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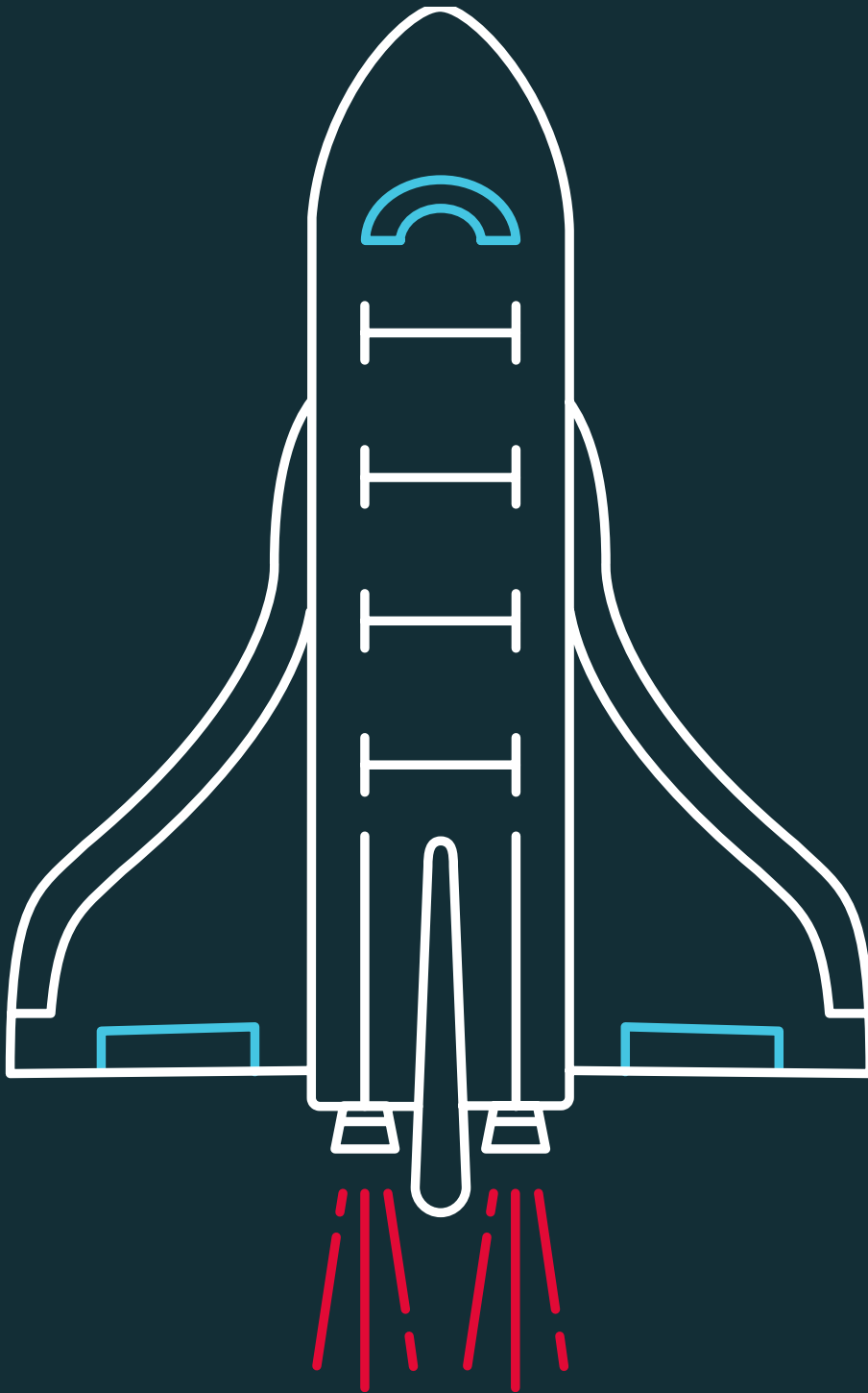
Cognosis Consulting Competitor War-Gaming Guide

An introduction to Cognosis' competitor war-gaming approach



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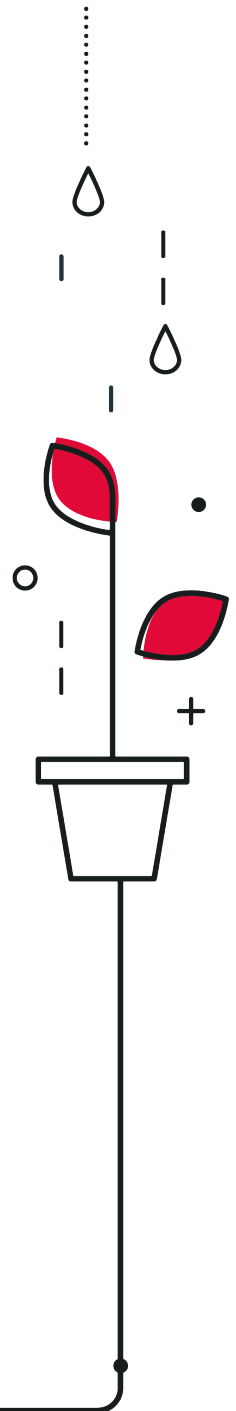
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PURPOSE OF DOCUMENT

This White Paper provides an introduction to Cognosis' competitor war-gaming product, approach and application. Its purpose is to provide readers with context and guidance on how to set-up and run a war-game in their own organisation. It explains when to war-game and the steps for preparing, facilitating and implementing the war-game's results.

Cognosis has spent over 20 years developing and facilitating competitor war-gaming for its clients across a broad range of industries. This war-gaming guide captures key frameworks to leverage and lessons learnt based on Cognosis' experience in the field.



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1. INTRODUCTION

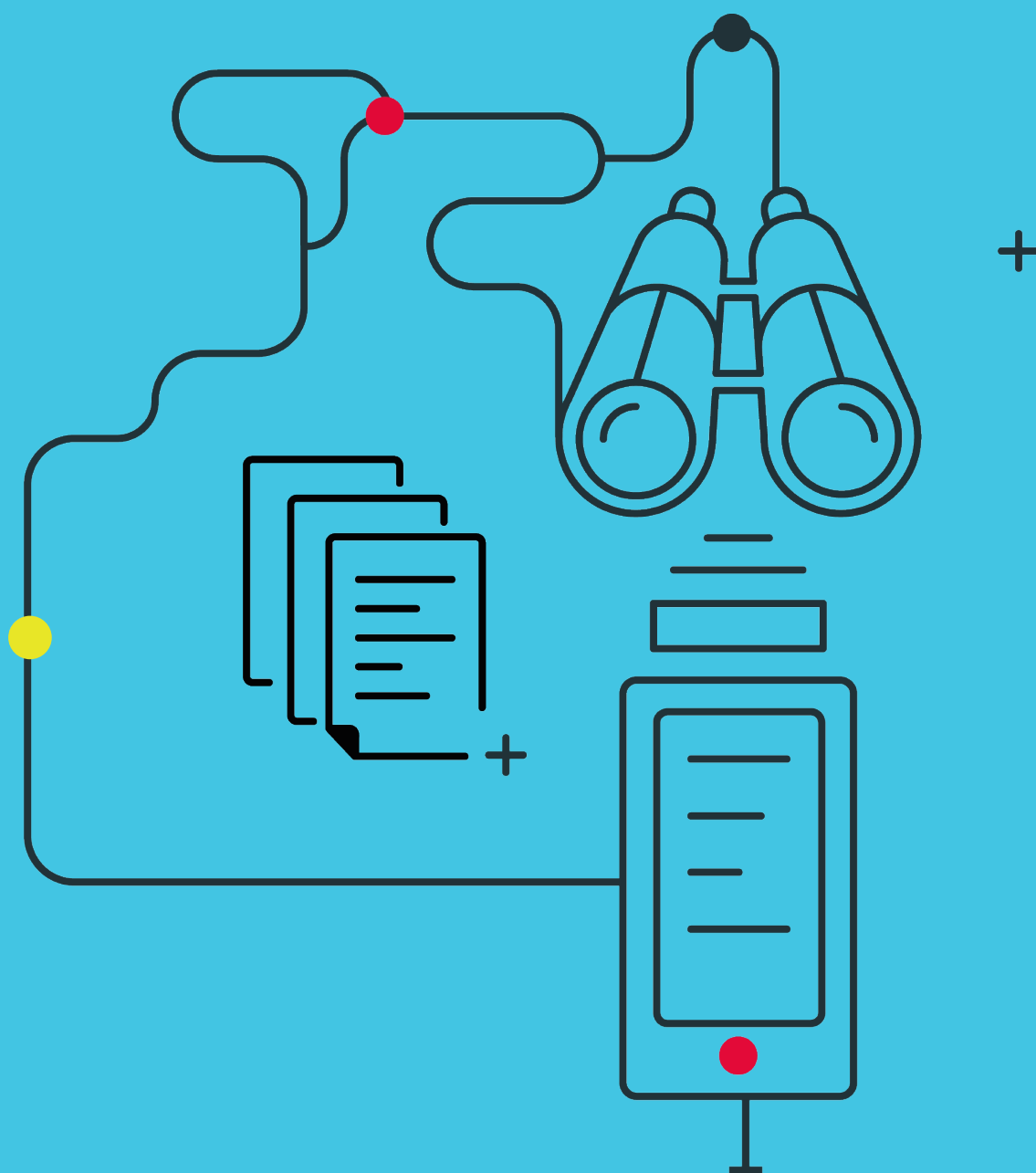
War-gaming is a direct adaptation from military war-games.

War-gaming requires you to form strategies from a competitor's point of view to improve foresight and the quality of decision making.

It is a form of role play, where participants play key competitors and competitor teams interact through a series of moves in a dynamic environment. In the final part of the game, teams go back to their roles as company representatives, review the output and build powerful strategies to future proof and outsmart their competitors. A war-game typically takes place over a two-day period.

There are two types of games that can be played, the first are games for formulating a new strategy (landscape games) and the second are games for testing an already existing strategy (test games). As a result, war-gaming should be integrated into the overall strategy development process, both pre and post strategy formulation.

Preparation is key to an effective competitor war-game. Even the simplest war-games will involve significant behind the scenes efforts before, during and after the war-game. In most cases, the preparation and facilitation of a war-game is done by a third-party expert. However, if you plan on conducting frequent war-games, then you may want to consider training facilitators in-house.



2. WHY WAR-GAME?

Competitor war-gaming brings many benefits to organisations.

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1. Gain Holistic & Deeper Insights
 2. Recognise New Risks and Opportunities
 3. Improve Readiness and Agility
 4. Change Mind-Sets

1. Gain Holistic & Deeper Insight

No war-game session is complete without solid competitor intelligence, this ensures all players come into the session with the same level of information. Apart from being a critical input for any war-game, it is often one of the only times you will spend building a holistic, 360-degree view of your competition. Competitors are often looked at through a specific lens, based on a specific agenda. For example, a Finance Analyst will model the commercial impact of different price points to help predict competitors price moves but is unlikely to look at other factors such as key account performance that could influence their pricing decisions.

Additionally, given war-gaming is essentially role-play, the intelligence gathered always includes information on the leadership team and how they make decisions. This insight is rarely looked at in traditional competitor monitoring but can be key in understanding the rationale behind certain strategies. Your organisation may be made up of hundreds or thousands of individuals, but how it behaves comes down to just a few key decision makers.

2. Recognise New Risks and Opportunities

New opportunities and risks are often missed when individuals are too engrained in their day to day jobs. These can be identified by stepping into the shoes of others and seeing the world from a different perspective, which is the key focus of a competitor war-gaming workshop. The ability to identify new risks and opportunities can also be strengthened through integrating market scenarios into a war-game. This allows you to explore reactions to future disruption in the operating environment.

3. Improve Readiness and Agility

Every war-game session leads to the development of a clear and focused action plan that your organisation can stand behind. These plans can include proactive actions (initiatives to implement now) and also reactive actions (initiatives to implement later, when a specific competitor scenario unfolds). This allows you to plan for a wide range of uncertainties, improving readiness and agility.

4. Change Mind-Sets

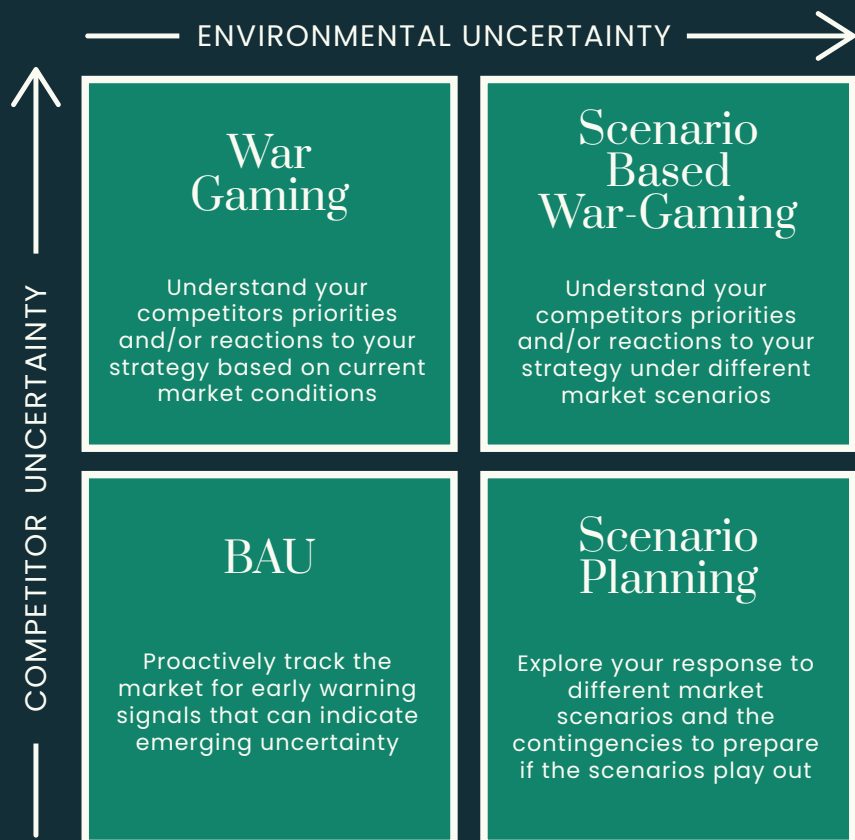
A war-gaming exercise will force your management teams to break their personal assumptions about competitors and their own strengths and weaknesses. Those who participate in the war-game will walk away with a much greater awareness of the competition and their capabilities. As a result, war-gaming alters mind-sets, eliminates complacency and creates a sense of urgency to drive action.

3. WHEN TO PLAY & WHAT GAME TO PLAY?

When to Play?

The need for war-gaming (vs other tools) is dependent on the extent and type of uncertainty that is present in your operating environment. If no uncertainty is present i.e. you are confident that you know what your competitors are going to do or how they are going to react to your plans, then you should not play a war-game. In these situations, it is best to stick to BAU processes.

If uncertainty is high in the operating environment, you must clearly identify where this is coming from to identify if war-gaming, scenario planning or a combination of both, is right for you.



Which Type of War-Game Should I Play?

Once it has been identified that a war-gaming project is appropriate to address the uncertainty in your environment, the next step is to understand what type of war-game to play.

As described by Gilad (2009), there are two types of games that can be played, the first are games for formulating a new strategy (landscape games) and the second are games for testing an already existing strategy (test games). These games should be played in conjunction with the strategic planning cycle to ensure they lead to tangible action.

Landscape games help to identify underlying changes in the market early on and are best played when management want to stay ahead of the changing market. Therefore, a landscape game should be played before the strategy formulation phase. It will illuminate new threats and opportunities that can be fed directly into strategic prioritisation.

Test games on the other hand, are best played right before implementation, once a strategic plan has been formed. They are a great way to stress test a plan before it goes to market. However, timing is critical. If they are played too early, there won't be enough detail to accurately

predict reactions, if they are played too late, there may not be enough time for you to refine your plans.

Although integrating war-gaming into the strategy development cycle is important for guaranteeing action, an emergency war-game may need to be run outside the strategic planning cycle, if an immediate and pressing threat has been identified. The establishment of an 'Early Warning System' which provides ongoing monitoring of the external environment, will signal if and when such emergency war-games are needed.



4. STEP BY STEP GUIDE FOR RUNNING A WAR-GAME

This chapter outlines Cognosis' tried and tested approach for executing a successful war-game.

If your organisation is new to war-gaming or has had mixed results from war-gaming in the past, then you may want to consider investing in a third-party war-gaming expert who can execute the project for you.

It is critical to identify and gain support of an executive sponsor at the outset.

The sponsor will:

-
- Confirm the purpose and scope of the war-game
-
- Provide the funding and resource to prepare and run the war-game
-
- Ensure the co-operation of key stakeholders through establishing this exercise as high-priority

Once the sponsor has been established, a project team needs to be set up who will be responsible for preparing and running the war-game.

STEP 1**Investigate the Competitor**

Ideal Duration: 4 - 6 weeks*

- a. Aggregate and analyse existing materials on competitor(s)
- b. Conduct interviews with key internal stakeholders and external experts
- c. Carry out additional research to close information gaps
- d. Convert insight into an engaging competitor intelligence pack

* *Dependent on level of information available*

STEP 2**Plan and Run War-Game**

Ideal Duration: 2 - 3 weeks

- a. Conduct F2F team briefing session with attendees to prepare them for the upcoming war-gaming session
- b. Develop detailed session agenda and materials for war-game
- c. Facilitate the war-gaming session

STEP 3**Develop Recommendations**

Ideal Duration: 4 - 6 weeks

- a. Consolidate output from war-game session into a final recommendation document
- b. Communicate output and next steps to participants

Ongoing Project Management

1. Weekly status calls with project team
2. Legal engagement (as competitor war-gaming needs to be handled sensitively and needs to be in full compliance with the law)
3. Logistics and administration (e.g. ordering briefing box materials, booking workshop space)

STEP 1

Investigate the Competitor

a) Aggregate and analyse existing materials on the competitor

You may be surprised to find that there is a lot of useful competitor information already sitting in various pockets of your organisation. Although the Insight function will be a core source of information, it is likely you will need to look further than this.

The type of information you collate will vary slightly depending on if you are running test or landscape games. Landscape games will require a more holistic overview of the competitor's business. A test game, on the other hand, will need greater focus on the specific topic that is being tested. For example, if you want to test a competitor's reaction to the launch of a new premium product, you would want to focus on their portfolio and position on premium.



For landscape games, Cognosis have developed an insight wheel to guide organisations on the type of competitor information they need to collate in order to build a holistic understanding of their competition. There may be some areas in this wheel that are more strategically important and relevant for your organisation than others and therefore require a greater level of depth. For example, a deep dive into competitors' distribution may be strategically important to look into ahead of a new track and trace regulation. It is important to assess the level of depth required on each topic before you begin collating the information.

b) Conduct interviews with key internal stakeholders and external experts

Interviews should focus on the gaps or areas that need further insight. We recommend a mix of internal and external (specifically, competitor ex-employees) interviews.

Internal interviews: The most valuable information can reside in the heads of your organisation's own employees. Obvious interview candidates include employees joining from competitors, your sales force, senior executives and employees who attend conferences or trade shows.

External Interviews: It is best to source external interviews through a third party like Cognosis who have the right processes in place to properly source and vet interviewees.

Once interviewees are confirmed, the next step is to develop an interview guide based on the key data gaps. It is a good idea to send this interview guide a week in advance of the interview so the interviewee has had time to reflect on the questions.

Insights derived from interviews can be incredibly powerful but there are always ethical and quality issues connected to the extraction of human intelligence. It is important that the interview output differentiates opinion vs. fact. Additionally, all facts need to be signed-off by your legal team before being used any further in the project.

c) Carry out additional research to close information gaps

There is a wide range of primary and secondary sources available. Using a range of sources can help cross-validate findings through data triangulation. Some examples of different primary and secondary sources are listed below.

PRIMARY DATA SOURCES

1. Personal observations
2. Live interviews and presentations
3. Ex-employee, customer or supplier interviews
4. Product quality testing

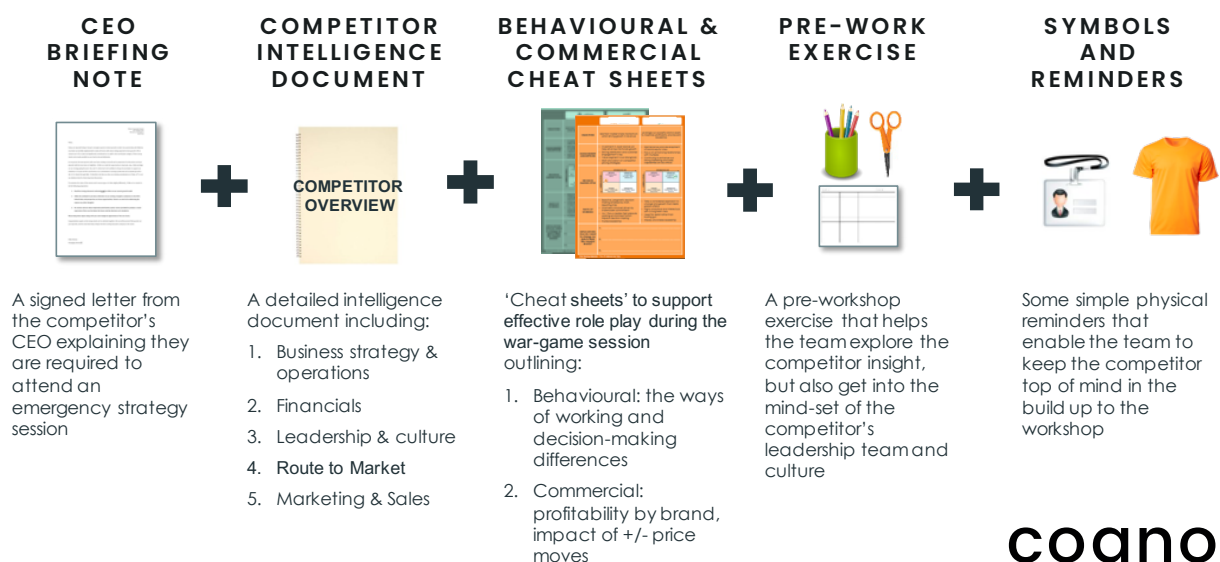
SECONDARY DATA SOURCES

1. Annual reports & investor presentations / transcripts
2. Press releases & news articles
3. Investment reports
4. Companies House data
5. Social media (LinkedIn, Twitter, Facebook, YouTube)
6. Technical and patent reports
7. Job postings
8. Trade shows
9. Pay-to-use databases e.g. Euromonitor, Kantar, Nielsen

d) Convert insight into an engaging competitor intelligence pack

As spymaster Issue Harel once said *“Getting the information is not usually the most difficult task. What is difficult is putting upon it the right interpretation. Analysis is everything”*.

Having the information is a great step forward but what is critical is how this is interpreted and communicated in the form of an intelligence pack. It is important that time is dedicated to developing a clear and informative intelligence pack for participants. A critical component of this pack is the intelligence document itself, however, this can be supplemented by additional stimuli and pre-work to increase engagement and competitor immersion. We recommend assigning each participant to a competitor team before the session and then positioning the briefing pack from the eyes of that company, transporting them into their characters mind-set before they even set foot in the workshop. To ensure participants have enough time to study and engage with the package, it should be distributed 1-2 weeks prior to the war-game.



STEP 2

Plan & Run War-Game

a) Conduct F2F team briefing session with attendees to prepare them for the up-coming war-game session

b) Develop detailed session agenda and materials for war-game

If participants are not familiar with war-gaming, a briefing session will be necessary. This is normally a face to face meeting which is used to explain the war-gaming concept, how the workshop will run and what the expectations are of the participants. Time should also be dedicated to distributing and explaining the briefing packs, specifically, walking participants through the materials and the purpose behind each of them. It is best to have this session 1-2 weeks before the workshop so the group has enough time to digest the information.

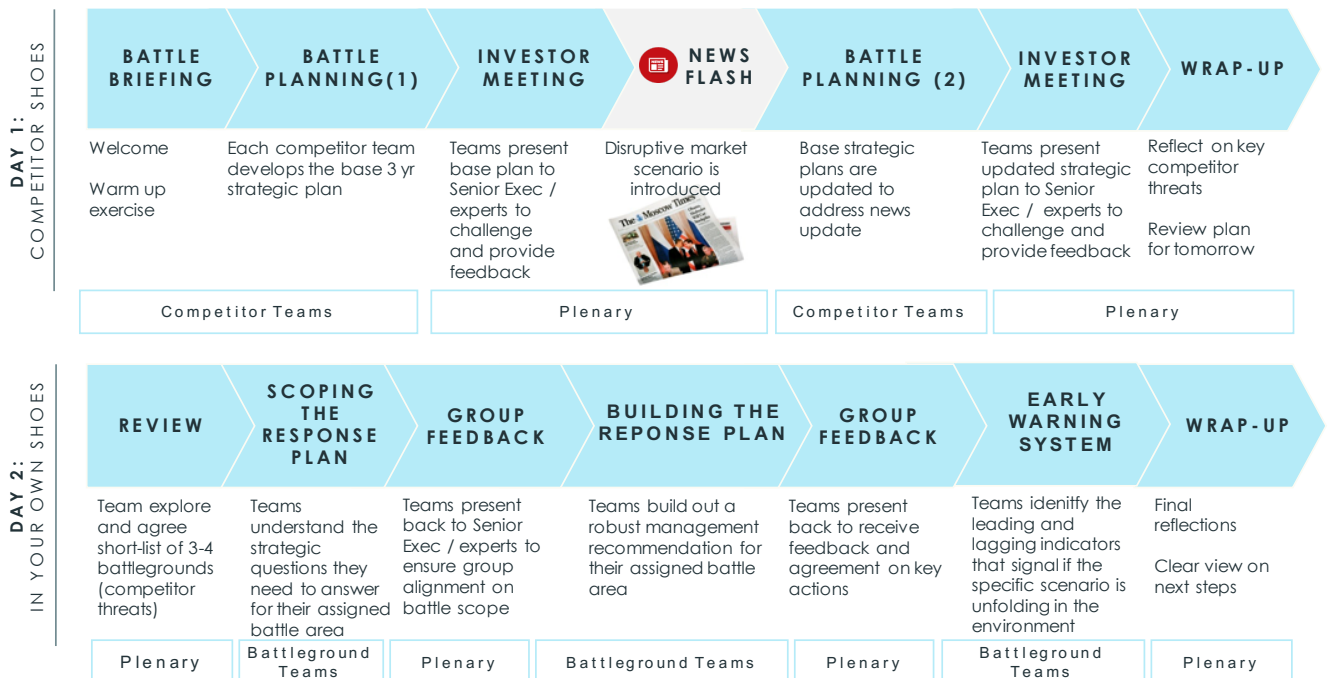
The exact activities on the agenda will depend on the type of game played, the number of competitors in scope, how many individuals are participating and the time available. It is important to have the design of the session agreed by your project team and sponsor before commencing any further workshop preparation.

On the next page is an example agenda for a scenario-based landscape war-game that is played across two days. While we always recommend a two-day session to give you time to properly immerse into the competitor's world and draw out the right implications, this can also be shortened to meet time pressures.

Once the agenda has been agreed, the next step is to build out the workshop deck and supporting materials. This includes the tools and frameworks to help the participants organise and structure their decisions.

If market uncertainty is high, it is worth injecting a scenario into the war-game to give you a better understanding of how you and your competitors will react in different market conditions. The scenario can be distributed as a newspaper article to participants half way through Day 1. The scenario chosen needs to be able to significantly alter the strategic direction of all competitors in the market in order to drive real change to the team’s base plans.

If budget allows, preparation should also include ‘dressing the room’ with competitor marketing material, posters and product to help keep participants immersed in the competitor’s world on Day 1.



c) Facilitate the war-gaming session

Well-qualified facilitators are essential to the success of any competitor war-game. The primary role of the facilitators is to ensure the war-game is executed in the right way to achieve its objectives. Good facilitation means that participants can concentrate on the decision-making rather than the war-game process. To ensure the war-game runs smoothly, we recommend having at least two facilitators. In most cases, these are professionals from outside the organisation who have a tried and tested approach and can apply fresh perspective and challenge.

STEP 3

Develop Recommendations

A huge amount of ground work is covered in a war-game workshop. It is important that all ideas, discussions and recommendations are formally captured in an output document. This is best undertaken by the facilitators who will have the overall picture of what occurred in the workshop and will have had the opportunity to capture the output.

This output document should be distributed to participants shortly after the war-game. It is critical that this recommendation document includes clear next steps to drive real action in the business.



5. DEEP-DIVE: UNDERSTANDING THE PSYCHE OF YOUR COMPETITORS

To better predict the next moves of a competitor, you must also build a deeper understanding of your competitor's decision makers.

This is because the objectives of corporate decision makers rarely completely align to the objectives of the corporation. This is why companies often act in ways that seem inconsistent with their strategic intentions.

There are three key questions you need to answer to help you:

1. Who is making the decisions?
2. What information do we need to know about decision makers?
3. Where can I find this information?

Who is Making the Decisions?

The first step in getting inside the head of your competitor is understanding who is likely to make the decisions and how their behaviour and personal objectives may influence the competitor's actions.

Owners

Owners are likely to have the biggest influence on the strategy of the company.

If it is family-owned then family values, history and relationships may drive the strategy. Their strategies are generally more long-term and they are less likely to react to short-term market pressures.

However, shareholders in public companies often scrutinise a company if they are not reacting to external pressures and changes. This results in more reactive strategies with the main aim of maximising shareholder value.

Whereas, a competitor that is owned by a private equity firm is likely to focus on the short-term performance improvements

to generate cash and make the company more attractive to buyers. You can forecast the tactics they are likely to use by looking into their history as Private Equity firms will often repeat their most successful strategies.

Top-Level Management

It's also important to look into the senior leaders of companies that have been hired by owners to deliver on the company's objectives. Their decision-making styles, previous history, values and assumptions about the market places will all influence the decisions they make for the business.

EXAMPLE

HIERARCHY	Investment Firm	CEO	Europe Regional Manager
OWNERSHIP	x% of shares	x% of shares	Less than 1%
LEVEL OF POWER	HIGH	MEDIUM	EQUAL TO CEO

General Management

If a competitor is de-centralised, it's also important to look into business unit leaders. They are likely to have autonomy over decisions in their remit and as a result company's objectives may vary by location and also across different divisions. General Management will be shaped by the same personal influences as top-level management including their previous history and decision-making style.

Given this is never black and white, we recommend completing a power structure table, similar to the one below, to understand who the decision makers are and how much power they hold.

What additional information do we need to know about decision makers? Where can we find this?

Once you are clear on who are the most powerful decision makers in your competitor's organisation, the next step is to understand more about these individuals and the drivers behind their decision making.

It is important to understand their:

1. Education & Functional Background

This will determine how they orientate and perceive their business. For example, leaders with Marketing backgrounds can often emphasise different strategic directions, based on what they feel comfortable with, than leaders with backgrounds in Finance.

Source: LinkedIn

2. Previous Successes and Failures

As expected, decision makers are likely to repeat the same decisions they have made in the past, if they have proven to be successful. This may also include different strategies that they have implemented in other businesses or industries they have worked in. For example, if cutting costs was a successful remedy for a problem facing the CEO in the past, it may be adopted next time a remedy is needed.

Source: LinkedIn, publications announcing new role which often describe their background.

3. Reward Structure & Incentives

Senior executive KPIs are often publicised in public companies and are a strong indicator of behaviour. For example, a high growth, low margin challenger brand may be killed to ensure the executive team meet their short-term portfolio margin targets.

Source: Annual Reports, Proxy Statements

4. Personality & Decision-Making Style

Description of their personality traits and how they make decisions. For example, a CEOs level of agreeableness has been proven to be significantly associated with team cohesion and de-centralization of power.

Sources: Ex-employee interviews, Glassdoor reviews, Behavioural observations from public media / investment interviews

5. Management Assumptions

Can help give you an indication of where their blind spots are. This can be uncovered through comparing their beliefs against an industry five forces analysis and determining what is being focused on vs. ignored.

Sources: Public speeches given by the competitor's executives, in which they express their beliefs about where the industry is going.

6. LESSONS LEARNT

Cognosis have developed and facilitated over 60 war-gaming projects for a variety of different organisations.

This experience has identified a number of lessons learnt which should be kept front of mind, to drive repeatable success in war-gaming.

“If you know the enemy and know yourself, you need not fear the result of a hundred battles”

Sun Tzu, The Art of War

1. Only use war-gaming when there is a burning platform, a critical competitor threat or strategic issue that needs a specific plan

All too often war-gaming is used as a general exploration of the market, competition, or as an executive bonding exercise. This tends to result in general output and little tangible action. Be crystal clear on why you are war-gaming and make sure it is focusing on real and specific issues.

2. Ensure your team genuinely think like your competitors

Competitors won't make the same decisions you do and it's not easy to genuinely think like a competitor. We usually bring years of baggage and assumptions to the table. To make it work, you have to change people's perspectives. There are a range of methods and tools to jolt leadership teams into another reality without casting your own organisation's shadow onto it. Make sure you do everything you can to help your teams walk in the shoes of your competitor. Go beyond lazy assumptions and bias.

3. Allow time in the war-game to agree implications

Allow significant time to understand the implications for your strategy. You need to spend just as much time talking about your business as you do the competitor's. It is important that the group agree on the response plans that need to be put into place to mitigate the threat. This will involve agreeing the proactive initiatives (to start now, to stay ahead of the competition) as well as the reactive initiatives (to implement quickly when and if the threat unfolds). A war-game is not just a fun exercise, it must drive tangible action.

In summary, competitor war-gaming can be highly effective and useful when used in the right situations and when well prepared and facilitated.

7. ABOUT COGNOSIS

Cognosis is a London-based strategy consultancy. We unlock business potential by creating strategies that engage leaders and their teams. For over 20 years, we've been igniting growth across more than 60 countries, with some of the world's most ambition companies. Some of our clients include AB-InBev, AkzoNobel, Three Mobile, Intercontinental Hotels Group, VELUX and Odeon.

A core and growing area of expertise is competitor strategy. Through working with leadership teams over many years, we have tailored an approach that ensures competitor intelligence can have genuine impact in the strategy planning cycle.

Our point of difference is the layered approach we use to competitor intelligence tools; scenario planning, war-gaming and early warning systems. Our clients enjoy working with us as the outcomes are tangible, clear and lead to action.

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