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# How to Produce an Effective War Game

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# Session Agenda

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- Who is Cipher?
- Introduction to War Games
- Defining the 10 Steps to a Successful War Game
- Tips for a More Effective Game
- Final Questions

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# Who Is Cipher?

**Cipher is an international consulting firm specialized in the field of market and competitive intelligence services.** We provide content management, knowledge management, custom strategic research and CI systems design and integration services to Federal and commercial clients across the globe. Cipher has had over 100 engagements in 23 countries in the past 18 months alone, most for global organizations, Fortune 500 and institutional customers.

**Cipher consultants possess in-depth experience across industries, including:**

- Life Sciences (Pharmaceuticals, Medical Device and Biotechnology)
- Chemicals
- Telecommunications
- Energy (Utility, Oil and Gas)
- Consumer Goods
- Manufacturing

**Service offerings include:**

- M&A Due Diligence
- Company & Executive Profiling
- Product Positioning
- Market & Industry Audits
- Manufacturing Assessments
- Custom CI Systems Design & Integration
- Primary & Secondary Custom Research
- War Game Facilitation/Playbook Prep

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# What Is a War Game?

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“A role-playing analytical brainstorming exercise used to develop strategic plans for your organization in an attempt to ascertain the likely outcome of a scenario.”

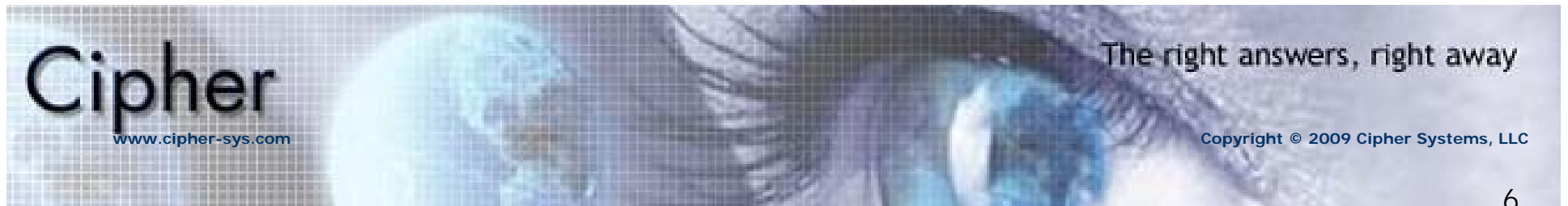
- New product launch
- New format development (retail)
- New market entry
- Change in supply/demand
- Regulatory change
- M&A impact
- Make/Buy decisions
- Pricing strategies



## Also can be used for...

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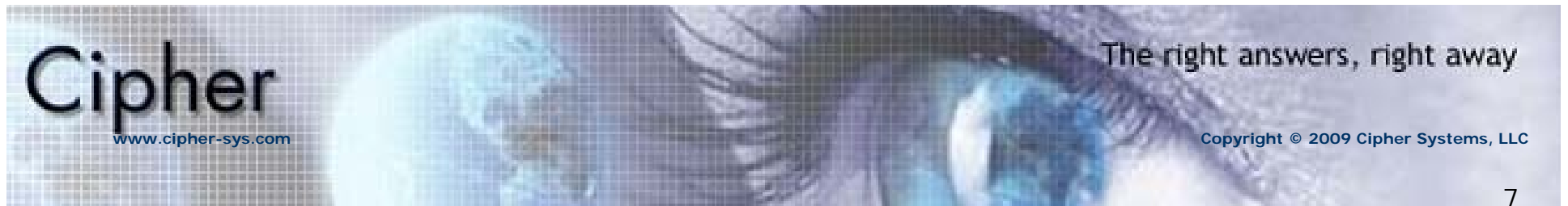
- Build internal consensus for planned decision
- Team building
- Test personnel decision-making skills
- Raise performance/motivation



# When Won't They Be A Good Choice?

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- Reconfirming management ideas
- No clear opponent
- Benchmarking
- Too late/too short decision time frame
- Cultural impediments



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# Why a War Game?

(How to Sell to Management)

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- Illustrate a successful example of one
- Competitor best practice
- It's proactive
- Pre-sell the expected results – what's in it for them?
- Cost benefits vs. other alternatives
- Team building
- Utilizes internal knowledge
- Builds consensus
- Practical, safe way to test a theory

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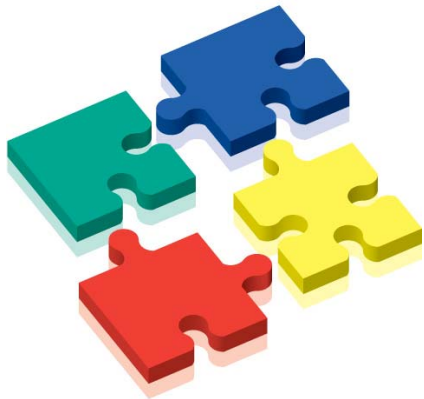
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# Typical War Game Workflow

1. Divide into teams (one team represents the firm, other teams represents rivals)



2. Each group determines their strategy, then presents to group



3. Split back into teams to discuss counter strategy, or another round



5. Teams come together as one group (your organization) and determine game outcome, identify action items going forward



4. Each group presents Round 2 strategies to group





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# Example Game: New Product Introduction

 <p>Client: Superior Technology – no single point of failure</p>	 <p>Superior Margins – Over \$18 million a day sold on the Internet</p>
 <p>70% of High End Installed Base</p>	 <p>120,000 technicians – 24/7 coverage in every city</p>

- Game Premise: “If we build it, they will come.”
- Game Lesson Learned: Competitors had strong customer propositions
- Game Decision Outcome: Partner with Dell: “Unisys-inside” approach
- Ultimate Outcome: Very successful

## Example Game: New Environmental Legislative Mandate

### Client: Global Heavy Equipment Manufacturer



Problem: Change in emissions standards hitting off-road heavy vehicles in 2010 – causing significant product cost increase

#### Additional Issues:

- Incorrect government information regarding the estimated cost increase
- Client was at production capacity
- Customers had ability to buy in bulk and bunker equipment until needed in future
- Competitors not at capacity but not as financially strong

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# New Environmental Legislative Mandate

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## Game Decisions:

- Choice between two different technologies to comply with new mandate
- Pricing strategy – price to set, and timing of increase
- Ramifications of correcting government misinformation

## Outcome:

- Decided timing of price increase
- Better understanding of competitors' constraints
- Reinforced need for pre-positioned capacity plan
- Identified early warning indicators of which part of capacity plan to enact

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# The 10 Recommended Steps to War Gaming

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1. Define Your Topic/Set Objectives
2. Produce Your Playbook
3. Organize Logistics
4. On the Day – Assign Teams
5. On the Day – Industry Assessment
6. On the Day – Competitive Analysis
7. On the Day – Formulate Strategies
8. On the Day – Summarize Lessons
9. Final Report Debrief
10. Recommend a Strategy

# 1. Define Your Topic/Set Objectives

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- Choose Topic:
  - That isn't too narrow or broad
  - That has strategic meaning for senior management
  - That will provide multiple possible alternatives
- Set Objectives:
  - What decisions will result from the war game?
  - Sets expectations
- Other Requirements:
  - Identify players in game
  - Choose senior champion
  - Designate a facilitator



## 2. Produce Your Playbook

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What is it? All the information participants will need to take part in the game, including:

- Overview of current state of affairs, and introduction to war game scenario
- Topic-specific intelligence
- Industry statistics
- Up to date market information
- Current competitive profiles



May wish to issue this to participants prior to event, or save for the day.

# Sample Playbook Components

Subject-Dependent, but could include most of:

- Competitor production footprint
- Product portfolio/ core technologies
- Financial metrics/ sales figures
- Buyer behavior/ industry forces/ forecasts
- Distribution network/ market channels
- Market (geographic) engagement
- Management profiles
- Corporate/organizational/ structure
- Investor perspectives
- Supply chain
- Competitor value prop/messaging
- Current events
- IP position
- Landscape → Market+ competitive performance, regularity technology landscape, consumer opinion.
- Stakes (size, opportunity, impact)
- Options being considered

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### 3. Organize Logistics

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- Invite attendees
- Select location
- Publish playbooks
- Decide game structure
- Organize AV/refreshments/available technology

## 4. On the Day – Assign Teams

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- Typically four teams
- Divide staff across departments, job functions



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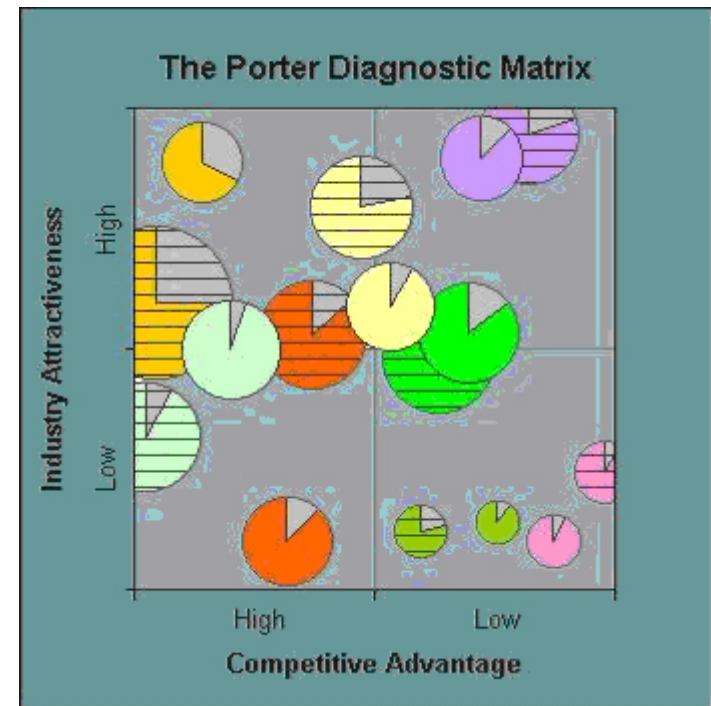
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# 5. On the Day – Industry Assessment

Assess the chosen scenario from a macro prospective, perhaps utilizing a framework you have chosen, like Porter's Five Forces:

1. Evaluate threat level
2. Assess power of key customers
3. Assess power of key suppliers
4. Describe level of threat of alternative products/services
5. Assess intensity of competition

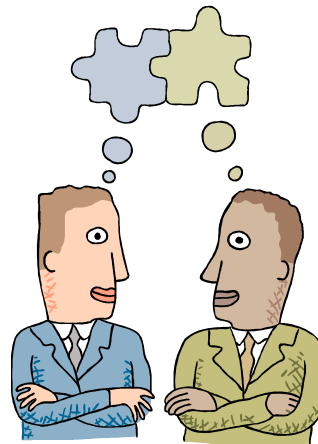


For more information on Porter's Five Forces, visit [http://www.cipher-sys.com/HofHelp/Porter/porter\\_diagnostichelpfile.htm](http://www.cipher-sys.com/HofHelp/Porter/porter_diagnostichelpfile.htm)

## 6. On the Day – Competitive Analysis

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Teams determine how their  
“characters” will respond to the  
issue.



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## 7. On the Day – Formulate Strategies

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1. Present “character” strategies to group
2. Debate validity
3. May reassess in another round if required
4. Alternatively, may come together as your company and decide most likely outcome of company’s chosen strategy

## 8. On the Day – Summarize Lessons

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1. What key points were learned?
2. What does this mean to your business?
3. Are there new issues that have arisen that require further research?

## 9. Final Report Debrief

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The following deliverables are standard:

1. Publish **summary of game**, including conclusions reached
2. Create a **detailed summary of all the strategies** presented
3. **List pending questions** (Blind Spots) identified during Game

## 10. Recommend a Strategy

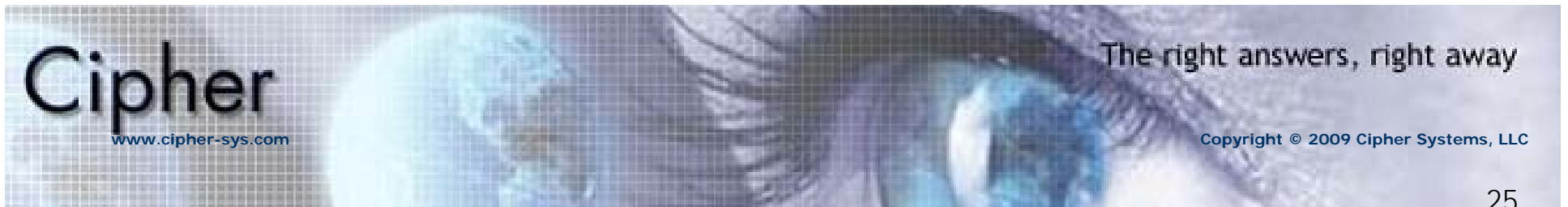
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### Caveats of War Gaming:

- Not an analytical end of itself
- Likely additional information will be required after Game

### You should:

- Recommend *next course of action* to management, based on Game conclusions



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# Do's of War Gaming

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- Understand the game objective
- Let conversation flow freely
- Have facilitators in each group
- Allow splitting into groups
- Group size- the right size matters
- No hierarchy allowed
- Have a management sponsor to encourage importance and participation
- Have in-group plants to keep conversation going
- Having a designated session recorder
- Clear rules of engagement
- Clear understanding of current marketplace
- Have fun but stay focused
- Tie to core decisions and actions post-game
- Follow up is essential
- Optimum time frame:
  - At least a half day, could be more depending on scenario
  - Less than 1 day is difficult
  - 1 or 2 days generally good



# Recommendations to Avoid Pitfalls

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- Avoid being too complicated.
- Don't rely too much on computers.
- Encourage free thinking.
- Have clear objectives.
- Allow adequate time for preparation.
- Don't be complacent.
- Always have a facilitator.



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## Questions?

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