.

In the next round they decided to play out the merger. Then they had to deal with the problems created by the merger. What were they going to do with people who may now be redundant? Now, instead of 12 people in a team they had 14. They had to decide who was doing what and how to allocate resources, what to do with the factories and all the other problems that come with a merger.

When people play this game their real-life strategies really come out, and they see how they act in situations like this. Their reactions are remarkably similar to “real life”.

In the simulation people develop strategies and learn from mistakes. In real life they may see their mistakes within a year, and two years. Sometimes even three or five have passed before they see the effects of their actions, especially in strategic decisions. Only then do they learn from their decisions, when it is too late to change anything. Here, by adjusting the simulation to the problems a company is facing, they can see results within a half a day before implementing certain changes in real life.

Case 3: a European construction company with an American head office

At one point, the American head office imposed a specific new long-term system of planning on their European branches. Our client’s management team was both openly and covertly opposing the new system and still adhering to the old system.

The CEO asked for our help. What we did was play the MERKIS game. We incorporated this long-term planning into the simplified version of the MERKIS forms and MERKIS work. What they had to do was to use a new form – a simplified version of their planning.

Of course, people opposed it at the beginning. In the training we set it up so they had to use the new form. At the end of the training, five or six game years had passed, and they really saw the value and benefits of this new form, how it was much better and actually easier to use than the old form. In the real world of their work, the transition to the new form was much smoother, and almost nobody objected to it.
Case 4: a software company in California, USA

We were asked to teach communication skills to teams of high-level engineers. Over four days, they played MERKIS with communication skill training sessions between rounds. After each round they received feedback from their peers, coaches, and trainers. Their communication skills vastly improved after four days. We continued to facilitate and coach MERKIS sessions for this company. Over time people reported seeking out people with this background when they were forming project teams.

MERKIS

_Benefits_

- Understanding the functioning of a company as a whole, the employee’s role in the company as a whole, and the importance of work done by their colleagues.

_Skills_

- Setting business goals and achieving them.
- Tactical planning and management.
- Company finance and management accounting.
- Budgeting.
- Managing changes.
- Introduction to internal procedures at a company.
- Inter-departmental communication.
- Effective co-operation within a team.
- Problem-solving in production, planning, and communication spheres.
- “Thinking out of the box”.

_Opportunities_

- Benefit from six-to-eight years of experience of managing of a company in a short time.
- Receive objective feedback from colleagues on one’s own behavior, with the opportunity to analyze it and practice changes as necessary.
- Test risky strategies during the game to determine whether or not to apply them in real life.
- Learn from one’s own mistakes and achievements, as well as from the strategies of other team members.
- Transform from a group of people playing MERKIS into a team.

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