

Business War Games

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The boss spoke first. "Our latest CI says that Frubon is likely to cut their prices 20% next quarter, and GlibbCo is doubling their R&D budget. Meanwhile, it appears MHPC has started merger talks with CJM. We've got some challenges ahead, folks."

The team looked concerned and thoughtful. Then a thunderbolt hit Chris. "Let's explore our options with a war game!" Everyone nodded excitedly. The boss smiled. "Great idea! Now what?" The conversation stopped cold. Chris said, "Uh... do we look in the yellow pages under 'war' or 'games'?"

Business war games can be hugely and dramatically effective. They help managers put their competitive intelligence (and their personal intelligence) to work, they produce creative solutions (and uncover hidden flaws in conventional thinking), and they lead to consensus and commitment. And yet few managers know how to design or select a business war game, or how and when a business war game can add value.

A war game is...

Though the military runs many simulations, a war game is something special and specific: a simulation of combat. Similarly, though businesses may simulate many actions or decisions, a business war game is something special and specific: a simulation of competition in a marketplace. The key words in that definition:

- **Simulation.** All war games, business and otherwise, are simulations. Simulation is what allows participants to test or practice actions in a safe place before they commit real time and money. Simulation requires a model of some kind, even though the model may be hidden (kept in the background) or even invisible (mental models).

- **Competition.** A business war game that doesn't involve competitors is like an election with only one candidate: it's not likely you'll learn anything. Most models I've seen, even those designed to forecast sales and market share, do not simulate competitive dynamics and therefore are not well suited for business war games.
- **Marketplace.** Business war games simulate the arena in which you go up against your competition, namely, the marketplace. Business war games simulate competitive marketing strategies, and they consider financing, production, cost structures, and supply chains insofar as those areas affect marketing-strategy decisions and bottom-line results.

Business war games vary greatly along almost every possible dimension. War games can:

- Be qualitative, quantitative, or a mix.
- Be generic (for educational purposes) or market-specific (for decision-making).
- Rehearse a single strategy in detail or contrast multiple strategies under multiple scenarios.
- Test specific options or elicit and explore blue-sky alternatives.
- Build on financial models, market models, forecasting models, or mental models.
- Rely on human "umpires" or computer models.
- Focus on making managers smarter, or on making smarter decisions, or both.
- Cost less than \$25,000 or more than \$500,000 to set up, and consume as little as half a day or as much as a week to execute.

Learning from surprises

Why run a business war game in the first place? The simple answer: surprises. When you get a surprise from a business war game (or any form of analysis), you have learned something new. That's good news, particularly if you gain that knowledge before your competitors do. That's competitive advantage.

I've seen surprises in virtually every one of the business war games in which I have participated. For instance:

- A team of regional sales managers discovered that they were making fundamental mistakes about competitors and their own capabilities, despite twenty-plus years' experience in their industry. They changed course to a strategy they considered impossible prior to the war game. It worked.
- A team charged with revolutionizing their industry came up with a brilliant plan that passed every conventional review. In their war game they found that if they implemented their plan, they would trigger a devastating price war. They abandoned the strategy.
- A team planned to introduce a new product with a strategy that appeared to be Marketing-101 obvious. Their war game showed the strategy would likely produce a profit hemorrhage, not a profit gusher. They tested another strategy, liked it, and switched to it.
- A team wanted to know if top management's aggressive sales goal was achievable or a pipe dream. In their war game they found it was the latter... and, when presented with the evidence, top management agreed.

How to choose a war game

The easy question is whether or not a business war game is right for you. If you are facing a new situation (or want to *create* a new situation), if you are facing a high-stakes decision, if you want creative insight to move you ahead of the competition, if you want to build consensus and commitment among your strategy team, then you should definitely consider a business war game.

The harder question is how should you choose among the many varieties of business war games. I recommend that you begin by thinking about these questions:

- Given the situation faced by your business, what are the benefits of surprise and what are the costs of being surprised?
- Do you want to rehearse one specific strategy or test multiple alternatives?

- Do you want to create a widespread culture of rigorous thinking about strategy or do you want to bring new technology to a small group of strategists?
- Do you want to find the best answer or host a bonding experience?
- Do you face an immediate, do-it-now crisis, or do you want to find a break-out-of-the-box change to long-standing practice?
- Will you run many games or just one?

Business war games offer strategists new ways to think about their businesses, their competitors, and their decisions. Their experiences in simulated markets help them win in real life.

About the author

Mark Chussil is Founder and CEO of Advanced Competitive Strategies, Inc. (www.whatifyourstrategy.com), and lead creator of the award-winning ValueWar® strategy simulator. He and his colleagues at ACS have implemented business war games for dozens of Fortune 500 companies around the world. He has published extensively and spoken at numerous conferences. Mark is also a Founder of Crisis Simulations International, LLC (www.crisissimulations.com). Prior to founding ACS, Mark worked at The Strategic Planning Institute (The PIMS Program) and Sequent Computer Systems. He earned his B.A. from Yale and his M.B.A. from Harvard.

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