Chapter 29
Battle for Value:
Wargaming for Business, Non-Profit, and Government Strategy Development

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ABSTRACT

A wargame is competitive simulation used to build and test strategy. Wargames have been used by military leaders throughout history, notably by the Persians and Napoleon (Figure 1), and more recently by the U.S. when planning its invasion of Iraq. They have also been used effectively by business executives, leaders in government agencies, and even non-profits. They can be powerful tools to generate creative ideas, surface and resolve taboo issues, anticipate competitive responses, identify and prioritize stakeholder needs, assess likely market acceptance of a product or service, or to build and test a strategic plan. In following chapter, the authors (1) define what a wargame is and briefly introduce the reader to the concept and history of wargaming, (2) explain why wargaming is valuable and when it can be used most fruitfully, and finally (3) describe how to run a wargame, spanning from the relatively simple to the more complex. As Karl Von Clausewitz so eloquently put it, "everything in war is simple; but the simplest thing is difficult..."

I. INTRODUCTION: WHAT WARGAMING IS

A wargame is a competitive time-based simulation in which participants "playing" on teams develop and present competing strategies. A quantitative model, panel of judges or a combination of both evaluates the competitor's proposed strategies. During rounds of play the teams get feedback and eventually win or lose, based on their performance, relative to the other teams.

Military commanders from the Persian Empire to the present day Pentagon have used wargaming as a tool for military planning. Military historians report that Napoleon was obsessed with assessing the battlefield through the eyes of opposing

Figure 1. Figurines used by Napoleon in his wargames (© Victrix Limted. Used with permission)

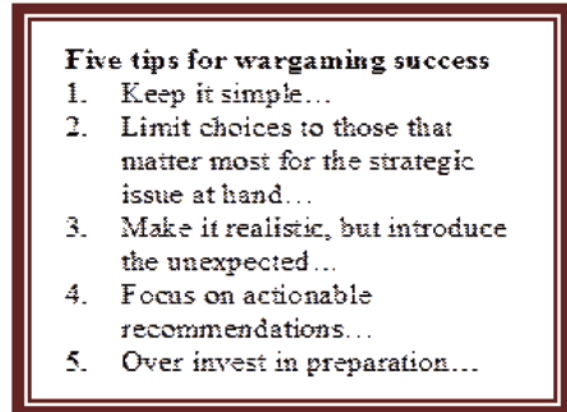*Figure 2. Tips for wargaming success (© Victrix Limted. Used with permission)*

generals and often attribute his success to clever analysis of the terrain (Duggan, 2002). In recent times, before the U.S. invasion of Iraq in 2003, the Pentagon conducted a number of wargaming exercises. They predicted that the U.S. could easily win on the battlefield but would struggle to create lasting peace. They also anticipated details like the damage to infrastructure and the burgeoning influence of Iran to fill the political vacuum.

Beginning in the early 1970's, business leaders began to adapt wargaming techniques developed for the battlefield to help with strategic planning. Dutch Shell was the first of the Fortune 500 companies to seriously invest in gaming to support planning. Shell used wargames to, amongst other things, explore alternative pricing models and avoid costly price wars. Today a large number of Fortune 500 Companies use the wargaming process to develop and test elements of their strategies. Participants take on the roles of the regulatory bodies, customer segments and competitors in teams and develop competing strategies. The lessons learned from the game are then incorporated into the institution's planning process.

Below we describe one successful wargame. As with all the examples in this chapter, the names and confidential content have been changed, but it is based on a real event.

One Successful Wargame

As Dan walked to work Wednesday morning he was excited. It was 8:37am and already 81 degrees as he exited the 2 train on William St. and turned down Pine in lower Manhattan. Despite the July heat, he was excited because he was heading to a very unusual day at work. Dan is a principal at a leading boutique consumer perception consultancy with about 200 employees. As a new member of the firm's leadership group, he had jumped at the opportunity to take on the institution's strategic planning effort and today he was headed to a business wargame designed to kick off the strategic planning process.

Dan was headed to the Downtown Club, around the corner from his office, where he had rented the third floor to provide a distraction-free space with five conference rooms for the two-day event. Like most of his 28 colleagues gathering today, Dan had never participated in a wargame. With the help of a experienced facilitator he had been planning today's event for nearly three months. They had carefully selected the three most relevant competitors to compete against the home team representing Dan's firm. They designed the game so that the teams would complete two very important tasks: (1) propose an overall strategy for the institution to expand its market share and,

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