

How to apply wargaming to win business victories

Humans have an irresistible urge to play. My trigger for writing this blog, however, was not some sports game. The trigger was the fact that the US in February 2016 announced to quadruple its budget for defending the northeastern flank of the NATO territory. This spending focuses on the three Baltic states that after almost three decades of independence do not wish to be reintegrated into Russia, trying to avoid what happened to the Crimea and parts of Georgia and Eastern Ukraine.

The oddly named wargames

Whatever you may think and feel about the military, it is hard to deny that military challenges have resulted in innovations that also had great civilian applications. Think of RADAR: would you cross the sea on your sailing boat without it? Another example is the computer. In the Second World War, the decryption of the Axis powers' radio communication was a priority for the Allied forces. The Allies commissioned some of their best and the brightest minds to the task. The involved scientists including geniuses like Alan M. Turing; not the type of adversary I would fancy to play against in a battle of wits. The result was Colossus; quintessentially the first computer. Military endeavors also resulted in intangible innovations. One of those preceded RADAR. As of 1824, the (Prussian) military started structured wargaming to prepare for and rehearse battle even before a shot was fired.

Wargames are oddly named. Wargames neither concern real war nor are they frivolous games. The 2016 US decision to strengthen the northeastern flank of NATO was reportedly based on the outcome of such a wargame. Apparently, wargames, even when they are called games, are instruments to inform some pretty serious decision-making. As with RADAR and Colossus, the value of wargaming has since also been recognized outside the military. Wargaming has indeed even found its way to the world of business. This business application I will briefly introduce below.

How to run a business war (in a nutshell)

In a nutshell, a common business war game as I usually run it consists of four steps¹. Step one is the competitive intelligence brief. A company's competitive intelligence staff summarizes all relevant facts known about the adversary the business focuses on in the game it is going to play.

In a second step parallel, concurrent teams are given the task of playing the adversary's top team. Usually there is a marketing team, a sales team and a supply chain team. Each of these teams now has to come up with the adversary's business decisions in their field of expertise, based on the intelligence brief they have received.

As an intermediate step the adversary's most likely and most dangerous course of action are reported back per functional discipline. These courses of action are evaluated in a plenary session. In a third step it is assumed that the courses of action for our adversary as have been made up in the game will become reality soon.

Based on this vividly generated knowledge, the company team next will stress-test their own company's planned strategies and tactics. This step usually takes place in functional, concurrently working, parallel teams as well. Subsequently the key changes to the company's strategies that may seem needed in the light of the team's enriched competitive strategic insights are again defined with all participants together. Finally, any modified choices (budgets, resource allocations, de-prioritizations...) are integrated in the company's existing business strategic planning cycle.

When to play a wargame?

As with any strategic decision-support tool, it is the decision to be taken that determines the tool to be applied, not vice versa. Having designed and played about four dozen war games on four continents, I have seen business wargames most successfully being applied at two particular occasions:

- launch of a competitor initiative (new product launch, M&A transaction, market entry...), i.e. to stress-test and improve a company's current strategies.
- launch of a strategic initiative by the company that orders a game, assessing likely competitive responses and in doing so upgrading the company's plans.

Handle with care

Wargaming, however, is a delicate instrument. A wargame is usually played in a high-pressure setting. Prior beliefs of the players of the game rarely change, regardless of contradictory evidence that may come up during the game. Views that do emerge in a wargame easily become (perceived) facts. In the course of the game, many big ego personalities commit to choices on the spot. Decisions taken in a wargame will not easily be revisited as the participants have all vividly experienced their making, in their minds giving them a disproportional weight compared to other decisions or facts. So far so good, provided the wargame outcome is correct. This means that when playing a wargame, it should be designed and facilitated professionally to avoid the traps discussed above.

Fortunately, several professional and experienced service companies offer wargaming facilitation. As with many things military, handle wargames with care to get the best results. And, as a final advice, do not try to use or apply this stuff thoughtlessly at home!

The author wishes to acknowledge wargaming thought-leader Dr. Peter Perla for his stimulating inputs to this article.

Note

- .1. Elgersma, E. (2017), The Strategic Analysis Cycle, Toolbook, LID Publishing, London, pp. 90-127.