
BUSINESS GAMES THE LEARNING BY DOING TOOL FOR BUSINESS MANAGEMENT

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Introduction

Our responsibility in business schools is to teach students what we do in business. That is, provide them the necessary knowledge for business management. This necessarily involves developing skills in the problem solving and decision-making involved in each stage of the business activity: analysis, planning, implementation and control (Figure 1). To do this, we have different teaching methods in business schools such as the lecture, concept applications, case method and simulations or business games (Figure 2). This article seeks to argue that business games are the most powerful method to achieve this learning objective. We analyzed the characteristics of each of the teaching methods and relate them to their potential for the development of skills in decision-making and problem solving.



Figure 1. Business cycle



Figure 2. Methods

All companies go through the four phases of the business cycle: analysis, planning, implementation and control. We do it however at different time horizons. A newspaper, for example, goes every day through these four phases. A shipbuilding company, building oil tankers, goes through these phases over a period of several years. For training purposes this is irrelevant, as long as students pass during the training period through the four phases. Therefore, in business schools we have to use teaching methods that allow us to close the student learning cycle by going through the complete cycle. In fact, the analogy between the stages of the learning process, developed by the Experiential Learning Theory (Kolb, 1984) and the phases of business activity has been demonstrated (Blasco López, 2000). And the conclusion is that learning is effective to the extent that not only the process is complete, but repeated and as often as possible.

The Lecture

The classic approach of teaching is the lecture. It is an oral, via videoconference in the case of online learning, in which a speaker conveys his knowledge, almost exclusively unidirectionally to an audience. The teacher takes an active part in the communication process, while the audience is a passive recipient of information.

The analysis phase and the lecture

Can we teach analysis through a lecture? Our opinion is yes. We can, through a lecture, teach students the importance of analyzing the current performance of the company reflected in its mission, goals, objectives and strategies. We can show the process of evaluation of the resources and capabilities of an organization (internal analysis) and the importance of the evaluation of organizational resources, capabilities and core competencies. We can also through a lecture, teach the process of scanning and assessment of the external environment of the organization, to determine the opportunities and threats it faces (external analysis).

In a lecture we can point to the focus of internal analysis, through an assessment of the structure, resources, processes, people and company culture that allows us to identify their strengths and weaknesses. Also through this method, we can teach how to conduct an external review of the organization, its specific environment (customers, competitors, suppliers and other competitive factors in the industry), and general environment (economic, demographic, socio-cultural, political-legal and technological factors).

The planning phase and the lecture

Can you teach planning through a lecture? Yes, through a lecture you can teach students the planning process:

1. performance analysis,
2. analysis of the environment,
3. analysis of the sector,
4. analysis of the company,
5. making a diagnosis of weaknesses, threats, strengths and opportunities,
6. measures to correct these weaknesses, address such threats, enhance those strengths and explore those opportunities,
7. formulation of objectives,
8. development of strategies (corporate and for each strategic business unit),
9. development of the plan and
10. control measures.

You can teach students the key questions to be answered by the planning process: Where are we now? Where should we go? How do we get there?

The implementation phase and the lecture

Can you teach implementation through a lecture? Our opinion is no. You cannot. Implementation necessarily means that a result is produced, an objective and measurable result. This is directly related to learning by doing and the method of “trial and error”. Both principles are so universally accepted that we feel no need to show them here.

Implementation is as decision-making. You learn it by doing it. You can explain to students the main and most accepted theories of decision-making, but that will not make them learn how to do it. You learn to make decisions making them. You learn to implement management plans by implementing them. There is no other way. We will return to this later.

The control phase and the lecture

Yes we can teach to control through a lecture. We can teach students key financial ratios and accounting ratios (working capital management, asset management, debt, profit and equity management). We can teach the main tools of controlling marketing activities (indicators

related to sales, costs, orders, delivery times, returns, profitability, etc.) And also with a more holistic view of the company, control business activities through a balanced scorecard.

The case method

The case method has its roots in law schools in the United States of America. The method, with over 70 years of history, was used for the training of future lawyers and then extended to business schools.

The majority, if not all, business schools in the world use the so-called case method. In fact, they use it extensively as the primary teaching method in training students in business management.

The analysis phase and the case method

Can we teach analysis through the case method? Yes, in fact, is the focus of attention of the method. Students are provided with the story of a real company with all the data that was available in the company at some point in its development (Christensen et al., 1991). Students analyze the case, in a first phase individually and then in small groups to exchange views that may allow improving the conclusions of each of them. These findings may require decisions on a complete or partial management plan, focusing on a single aspect of the business. In the last phase, all groups, therefore all students gather moderated by a teacher to explain their decisions individually and is not intended to reach a consensual solution.

The planning phase and the case method

We understand that yes, you can teach planning using the case method. As mentioned, the decision may require the development of a comprehensive or specific management plan of a particular business function. Therefore students can, through the case method, learn about the planning process.

The implementation phase and the case method

In the analysis of case studies, students will propose a solution to the case but never get to implement it. That is, students with its proposed plan never know if it was wrong or right, and even less to what extent. In fact, they may not even know if their proposal is better or worse than the one implemented in reality or that their peers developed. Lacking result you cannot talk about implementation. The execution, by definition, involves a reaction.

The control phase and the case method

Again, there are some cases especially focused on some problems arising in the control phase. Therefore, and to the extent that this is the case, the method can be used to learn some skills in this evaluation phase.

Business simulations or business games

The antecedents of business simulators are found in the behaviour prediction tools, in some cases of market behaviour, and others, of more operational variables.

Business games, in the version we know today, are much more recent than the case method. In fact, the largest business game development has been accompanied by the consolidation of personal computers, which have enabled people with a basic computing knowledge use and manage complex programs.

In business games a manual is given to students describing the simulation environment and the rules that govern the simulation. The manual will specify with precision the decisions that students must make (which together are configured in a management plan). Information sources that are available and the number of decisions (plans) who will perform throughout the simulation are also specified. The fictitious time horizon may vary, be it a quarterly, semi-annual or annual management plans. And as it has already been mentioned, is irrelevant as long as they pass during training through the four phases of the business activity.

The analysis phase and business games

Can we teach to analyze through business games? Yes, definitely. In business games students have to analyze an initial environment that provides a basis for decision-making. In fact, in some simulators that initial environment is a case arising from a real business situation and provided the basis for the construction of the simulation model. So in a business game, the process we have described above leads to the conclusion that a SWOT diagnosis and a series of actions to act upon on it, is also carried out. Moreover, as one of the characteristics of business games are the changes in the environment caused by the decisions of the participants in the game, learning is enriched by the dynamism of the environment.

The planning phase and business games

In business games students have to make a plan for each simulated management period. Each company (teams of students) develops a management plan and the set of plans made by different teams is the input that is introduced into the simulator (computerized market model).

Therefore, one of the objectives of business games is to give students the opportunity to experience the formulation of management plans.

The implementation phase and business games

The simulation software emulates the market and becomes the model, using as inputs the set of plans, sheds some outputs, which are the results that each company has.

Each company (team) has access to the result: sales, operations reports, profit and loss account, balance sheet, statements of cash flows, etc., and also information about new environmental conditions (market) after each decision.

It is clear then that in business games students experience implementation in a dynamic environment. Each plan (trial) corresponds to a result (error). Students have the opportunity to learn, through an objective and measurable criteria, the degree of error or achieved success and its evolution through different periods of decision.

The control phase and business games

As mentioned, students have the opportunity, through the analysis of the results (sales, operational reports and financial statements) to develop skills in the control phase. Through the implementation of control measures and the conclusions they reach as result of the evaluation, is that they may undertake again the analysis phase of the new competitive environment.

Implementation of business games in management training programs

At this point it should be apparent that business games are the most powerful methodology to develop the skills needed for business management: related to decision-making and problem solving skills and related to teamwork skills. To the above, we would add the skills related to negotiation.

Most, if not all, of the decisions made in companies have to be negotiated. That is, the plan implementation results in negotiations with customers, suppliers, employees, shareholders (represented by the CEO), etc. Therefore, an implementation of the business game even closer to reality includes the incorporation of a role-play in which, at least some of these facets of negotiation is simulated. In our case, we have seen how the incorporation of a role-play involving the justification of decisions and the presentation of future plans before a CEO (professor), makes the learning experience even more effective. We also simulate at the end of the business game, the presentation of a management audit to the shareholders of the company (other students). The result is a powerful learning process with a high level of involvement.

Conclusions

We have described the methods commonly used in business schools to teach business management, the lecture, the case method and business games or simulation method. We performed a critical analysis by noting whether each of the methods allows us to facilitate the development of skills and abilities in problem solving and decision-making associated with each phase of the business activity.

It is concluded that the lecture and case method allow teaching and to develop skills in the phases of analysis, planning and control, but not on the critical implementation phase. The

only method that allows learning and developing skills in the implementation phase is the simulation or business game (Figure 3).

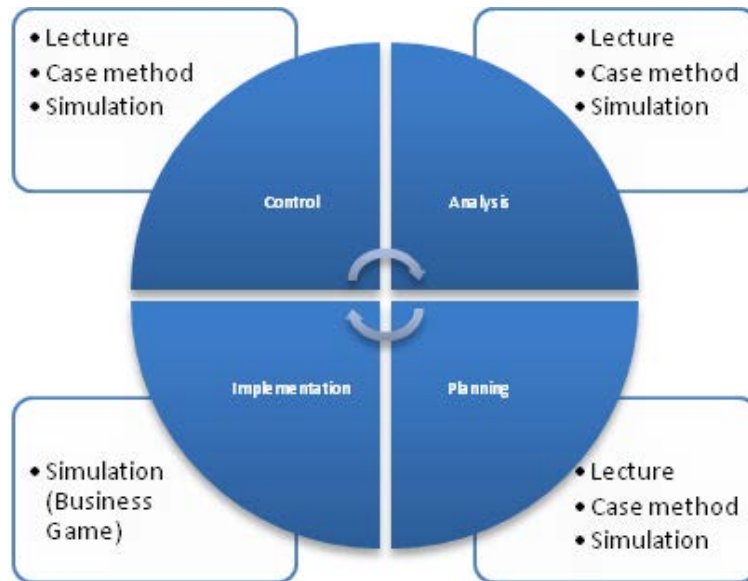


Figure 3.

On the other hand, it is concluded that business games provided that properly structured and also incorporating some role-play to contemplate negotiating skills may be the best method (without excluding others) for practical learning and developing skills in decision making and problem solving in all phases of the business activity.

References

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