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*Journal of Management Education* 1992 16: 220  
DOI: 10.1177/105256299201600207

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# MANAGEMENT DEVELOPMENT: CHOOSING THE RIGHT LEADERSHIP SIMULATION FOR THE TASK ---

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A leadership simulation is an intensive, interactive practicum in which the informational content and roles assumed by participants are designed to reflect what people encounter in a particular, real-world environment. Leadership simulations are to the field of business management what flight simulators are to the field of aviation. The educational techniques used in large-scale leadership simulations parallel the methods used in assessment centers—participants are involved with complex business tasks, role plays, group discussions, in-baskets, and interviews (Bray, Campbell, & Grant, 1974; Thornton & Byham, 1982). In leadership simulations these separate assessment center techniques and experiences are integrated into a holistic organizational context, engaging participants in taking actions and reflecting on those actions for two or more days. Trained observers work with participants to help them (a) gain a broader awareness of how groups and organizations form and evolve; and (b) diagnose and develop their leadership skills by examining their behaviors, interactions, and approaches to the issues and people as they experience them within the simulated organization.

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JOURNAL OF MANAGEMENT EDUCATION, Vol. 16 No. 2, May 1992 220-230

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220



### **SIMILARITIES AMONG LEADERSHIP SIMULATIONS**

The nine large-scale leadership simulations known to the authors are Foodcorp International, Looking Glass Inc., Financorp,<sup>1</sup> Metrobank, Investcorp, Landmark Insurance Company, The Northwood Arts Center, Contracting Management, and NAC (Northwood Arts Company). Each leadership simulation has a unique structure; each is embedded in a different industry; and each creates representative business situations for organizations within that industry. None are experiencing crisis situations, but problems and opportunities are plentiful. Although each leadership simulation is distinctive, they have some common characteristics:

- Each involves an intensive, interactive experience that recreates organizational life in an important, decision-making group.
- Each generates managerial behaviors that are easily recalled by participants and observed by a trained staff, facilitating later review and discussions.
- Each allows participants to completely control simulation outcomes. Depending on participants' styles, actions, and goals, different problems may become important or different solutions may be found for the same problem.
- Each prepares participants for the practicum by providing them with detailed information about the industry and organization, including an annual report, organizational chart, financials, and numerous memos forming in-baskets specific to each role.
- Each has many distinct roles that contain extensive information on past business decisions, current issues, problem symptoms, and decision situations.
- Each contains many, often interrelated, problems and opportunities ranging from the tactical to the strategic. Specific problem situations cover several areas including sales and marketing, personnel, manufacturing, quality service, research and development, finance, and operations.
- Past knowledge or experience in the specific industry simulated is not needed (i.e., consumer goods, glass manufacturing, information and financial services, banking, securities brokerage, insurance, or arts organizations).<sup>2</sup>
- Each has participants fill out questionnaires that uncover information on organizational goals, decision making, the use of power, work group climate, and how each participant viewed the other participants with whom he or she worked. Combined with the observations of professional staff, this information forms the basis for developmental feedback on group performance, and on individual contributions to that performance.

### **DIFFERENCES AMONG LEADERSHIP SIMULATIONS**

Although the similarities among leadership simulations are many, the descriptions in the appendix suggest there are also differences due to the business situations and industries being simulated. These differences, as they relate to the first seven simulations listed in the appendix, have been explored



by Stumpf and Dunbar (1990) with respect to using leadership simulations to teach strategic management processes. Differences among leadership simulations include

- the business focus, for example, manufacturing or marketing, industrial goods or consumer goods or financial services, global or only domestic, government or public or private sector
- the organizational structure, for example, functional or product or matrix, a stock company or a mutual company or a not-for-profit organization
- the levels of hierarchy and number of cross-hierarchy task forces or committees involved in running the organization
- the environmental context, the degree to which the environment is turbulent and complex versus stable and simpler
- the extent to which a corporate vision and goals are articulated in the materials provided
- the proportion of corporate versus divisional issues to be considered
- the primary processes with which participants are likely to contend, for example, entrepreneurship or sense making or information search or analysis and application
- the degree of networking likely to be observed
- the type of decision evaluation emphasized
- the nature and focus of feedback provided, for example, financial performance, organizational goals, the consistency of the actions proposed to the goals espoused, the degree of internal and external venturing, organizational priorities, perceived effectiveness of peers, and strategic management skills.

The choice of a leadership simulation depends, in part, on matching the simulation attributes to the objectives of the program in which it is to be used. However, our experience with several hundred uses of leadership simulations and many different sponsoring organizations suggests additional factors to be considered in the choice process: the organization's culture and climate, the hierarchical level of participants, and participant expectations. Before exploring how these and other factors might affect a company's choice of which leadership simulation to use in a specific management development program, we would like to share our analysis of how leadership simulations do what they do and some of the goals that they have been used to address.

### **How Do Leadership Simulations Do What They Do?**

When participants turn up for a leadership simulation, they are often a bit apprehensive. They usually have either no idea of what they are getting into, or they have heard positive but not too specific comments from previous participants — "it was valuable," "it was tough but worth it," "it was good —



you'll see." They like the idea of trying themselves out in an important management role that has significant responsibilities. But they are also a bit skeptical as to whether it is possible to convincingly simulate such an experience.

To get into their roles, participants are given a significant amount of reading material to comprehend in a short time. This presents them with some uncertainty (What is my role?), and it puts them under time pressure (I've got to present my point of view at a meeting in an hour!). Participants quickly decide that the best thing to do is to resort to their normal working style and do the best they can. Thus the leadership behaviors participants generate within the practicum are genuine recreations of their on-the-job behaviors, and provide rich opportunities to assess the impact and effectiveness of this style of working.

A leadership simulation, itself, is transparently artificial. Participants know they will have their roles for only a day, that there are no real plants or facilities or money involved, and that their memos and each other are all that they are going to be "managing." They also know that they cannot change the history of the firm, as it has been given to them through the company's annual report and related materials. However, they can determine how their role is pursued, and they can specify the strategic directions to be pursued by their organization — if they can get others to agree. They are assured that the trainers will make no interventions so far as these efforts are concerned, and they do not have to wait for computer output or the like before responding to issues or each other. Rather, over a short time period they have to deal with each other and get everything they want done. Although this suggests that time is somewhat compressed, the parties with whom one might have to get agreement are all together, reachable, and available at the same location. Hence, many normal organizational constraints and excuses are missing. Further, the "office space" is usually structured so that everything that occurs — such as discussions, dialogues, meetings, and decision-making processes — are visible to all participants.

The artificiality of the practicum facilitates some of the learning. With many reality constraints missing and critical people only a desk away, what is there to stop people from getting agreement on things? Actually, a lot, and most often issues that participants have not thought much about. Some of the issues include established ways of working, social processes that have been accepted without any evaluation of how they are effective, personal styles that do not sit well with each other, and other things that people had never really been able to see clearly before. In a leadership simulation these issues become more visible, and potentially more manageable.



This is in contrast to real managerial situations, where such issues are just as pervasive, but they cannot be seen clearly. People may sense things are not working, for example, yet they find it very difficult to put their finger on why. Because of the artificial nature of a simulation and the genuine leadership behaviors it generates among participants, many underlying interpersonal, communication, and organizational issues can be seen and discussed. As a result, participants are placed in a much stronger position for being able to manage these issues in their actual work environments (Dunbar & Stumpf, 1989).

### **Goals That Leadership Simulations Have Addressed**

Leadership simulations can be used to diagnose and develop both managerial skills and strategic management skills depending on the needs of the organizations using them. The extensive diagnostic and feedback components of leadership simulations provide opportunities to link participant self-awareness and learnings with individual and organizational career plans for additional training programs, targeted development efforts, job rotations, special assignments, and the like (Stumpf, 1989). The opportunity for participants to assume a higher-level position in the simulated company than they occupy on-the-job permits diagnosis of their skill potential to perform at higher levels.

Some of the programs using a leadership simulation have goals that are general in nature, others have quite specific goals. A general goal of many users is to diagnose and develop the leadership capabilities of managers in the workforce. Diagnostic information is needed to plan for and design executive education and development programs. Organizations typically select a leadership simulation that allows participants to focus on leadership behaviors in as neutral and generic a setting as possible. Some users have the above goal coupled with a goal of stretching managers by providing them a leadership challenge. They have chosen a simulation that looks and feels more like their projected future business situation than their current one.

An example of specific goals would be to develop the strategic leadership skills in program participants. Leadership simulations recreate companies — through participation individuals come to understand their knowledge of the key success factors of a business, its profit and loss dynamics, and how the business interrelates with its environment. Performance in a leadership simulation provides diagnostic information on these elements of strategic management.



In addition to the primary goals of a program to develop leadership, interpersonal, and/or strategic leadership skills, there may be other goals that reflect the human resource unit's philosophy or the corporation's cultural goals. Each of the leadership simulations provides a vehicle for surfacing many of the characteristics of an organization's existing culture. If appropriate, discussion following the simulations can diagnose the strengths and weaknesses of the existing culture and explore the transitioning of the organization from its current cultural state to a desired future state.

Secondary goals may not be articulated to participants, but they may affect program design decisions and the choice of which leadership simulation to use. For example, program managers have shared with us the following thoughts that they have used to guide their choice of a leadership simulation:

1. "Participants should feel a natural familiarity with the program cases and materials in order to increase their comfort level with the concepts communicated in the program. We wanted a leadership simulation that was similar to our business. As a result, the participants indicated a greater level of comfort."
2. "Our learning goals focused on networking and team building. Participants needed to feel like equals as they approached the simulation. To support these objectives, we wanted a leadership simulation that was different from the business that the participants typically managed, but was easy to understand. We also wanted a simulation that used many cross-divisional committees and to facilitate networking, rather than reinforcing organizational hierarchies."
3. "We wanted a leadership simulation that would encourage competition among participants, one that would have several units within the simulation vying for limited resources. Our marketplace is very competitive—our most effective managers have built competition into the way they run their businesses."
4. "We wanted participants to reevaluate their assumptions about how to manage the businesses that we are in. They needed to learn how to redefine what we can do in light of what our customers want. We wanted a simulation that reflected an industry that was much more progressive and fast paced than ours."
5. "Our new managers needed to learn the core business—how we really function and what are the key success factors in our business. We wanted a leadership simulation that was as similar to ours as possible. We even considered designing our own simulation."
6. "We wanted a realistic job preview to senior management positions. Too many of our younger managers were leaving at about the same time that they were being considered for promotion. We needed a way to challenge them, to communicate to them that we thought that they have senior management potential, and to get them involved in thinking about what it would be like to run a company."



The large number of organizations using leadership simulations in their management development programs provides many interesting examples of how they can be used successfully. For example, several organizations use leadership simulations to address managerial skills. Citibank uses a financial services simulation as part of its management associates development program—a program designed to indoctrinate high-potential management trainees into the Citicorp culture. Dow Jones and Company uses the glass manufacturing simulation to introduce new managers to the dynamics of the management process. The simulation creates such a strong shared experience that it is used to illustrate concepts such as agenda setting, networking, and influencing upward in follow-up courses several weeks after the practicum.

AT&T uses the food manufacturing simulation to help its high-potential managers get a better sense of what is involved in bringing about change within organizational contexts. Union Pacific has used one to help its upper-level managers understand and appreciate the benefits of teamwork and collaboration in the problem-solving process. GTE has used both Foodcorp and LGI in an advanced management development program for directors and vice presidents. The emphasis during the feedback sessions has been on helping managers to clearly see the linkages between their performances and organizational outcomes. Bankers Trust has used the securities-brokerage simulation to diagnose the skills of its managers, and the New York Stock Exchange has used it to facilitate teamwork among its senior executives.

In less typical applications, Data General has used the securities-brokerage simulation as a managerial skill diagnostic—even though financial services problems do not have direct relevance to the participants' real jobs. But according to Jonathan W. Lane, director of management and organizational development at Data General, the managerial skills of the financial services field are similar to those of the computer business (Feinstein, 1986). Chrysler First Corporation and Citibank have used the arts center simulation to stimulate their managers to think more strategically. This involves diagnosing key stakeholders beyond the obvious stockholders to broader social and cultural issues which their firms face. Many additional uses are mentioned by Gordon (1985) and Petre (1984).

### **Guidelines for Choosing a Leadership Simulation**

Once an organization has decided that a leadership simulation is a useful practicum for a portion of its workforce, it proceeds to examine the benefits and risks of using alternative simulations, and the inherent tradeoffs that are made with its choice. A recommended starting point is a clear specification



of the goals to be accomplished in the program, determining the training needs to be satisfied, and understanding the characteristics of the likely participants. Armed with this information, the following questions and guidelines have served the users of leadership simulations well.

1. What is the relative importance of what is being addressed compared to how one addresses it? If the what is most critical, choose a simulation that parallels your business. If the how is most critical, choose a leadership simulation that is in a different business. Placing participants in a less familiar context reduces the likelihood of their misapplying ideas from their real jobs to the simulated organization, and it increases the likelihood that they will focus on the process of creating new relationships and learning new skills.
2. Are the leadership skills that are to be diagnosed and developed unique to an entrepreneurial context, manufacturing context, service context, or a government/not-for-profit context? If they are, choose a simulation that has the relevant context.
3. Are you focusing on diagnosing current performance, or developing leadership potential? Leadership potential is more likely to be developed when an unfamiliar context is used. When confronting unfamiliar situations, people tend to break old patterns and come to recognize alternative courses of action.
4. Is acceptance of the program in jeopardy? If it is, choose a simulation that parallels your business. This seems to reduce some of the perceived risk participants experience before volunteering for a leadership practicum.
5. Is strategy formulation an important goal for the program? If so, it is important for all participants to have a near-equal opportunity to influence the simulated company's goals and strategy. This can be addressed through selecting a leadership simulation that provides a structure of committees and task forces that have strategy development responsibility.
6. Is competition among participants or team building desirable? If either of these interpersonal dynamics is sought, choose a simulation that facilitates such behavior for the desired number of program participants. Competition is greatest when multiple uses of one simulated organization are compared. Team building is greatest when the "team" participates, is debriefed as an intact group, and intrateam dynamics are discussed and evaluated.
7. Is it desirable to train participants on the content and context of a related business? If it is, pick a simulated company in the same broad industry, but with different products and services.
8. Do you want the program to be a fun experience for participants? If fun and playful experimentation are important, choose a simulation quite different from your business. People play the most and the hardest when dealing with novel experiences.
9. Are cultural or international issues salient to your business? If they are, choose a simulation of a multinational organization.



## Appendix

### Alternative Large-Scale Leadership Simulations

*Foodcorp International.* Foodcorp International, a food manufacturing organization, simulates 13 senior management roles, three levels of hierarchy, two product groups, and two subsidiaries (Sonny's Restaurants and Farm Fresh Yogurt). Foodcorp's products (dry goods and frozen foods) are sold to distributors and retail supermarkets throughout the U.S. and in 60 other countries through 30 manufacturing plants, 15 marketing affiliates, seven licenses, and six regional export sales organizations. Foodcorp is a fairly large firm within its industry with 25,000 employees and \$2.7 billion in sales. A computer simulation, Mercado Foods, complements Foodcorp for those educational programs that desire both a leadership simulation and a computer simulation with multiperiod quantitative feedback on finance, production and inventory management, sales and marketing, and the like.

*Looking Glass, Inc. (LGI).* LGI is a glass manufacturing company that simulates 20 senior management roles, four levels of hierarchy, and three product divisions. Its eight product lines extend from conventional lightbulb casings to high-tech optical fibers. All products are manufactured by LGI and sold to other firms, not individual consumers or distributors. LGI is a mid-sized firm with 4,000 employees.

*Globalcorp.* Globalcorp is a diversified international conglomerate of \$27 billion in assets. Each of its 13 senior management roles has corporate strategy and business portfolio management responsibilities. The advisory services sector includes a management consulting group and a travel services group. The banking services sector is composed of a consumer group, business and professional group, and consumer credit group. The investment services sector is composed of an insurance group, broker/dealer group, and capital markets group. Each group has two or three lines of business with profit-center responsibility for each.

*Metrobank.* Metrobank is one of three simulated companies in the financial services industry (see Investcorp and Landmark Insurance Company subsequently). These simulations each have 12 or 13 senior management positions across three levels of hierarchy and two major product-service areas (individual and corporate/institutional services). They are used separately, in multiples, and in various combinations. Metrobank is part of Metrobank Holding Company, which includes a regional bank with \$1.5 billion in assets and a medium-sized regional finance company offering mortgages and installment loans, Leading Finance. Business activities include savings and loan products for consumers, commercial lending, and corporate banking.

*Investcorp.* Investcorp is part of Investcorp Holding Company, which includes a large securities firm with \$108 million in capital and a regional life insurance company, Rolley Insurance. Services offered range from investment banking to retail and institutional sales of stocks, bonds, options, and so on to specialized customer



services. The three selling entities of Investcorp (Capital/Markets, Institutional Sales, Retail Sales) experience different customers, markets, and competitors but they need to collaborate extensively on a day-by-day basis.

*Landmark Insurance Company.* Landmark is among the top 20 mutual life insurance companies in the United States. Operated for the benefit of its more than one million policyholders, Landmark has assets of over \$15 billion, life insurance in force of over \$69 billion, and paid dividends and benefits of over \$2.17 billion last year. The services offered range from individual insurance and investment products to group life and health insurance, to group pension plans. Landmark affiliated companies include Realty Management, Securities, and Research Services.

*The Northwood Arts Center.* The Northwood Arts Center is an arts organization composed of three units: the Crandall Museum, the New Horizons Theater, and the Northwood staff and support services. Northwood's expenses last year exceeded \$3 million, leaving a shortfall of \$31,000. Northwood is managed by seven directors. The Crandall Museum has over 2,500 members and 100,000 visitors each year. New Horizons has about 14,000 subscribers and 116,000 customers annually.

*Contracting Management.* Contracting Management is a simulation that focuses on government-industry contracting for two interrelated programs. It is composed of five roles involving two program managers, a contracting director, and two program contract officers. The simulation involves contract discussions and negotiations for a modified airlift system and for a new airlift system to be available by the year 2000. Some knowledge of government contracting is desirable.

*NAC (Northwood Arts Company).* NAC is a new venture situation involving the start-up of an arts company. The six NAC managers involved in the simulation and its small Board of Directors are the only stockholders of the company. Key challenges include cash management, obtaining funds to pursue high potential investments, unpredictable working conditions, and some disagreement over the vision for the firm. As NAC has little history, questions relating to its culture, values, and mission are particularly salient. The NAC simulation creates an entrepreneurial environment where the pursuit of opportunity needs to be balanced with resource constraints and/or the yielding of power and ownership to a broader group of stockholders.

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NOTE: Three or more of the leadership simulations mentioned in this article can be obtained through each of the following (alphabetically listed): Center for Creative Leadership, P.O. Box P-1, Greensboro, NC 27402, (919) 288-7210; Management Simulations Project Group, Stern School of Business, New York University, 40 West 4th Street, New York, NY 10012, (212) 998-4100; LearnTech Associates, 27 Prospect Place, Park Slope, Brooklyn, NY 11217, (718) 398-0300; MSP Institute, Inc., 210 East 15 Street, Suite 1N, New York, NY 10003, (212) 982-4929.

## Notes

1. Financorp is a proprietary simulation of Citicorp/Citibank. A related simulation, Globalcorp, is under design.
2. Some knowledge of government contracting is needed for most applications of the Contracting Management simulation.

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