

# Trainings that Demystify Strategic Decision-making Processes

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by

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Most often, training programmes focusing on strategic decision making demonstrate the value of particular analytical techniques. They emphasise, for example, the desirability of matching organisational strengths to developments in environmental trends. Or they emphasise the need for firms to identify and build on sources of competitive advantage. To allow participants to get better sense of the points being made, trainers usually discuss cases selected to show the advantage the particular analysis might have in making strategic decisions.

Strategic decision-making programmes can provide important insights. Yet the drama and involvement of strategic decision making itself often tends to be missing. For such programmes take place in a classroom environment that intentionally removes participants from the unpredictable trial-and-error processes that characterise the practice of organisational decision making. Further, the cases discussed are usually about the problems of other organisations, and the commitment and personal stakes that people have in resolving problems they have enacted themselves are also missing. As a result and at best, the surprises and chaos of the discussions that lead to strategic decisions are only hinted at in most training programmes. Instead, people are taught to increase their capacity to be sophisticated observers of decision-making processes, rather than active participants. It is implied that the mysteries of managing uncertain and changing perceptions of a strategic situation can only be learned from experience. Nevertheless, it is the process of getting agreement amongst those with disparate views that is the core prerequisite that must be achieved before any strategic decision can be reached.

This is where behavioural simulations can contribute to learning about strategic decision processes. Behavioural simulations provide an organisational context in which participants can experience how perceptions of strategic situations differ and evolve through time. As a result, participants start to gain insights into how this evolutionary process can be managed. This article starts out by describing what behavioural simulations are. It then provides examples of currently existing programmes, along with the types of learning which they allow.

### **What is a Behavioural Simulation?**

Behavioural simulations create the types of decision-making contexts that people encounter in real-world organisations. Prior to the simulation experience, participants have been provided with an annual report and an organisation chart showing how the roles that participants are to fill are related to one another. They have also received briefing papers describing ongoing, industry developments. Early in the training programme, trainers further explain the functional responsibilities of the organisational roles to be filled. Participants themselves usually choose the roles they will play.

The simulation includes several structural features that imply that the roles participants are to fulfil are fundamentally familiar and should be taken seriously. A hierarchical role structure, along with titles clarifying the division of labour, for instance, are familiar organisational features. The simulation site itself is an organised office space, with desks, writing materials and a conference room. These elements all combine to convince participants that they have role responsibilities within the organisation. Scheduled mail pick-ups and deliveries imply, further, that, as a result of their work, participants will generate mail.

Information describing various standing committees, along with pre-scheduled committee meetings, strongly suggest that groups of role holders should get together to discuss issues and reach agreements as to what should be done. These and similar cues seem to be sufficient to convince participants that they are expected to act out their role as if they were involved in real-world decision making.

While structural cues should make the context clear, it is also important that they do not impose constraints on participants' behaviour. Hence, they are kept to a minimum. This allows participants to interact with each other and in groups during the simulation in whatever way they like. They can also either bring up or ignore whatever issues they like. As a result, the issues that do arise stem not only from the content of the training material, but also from the interactions among the participants. A couple of hours into the simulation experience, the organisation has evolved a unique identity that has been largely determined by the participants and their interactions with one another, rather than any structural features of the original training materials. Thus, participants start to get a sense for how their style of behaviour and interaction impacts on a particular type of organisation. As this behaviour stabilises a few hours into the simulation, participants are already starting to get a sense of both the strengths and weaknesses of their ways of communicating and working with one another. These insights can be further elaborated and built on during feedback processes.

### **Specific Simulations**

Given their industry familiarity and their experience, participants in behavioural simulation training often have a special interest in one type of decision-making context or another. To cater to this variety, behavioural simulations have been developed that recreate the specific types of issues arising in different decision-making contexts. Some of these contexts are briefly reviewed.

*(1) Looking Glass, Inc.*

Looking Glass, Inc. (LGI), the first of the large-scale behavioural simulations to be developed, was built in the late 1970s by the Center of Creative Leadership in Greensboro, NC. It is still probably the best-known behavioural simulation. It recreates a context for decision making in the glass manufacturing industry. The firm is a mid-sized national firm with 4,000 employees and \$200 million in sales. The simulation includes 20 senior management roles that are hierarchically distributed across three general product divisions and eight plants. Product lines vary, including conventional light-bulb casings and high-tech optical fibres. All products are manufactured by Looking Glass and then sold to corporate customers. Thus, there are no issues involving individual consumers or distributors. There are, however, numerous issues about the appropriate way to allocate capital.

Participants must seek out information from one another and by phone from "external roles" to identify a profitable allocation of resources across plants and divisions. Most groups are not able to pull all the necessary information together to find optimum decisions. Hence, simulation participants generate experiences that on reflection, provide many opportunities to explore and assess how they search for and find critical information.

*(2) Metrobank*

Metrobank is one of three companies that simulate the different types of decision-making context experienced in the financial services industries (the other two simulations are Investcorp, an investment bank, and the Landmark Insurance Company). These three simulations were developed either directly or in partnership with the Management Simulation Projects Group at New York University in the mid 1980s, and each is based on 12 or 13 executive roles. The Metrobank Holding Company includes a regional bank with assets of \$1.5 billion and Leading Finance Co, a medium-sized, regional company offering mortgages and instalment loans. Metrobank issues include the management of a branch network, savings and loan products for consumers, commercial lending and corporate banking.

The problems faced in the three simulated financial services include how to position the firm in a rapidly intensifying competitive environment. Key issues include whether and in what ways to be involved in acquisition activities, how to respond to rapid changes in technology, and how to improve customer service, target new markets and exploit cross-selling opportunities. Participants work to reach a consensus on the strategy they will pursue, and later feedback allows assessments to be made on the degree to which agreements were reached and the effectiveness of the processes used to reach consensus.

*(3) Foodcorp International*

Foodcorp International, also developed by the Management Simulation Projects Group at New York University in 1988, is a food manufacturing firm with 13 senior management roles, two product groups including dry goods and frozen goods, and subsidiaries involved in restaurants and dairy products. Foodcorp's products are sold to distributors and retail supermarkets throughout the US and in 60 other countries. Its facilities include 30 manufacturing plants supported by a system of

regional warehouses, marketing affiliates, licensees and regional export sales organisations. Foodcorp is an important firm in its industry with 25,000 employees and \$2.7 billion in sales.

Participants must decide how to position Foodcorp strategically in the international marketing arena. Issues that arise include whether it would be functional to reorganise the firm, the extent the company should emphasise the internal development of new products, various joint ventures opportunities, how to resolve various production quality issues, adjustments that might be designed to diversify and/or consolidate activities, and where marketing efforts should be made to promote and develop established brands.

#### *(4) Northwood Arts Center*

The Northwood Arts Center (NAC), also developed at New York University, is a not-for-profit arts organisation composed of three units: the Crandall Museum, the New Horizons Theater, and the NAC staff and support services. NAC's expenses last year exceeded \$3 million, leaving a shortfall of \$31,000. Here lies the problem that participants, the seven directors of NAC, must face: what should be done next year?

With many constituencies all of whom want to be satisfied, the directors must prepare a plan which makes trade-offs among the various pressure groups that want to impose their agenda on NAC. On the funding side, this includes state, local and federal government grants, as well as charitable contributors who often attach strings to their donations. Different consumers want different sorts of art and types of performances. Further, board members must ensure that NAC stays financially viable.

The prime task of the directors is to form a programming policy consistent with the organisation's culture and values. This includes a plan that generates sufficient revenue to pay off past debts, build an endowment and also accommodate the concerns of diverse constituencies.

#### **How Learning Occurs in a Behavioural Simulation**

The amount of material presented to participants is generally more than can be processed during the limited time of a simulation (generally six to ten hours). Not surprisingly, participants often report they are so busy during a training experience that they have little time to reflect on what they were doing, how they were doing it, and what else was going on around them. Instead, they usually report they simply handle the matters directly facing them as best they can. They then usually proceed to behave in ways that are similar to how they work at their regular jobs — relying on ways of working which they believe have proven in their experience to be effective. It seems to be the familiarity of the office environment, plus the pressure generated by the work over-load, that together persuade participants to resort to this normal working style. A consequence is that, in the simulation, participants tend to recreate the sets of behaviours and associated social contexts that surround and determine work activities in their regular jobs.



Initially, some people report feeling upset when they become aware that their normal best efforts were not sufficient to deal with the material given to them in a way they would have wished. Yet feelings of comfort and closure are not the intent of the simulation design. Instead, it is intended that participants should re-enact both the strengths and the weaknesses of their normal style of working. Learning starts to occur as participants begin to realise that they chose to recreate the type of context that emerged in a situation that was transparently simulated and where there were very few constraints on how they should manage. Similarities between the real-world work environment and the simulated one can then be noted. Participants begin to sense that just as their behaviours and the social contexts they enacted constrained activities in the simulation, so they also limit what they can do in the real world. They start asking themselves why this should occur and what they might do about it.

In other words, the simulated situation gives participants an opportunity to recreate their social working environment. But as it is recreated in transparent situation, it is easier to see how individuals and their social behaviours, rather than other factors, determine what occurs in real-world situations. It becomes evident that task and similar constraints often have relatively little impact, and that it is the individuals within the organisation who make the critical choices of determining the type of culture, climate and work style that develop. As participants see this clearly, so possibilities for change and improvements become a possibility.

Learning occurs in a behavioural simulation in two stages. Initially, participants get highly involved in their roles and proceed to act them out as best they can. They recreate their social work environment. Seeing this same social behaviour evolve without task requirements is an initially critical, unfreezing process. It raises questions as to what is really necessary, and what individuals in the social situation might do to change behaviours that most agree are dysfunctional. The second stage of learning occurs when, unfrozen, people discuss and explore what happened in their simulation. How were decisions reached? Who was included and who was excluded? Why did this division occur? Who was the most influential, and how did they achieve this power? Who had little influence, and how could they have changed this? Numerous similar questions can be beneficially explored after the unfreezing experience of participating in the simulation. The fact that the training reality was a simulation allows the examination to be more intense because everyone knows it is not a real-world situation, but a situation where individuals can see and draw conclusions concerning parallels to the real world that make sense for themselves and their own situations.

### **What Specific Learnings Occur?**

#### *Individual Skills and Effectiveness*

Behavioural simulations are ideal vehicles for generating feedback about participants' individual skills and effectiveness. Several feedback sources can be used — the participant's own assessments, the trainers' ideas and questions concerning what

may have occurred, and the assessments and reactions of other participants. Of critical interest is the impact that each individual was able to have on the events in the simulation, and whether each participant achieved their particular impact.

The contributions of some participants may be widely welcomed and accepted, and people may report they wished they had contributed even more. Other contributors may have blocked and antagonised others as they worked to have an impact. Still others may have had little impact, in which case the feedback may focus on how these participants can increase their impact in ways that are comfortable to themselves and helpful to their colleagues. In general, the emphasis is on personal power and ways that sources of personal power can be used to enhance the perceptions of positive individual contributions.

Individual knowledge, and its importance for the organisation, is also assessed. This includes an assessment of the amount of information known by each participant concerning the general business conditions faced by the organisation. Often, the lack of correlation between the information known and the impact of particular individuals is surprising to participants. In addition, participants give their assessment of the priority goals which their simulated organisation agreed to pursue. Differences in perceived priorities tend to surprise participants and often generate concern as it becomes apparent that different priorities lead to different actions, making the co-ordination of organisational effort extremely difficult.

#### *Organisational Processes*

Behavioural simulations are also ideal vehicles for generating insights and feedback about the organising process involved in generating a firm's strategy. One aim, for example, is to determine how leaders and their subordinate managers collectively formulate and then become committed to particular strategic positions. Leaders tend to play a very important role in organising and determining strategic directions, and they pull a decision-making group around them which agrees with their views. The influence on the overall strategy of each of these individual members of the "in-group" is interesting. Even more interesting is how organisation members who are outside the "in-group" can nevertheless influence their deliberations. As a result, information on strategy formulation processes, organisation culture, and other group process phenomena is collected from two standpoints that can then be comprehended.

One standpoint includes the views of the leaders and their close lieutenants, and the second standpoint includes the views of all those organisation members who found themselves lower in the hierarchy and excluded from this "in-group". Invariably, the two groups have quite different perceptions of the processes whereby strategy was formulated, and the type of culture and climate that characterised the organisation. That such large differences can get so clearly established in the short time of a simulation is often extremely surprising to participants. The summarised data collected from questionnaires provide many insights into

differences in perceptions which may occur and generates important questions concerning the relationship that exist up and down an organisational hierarchy and how they may best be managed.

### **Conclusion**

Participants become extremely involved in behavioural simulations and remember their experiences vividly. Many find the similarity between the decision-making context they recreate in the simulation and their own work context to be startling. Herein lies the power of the experience, for it is clear to simulation participants that the constraints imposed on them within the simulation were minimal. They know they were not forced to enact the type of organisation they did, and they can often see clearly how they could have built a very different type of organisation, one in which they would have preferred to work and which would also have worked more effectively. They start to consider how the insights they have gained may have application back in their own organisation, for the very top of the hierarchy where agreement is reached on strategic decisions to lower down in the middle of the hierarchy, where managers want to have input to their decisions because they are primarily responsible for implementing them. The new awareness and the questions raised in the simulation provide a basis for both self-improvement efforts and also for further interventions designed to improve organisational functioning.