

MINDING YOUR BUSINESS

Business entrepreneurs claim failure is a real confidence booster

Capsim Management Simulations offers business students mock problems to prepare them for real challenges

By Ann Meyer | SPECIAL TO THE TRIBUNE
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Business mistakes don't faze entrepreneur Dan Smith in the least.

In fact, he recognizes them as an inevitable part of running a company. But it doesn't hurt to experience some of them in a controlled learning environment, where risk is minimal, he said.

That's the idea behind Smith's \$4 million company, Capsim Management Simulations Inc., a Northfield-based developer of business simulations for universities, high schools and corporations. Sales at the company rose about 17 percent last year, Smith said, and some 70,000 students at 500 business schools, including Northwestern and DePaul universities, now use its simulations, as do Fortune 500 corporations for training purposes, Smith said.

To keep up with demand, Smith plans to add at least five workers this year to his staff of 22, he said. Fueling the growth is the recognition that experiential learning is highly effective in teaching business skills, experts said. People learn best when they're engaged in the process.

For many entrepreneurs, sustaining a business is a real-life experiment. Whether an enterprise survives long term depends on how well the owners manage the bumps along the road.

"We need to mourn failure, celebrate successes, but then let go, to be ready for the next success," said Chicago serial entrepreneur Barry Moltz, author of the just-released book "Bounce! Failure, Resiliency and Confidence to Achieve Your Next Great Success."

To see some failure as inevitable gives entrepreneurs understanding and, ultimately, the confidence to be successful, Moltz said. "We won't get an inflated ego from success, and we won't get bogged down in the failure," he said.

Simulations allow students to experience some ups and downs in a condensed time frame, Smith said. "Simulations can slow time down or speed time up," he said. "When you have the opportunity to run experiments, you can see your business from a different perspective."

By exposing students to various business problems in a learning environment, they will be better prepared to face real challenges, said Smith, a computer whiz who created his first business simulation while working toward an executive master's degree in business administration at Northwestern's Kellogg School of Management in the mid-1980s. The concept took off, and by the time he had his master's degree, Smith had a business under way.

"You let the students fail, and when they fail and dig themselves out of a situation that they put themselves into in the first place, they learn a lot," Smith said. In the end, he said, "it's a real confidence booster."

Customer-service trials

Chicago-based marketing agency Robinson & Maites also has developed scenario-based training programs for corporations. Simulations are ideal for training call center representatives on how to improve customer relations, said Alan Maites, president.

One simulation shows a rep knocking on a customer's door. How the rep answers questions and manages the conversation determines how far he or she progresses into the customer's home.

"If successful, the rep is invited to have coffee with the customer," Maites said. Lesser responses take the rep down a different path for retraining, he said. Even then, reps have the opportunity to correct their mistakes.

"It's effective because it's much more engaging than the standard 'Read this and answer questions,'" he said, noting that the concept is similar to the popular computer game "Sim City," where failure is a part of the entertainment.

Capsim's simulations cover cross-functional integration, business strategy, accounting, finance, team building and organizational behavior, Smith said. The common thread is the ability to show what might happen if teams of students take one path instead of another.

For example, in a marketing scenario, teams can see what happens when they increase the price or decrease the marketing budget, he said. "You've got lots of things you could do. The issue is coming to a consensus with what you're going to do," he said.

In another Capsim simulation, a set of memos suggests getting together with a competitor to talk about setting prices. If users agree, they land in jail. "You can do it with a sense of humor. Everyone gets a kick out of it," Smith said.

Instead of being ashamed of failure, students need to learn how to manage it, experts said.

Start 'em young

The experiential concept is also being used in high school and middle-grade programs.

"Financial principles stay with them longer" when they play the role of a business president in BizWorld's program for 5th graders, said Catherine Hutton, chief executive of the San Francisco-based foundation.

Students create their own friendship bracelet businesses.

Meantime, to add depth to high school entrepreneurship classes, more than 80 area entrepreneurs have volunteered to be mentors through the Chicagoland Entrepreneurial Center's Future Founders program, an alliance with the National Foundation for Teaching Entrepreneurship, said Scott Issen, director of strategic initiatives.

The mentors discuss common problems and possible solutions and help students predict what might happen based on their own experiences. But the students ultimately make their own decisions.

"The kids are allowed to come up with whatever ideas they want, no matter what," said Karan Goel, chief executive of PrepMe.com and a Future Founders mentor. "They can have the craziest idea, but then by drilling down, we can discuss how to get to the bigger idea in a reasonable way."

Goel, who conceived his online test preparation service in college, said he has been impressed with the business concepts many of the high school students have come up with. With a little guidance, some might come to fruition, he said.

"It's not that I'm any smarter, but I've been through that earlier process of how do you take an idea and make it into a business," he said. "We discuss what are the baby steps you need to take to get to that vision."