BUSINESS WAR GAMING - AN OVERVIEW

from the 'Torque About' series of papers by
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"No plan of operations extends with certainty beyond the first encounter with the enemy's main strength" (or "no plan survives contact with the enemy,")

Field Marshal Helmuth Karl Bernhard Graf von Moltke (the elder)

Just as von Moltke observed, no organisational plan survives first contact with the marketplace. While it is impossible to predict exactly what will happen, it is possible to deduce the most likely and most dangerous courses of action (in terms of your plan fulfilment) that competitors, customers, government regulators, media and a myriad of other elements might employ in response to you and to factor that into your own plan for resilience. This is true for organisations of all sizes and in every sector. It is as applicable at the strategic level as it is for a project plan or preparation for a negotiation or legal hearing. Surprisingly, most organisations do not test their plans with any rigour prior to implementation. Unsurprisingly, most organisations are frustrated in their ability to successfully implement their plans.

The lethal nature of warfare makes it imperative that all contingencies are addressed before the lives of men and women are put at risk. Consequently, armed forces around the world have developed detailed methods for planning and testing prior to committing to battle. It is from these disciplines that the modern practice of business war gaming has been developed and this follows a long tradition of business and management drawing on the military for leadership and management techniques.

Why call it Business War Gaming?

A common question is why call it business war gaming? Why not give it a more corporate sounding name? The simple reason is that strategic simulations, executive organisational simulations and a host of other titles that have been tried failed to ignite the level of excitement and engagement that is achieved by the former. That's because it appeals to our natural competitive spirit and in an era of strategic planning fatigue, engagement is one of the keys to solving the dilemma of most plans being frustrated in their implementation. However, it is definitely neither a war nor a game.

Other recurring questions include whether it involves military-style team building exercises like high ropes, paintball or laser-strike. The answer is NO. Business war gaming is about teams, true enough, but its purpose is to explore the cut and thrust of the plan being tested against market forces, not to build those teams. The latter is often a beneficial side effect of the activity but not its main aim.

Business war games are not only applicable to testing of a plan. They can also be used in a developmental manner such as to build insight and commitment from a wider group than the executive leadership team to a forthcoming change. Ultimately, they can also be used to 'test to destruction' a plan or any aspect of it. There are also applications in the area of work sampling of candidates and for professional development.

Types of Business War Games

Several different types of business war games are now in use around the world (for further reading, Wikipedia has quite a good summary and links). Some are based on the premise that 'Business is War' and the intent is to 'fight' the competitor and achieve 'victory'. This type of war game, based on economic and other theories, numbers and computers are only really suitable for large-scale organisations. Game theory underpins the 'Business is a Game' model that seeks to achieve some sort of equilibrium in an environment of conflicting goals. Competitive intelligence and analysis techniques are at the core of the models that are referred to as 'Business is Business'. Then there are pure role-plays – scripted and free-flowing and with or without computer assistance.

The TorquePoint Method

Given the variety of methods, it is only possible in this overview to describe the TorquePoint method. Our approach is closest to the model described as 'Business is Business' but with one important difference – the Black Swans. There is a section further on about them. Every business war game we run is designed uniquely for the client - there is no such thing as 'off-the-shelf'. A war game for an organisational strategy typically involves preparation over 1-2 months prior to the day, a 12 hour business war game and 2-4 weeks of debriefing, analysis and writing up lessons learned. Clients are assigned a senior consultant who is their point of contact throughout. They will interview key staff, gather industry and other scenario-related information and undertake all the scheduling and briefings for the business war game.
It is very hard to get senior executives together for more than a day at a time so we plan for an 8am to 8pm war game. However, 2 days is ideal (with no-one going home overnight!) It's a lengthy, involved and tiring process but strategic success is worth a bit of effort.

The Black Swans

In most examples worldwide, the 'players' representing the market elements are provided by other company staff, professional service providers to the client such as public relations advisors, lawyers and accountants or in some cases, paid actors. This approach has two drawbacks. First, there is little potential for revealing fundamental flaws in a plan that everyone has a stake in. Organisations are notoriously lacking in objectivity when it comes to analysis of internal strengths and weaknesses and often unrealistic about external opportunities and threats. Second, this approach adds significant cost to the conduct of the business war game.

In order to offset these limitations, the founders of TorquePoint have established a member-based organisation called the Black Swans (after Taleb's 2007 book) who provide the market elements in a business war game. They are selected and trained to explore and test plans. Can you think of someone in your organisation that has done it all in terms of qualifications, courses and experience? Perhaps you're that person? What do you do to develop them and where do self-employed specialists go to further their professional skills? Often, the answer is simply to spend the annual training budget on attending a conference. Black Swans are these very people.

They range from retired or semi-retired directors and mid to senior executives through to self-employed experts in every imaginable field. All have a few things in common. They have vast general knowledge and they're great in simulated environments. Black Swans apply (or sometimes we shoulder-tap them) and they undergo a half-day induction programme, sign a confidentiality agreement and are then ready to participate in a business war game. As far as we know, this organisation is unique in the world.

On the Day

It is only possible to give one example here as every business war game is different. Some may be designed to check for flaws in a new strategy and others might be focussed on the market reaction rather than the client-side. Nonetheless, here's one way it could run. Imagine a large room with several tables. You are the CEO and you are sitting at one table with your directors or senior executives. Except for one - your GM Strategy is at another table with a team that represents your toughest competitor. There are also teams representing customers, media, regulators and so on. There are 6 of you and 20-40 of 'them'. You do not know any of the other people in the room apart from your own staff.

You present your new strategy. Questions of fact are asked by the media who then report on your plan. Teams break out to smaller rooms to discuss your plan. An hour later, the competitor teams present their reaction. The media, meanwhile, has been discussing the plan with you, the consumer teams and the regulators. The day proceeds on an accelerated timeline. Sometimes, the activity is in 'free play' mode and, at other times, the game controllers may limit actions or range of play. They may also throw a 'curveball' into the mix to test a pre-determined aspect of the plan. Comprehensive notes are taken by the game controllers for extracting the lessons learned afterward.

We operate a detailed set of mechanisms for managing events during the day to ensure that the client's goals are achieved. These include yellow and red cards for people who are disrupting the flow of the exercise. A yellow card may say that the person has developed laryngitis and is out of action for a day (which is 10 minutes in real time). All these types of interventions are pre-agreed with the client. Other mechanisms include 'market chance' disruptive events (not unlike in Monopoly) and even 'wildlings', who are Black Swans members that are not what they initially seem to be. Everything in the design is geared around the client getting as much value and insight from the day as possible.

After a long and tiring day, the entire team would usually socialise and the Black Swans introduce their 'real selves'. TorquePoint staff running the exercise would then spend two to four weeks going through all the notes and recordings from the day, as well as individually and collectively debriefing the client team and the Black Swans team leaders. A 'Lessons Learned' report would be prepared and reported back to the client.

Summary

While business war games are a relatively recent addition to the flow of management techniques from the military to the organisational world, they are an exciting development. They can be designed to fit your specific needs in terms of planning and testing and are a powerful tool for combatting strategic planning fatigue and improving staff engagement. It doesn't have to be a strategy either - you can war game anything from simple negotiations and projects through to free-flowing, multi-player market simulations. It's meaningful fun with real outcomes and insights that are rarely gained in traditional planning processes.

More information about TorquePoint is available at http://torquepoint.co.nz

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