

Simulations, Games and Experiential Learning Techniques:, Volume 1, 1974

BUSINESS GAMES IN THE PROCESS OF MANAGEMENT TRAINING IN ISRAEL AND THE UNITED STATES

Aryeh Kidron, The Ohio State University¹

The use of business games in management training is now widely accepted. As of 1960, over 100 business schools in the U.S. were using games as part of their programs [3, p. 11], and their use has continued to expand. The games vary in size, area, degree of comprehensiveness and complexity, but all of them are based on accepted decision-making techniques, and most are played in a competitive environment in accord with the values of the American- economic system [8, p.20].

Despite this widespread usage, business games are still in need of reassuring evidence concerning their effectiveness in training. Schriesheim and Schriesheim, in a review of the published literature of gaming effectiveness, point out that none of the ten most commonly made claims about business games has sufficient empirical support [12, p. 25]. Thus, it seems that business-games usage is supported only by “expert opinions,” and their strong face validity.

The lack of empirical evidence did not discourage educators and trainers in other countries from importing this new-training device. Games are used in management-training programs in Europe and Israel both in MBA programs and training within industry. Most of the games are based on the basic format imported from the U.S., implicitly accepting the techniques and methods of management inherent in the framework of the American system.

The transferability of American-management techniques to other countries and cultures has been questioned by several writers. McCann, for example, pointed out that in Latin America management is considered an art rather than a “science” [10, p. 150]. While scientific methods “meshes nicely with cultural attitudes that encourage an analytical approach to all types of decision-making activities,” Latin American managers tend to take decisions spontaneously, with passion that sometimes opposes logic. Gonzales and McMillan [9, p. 34] concluded that management philosophies are highly culture bound; and Oberg [13, p. 130] has argued that the skills that lead to managerial success in the U.S. may not be the skills that lead to managerial success in other countries.

More specifically, Myers (11, p. 268] examined the exportability of the American system of industrial relations. He pointed out that management approaches in dealing with trade unions are less applicable because the nature of the American unions is different from that of unions in other countries.

¹ Correspondence should be addressed to Aryeh Kidron, College of Administrative Science, The Ohio State University, 1775 College Road, Columbus, Ohio 43210.

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Farmer and Richman [6, pp. 29-33] in their approach to a general theory discuss the external constraints on the enterprise and its management and group them into four categories: Education-Cultural variables include the literary level, specialized vocational training, higher education, management-development programs, and the educational match with requirements. Sociological-Cultural variables are attitudinal variables toward various aspects of managerial and organizational processes. Political and Legal variables include the legal “rules of the game,” military and defense policy, foreign policy, the degree of political stability, the political organization and flexibility of law and legal changes. The fourth category applies to the Economic variables: general economic framework, the central banking system, the fiscal policy, the degree of economic stability, the organization of capital markets, the market size, and social overhead capital and external economies. To evaluate the managerial effectiveness in any country, Farmer and Richman argue, one should take into consideration all the above factors. For judging relative effectiveness of managers in different countries, they also have proposed a tentative ranking for the individual factors discussed above.

The Farmer-Richman model presents a comprehensive integration of the external variables that affect the managerial process. The characteristics of the Israeli environment will be evaluated along those variables and compared to the American system. The discussion will focus on the last two categories mainly because differences between the U.S. and Israel in those categories can be linked to the differential use of business games in the process of management development.

In Israel, business games were introduced only recently into the process of management training. Games are used both in the two graduate schools of business administration in Jerusalem and Tel-Aviv and by government sponsored training. While the arguments for using the games are generally the same as in the U.S. [12, p. 28], they are used to introduce the students to the unique realities of Israel’s management environment.

The following is a descriptive discussion of a game used in the Graduate School of Business Administration in Tel-Aviv University. The basic Carnegie-Tech game [1] is used as the game’s framework, but several modifications were made to adapt it to the peculiarities of the Israeli environment [14].

Relevant legal rules of the game: Basically, the American and Israeli systems, as far as the business community is concerned, are similar; however, the size of the Israeli economy is considerably smaller, and consequently the existence of monopolies is tolerated. In fact, several monopolies, mainly in the area of transportation, are held by the state. In the use of the game, monopolistic associations are allowed within the existing Law of Commercial Limitations (which is

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similar in spirit but more tolerant in degree of enforcement than the Taft-Hartley Act). Another variable relevant to this category is the form and structure of Israel's labor law. According to the agreement with the Histadrut, Israel's largest and most influential labor union, a worker who works for 6 months receives tenure. Firing is an extremely difficult process in the Israeli firm and can usually be accomplished only after long and tedious negotiation with the union. Thus, most managers try to avoid it by more stringent selection procedures, especially because large sums are usually paid as compensation to the dismissed worker.

In the game, firing procedures were established to be congruent with the process outlined above. The union is represented by students of the Labor Studies department in the University. This department is supported by the Histadrut and most of its graduates are expected to work there. Obviously, it is in their interest to avoid firing of workers; several strikes have resulted due to termination issues. Thus, game-manpower executives are confronted with a hostile and uncooperative union wherever this question is brought up. The competing firms often have to pay severance compensation and often the economic justification of the firing, in view of these payments, is seriously questioned.

Defense and military policy: obviously the deterrent industry (modeled in the Carnegie-Tech game) is not related directly to defense and military policies in Israel. The military situation affects, however, all the industries in Israel in terms of manpower and export-import problems. During the game, constraints in the form of calling up key people from the firm to a 30 day military service, was introduced into the game. The firms thus have to cope with problems resulting from the absence of technical employees. Another variable which was introduced is the sudden "blockade" of the Red Sea waterway and the resulting scarcity of certain raw materials. The steep rise in costs as a result of this event was a real life situation which is now confronted by game participants.

Political and general economic framework: The socio-ideological processes in Israel's short history and the cultural variables which characterize the society have created a highly differentiated political structure. This structure affects not only politics in Israel, [5, pp. 277-282] but also the economic life. Political criteria rather than rational and economic considerations are often the basis of decisions. As a result, objective measures of efficiency are pushed aside, and the possible political outcomes are the basis of evaluation. Although this may not be a universal phenomena in Israel, managerial success depends to a large degree on political loyalties and affiliations.

It seems that these characteristics shaped the formal structure of Israel's economy, and it is more centralized than in the U.S. The dominant values are of achievement of societal goals over individual or organizational objectives. The ideological emphasis, on a left- right continuum, is on social welfare together with strong commitment

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to national objectives. The government is involved, actively, in the planning, implementation and evaluation of the economic development of the country. Thus decisions which are usually taken on the micro- level in the U.S. become a matter of governmental decision in Israel. In negotiations over wage policies that take place between the Histadrut, and the Association of Manufacturers (which represent over 80% of the private sector), the government is an equal partner, both as a moderator and as an implementator of the policies.

The politization of the economic process and the centralization of the economic structure are reflected to a great degree in the decision processes in business firms in Israel. It is difficult, however, to incorporate such variables into a game. However, while the limitations of a game itself as a simulation include the impossibility of integration of cultural and macro-structural variables, such variables can be incorporated into the administration of the game.

Thus, one alternative approach to this problem is extending the composition of the Board of Directors used in game play. The members of the Board, similar to use of the Carnegie Tech Game in the U.S., can be businessmen from the nearby community. One difference, however, can be both in the membership and the use of the Board.

The centralization of the economic structure and the intense interaction among the business community, the labor union, and the government opened the possibility to draw board members from all the three bodies. The geographical concentration of the business establishment around the large urban centers, especially around the Tel-Aviv metropolitan area, enabled the Graduate School to invite central figures from all three bodies. These people affect and reflect their respective organizations policies and their influence is beyond the urban center of Tel-Aviv but rather on national scale.

The directors are divided in such a fashion that they represent the whole spectrum of the economic structure and act not only in their formal role, but also as links to the environment they represented. Thus, students are urged by the school and encouraged by the board members to seek advice and to participate actively in the organizations from which the directors are derived. In each firm, each participant can see and be involved in decisions both in his respective role in the game and in organizations that act in the real environment.

The effects of this form of participation by prominent members of Israel's economic community go beyond the results of the game. By knowing central figures, students are socialized into the roles and processes that they are expected to perform in the future. Not only that, but in a society where knowing the "right" people is extremely useful [4, p. 301], this early mutual familiarization with names and personalities is indeed valuable.

The interaction with executives from the upper echelon of the Israeli economy enables the students to perceive the fine points that are impossible to communicate in a classroom environment. The experience

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is both a learning process and an experiential involvement in the real world.

Capital Markets: While, in the U.S., most banking is performed by commercial banks, in Israel, as a result of national policy, the government offers capital for investment. The Law of Capital Investment gives low interest loans to firms who build plants in the so-called development areas and/or to firms who engage in large-scale export activities. The firms enjoy lower rates of income tax, almost free real estate, and government sponsored training.

The economic results of these policies are often less than successful, but the fact remains that manufacturing firms in Israel face, and are obviously affected, by these policies [7, pp. 6-20] . In the game, the firms could choose to build new plants or to expand their export in accord with the Law's requirement. In the case of new plants, they had to negotiate with government officials after submitting detailed plans for the expansion, and to receive approval and eligibility for the special status. They had to face, however, possible shortages of skilled labor, higher maintenance costs, and higher transportation costs. These variables were introduced in the management of the game.

Economic stability: The high rate of inflation in Israel (an annual average rate of 40%) is an additional unfortunate factor that the Israeli manager has to face. In the game the rising costs were introduced both in the form of rising raw materials prices and In a form of labor demands for a "cost of living bonus," which were raised after the signature of the labor contracts.

Summary

Crawford has raised the question whether it is possible to introduce the individual, the process of training, both to structural dimensions and raw environment. Obviously, "games should be used both to study formal management principles and concepts and as an opportunity to use these concepts in a variety of experiences" [2, p. 790].

It is important to recognize the fact that business environments and the experiences they offer vary from country to country. The basic framework of the business game should be presented as a form of experiential learning but the unique variables of the economic and cultural are to be introduced. Since business games are used as a linking pin between the structured knowledge of the student and the environment, the success of games depends on the degree to which they succeed to simulate the processes in which the student is expected to perform. In this paper, an example of a possible framework was presented where variables characterizing the Israeli economy were added to create from an American Game a unique Israeli experience.

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