BorgWarner

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Case Study

How BorgWarner transformed itself from debt-bound to profit-laden with ProfitAbility

When BorgWarner staged a leveraged buyout in 1987, it assumed a hefty debt of $4.2 billion. A public offering of company stock offered some relief, but the lingering debt hangover pushed business unit managers to focus laser-like on fiscal responsibility and good cash flow. “We surveyed employees to learn what they needed most. They told us—overwhelmingly—that they wanted more financial expertise,” recalls Skip Cline, who, at the time, was the automotive group’s controller. (Today he’s the VP of acquisition coordination and special projects.) “We had to focus on cash flow and we needed to train people.”

So BorgWarner engaged a consulting company to test the available educational tools. “We wanted something that was visual and understandable, something that was proven, with no real element of chance,” explains Cline, adding that the visiting trainer would naturally have to be a seasoned professional. The search company returned with its best pick: Corporate ProfitAbility. Today, twelve years later, with over 50 ProfitAbility programmes under its belt and more than 900 employees trained, BorgWarner is in an excellent position to offer a testimonial.

Although Nigel Downing (co-founder and Director) ran most of the company’s training sessions, these days the controllers of the business units lead much of the training—and they do a bang-up job. In fact, they’re required to teach up to two programmes a year as part of their performance review and the company’s overall succession plan. Skip Cline now teaches several per year, to keep fresh and to discover new ways to enhance the learning environment.

So far they’ve implemented ProfitAbility on three continents in six languages—English, German, Hungarian, Chinese, Korean and Japanese—and interest in the simulations continues to grow. (The company’s stock price quadrupled since they started running the Corporate ProfitAbility business simulation. Coincidence? Not likely.)

> “The teams have $100 to invest in one of the other companies. They just can’t invest in their own,” explains Cline. “It’s interesting; they always seem to agree with our (the controllers’) assessment and pick the best, most valuable company we’d invest in. They’re obviously learning how to value a company as a whole, which is very encouraging.”
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> **Skip Cline**

Corporate ProfitAbility covers everything BorgWarner needs and then some. Employees learn how business finances really work, the importance (and cost) of cash, how strategic direction affects daily operations, and what they can do to move their numbers in the right direction. “We’ve used the standard simulation for about seven years and more recently we BorgWarner-ised it,” notes Cline, explaining that the customised module teaches the company’s specific success drivers—notably economic value, which drives the bonus plan. Participants learn the components of revenue and costs and what they can do to influence them. They see the difference between short-term spending and long-term investing and how to balance the two.

Through years of running the business simulation, BorgWarner has developed some best practices. The controllers discovered, for example, that they could easily run it at every organisational level, so long as players work in different units and have similar levels of financial knowledge. (It’s even easier for small- and medium-sized companies to stage an excellent learning environment.) “The cross-business approach gets different types of people mixing it up and revving up the play,” says Cline. “The simulations can get cutthroat, but people walk away with ideas they can readily take back to their jobs.”

Those takeaways are plentiful and are limited only by the creativity of the instructor. At the end of sessions, the controller leads participants through a few exercises—some suggested by the simulation’s designers, others completely home-grown. One—called ‘My Job’—encourages participants to reflect on their simulation experience and brainstorm new ways they can influence economic value: the critical number. Those scribblings ultimately become ‘personal action plans’.

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