

Chapter 23

War Gaming



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Short Description

- War Gaming is a role-playing simulation of a competitive marketplace used either for general management training and team building, or as a tool to explore and test competitive strategies for a specific firm in order to discover any weaknesses in a plan and to identify possible consequences of adopting such a plan.



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Background

- The analogy of 'business' as 'war' is a popular one for capturing the essence of the competitive marketplace.
- The first recorded non-military war games club was set up in Oxford in the 19th century.
- In the late 1960s the war-gaming society at the University of Minnesota began role-playing their games/wars.
- Role-playing games became very popular through the 1960s and 1970s.
- Since 1980s business war games have become an popular tool for firms to experience strategic decision making.



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Strategic Rationale and Implications

- Aim of a war game is to turn information into actionable intelligence.
- Many management decisions are guided by conservative thinking.
- Helps firm to avoid the trap of endlessly trying to repeat its own past success by repeating history.
- War games allow experimentation with new strategic directions without incurring real world costs.
- The action in a war game will span a nominated time period.
- Forces participants to change their perspective on strategic decision-making.



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Strategic Rationale and Implications

- There are **two types** of war games for business:
 - **The first type:**
 - Uses a generic business scenario to educate managers in strategic decision-making.
 - It will put the participants in a safe environment.
 - Participants will gain experience in radical decision making.
 - The experience will promote team building.
 - **The second type:**
 - Is tailored to the needs of a particular firm.
 - Is used to facilitate the firm's strategic planning process.
 - Participants will also gain experience.
 - Will also act as a team building exercise.



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Strengths and Advantages

- Generic method is an inexpensive option.
- A tailored war game allows a firm to explore new strategic plans without incurring real world costs.
- The successful testing of a strategic plan in a business war game builds support for implementation across the firm.
- A tailored war game will gives an insight into the future of the business environment.
- Tool to be used post merger, acquisition, or takeover.
- Participants gain confidence in strategic decision making.
- Cross-functional team building benefits result from war games.



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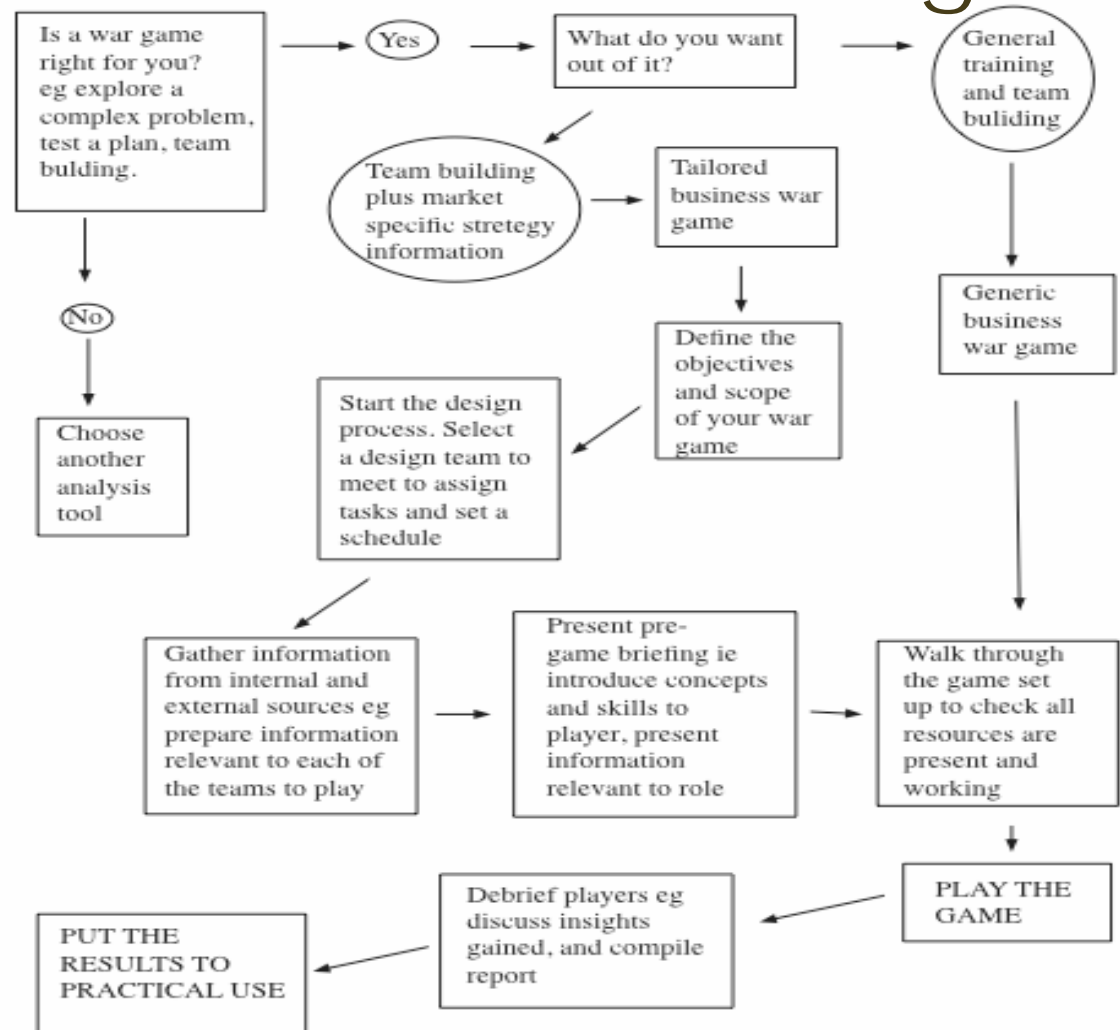
Weaknesses and Limitations

- Major flaw in war gaming is that it requires significant skill from participants and facilitators.
- Design process is very precise.
- The outcomes of the war game may be easily distorted.
- When running a war game the referees may limit the scope of the action with their personal biases.
- Players may manipulate situation in order to win.
- The quality of generic war games is varied.
- A tailored business war game is an expensive and time consuming.

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Process for Applying the Technique

- Complex exercise
- Multiple stages





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Process for Applying the Technique

- **Step 1:** Is a war game the way to go?
 - What do you hope to achieve by running a war game?
 - Can be valuable for team building or rehearsing a strategic move.
 - Can be costly and time consuming.
 - Can range in time depending on needs of firm.
 - A long tailored war game will be most beneficial for testing a complex situation.



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Process for Applying the Technique

- **Step 2:** Getting a business war game off the ground:
 - Must get commitment from senior management in the firm.
 - You will need to select a team to design your war game scenario.
 - Team must:
 - Get the basic war game design settled.
 - Decide what the objectives/scope will be.
 - Develop a plan, schedule, and budget.



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Process for Applying the Technique

- **Step 2 Cont'd**

- The design team now needs to buy and/or design the war game.
 - Look for a game that allows players to ask 'what if' as they play.
 - Tailored war game should be complex and well designed.
- What are objectives for the war game process?
 - What sort of experience should the participants have?
 - How many teams?
 - Be precise because time is limited.



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Process for Applying the Technique

- **Step 3:** Who should play?
 - Objectives and scope of the game will point to who should be involved.
 - The facilitator and umpire are only two persons but are very critical.
 - Each team should be carefully chosen to include members from a variety of areas (departments and offices) and from a range of seniority.



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Process for Applying the Technique

- **Step 4:** Preparing for your war game:
 - Most time consuming part of the design process.
 - Players will need comprehensive background information.
 - Decide how teams will communicate.
 - Players will need training.
 - The final important preparation is the physical set up of the space(s).



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Process for Applying the Technique

- **Step 5:** Playing the game:
 - Can last between one and five days.
 - A business war game will run as a series of 'rounds' representing a time period.
 - Teams have limited time to prepare action plan in own space based on most recent information.
 - At the end of the allotted time, the teams will submit their plans to the referee who will decide whether the actions can be allowed.
 - The allowable actions will then be fed into the software.
 - Each team receives limited feedback about the actions of the other teams.
 - Have administrative and technical support available.
 - The outcomes should be recorded.



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Process for Applying the Technique

- **Step 6:** After the Game:
 - Players must be debriefed.
 - Outcomes need to be collected and organized into a meaningful 'after game report'.
 - Once the report is complete it must be followed up and the insights gained during the business war game should be acted upon.



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Case Study

- A new CEO with an information technology firm (an ITF) found the key division of the firm was facing difficulties. He also discovered:
 - The market place was dominated by one very large competitor and crowded with about 10 other minor players, including his firm.
 - The products ITF relied on were good, but unremarkable compared to those of competitors.
 - Morale was very low.
 - ITF had been hived off from a larger IT firm some time before and some of the managers still retained a management style suited to a large firm.



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Case Study

- The CEO decided to conduct a business war game.
- Specific objectives were defined.
 - 5 teams including market leader and wild card team.
 - Simulate next 3 years, one round for each year.
 - A half-day pre-war game briefing was conducted three weeks before the war game.
 - Rounds 1 and 2 teams assessed the overall market, anticipated likely competitor strategies, and determined where to concentrate efforts.
 - For round 3 every team took the perspective of ITF.
- Group met to review all of the suggestions arising from the game and developed a grid mapping the events and trends with probability to assess their importance.



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Case Study

- The war game indicated that ITF would have to shift its strategy from targeting the market share of the dominant firm to targeting smaller competitors to succeed.
- The war game also identified strong and weak competitors in the marketplace.
- The war game also had a direct positive effect on team building and morale
- Within four years the strategy, developed through this war game, had proved so successful that ITF found itself being considered as a major threat by the leader in the market.

SOURCE: Adapted from Kurtz, J., 2003 "'Business wargaming': simulations guide crucial strategy decisions', Strategy & Leadership, 31(6), pp 12–21.



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- **FAROUT Summary**

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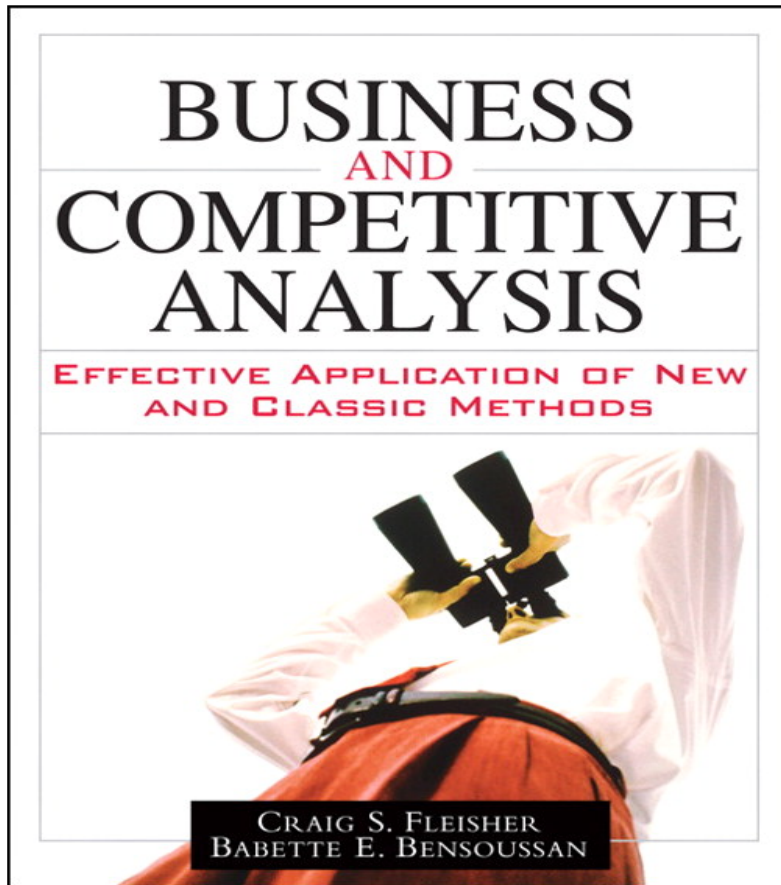


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Related Tools and Techniques

- Scenario Analysis
- Competitor Analysis
- Blindspot Analysis
- Financial Ratio and Statement Analysis
- Industry Analysis
- Value Chain Analysis
- Supply Chain Analysis
- SWOT Analysis

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For More About **War Gaming** and
23 Other Useful Analysis
Methods, see:

Fleisher, Craig S. and Babette E.
Bensoussan

*Business and Competitive
Analysis: Effective Application of
New and Classic Methods*

FT Press
FINANCIAL TIMES

Upper Saddle River, NJ
2007