

# Introduction to Business Wargaming

## Wargaming Roles for CI Professionals

1. Undertake the research needed to prepare the Competitor Profiles that are a major part of the Pre-Workshop Briefing and Assignment work.
2. Participate as members of the Competitor Teams.
3. Respond during a game to umpire-approved requests by Competitor Teams for specific data.
4. Participate as wargame facilitators (after appropriate training).
5. Prepare the *After Action Report* completed when a wargame ends.

By Jay Kurtz  
KappaWest

## Have You Been In Any Of These Situations?

- Do you feel that the executives in your company don't know how to make effective use of Competitive Intelligence (CI)?
- Has your company been blind-sided by a competitor's strategy, even though it had information that suggested the competitor was capable of implementing it?
- Did your company use CI to develop a strategy to deal with Competitor A, only to find that it backfired because it opened an opportunity for Competitor B?
- Does your company have almost too much competitor information and has it given up trying to determine what it all might mean?
- Did your company develop a plan that won a near-term victory but resulted in a defeat over the longer term?

If you have, consider promoting the idea of a *business wargame* within your company. A wargame could make a major contribution to your company's success by preparing it to deal more effectively with its competitors, markets, and other uncon-

trollable factors. A wargame can also increase significantly the organization's appreciation for the contribution that Competitive Intelligence personnel can make.

## What Is A Business Wargame?

Simply, a business wargame is the adaptation of military wargaming to a business environment: it helps a company with strategic, operational and tactical planning, and execution. A wargame is a role-played simulation of a business situation, usually one that involves a set of teams representing a market or customer, a set of competitors, and a series of other *uncontrollable* factors or entities. It involves a series of *rounds* representing a specific period of time or a phase in a plan. Reflecting reality, all teams act concurrently, each without all the information it would like to have about what its competitors are currently planning or doing, or exactly what is going on among the uncontrollable factors. Only after a round has been completed does each team learn the effects of its decisions and actions when they are melded with those of all the other elements represented in the wargame.

Depending upon the situation a company is facing, conducting a wargame accomplishes several different purposes. For example, it can help convert *data* and *information* about a market, competitors, and other factors into actionable *intelligence* that adds real value to the quality of planning. Once the

**Table 1: Wargame Deliverables**

<b>Hard Deliverables: After Action Report contains</b>
<ul style="list-style-type: none"><li>• Probability impact grid: outlines a series of competitor moves or other relevant events or trends, and the probability that each will occur.</li><li>• Specific recommendations concerning actions to exploit opportunities, block or neutralize competitor moves, or reduce other risks or threats identified by the wargame.</li><li>• A set of contingency plans to deal with less likely, but potentially very significant events or trends.</li><li>• A defined set of critical intelligence gaps.</li><li>• A set of more immediate, near-term tactical lessons learned through the wargame process.</li></ul>
<b>Soft Deliverables: Changes in Participants' Perceptions and Skills</b>
<ul style="list-style-type: none"><li>• Identification of new forms of competition the company is not yet prepared to handle.</li><li>• Increased effectiveness of communications and teamwork among the participants and a breakdown of functional organizational or information silos.</li><li>• Recognizing the need to sacrifice short-term or narrowly focused performance measures to ensure higher-level strategic success.</li><li>• Greater appreciation of the value of competitive intelligence, and the potential contribution of CI professionals.</li><li>• A willingness to conduct aggressive <i>triage</i> within the company, culling less important efforts and investments to properly support more critical ones.</li><li>• An understanding of the need to look at any situation outside in (from the perspectives of the market, customers, competitors, regulators, suppliers and strategic partners), not inside out (from the perspective of the company).</li></ul>

company has a basic plan or a 'Concept of Operation,' a wargame can help test the plan and determine if it is robust enough to succeed in spite of any realistic combination of moves that competitors or other entities could take. It can also help define how the plan could be improved.

A business wargame can educate participants about the future reality of the company's business environment and its key business concepts and principles. It can also help avoid the

dangers of 'steering by the wake,' simply extrapolating past strategic successes into the future.

A wargame can generate an appropriate mix of both *hard* and *soft* deliverables. The hard deliverables from a wargame are usually documented in the *After Action Report* prepared shortly after the wargame's completion. (See wargame deliverables, Table 1). The soft deliverables are reflected in changes in the "hearts and minds" of the participants, such as new insights, knowledge, and skills developed from wargame role-playing.

## Putting It All Together

A business wargaming project is like an iceberg: the obvious part (conducting the game itself) represents only about 10 percent of the total effort involved. The less obvious effort includes the design, development, and follow-up documentation of the wargame. Figure 1 outlines the major steps involved in the preparation and execution of a typical wargame.

Usually, a project is initiated when an executive or senior management sponsor identifies an important question or situation. This sponsor should meet several criteria. For example, he or she must have a strong enough interest in the situation to insist that something be done to deal with it, and enough clout to do so. Of course, he or she must also be satisfied that a business wargame is the best way to address it. CI personnel with relevant experience can provide guidance on whether a wargame is the best approach, or whether a scenario planning session or some other form of planning workshop should be used.

Some of the key factors that suggest a business wargame is likely to be appropriate are:

- The company's business environment is changing.
- The company is facing new forms of competition, or a major new direct competitor, especially one not playing by the traditional rules.
- The strategies that contributed to the company's success in the past are stale and no longer seem to work.
- There is a critical lack of consensus about what the company's new strategic direction should be.
- The company's executive team is complacent, arrogant, or over-confident.
- The company has large amounts of data and information about its markets and competitors, but doesn't seem to know what to do with it.
- The company suffers from silo-ization: different functions or units do not communicate well with each other, or operate in ways that optimize their own performance, but which prejudice the progress of others.

The next step involves a wargame definition and scope meeting during which the sponsor, CI personnel and others define the game's specific purposes and agree on the deliverables needed to satisfy them. They also establish the game's scope by defining:

- The market, customer, or other *battleground* focus.
- Lines of business or products that are addressed.

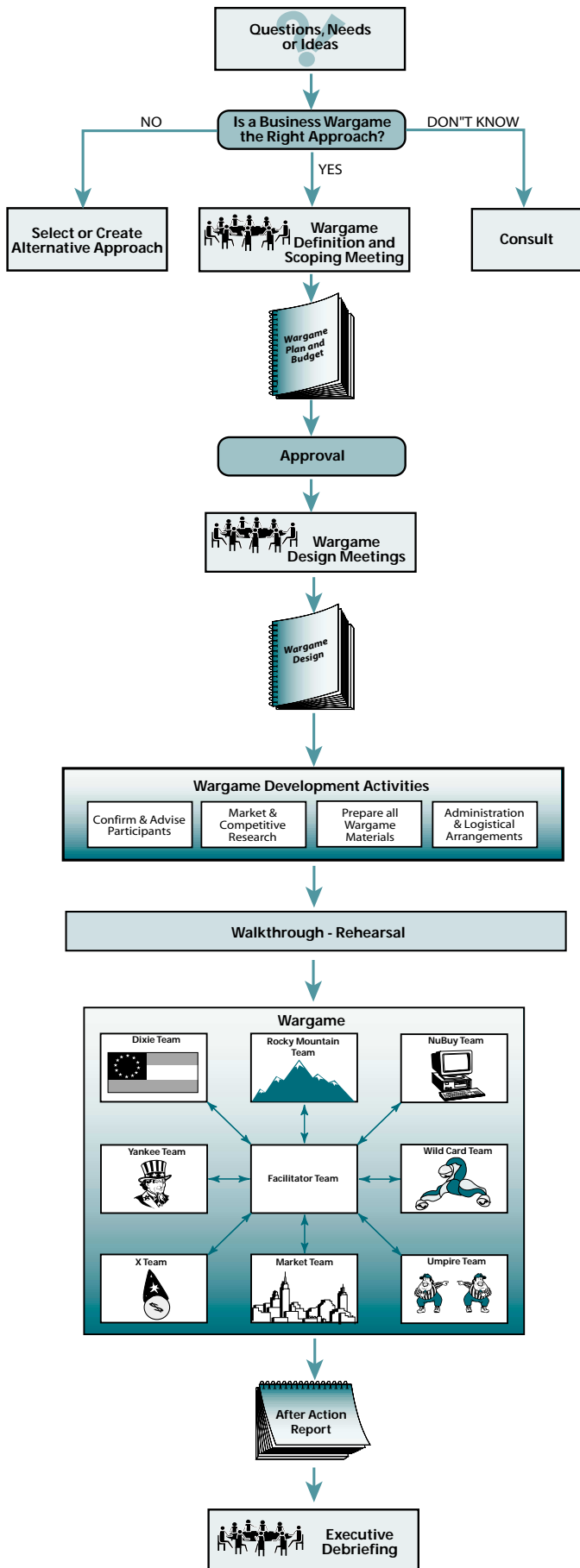


Figure 1: The Steps Involved in the Preparation and Execution of a Typical Wargame

- The time horizon of the wargame, i.e. the period it will cover.
- Competitors and other entities represented.
- Key issues or other uncontrollable factors to be incorporated.

During the same meeting, the schedule for design and development activities can be prepared, follow-up tasks assigned, and a preliminary list of participants prepared. At this point, a detailed plan and budget for the wargame can be readied for review and approval by the sponsor.

After the sponsor approves the wargame's design, the preparation phase begins. It involves the wargame's detailed design, including hardening its format, confirming each team's tasks during each round, and defining the profile contents to be prepared and included in the *pre-wargame briefing*. This step involves several concurrent activities, including:

- Preparing the market, customer, competitor and issue profiles.
- Creating the *pre-wargame briefing and assignment*.
- Organizing all administrative and logistical arrangements.
- Preparing all other materials needed to conduct the wargame, including the *participant guide* and all team workshop assignments.

Whenever it is practical to do so, a half- to one-day *participant pre-wargame briefing* should be conducted for all participants two to three weeks before the wargame. This session can be used to introduce the concepts, processes and tools that will be used during the wargame, increasing the amount of time that can be devoted to team workshops in it. It will also begin getting participants into the spirit of the game, especially those who will be playing the role of competitors.

Once all preparations have been completed, the organizers of the wargame should conduct a rehearsal or *walk-through* to ensure that all processes, templates, tools, etc. work effectively.

## Wargame Teams

A typical business wargame incorporates several types of teams: market, competitor, wild card, X, umpire, and facilitator. A *Market Team* reflects how the company's customers and prospects (including its channels) could react to the moves that the company makes in concert with those of its competitors and the other entities represented in the wargame. This team assigns market share gains or losses by Competitor Teams on a segment-by-segment basis at the end of each round.

Each of the primary *Competitor Teams* represents either the company itself or one of the more significant companies that it expects to face over the game's time period. A *Wild Card Team* represents a potential future competitor, one that does not exist now, but which could realistically enter or change the market within a few years. An *X Team* plays the role of the economy, governments, regulators, interveners, or other entities that affect the market, the company and its competitors.

The *Umpire Team* ensures that all other teams play by the 'Rules of Engagement.' It resolves disputes among competitor



## What Does A Wargame Look Like?

Figure 2 shows the flow of activity in a typical business wargame. In this case, the wargame involves a Market Team, four Competitor Teams (including a “Wild Card”) and an Umpire Team. This wargame requires about three days of intensive effort and assumes that all participants completed a pre-wargame briefing and assignment document two to four weeks before the wargame begins. This document comprehensively introduces the purpose, scope, and format of the game. It can also include a tutorial describing some of the concepts, processes, and tools that will be used during the session. In most cases, it includes three types of profiles: *market*, *competitor* and *issue*.

These profiles are designed to provide to participants a comprehensive level of understanding about the market and trends in it, all the competitors represented in the wargame, and critical issues that can affect the business over the wargame’s time period. These issue profiles might cover, for example, anticipated government and regulatory developments; industry rationalization, including merger and acquisition activities among customers, suppliers, channels or competitors; technological developments; and economic, social and cultural trends that can affect markets.

During the workshop assignments, each team undertakes a series of tasks and records its answers, decisions, and actions on a set of well-structured templates. The Competitor Team tasks can involve:

- Assessing the ‘situation’ from the perspective of the company it represents.
- Anticipating competitor intentions and moves.
- Undertaking additional market and CI activities.
- Developing or modifying its own situational strategy to react to any *surprises* from previous rounds.
- Preparing and presenting a case to the Market or Umpire Team to allow it to *shift the market*, undertake a *bold stroke* strategy, or to begin negotiations for a merger, acquisition or some other form of alliance with another Competitor Team.
- Conducting a triage of its activities and investments, prior to investing limited resources in a strategy.

The Facilitators or Umpire Team can insert special tasks to Competitor Teams. These might involve requiring the team to deal with a new *uncontrollable* event in the market, its acquisition by another party, or some other contingency.

The Market Team has a somewhat different set of tasks. At the conclusion of each round, the Market Team assesses the moves made by all competitors, and updates the *Market and Competitive Map*. This map tracks the growth or decline of each competitor’s share within each of the market segments. In the case of a major sales situation, the Customer Team assesses how well each of the Competitor Teams proposes to address the market’s needs, and updates the *Decision/Selection Map* that tracks its opinions.

After three or four playing rounds, each team completes a set of wrap-up assignments. These involve defining the key lessons learned, summarizing opinions about the probability

## Business Wargame FAQs

### How long does it take to prepare?

It depends on the complexity of the situation being wargamed and the available data and information. As a general rule, allow six to eight weeks for a moderately complex session. However some highly effective wargames have been conducted on a *crash* basis to deal with critical situations in less than two weeks.

### Do companies conduct more than one wargame?

Yes. Several companies have made the wargaming process a standard practice to help develop and evaluate plans for significant situations.

### When should we consider a Business Wargame rather than a more traditional SWOT Analysis or a Scenario Planning exercise?

A wargame is the preferred approach when:

- There is a high level of interdependency among the moves of competitors, the market and other *uncontrollables*.
- It is important to understand competitors’ intentions, not just their capabilities.
- The sponsor wants to increase the *strategic smarts* of a number of people quickly, and in a way that will ensure they absorb them.

### Is it necessary to start with a major investment, or can we start on a smaller scale?

You can introduce the concept and process using a one-day ‘Wargaming Briefing’ that incorporates a mini-wargame that is based on a fictional but true-to-life business situation. This develops the basic knowledge that increases the effectiveness of subsequent wargames to deal with real-life situations.

### What’s involved in creating an internal capability?

This requires training a group of personnel to undertake all aspects of the design, preparation, and facilitation of wargames. After working with more experienced professionals through the life cycle of several wargames, the cadre is ready to assume full responsibility for the company’s wargaming.

that the company it represented would in fact execute the strategies, and defining critical intelligence gaps. Each team presents its wrap up assignments to the Plenary Group (all participants in the wargame) to review.

The Facilitators then lead a discussion the output of which is a preliminary *Probability/Impact Grid*. This grid helps determine the assigned tasks for the project/program profile assignment, and the new teams that will be assigned to each one. This

assignment captures the benefit of all the key insights gained during the wargame, in a format that can be used relatively quickly and effectively to build more detailed operational level plans. These plans deal specifically with the key opportunities, obstacles, risks and threats identified during the wargame.

All resulting decisions and commitments are captured in the *After Action Report*. After the wargame has been completed, the After Action Report is prepared and reviewed with the sponsor and other executives. The wargame's sponsor and other senior participants can then assign specific responsibility for completing each follow up task.

## Lessons From Wargaming Experience

From my experience in preparing and conducting a broad range of business wargames, I have identified five major wargaming lessons:

1. Keep it relatively simple, but flexible, to start with. A wargame will often become more complicated than anticipated once it is under way and the sponsors begin to see how the future could evolve and decide to investigate other ideas.
2. Excellent administration and logistics won't ensure a successful wargame, but they certainly make the experience more hassle-free. On the other hand, poor administrative and logistical arrangements can ruin an otherwise well-prepared wargame.
3. Use computers to *support* a wargame, but do not let them *drive* it. Doing so will inevitably limit the range of options that Competitor Teams are able to take.
4. Rehearse all processes, tools and templates several days before the wargame starts.
5. Make sure the wargame's sponsor *really* understands and signs off on the purposes, scope and format defined for it before the development phase begins.

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*Jay Kurtz is the founder and president of KappaWest, Inc. He is a graduate of the Royal Military College of Canada and served nine years in the Canadian Army, including a tour of duty with the United Nations Emergency Force. Subsequently, he joined IBM where he worked in a variety of technical, sales, and sales/marketing management positions. Prior to forming KappaWest, he had been a co-founder and the original vice president marketing of a successful computer services company. During the past 15 years, he and his company have designed, developed and facilitated more than 150 Business Wargames for a wide variety of companies and situations. These have involved both global giants and small entrepreneurial ventures. Many of them have involved extensive support by clients' internal CI professionals.*  
JayKurtz@kappawest.com

## Real-Life Business Wargames

### Biotech

Tested the launch plan for a new product and identified a series of serious but previously unrecognized flaws in time for them to be corrected.

### Defense

Reviewed its Best and Final Offer (BAFO) strategy for a large procurement bid. The wargame identified how a competing consortium could outflank their position by raising a new decision criterion. An adjustment of strategy won the bid.

### Consumer products

Identified the approaches a European competitor could use to attack their leadership position in the US. Within three months, the competitor had executed an anticipated option, and the company was prepared for it.

### Government agency

Helped to understand and develop plans to deal with the conflicting demands and expectations of its many stakeholders.

### Tel ecommunications

Tested R&D investment strategies for a rapidly growing sector of the company's business. The wargame showed that its fundamental doctrine was seriously flawed and could not maintain the company's early leadership position. Adjusting its basic approach allowed the company to hold its leadership in a growing and changing market.

### Health services

Familiarized its executives and senior medical team with upcoming changes caused by technology and competition.

### Global telecommunications

Helped the company's senior executive committee to *triage* a series of strategic moves to increase its market share and profitability. Resulted in approval of six primary initiatives that when implemented led to greater competitive and financial success.