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**Capsim Management Simulations**  
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## Business Simulation Technology and Services for Any Learning Environment



**Dan Smith - President**

Capsim is a global leader in business simulation technology and services. Our programs are designed to teach business acumen in any learning environment. Capsim simulations create rich learning experiences that give corporate and academic participants the opportunity to practice the skills required to run successful companies in today's world.

**Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine**

**CEOCFO: Mr. Smith, what is Capsim Management Simulations? What does the company do?**

**Mr. Smith:** We do business simulations. These are games aimed at corporate training departments and university business schools. We take a class, break it up into teams, and give each team a simulated company to run. They compete with each other while the professor coaches. It is a fun way to learn, and it incorporates topics ranging from team building to financial statements to cross functional management.

We also do assessment of an individual participant's business acumen. We give the participant a simulated company to run. As he/she runs it, the board of directors asks questions drawn from finance, marketing, operations, strategy, ethics, etc. We score participants in two areas – how well they understand business concepts, and how well they put those concepts into practice. We use this same assessment product in the business school community for accreditation. Part of the accreditation process is something called Assurance of Learning, a sort of quality assurance program. Our assessment products compare students within the school from one year to the next, and also compare across business schools. Over 100 schools use our accreditation products.

**CEOCFO: How do you break down between universities and corporate? Would you like to see them exchange?**

**Mr. Smith:** In the corporate world we do business simulations, again, in two parts. One part would be to build business acumen. The other part would be to do competency assessment. For example, let me talk about competency assessment, because maybe it is a little less familiar to people. Let me ask you a question. Do you have an MBA?

**CEOCFO: I do not.**

**Mr. Smith:** That is the case for most managers. Most people who find themselves in a management position got there the old fashioned way - by rising through the organization within some functional area. It could be they are a computer programmer or an engineer or a sales person that is promoted into management. Yet, at some point they reach a level where they need to coordinate with other functional groups. They feel at a disadvantage to people who do have an MBA. However, it is quite possible that they already have the equivalent of an MBA, or perhaps they have a gap or two that can be quickly addressed. It is easier to fix gaps than to take two or three years going back to school. Therefore, we put the participant into our assessment product, Comp-XM®. They do a few practice rounds to get familiar with the business. When they are ready, we ask them to run the company while being asked questions about business. We compare their results with a population of outgoing executive MBA students; people like them, people in mid-career who decided to go back to school and who took the same exam at the end of their MBA program. We can say to our participants, "You are as good as an MBA in, say, marketing, but you are weak in finance." Comp-XM® is a diagnostic tool that says specifically where the participant is as competent as a graduating MBA, and where the participant still needs development work.

We also do seminars. Seminars are aimed at business acumen. As an example, I cannot use their name, but there is a very large global organization north of New York City that has an educational campus on the Hudson. We go there about six or seven times a year. They are multinational, and they are in many different businesses. They bring managers in from all over the world, at about seventy at a time, to do a mid-level development program. We put them into a business simulation and work on cross-functional coordination, business strategy, and team building over a period of three days.

**CEOCFO: *What is the key to developing simulations that take into account the theoretical as well as the practical and the real, because as we all know there is often a big split there?***

**Mr. Smith:** First, if the simulation is too complex you may as well call it going to the office. A simulation is supposed to distill reality. Once it is distilled we can do one of two things. We can slow down time to put things into slow motion, or we can speed up time to make slow moving events come to life. Our simulations speed up time so that you can see how an industry or a company is going to evolve over a period of years. We compress simulated years into a matter of real world days. That requires simplification. As an example, in the real world pricing is a pretty complex topic – coupons, discounts, sales events, quantity negotiations - I have taught entire seminars on pricing. In a simulation you set one price. But even with these simplifications, simulations are remarkably robust. This applies to many different types of simulations, not just business simulations, but simulations of forest fires, traffic, or even flocks of birds. If you select the right elements you get a very good approximation of reality.

I should emphasize that our simulations are designed to teach and test business acumen. A teaching simulation is a special purpose application, quite different from modeling a specific real world company.

**“We can say to our participants, ‘You are as good as an MBA in, say, marketing, but you are weak in finance.’ Imagine a business simulation taught in English by a trainer in Chicago that is delivered in real-time in a virtual classroom to participants in the US, Brazil, and Mexico, with each participant hearing the instructor in his native language. That is where the technology is heading.” – Dan Smith**

**CEOCFO: *Capsim has a long history. You founded the company way back when. What has changed over the last few years? What are some of the trends that you have seen? How do you keep up with new ideas and new concepts?***

**Mr. Smith:** You keep up with them by trying to identify trends, emerging technologies, and anticipating future capabilities. Right now, there is a huge push towards distance learning. For example, there has been a lot of press about Massively Open Online Courses. It is debatable about whether these things are actually going to work, but it is nevertheless a trend. What I predict is that many of the tools that are being used inside distance education are going to wind up in the ordinary classroom; whether it is a training seminar at a corporation or a classroom in a business school. Traditional classrooms are going to use essentially the same online tools, if for no better reason than they are just too convenient. As an example, in electronic classrooms today I can poll the audience, offer a pop quiz, check to see if anyone has questions and run a chat. If I had those kinds of tools available in a traditional classroom I would use them. The distinctions between brick and mortar and electronic classrooms are going to blur over the next few years.

So, as professors and trainers become familiar with online technologies in their traditional classrooms, we expect them to include distant learners into their traditional class. It follows that everything we design today must work in both a traditional classroom and an online classroom.

What is not going to change is how people learn. For example, I can read a book and I will learn something. However, if I want to internalize the knowledge I must include some kind of practice and repetition. That repetition really needs to be done in the presence of a good coach, someone who can say “you are doing it right” or “you are doing it wrong”. Without a coach you risk laying down a bad habit, or internalizing a misconception as the truth. That is the dark side of education, by the way. You can learn the wrong thing. It is very difficult to unlearn something; unlearn a skill or unlearn a habit.

This is an area where simulations excel. In a simulation I get all of the right things. I have a feedback system that is telling the student what they are doing right and what they are doing wrong. I have a coach who can intervene at the teachable moment. I have a competitive environment which gets the juices going and gets people emotionally involved. I have talked with people who did a business simulation twenty years ago, and they can tell me what their company was about, what their company did, who was on their team, whether they won or lost, successes, failures, stories from the simulation and so on. However, they cannot tell me where they were at, what year it was or even who was teaching the course. They became wrapped up in that simulated world. When you have that kind of participation you can do a lot of very powerful instruction. That is where simulations excel. There really is no better way to teach.

**CEOCFO: *What is the competitive landscape? I do not imagine there are many companies with the depth of Capsim, but in general are there many companies that have an offering that seem to be similar?***

**Mr. Smith:** There must be one thousand simulation companies. However, each of them is in a little niche. For example, our niche is corporate training and business schools. However, if you think about it there are simulations for medicine, aviation, learning foreign languages; simulations are becoming more and more widely used.

You were asking about trends. There is this thing called Moore's Law. It essentially says that the power of computers will increase by a factor of ten about every five years. The same is true for bandwidth. Think back five years. The first iPhone had just been introduced. Computing devices had one tenth the power and one tenth the bandwidth available today. Many of the things we can do today were not possible just five years ago. If we go forward in time five years the computers are ten times as powerful as they are today. In ten years they are one hundred times as powerful, and in fifteen they are one thousand times as powerful.

**CEOCFO: *What do you do with all of that computing power?***

**Mr. Smith:** Well, imagine a business simulation taught in English by a trainer in Chicago that is delivered in real-time in a virtual classroom to participants in the US, Brazil, and Mexico, with each participant hearing the instructor in his native language. That is where the technology is heading.

**CEOCFO: *What sets Capsim Management Simulations apart as an exceptional company?***

**Mr. Smith:** Two things. First, participants can learn business principals very quickly inside of a simulation, far quicker than with any other technique. If you want to learn accounting, for example, inside of a simulation it is fun! You want to understand the accounting results because it is your company. Second, we are the only company that uses business simulation to assess both the knowledge and skill domains of a person's business acumen. We can tell participants in which areas they are competent and in which they need work.

**BIO:** Dan Smith is the architect behind the Capsim simulation library. He began writing business simulations as an MBA student to hone his own learning and subsequently published the results. These simulations served as the starting point for the Capsim library.

Dan brings 30 years of experience in building and using interactive business models to leading business schools that include the Haas School of Business, University of California, Berkeley; Kellogg School of Management, Northwestern University; Kellstadt Graduate School of Business, DePaul University; Harvard Business School; and over 400 other business schools around the world. His corporate clients include Cummins, Samsung, Coca-Cola, etc. Day-to-day, he leads a team of business and learning specialists in continually enhancing and adding to the tools that help instructors deliver powerful learning experiences. He also conducts train-the-trainer seminars to help instructors build their skills in enriching classroom and online experiences for today's savvy learners.

Before founding Capsim, Dan taught executive-level business management at the Kellogg School of Management, Northwestern University, where he also earned his MBA in management. He continues to serve as visiting professor at the Kellstadt Graduate School of Business, DePaul University.

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