

How wargames contribute to winning strategies

Wargames have extensively proven their value in the military. That is old news. This paper's new news is that wargames can be used as instruments of strategy design in business as well. Wargames can be applied to create innovative and powerful insights that other tools would never have generated. In business as in the military the best strategies are built on such insights.

Such insight-based strategies are aimed to so demoralize the adversary that they lose their willingness to compete or fight. These strategies make the adversary embarrassedly leave the battlefield, never to return. This is equally true whether the battlefield is your market or a disputed territory. These are the strategies we aim for in business. These are also the strategies we want to deny our adversaries to ever deploy successfully against us. This paper will show how to define and develop these strategies, using wargames as tool.

Business management, staff and investors dislike unpredictability

Unpredictability may well rank among the most hated phenomena in business. Not knowing what is coming your way is awkward. Moreover, whenever investors show their dislike of a business, they often cite poor predictability of earnings as a reason. An unpredictable business may well be defined as a business that is too often struck by unpleasant surprises. Nasty surprises for example result in profit warnings or in other unwelcome developments.

Paradoxically, poor business performance predictability tends to have a predictable root cause. Poor performance is all too often the result of unpleasant surprises. These surprises tend to have two causes. The first cause of a surprise is home-made. Surprises for example originate from accounting mistakes, a factory fire or even a fraud. Normally administrative procedures are in place to mitigate this sort of internal surprise risks. Internal sources of poor business performance are not in scope here.

Alternatively, a surprise may be imposed onto your unprepared business by the world outside your company. Competitor moves often come as bad surprises. Timely identification and warning of surprises caused by the world around the business is normally the responsibility of a market intelligence department. Research, however, shows that most companies do not sufficiently invest in creating and maintaining their market intelligence capabilities¹. The above leads to two observations:

- .i. many companies do not pro-actively and structurally monitor their business environment to enable the timely identification of upcoming unpleasant external surprises. Companies failing to do so cannot prevent surprises from having a negative impact. In other words: many companies do not monitor their external developments and hence are in for surprises. The implication is that basing your strategy on creating surprises that negatively affect your competitors is likely to be successful.

- .ii. a too frequent occurrence of unpleasant surprises hurts managers' and investors' confidence in a business and in parallel hurts the holy grail of successful businesses: a strong staff morale. So, demoralization of an adversary through regular punches with surprises constitutes a high-impact competitive strategy.

Hence your strategy should consist both of timely identification of external surprise traps that others set for you as well as concurrently dealing unpleasant surprises to your adversaries. This apparent relevance of surprises justifies to study how surprises relate to strategy. What can history tell us about how to pre-empt as well as launch a good surprise? This paper now first touches on surprises as such and subsequently elucidates how wargames can be instrumental in the pre-empting or delivering of surprises.

Surprises can never be entirely prevented

The moment I started looking into surprise a sobering observation immediately presented itself. No matter how sophisticated a company's RADAR to identify surprises before they happen, surprises can never be entirely ruled out. Consider former Israeli prime minister Yitzhak Rabin. In his time, he had well-equipped intelligence assets at his disposal. Still he acknowledged the inevitability of the occasional surprise in a quote he uttered after he faced the surprise attack of the 1973 Yom Kippur war²:

"there is not and has never been a way to prevent the possibility of surprise"

So, surprises can never entirely be prevented, even though in business your well-funded market intelligence department can timely discover many of them.

In surprises, two actors play a role. You as the party that surprises and your adversary that is being surprised. The aim of your competitive strategy normally is to continuously pre-empt the adversary's surprising your company and in parallel deliver strategic surprise to embarrass and demoralize them. Inevitably, the next question now presents itself. What if anything constitutes your good surprise?

Attributes of a good surprise are secrecy, imagination and innovation

The first requirement for a good surprise is that the adversary for whom you intend the surprise notices the surprise, but only when it is too late. Hence, to prevent your adversary to get foreknowledge, as so often in strategy, secrecy is an essential attribute.

A second attribute of surprise is originality. A surprise should be of such a nature that your adversary could not imagine you would either be able or be willing to deliver it. This leads to a third attribute of a good surprise. In your surprise an innovative element is essential.

The best surprises in history have been those where the adversary had never imagined the perpetrator to be able to deliver his surprise at that time and of that nature. Consider the ancient warlord Hannibal. Hannibal's successful Italian campaign (218-217 B.C.) offers a good example of a successful surprise move³.

In his campaign he attacked an unprepared enemy at an unanticipated location by crossing the Alps from North to South with an innovative instrument of mobility: elephants. Nobody in Rome anticipated either Hannibal or his elephants to be able to cross mountains, let alone did they anticipate their capability or their intent to cross the Alps³:

"Normal soldiers always prefer the known to the unknown. Hannibal was an abnormal general and hence, like other Great Captains, chose to face the most hazardous conditions rather than the certainty of meeting his opponents in a position of their own choosing".

What was true in ancient Rome still holds true today, as the 2017 quote below elucidates⁴. The party that upends the rules capitalizes on the power of surprise to win:

"War, of course, is often won by upending the rules."

Surprises seem to capitalize on the golden rule that people cannot be deceived; they can only deceive themselves. If people only accept their own beliefs on what will happen next, they will refuse to believe that other possible futures exist and may emerge. Hence failing to correctly imagine what will happen next, they later must inevitably handle the nasty surprise for which they are not prepared.

A nasty surprise delivered by a smart enemy does not by definition mean that all is lost, but it does generally put the advantage at the side of the surprising party, even when the odds were initially not in his favor. For example, at April 6, 1862 the Union armies almost lost the decisive US Civil War battle at Shiloh after having been overwhelmed by an early morning surprise attack of the Confederates. It took a commander of the skills of Ulysses S. Grant to save that day for the Union⁵.

Surprises may happen when cues of what comes are already present

Take Adolf Hitler's infamous book Mein Kampf. The book was first published 1925/26. Hitler's intent was 100% "Open Source Intelligence". It pointed forward to:

- the rearmament of Germany regardless of the Versailles 1918 Treaty.
- the need for war against France.
- the need for an alliance with Italy.
- the need for a Russian campaign.
- the hatred and planned persecution of the Jewish people in Europe.

It was all there. Everyone could see it... By 1939, over 500,000 copies of Mein Kampf had even reportedly been sold in English translation. Still, Hitler's attacks and strategies were perceived as surprises. For good order: I realize that I say this with the benefit of hindsight.

Back to the 1930s. The allied politicians in that era surely were aware of the gradual return of the strength of Hitler's armed forces. They, however, refused to accept the fact that Hitler meant what he wrote. That it wasn't bluff. That Germany, after the devastating loss of life in the Great War was by 1939 indeed prepared to risk (and as history would show: waste) another generation of its young men. Hitler's neighbors just couldn't **imagine** it. Due to failing to grasp Hitler's intent by lacking the imagination to do so, the German armed attacks did still largely come as a surprise.

What is true for the fact that Hitler did attack is just as true for the innovative, surprise nature of the attacks itself. The deployment of coordinated attacks of self-propelled artillery with air power, now commonly known as Blitzkrieg, was also perceived as a surprise. As we saw above in the example related to Hannibal, the competitive edge was partly based on a step change in mobility.

The architect of the Blitzkrieg was General Heinz Guderian. Guderian was a German Tank Division commander in the Polish, French and Russian Campaigns. His Blitzkrieg initiatives overwhelmed the various allied armies by surprise, even when in the French campaign, the allies had more tanks. The German forces – especially their initially superior air force – stroke and hit its enemies with lightning speed. It did so in all three campaigns, consistently repeating its surprise.

In contrast to what one would expect, the Blitzkrieg doctrine wasn't the most tightly held secret of the German armed forces. In 1937, so two years before the Polish campaign started, Guderian published the book "Achtung Panzer!"⁶. It is inconceivable that the allied high command had not picked up the book. Judging by the success of the Blitzkrieg campaigns it failed, however, to act upon it.

The key word Blitz (i.e. lightning) has an element of the inevitability of surprise in it. This word has forever framed these successful German campaigns. If only the various allied high commands had **imagined** that the German high command would indeed turn Guderian's innovative doctrine into action...

A paradox: the best strategic surprises are repeatable

The Blitz example as we saw seems to suggest a paradox. It seems that the its surprises could be repeated in three subsequent, different theatres of war. How can you repeat an innovative, imaginative and secretive move? By repeating it, the originality by definition is lost, or so you would expect. Some historic evidence that I will show below, however, tends to support a different conclusion. The examples that I show below tend to suggest that strategies that at the time of execution resulted in strategic surprises can later again be executed successfully. Strangest of all, the second execution will again be surprising the adversary. History as so often shows that mankind does not always learn from history...

For the first example we must go to the Far East. In 1904 Japan started a war against Russia. Based on correct intelligence Japan perceived that Russia aimed to further expand its territory in the Far East. The Japanese decided not to await Czarist Russian imperial designs. Hence, they did not await Russian armies landing on Japanese beaches. The London *Times* commented⁷:

"The Japanese Navy has opened the war by an act of daring which is destined to take a place of honor in naval annals. On Monday night February 8th, Japanese torpedo-boats surprised the Russian Squadron in the outer roadstead at Port Arthur and delivered their attack with such good effect that two of the best battleships in the Russian Squadron and a cruiser were disabled".

Replace Feb. 8, 1904 with Dec. 7, 1941 and Port Arthur by Pearl Harbor. A remarkable pattern emerges. In both years, Japan felt threatened. In 1904, Japan anticipated all-too-real Russian attack plans. In 1941 it was pushed into almost colonial submission by a severe economic boycott that strangled its economy. The common features, admittedly with the benefit of hindsight, are evident. Still, the 1941 strategic surprise attack was as devastating if not more devastating than the 1904 one. The odds in both cases were strongly against Japan. The outcome, however, was different. The 1904 victory established Japan once and for all as the only Asian power that could defeat Western colonial powers. It gave a broader rise to a tremendous surge in Asian self-esteem, not only in Japan but also for example in the Dutch East-Indies. The 1941 Pearl Harbor surprise, however, was militarily successful but triggered a war that Japan could not win.

For the second example we return to the Blitzkrieg. The Blitzkrieg surprise worked with devastating consequences in Poland in 1939 and in France in 1940 and again in the Russian campaign of 1941. Just as the naval power Japan could twice deliver an innovative, surprising and tremendously effective naval surprise attack, so did almost land-locked Germany three times in a row deliver the same style cavalry-air force-infantry repeatable surprise.

We have now seen the evidence that the best surprises are so effective as to be repeatable, regardless of any intelligence efforts. Hence the question, what then makes such bad surprises so difficult to predict?

Imagining the future is a synthetic process, not an analysis

Moreover, surprises did not only happen in distant history. Now consider being the government of the world's largest economy. Consider the world's largest and best equipped intelligence community. Subsequently, consider Sept 11 of 2001. 9/11, is a classic example of a surprise attack. Before the attacks on 9/11 struck, the following facts were available:

- Al Queda had publicly stated that the West, especially the US, was a preferred target.
- Al Queda had the competencies to launch and execute terrorist attacks. Evidence for this included the attack on the USS Cole in the port of Aden that took place Oct 12, 2000, for which Al Queda claimed responsibility.
- Al Queda had the proclaimed intent to hit hard to make their point. Even though their rhetoric was strong, there was after the bombings of US embassies in Africa in the late 1990s no question that the Al Queda strategy was to turn rhetoric into action.

- Passenger airplanes had traditionally been both vulnerable and highly visible targets of terrorist groups. In the 1970s several aircraft hijackings occurred, amongst others carried out by the also Middle East-based terrorist group PLO.
- Suicide attacks have in history been occurring in multiple conflicts. Especially in the Israeli-Palestinian conflict in the 1990s militants had deployed this instrument of violence regularly. In other words, it was a known and applied instrument in Middle East-based terrorist groups.
- Suicide attacks deploying aircraft, the so-called kamikaze pilots, were a known Japanese battle tactic during World War II – the only tactic the US Navy had not imagined in advance in its preparatory wargames. Kamikaze flights were indeed a repeatable surprise in the 9/11 attacks.

The above list ignores the soft and indirect evidence that students with a Middle East background at a flying school in the US were not interested to learn how to land a wide-body aircraft, only how to fly it...

Al Queda succeeded in delivering a surprise by capitalizing on all three attributes of an effective surprise. It secretly innovated to create an act that was hard to imagine. Al Queda created a new class of terror, combining features of existing terror instruments into a new proposition of violence:

- recruit operators that are willing to do suicide attacks (known tactic).
- train these operators to be pilots (known tactic in WW II in Japan).
- hijack civil aircraft (known tactic in PLO).
- take over control of the planes by hijackers to operate them in kamikaze mode as flying improvised explosive devices (innovation).

Later the US intelligence community has been blamed for not having connected the dots of this innovation in advance. Analysts, however, selected for their *analytic* capabilities, may not always be best suited best for *imagining* innovations⁸:

"intelligence [...] can prevent surprise (or at least reduce the risk, rate and severity of surprise) only if it can anticipate the innovative, asymmetric, and often devious gambits an adversary may employ. This requires a very wide span of peripheral vision that can imagine not just conventional contingencies but also plausible unprecedented ones as well – hypotheses and alternative scenarios. This breadth of imagination is a synthetic rather than an analytic function. It is what enables 'to ask the right questions' in the first place".

It seems that in the case of 9/11 but also in the case of the other above examples show that the surprises didn't occur because early warning signals weren't available. They happened because the warning signals were not accepted for what they told or because the signals fell between the cracks. This resulted in the

surprises itself that had to be faced at great cost. In conclusion: surprises emerged not because there were no signals or because the signals were entirely missed but because the signals were misinterpreted, ignored or lost in the noise. The signals for sure do not seem to have been fed into a process of creating the surprises that an adversary could deliver going forward rather than an analysis of the moves the adversary had so far take. In this type of creation processes, wargames come in.

The above learnings also apply to business. A business strategy department should not only want to look for surprises with enough resources but especially it should want to look for surprises where nobody else in the organization expects them. After all, imaginativeness and innovation are the key attributes of surprise. When the strategic analyst sees a signal, he should read it correctly and not only accept it when it confirms his current views.

Strategy departments are therefore well advised to deploy special tools like wargames with multi-disciplinary participants to realize a synthesizing and creative mode of thinking to stimulate the imagination, rather than a purely deductive or inductive logical reasoning. Strategists should try to innovate by taking a xenocentric view of the adversary. For this, the well-tested red teaming methodology perfected in wargaming design is highly suitable. When you don't want to be surprised, you'd better check out all our ethnocentric biases at the door when you start a wargame – and ensure you think, feel and reason like the adversary, rather than like yourself while just stepping in their shoes.

The holy grail to predict surprises is to take the adversary's perspective

It is not only in the world of the military but also in the world of business that competitors may deliver surprises through fundamentally changing operating models or procedures. Such surprises may strongly affect a firm's abilities to sustainably deliver shareholder value. Jack Welch at that time the revered CEO of industrial giant GE, already addressed this phenomenon when during the year-2000 internet bubble, investors started to question GE's readiness for the new internet age⁹.

"Seeing reality today means accepting the fact that e-Business is here. It's not coming. It's not the thing of the future. It's here. [...] One cannot be tentative about this. Excuses like channel conflict, or "marketing and sales aren't ready," or "the customers aren't prepared" cannot be allowed to divert or paralyze the offensive. [...] Tentativeness in action can mean being cut out of markets, perhaps not by traditional competitors but by companies never heard of 24 months ago".

In other words, surprise prevention consists of permanently watching for your known but also for your unknown adversaries. Watching alone as was pointed out above, is not enough. The aim should be both to know your competitor's competencies, to read their intent and to correctly forecast their moves to pre-empt surprises.

Your known adversaries of course need to be monitored in detail. Your established competitors usually have strategies that are quite comparable with yours. These are the devils that you must know. Your unknown or better unfamiliar adversaries are less easy to identify and monitor. Doing so requires more of your imagination.

In summary, your market intelligence analysts require to build or strengthen two competencies. Firstly, they need to develop the competence to truly imagine the perspective of your adversary. Secondly, they need to develop the creativity – and use wargames to do so - to lead the game of competitive surprise and define a strategy of repeatable surprises until your competitor's morale has sunk so low that they get demoralized and leave the market and without a further fight!

Notes

- .1. M-Brain (and formerly its predecessor GIA) frequently publishes reviews on the degree of professionalism of market intelligence in companies. Most companies over time score mediocre, even when these companies have already a connection with M-Brain, so the questionnaire results as such are inevitably biased by a selection bias. The average market intelligence capability in companies (monitored in the questionnaire and not monitored) is likely to be even lower than that reported, as those companies to whom M-Brain is not connected will unlikely have better average capabilities than those to whom M-Brain is being connected.
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- .3. Liddell Hart, B.H. [1991], *Strategy*, 2nd revised edition, Meridian, London, pp. 24-26.
- .4. Clark, C. [2017], *US Must Boost War Games, Data Sharing With Allies*: Defense Intelligence Agency, Lt. Gen. Vincent Steward (US Marines), published June 7, visited June 8, 2017 at 'Breaking Defense'.
- .5. Keegan, J. [1988], *The mask of command*, Penguin Books, New York, pp. 208-229.
- .6. Guderian, H. [1999], *Achtung Panzer!*, English translation based on 1937 German original, Cassell Military Paperbacks, London.
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- .8. *Smith, T.J. [2008], Predictive warning: teams, networks and scientific method, In: R.Z. George, J.B. Bruce (Editors), Analyzing Intelligence – origins, obstacles, and innovations, Georgetown University Press, Washington DC, p. 271.*
- .9. Welch, J. [2000], *Reality in the internet world means moving at a fanatical, maniacal pace everywhere in GE!*, speech presented at the GEC 2000 Annual Meeting, Richmond, Virginia, April 26, 2000.