

What business can learn from a study on the future of war

The future of war is more predictable than it looks

The ultimate objective of any strategist is to look clearer into the future than her neighbor. Doing so should enable her to choose the smarter moves and to better allocate her resources than her adversaries – in the wake realizing wins in markets or on battlefields.

You can thus imagine my joy when I discovered Sir Lawrence Freedman's newest book had been called: *The Future of War*. What more do you need as a strategist than get an expert's view on what war will look like in the future? War, after all, has so often been a useful metaphor for business competition. War and business tend to be driven by the same all too human drivers for power and recognition. They so connect to what defines the human condition. Hence, *The Future of War* may inform on the future of business.

Moreover, Freedman is the expert's expert. He is a retired professor at King's College in London and among others author of the seminal work *Strategy - a history*. In March 2018, Freedman promoted his *The Future of War* book by giving a guest lecture at Leyden University. His lecture offered me insights that helped me sharpen my mind for future business strategy design. The best way for me to embrace insights is to write about them, hence this reflection.

War is always a means to an end

Let us start simple. War is always a means to an end. This view has earlier been taken by Clausewitz: war is the continuation of politics with other means. According to Freedman, war has almost universally had a relatively straightforward aim and here I quote from my notes:

No matter how futuristic the equipment with which war today is being waged, everything in war goes as long as it makes life miserable for the adversary and encourages them to leave the territory they occupy.

For a business context, this quote applies when replacing territory with market position. Freedman's insight discussed here is that futuristic equipment is not needed to achieve misery. Most of today's shooting wars or smoldering conflicts (think Eastern Ukraine, Congo...) are still fought with artillery and mortars, using technologies that are around for a century or more. In some conflicts (think Syria) modern precision weaponry is used but tragically at times not to avoid the collateral (i.e. civilian) casualties for which these systems had been designed. Rather, precision technology is capitalized upon to inflict maximum misery onto civilians by focused targeting, e.g. through air raids on hospitals. When creating misery is the aim, anything indeed goes. For this, modern equipment is not imperative. Hence the future of war looks remarkably predictable. The future is most of all determined by the intensity of will of the combatant to inflict misery upon his adversary. Foremost this will and secondly the combatant's resources will determine their choice of weaponry. The intent is, as always, leading; the assets and means are secondary.

Price cutting forms the indiscriminate artillery of business war

Let me be the first to admit that there are limits to carelessly drawing analogies between business and the military. A combatant may simply aim to capture a territory for example to gain control over natural resources. This was Saddam Hussein's agenda when he sent Iraq's army to invade and occupy Kuwait in August 1990, in doing so grabbing its oil fields. Here the Kuwaitis had little choice. After their armed forces had been overrun, they had to submit.

In contrast, in free market business, consumers and customers do have a choice. It is fair to assume, however, that rational customers that are offered a choice will buy a product that meets their needs best at the lowest possible price. A competitor in a market where product differentiation is of limited or no relevance to customers will thus grab market territory simply by outgunning the competition with price. Hence, the business equivalent of mortars and artillery is price undercutting. It is an indiscriminate weapon of profit pool destruction, making all other market participants miserable.

To paraphrase Freedman: every price cut that makes life miserable to a competitor and encourages them to leave the market goes. What looks true for the future of military engagements seems equally true for wars in business and trade. No matter how advanced new business models may at times look, when a committed cost-cutter or dumper is your competitor, your future business war may still consist of unsophisticated artillery shelling in the form of deep competitor price cuts coming your market's way.

Innovation is the answer but not to all questions

The natural reflex for any company is to protect its market from debilitating price artillery by developing and selling customer-relevant differentiation. If only things were so simple. My favorite business book, *The Innovator's Dilemma* by Harvard professor Clayton Christensen, covers the very topic of business innovation. Where traditionally markets are split between commoditized and cost-driven on the one hand and differentiated and value-based on the other, Christensen shows that price competition not only affects commodity markets but also plagues differentiated or niche markets.

He postulates that attacks on today's businesses that create a lot of misery tend to originate from strong-willed disruptors that **innovate** with a focus to **undercut** a market's prices. Paradoxically, the most dangerous market weapons they field **underperform** your innovative products in terms of features. Just as a 1940s howitzer in terms of features is no match to a stealth drone equipped with hellfire rockets. The howitzer is clearly less precise in its targeting than the drone can be. It is, however, an extraordinary cheap system compared to the drone. Moreover, it cruelly does the job of delivering misery. Hence it meets the needs of the multitude of customers that had set no higher aims, which probably equates to most warlords. In conclusion: a howitzer is not sophisticated, but it serves a mass market. Operating a drone is for the happy few.

Given its relative clumsiness compared to your advanced product, the low-price business product equivalent of a howitzer operates below your competitive RADAR, focused as you are on your own and your premium-priced peer competitors' sophisticated products. Your customers, however, do notice the howitzer. They do so not the least given its remarkably attractive price whilst still simply doing the job they require it to do. It may not do so as good as does your product, but it certainly does so much cheaper.

Thus, Freedman's inspiring lecture delivered / reinforced the following lessons to me:

- customer needs (in war: creating misery) can be and are still often met in remarkably cheap and unsophisticated ways (in war: using old-fashioned artillery). Most wars of the future may still be fought *economy class*.
- this implies, in line with Christensen's analysis, that customers are indeed always willing to downgrade the functional needs for a product they aim to buy when an alternative product is sufficiently cheaper. Hence: never underestimate the power of price cuts, even when a product is functionally underperforming versus your higher priced option. Many full-service airlines have learned this the hard way by being confronted with low-fare airlines.

- competitor price-based attacks are the ultimate and indiscriminate weapon of profit pool destruction, creating misery up to the moment that you are demoralized, give up the fight and abandon the market territory (in war: nothing beats the shell shock of artillery).
- the future winners in most markets are those parties that innovate their business models to outperform in cost and thus in price competition, as doing the latter alas in most markets remains the way to win. This lesson implicitly assumes that *The Future of War* is a good proxy for *the future of competition* but that's a bet I am happy to take.