

NEXT-LEVEL WARGAMING

How Business Wargaming 2.0 enables dynamic strategy creation

Evolution to 2.0

What would be the best way for your organization to react if a new competitor appears on the field? How about if an existing competitor dramatically changes their pricing? Or another adopts a new, potentially disruptive route to market? These are questions for which businesses need a strategy in place before any such events occur. But traditional - and often static - planning techniques can fail to go deep enough, or thoroughly account for how competitors react in turn.

Business Wargaming is an answer to this. It has existed as a method for strategy testing and development for some time, but is evolving rapidly as the newest generation of digital processes and resources are leveraged to enhance both the experience and its outcomes. We call this digitally-assisted form of the exercise Business Wargaming 2.0.

Notably, organizations now have access to vast amounts of information about their operations and their customers - Big Data - and the means to analyze that information. This analysis is assisted by recent advances in Machine Learning and system automation to help create accurate, robust and

fast simulations of the ways in which future events are likely to unfold, with access to this information through apps.

Business Wargaming 2.0 can thus support organizations in staying agile, and can serve as an instrument for fast and dynamic business strategy adaption in the face of transformational market developments. In a time of widespread disruption to established business models and even entire markets through digitalization and rapidly evolving customer expectations, it provides a means to rehearse the future, testing outcomes experimentally before arriving at the best moves possible.

Recommended application spectrum

Business Wargaming can be applied to a range of different scenarios, including:

- Changes to business models, such as those in the process of being disrupted by digitalization or innovation.
- Market disruption, e.g. the imminent market entry of a new competitor, or the launch of a competitor product.
- Horizontal or vertical consolidation with regard to the competitive, supplier and client landscape.

Combining game theory, expert insights, digital modelling and the competitor's point of view, Business Wargaming 2.0 is a strikingly powerful approach for strategy development.



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Partner, goetzpartners

SIMULATION INPUT

Business Wargaming seeks to simulate the real-world factors that affect clients' organizations.



BUSINESS WARGAMING WORKSHOP

Smart technology application reduces the heavy lifting required and accelerates the compilation of results.



Supported by highly automated Wargaming App

OUTPUT

Rewards include an understanding of the impact different strategies have on market share and profit, as well as further strategic insights.



MARKET SHARE



STRATEGIC OPTIONS



EBITDA

Creating next-level strategy insight

Next-level Business Wargaming combines three important elements:

- **A human-based Wargaming workshop** remains central: a multiplayer simulation game involving all stakeholders. This very human element of the Wargaming approach is typically pivotal to its success and impact. It includes learning to view commercial situations through the eyes of competitors, and through the eyes of colleagues in other sections of your own organization. Equally, the experience is a very different and more powerful learning event than reading or being briefed about such situations.
- **Real-time simulation** of how situations unfold and change in reaction to players' moves is supported by goetzpartners' app-based Wargaming engine. Its scientific base leans upon two Nobel prize winning concepts, Game Theory and logistic regression.
- **High-quality expert insights** add to the information in the model, improving the verisimilitude of the simulation, supported by an automated platform.

Bringing these three elements together, Business Wargaming 2.0 allows organizations to understand the implications of strategic moves within dynamic markets, testing different options to arrive at the best solutions.

Where to play?

Business Wargaming is well-suited to markets with duopolistic or oligopolistic structures. Usually, 2-3 main competitors are simulated. This allows the simulation model to remain reliable - and just as importantly, the complexity of the situation remains comprehensible to the human players themselves.

For similar reasons, capital intensive industries – such as Telecommunications, Energy and Pharmaceuticals – are good examples of appropriate playing fields.

Being large, relatively slow-moving and with a limited set of 'moves' available makes outcomes more predictable.

For situations with a high level of uncertainty, different scenarios can be added and played in dedicated Wargaming rounds to include events with a low likelihood of entry, but a potentially big impact on the market situation.

The rules of play

Effective Business Wargaming entails following a clearly structured four-step approach:

1. **Plan and prepare:** the scope of the battlefield is defined in detail.
2. **Analyze and activate:** involves the development of competitive profiles, strategic levers and options.
3. **Simulate and assess:** this information and understanding is compiled into a simulation engine. The scenarios for consideration are defined and the Business Wargaming workshop is conducted.
4. **Evaluate and recommend:** the results of the wargame and the performance of players are analyzed to create recommendations and summary.

Staying ahead

Nothing about the commercial world is static. Even if the course is set for your own organization, you can be sure other market players are seeking to disrupt the status quo. In recent years, entire industry sectors have been reshaped by digital innovation and business disruption, with some incumbents taken almost entirely by surprise.

By taking the competitive view explicitly into account and using an interactive role-play workshop with a sophisticated technology-aided approach, Business Wargaming 2.0 helps to derive the best strategic answers to existing and nascent challenges.



WARGAMING IN PRACTICE

Example: LARGE PHARMA COMPANY

THE CHALLENGE

How to react to the market entry of a new competitor in a key segment of the German market?

GAME ANALYSIS

By testing strategic levers around pricing, marketing and sales resources in a cross-functional wargame scenario, the company was able to understand its best moves to neutralize this emerging threat.

THE RESULTS

- One-year business impact: 160% sales, +10% market share.
- Closing 'white spots' and adjustment of strategic direction, particularly regarding the structure and direction of the company's salesforce.
- Identification of defensive measures: a revised tactical sales approach and immediate counter-actions.

Understanding the future

Business Wargaming is a dynamic simulation of future, hypothetical commercial events used to provide insights and information to shape strategic decisions. It allows new and creative options to be identified for both reactive and proactive scenarios.

It also allows leaders to identify and close so-called 'white spots' in their strategy playbook, those areas where organizations might be caught off-guard by events because their occurrence had never been considered.

The Wargaming approach allows organizations to assess their existing strategy and test new approaches within a dynamic environment.

APP-SUPPORTED WARGAMING WORKSHOP

The Wargaming app provides a structured simulation framework from the specific point-of-view of each team, allowing to test different strategies with rapid iterations.

