

The wages of **Sim**



BASF is turning its IS people into business people through a board game called Tango™.

by Meredith Levinson



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“Let’s get ready to rumble!”

With this boxing-inspired call to arms, 20 IS managers rally in the middle of a conference room at BASF’s palatial North American headquarters in Mount Olive, N.J. These middleweights are not about to fight, though they wring their hands with Machiavellian cunning. There’s no boxing ring; they gather around a long table littered with snippets of paper printed with people’s names and photographs. These represent the talent that managers desperately need to recruit to staff projects already in motion. If they don’t get the people they need, the projects won’t get done. They’ll lose customers, and they’ll lose respect—oh, and money too.

These individuals are in the midst of Tango, a business simulation designed by Celemi, a Swedish business improvement consultancy that develops products for organizational learning. The simulation is played like a board game where five teams of four run their own startup companies. Each team has its own board around which players move cards and plastic coins to track their organization’s finances, standing in the marketplace, progress on projects and R&D investments. These organizations have limited cash, and their success depends upon the teams’ ability to both manage their company’s intangible assets (employees, image and R&D), and define and follow strategies that will lead to success.

The Tango simulation concludes the chemical manufacturer’s three-week Leadership Academy, a development program for the company’s senior IS managers. The goal of the course is to make the participants more like business consultants and less like techno geeks, according to Andrew Pike, senior vice president of IS at BASF. Like many companies, BASF’s IS group has carried the cross of being a cost center. Only in the past three years, as the Internet has begun to shake up the tradition-bound chemical industry has this perception started to change and BASF’s senior executives have begun to understand, at least in theory, the importance of IT.

In the meantime, morale in the BASF’s IS department has remained depressed. IS managers still face tight budgets and battle to get support from business managers for IT projects. The Leadership Academy is one company’s attempt to heal the stigma of inadequacy afflicting many IS organizations by giving its managers a crash course in business management, showing them IT’s fundamental role in the profitability of the company and having them develop new IT projects in which they can apply their newfound consulting skills.



Andrew Pike, senior vice president of IS

Tango: The Premise

“What you’re about to experience is a world where you’re running an organization that faces many challenges,” says Brent Snow, a partner with 3D Learning, based in Syracuse, N.Y., the company that helps Celemi facilitate several of its simulations.

Snow’s role is to connect the simulation to the reality these managers face every day. He asks them, “What’s your current role? What’s a significant challenge that you face?” Padma Konakanchi, who develops applications for its Internet and intranet sites, volunteers, “Saying ‘no’ to customers who want fancy gadgets and aligning new technologies with the rest of BASF.”

“Phasing out legacy systems and becoming knowledgeable in a new system [SAP R/3],” chimes in John Arnold, who’s in charge of legacy financial systems. “And balancing between maintaining [an old capability, R/2] and creating a new capability [R/3].” “Putting a new team together to work on R/3 and managing the existing systems,” says Joe Tibaldi, manager of finance and administrative applications and the business systems planner for finance.



After these introductions, Snow explains the premise of the simulation and how it works. “These companies [Alpha, Beta, Gamma, Delta and Epsilon] create a knowledge-based solution,” says Snow. He means that the product or service they provide depends entirely on the knowledge of the employees who develop it and the processes that support the way it is delivered. The language and ideas in the simulation are deliberately ambiguous so that they can be applied to different companies.

This ambiguity makes a few of the participants skeptical of its relevance to a chemical manufacturer like BASF. Someone asks, “How does this apply to us?” In manufacturing, value is still weighed on tangible assets.” Snow responds by saying that Tango gives them an understanding of the broader business context of which BASF is a part—an answer that doesn’t quite satisfy the ROI-driven IS folks in the room who are sacrificing two days of work while Rome burns back in their departments. They want to know exactly how this will apply to them and to BASF. They’ll soon find out.

Let the Games Begin

The simulation follows five years or fiscal cycles, each composed of three periods. During each cycle, companies recruit new employees, look for new customers, work on projects and encounter “clogs,” or problems that crop up during the projects. At the end of each cycle, they have to complete and balance an income statement on which they account for revenues, assets and costs associated with R&D, depreciation of equipment, overhead, taxes and interest on loans.

The main purpose of the first cycle is to familiarize players with each step of the game. All teams start with one client and two employees. During this cycle, each team gets another client and another employee, but they still lack enough employees to staff both projects, since both require two people, a team leader and a team member.

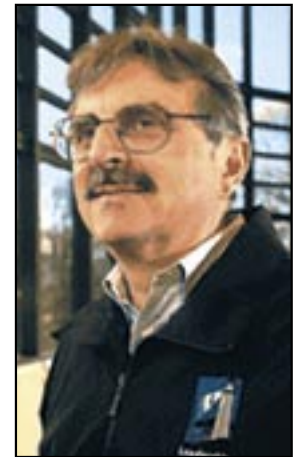
Client projects are either challenging or easy, and teams decide which kind they want to solicit based on their strategic direction, which they determine in the second cycle. Snow advises teams to start their most challenging project first for three reasons. First, it brings in more money. Second, employees learn more from it and thus increase their skill levels. Finally, it increases the company's image if it is completed with only minor clogs. Team Beta, composed of Business Systems Planning Manager Steve Belej, Team Leader of SAP R/2 and SAP R/3 Interface Support Groups Don Kluse, Supervisor of Data Warehousing Tim Macrae and CIO Staff Writer Meridith Levinson, does the best it can to staff the project for its challenging client, Spica. Tango emphasizes the importance of matching certain employees with certain projects based on an employee's skill level, work style and potential. The cards representing personnel indicate whether someone has high or low potential and are marked with a shape (circle, square or triangle) to indicate his or her work style.



Likewise, the project cards indicate whether a client is challenging or easy as well as the work style that will best suit them. Numbers and shapes are used to designate skills and style, respectively. While the numbers and shapes don't translate into real-world qualities, for the purposes of the game they have to complement and match each other. The Spica project requires a team leader with a skill level of two and a team member with a skill level of one. Both employees have to have a square style for their chemistry to suit Spica's. Team Beta's three employees are Gardelli, Faulkes and Adams. Gardelli fulfills the criteria for the team

leader, but Beta doesn't have a single square employee. Constrained resources force the team to put Faulkes, a single triangle, on the Spica case.

The emphasis on work styles harkens back to the first week of the Leadership Academy, which focuses on developing management skills. Managers received personality tests and 360-degree feedback in a series of seminars and workshops. Designed by Michel Vitiello, manager of organizational development for the IS group, and Development Dimensions International in Pittsburgh, the company to which BASF outsources its training, the program teaches IS managers the importance of understanding different personalities in order to create productive work environments and to be better coaches to their direct reports. Beta put Adams, its other employee, who has a skill level of one and a triangle work style, on an ad hoc project because it is an easy way to generate revenues, albeit small ones. As Beta and its competitors progress through each period in year one, they move project cards across the board. Around the room, players sigh with relief (some cheer) every time they finish a project and deposit a few coins into the accounts receivable area on the board. When they have to pay salaries or fees, they wince at seeing their cash dwindle. It may look like a game, but the pain of losing money feels real.



Michel Vitiello, manager of organizational development for IS

During the second period, Beta runs into its first clog. The costs of these snafus depend on whether employees have good chemistry with the client company. In other words, if a team has matched the styles and exceeded the competence levels required by the client, the clog will be easy to resolve. By contrast, if a team hasn't matched styles or exceeded skill levels, the problem will be more difficult, and it will cost your company more money. Beta's clog costs it two coins, which is the average amount.



At this point, Snow stops the action and asks the participants, “What are the clogs in your [BASF] world?” “Inadequate resources,” says Ramesh Thadani, who’s responsible for the support of the SAP logistics application. “Changes in schedule,” offers Clifford Rimpo, the customer liaison responsible for making sure that

IS’s solutions provide the best possible support for its customers. “Fiber-optic lines cut outside the plant,” says John Merten, manager of network application support. Snow highlights how these unexpected snares can have either a positive or negative impact on the image of a company or IS organization. He offers the example of how Tylenol actually enhanced its brand image during the cyanide scare of the 1980s because it reacted so attentively to a potentially devastating problem.

The impediments Thadani and Rimpo suggest often make or break a company’s perception of its IS organization. If the IS group manages to deal with these problems, it looks good. If not, well, that’s a hard reputation to overcome. The managers in BASF’s IS department certainly understand how clogs affect their image, given how the department has historically been perceived within the company.

Image is Everything

“They’re the service people,” says Debbie Shapiro-Ross, manager of business planning for BASF’s chemical intermediates group, explaining an opinion of IT that has prevailed in the company but is beginning to change. She was one of three BASF employees who presented an overview of their groups’ business operations during the second week of the Leadership

Academy. That part of the program focused on teaching the IS managers how to diagnose problems and develop appropriate solutions for their internal and external customers.

“The biggest issue in the past was always that the business groups didn’t get what they asked for [from IS],” Shapiro-Ross says. “I think this is true in a lot of companies. As a service group, you’re there to understand what the person who’s paying you needs.” Back in the simulation, Snow lectures: “One of the challenges that does affect your world is your attitude that you’re just down in the basement taking orders. Is that really what you’re doing, or do you have the opportunity to subtly—or not so subtly—influence what happens in your organization? If you’re just taking orders, then why do this leadership thing?” “One of the themes [of the Leadership Academy],” says Pike, “is to try to convince the IS people that they are a

mission-critical element of this organization and have a direct ability to influence its overall profitability.

My expectations [of the Leadership Academy] are that we provoke IS people into new thought processes, whereby first they perceive themselves as being

important to the company, and second they actively take up a new role which is more business consultative in style than providing bland technical-type solutions.” Pike acknowledges that getting the IS people to understand the positive impact they can have on the company has been one of the biggest challenges he’s faced since coming to Mount Olive two and a half years ago from a BASF site in Singapore, where he served as IS director. In fact, he says convincing the IS people of their importance has been harder than convincing his executive-level peers.

Life as usual in the trenches seems to have kept them from sensing the new regard with which executives hold their role. “This [perception] has changed in the last year,” says Pike. “We now receive invitations to the business units’ operating committee meetings. In the past, right about the time I turned up here, we had very few people being invited to these types of discussions.”

“The competitive nature of the chemical industry changed radically... Suddenly IT has become a central function to these companies”

Andrew Pike, Senior VP of IS, BASF

Now that representatives from IS are welcome, even expected, at these meetings, Pike has to make sure that they can stand and deliver. He believes that this change in attitude among business executives is due in part to new leadership within the company and a paradigm shift within the chemical industry. During the past two years, BASF has welcomed a new chairman, Peter Oakley, and a new CFO, Kurt Bock (plus Pike's own new blood shortly before that). Pike explains that the new management is part of an ongoing effort to consolidate a number of businesses BASF acquired in the 1980s into one worldwide organization and aggressively assert its position in the North American marketplace.

"The competitive nature of the chemical industry has changed radically during the last few years," he says. "There is increasing competition and consolidation. Suddenly IT has become a central function to these companies." Now that Pike has converted those former nonbelievers to the persuasion of IT, he's got to spread that gospel among his 350 disciples who form the biggest department at the Mount Olive site—and who are bitter that in spite of their size, they're relegated to the basement of the recently-refurbished building, where the odor of tuna fish from the adjacent cafeteria permeates their quarters.

Back to Tango

During the second cycle of the game, teams set their strategies, and competition for personnel and customers heats up. Snow directs everyone's attention to a wall on which brightly colored charts and tables have been taped. One chart shows a graph with four quadrants, each designating a particular market in which a company might position itself. One quadrant, for example, represents large organizations that offer one-size-fits-all solutions, while a company in the opposite quadrant represents smaller, boutique companies that provide customized products or services.

Snow gives each team five minutes to devise a strategy for its company and place it in on the graph. Beta hashes out a strategy. Tim Macrae and

"IT talent is such a critical resource, your people are your customers"

Brent Snow, partner, 3D Learning

Steve Belej have differing visions of what their company should be. "You have to play extremes in this game," says Belej, nudging the team toward producing cookie-cutter solutions for a large market. "You have to have balance," counters Macrae, who thinks Beta should stake out another area where it would grow to be a medium-size organization with moderately challenging customers. Beta finds itself building a strategy based on what other teams are doing and opts for Macrae's vision.

Little did the players realize that it would take them into the gutter. Alpha, Delta and Epsilon aim to become big companies with challenging clients, while Gamma chooses the economy of scale—McDonald's—model. Now everyone is ready for the second round of recruiting, which is key to getting off on the right foot in order to pursue strategic goals. Beta desperately needs to recruit a high flyer named Farley to staff a new project. Beta managers offer her a bonus when they make their bid. It's a good thing, because another team wanted Farley too. Hustling to keep money flowing into the company and to staff projects, Beta puts Farley on a less challenging project, forgetting the importance of giving high-potential employees like Farley tough work. When Beta players determine their performance in the third period, they are penalized for ignoring this match. According to the rules of the simulation, employees who do not reach their career goals resign. Beta is short staffed once again.

"In this profession," Snow interjects, "IT talent is such a critical resource, your people are your customers. If you don't meet their expectations, they'll walk." Earlier, he asked participants why they're working at BASF. The vast majority of them answered that



they were there because of the challenges. The second cycle ends, and the room hums with the sound of all the teams crunching their year-end operating results. Some celebrate with applause and cheering; others, like Team Beta, brood silently. Beta is the first to post its results. Though it lost an employee, it managed to increase profits. Its projects will bring in revenues during the first period of the third cycle, which puts it in good position. Alpha had the biggest client portfolio, but because it didn't have enough staff to support them, two clients left. One Alpha team member comments that his team's scenario most accurately reflected an IT shop because it had more clients than it could handle.

Gamma, which recruited eight people that cycle, grew way beyond its infrastructure and incurred huge costs. It didn't post its earnings on time and lost points. Nonetheless, it had used employees wisely. "In manufacturing, you tend to think of people as costs," says Snow. "But Gamma made a lot of money off its employees because it trained them and put them on R&D and ad hoc projects."

Delta remained in the same position at the end of the year. Epsilon moved closest and fastest toward its strategic direction. In one year, it grew to be a midsize organization with six employees and 75 percent of its customer portfolio composed of challenging projects. Each successive cycle proved a bumpy ride for the teams as they struggled to staff projects, recruit top-notch talent and keep the funds rolling in. At the end of five cycles, Gamma emerged triumphant and achieved its strategic intent of mass production. Delta came in second place and Alpha in third, while Epsilon and Beta tied for fourth.

Game's Gains

Of greater importance than how their company ranked is what they learned from the simulation—exactly how important and difficult it is to set a goal, allocate the resources they'll need to meet it, be flexible enough to adapt their plans if the competitive landscape shifts and communicate these changes and plans to all team members. Tango provides a meaningful context in which the participants can apply what they learned in previous Leadership Academy sessions.

But the buck doesn't stop there. After the Leadership Academy, these IS managers are expected to approach IT projects that they devised during the first week of the Academy with their new skills. These projects (which range from identifying all information systems and the managers who are responsible for them to extracting data from a purchasing system and adding it to the enterprise data warehouse) give IS managers a chance to see exactly how their efforts impact BASF and allows them to be leaders within their department, the company and with external customers.

Andrew Pike sums it up: "Being a leader is not so much about having 150 people behind you, but about having passion, taking the initiative, being creative and pushing this organization to think of brand-new ways to approach the chemical business."



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