Take your Third Step First

Traditional approaches to strategic planning work fine – if you make decisions in simple strategic contexts that have only a few possible outcomes. But for military planners, and for most global companies, simple contexts are the exception. They’re faced with what systems theorists call “complex competitions”: The number of plausible, distinct outcomes is not just uncertain, it’s so large it would be a fool’s errand to try to quantify the odds of all possibilities. How can you reliably plan in such an environment, when the outcome, by definition, is unknowable?

We’ve developed a nontraditional form of scenario planning – *the co-evolutionary war game* – that’s designed for navigating complex strategy landscapes. In these games, now played at the highest levels in the U.S. Department of Defense, as many as four teams, each with up to 20 executives and senior managers, engage in a highly competitive series of strategy moves and countermoves. A game typically lasts as long as three days, during which up to five moves and responses propel the teams on a simulated multi- year trajectory that no single team directly controls. Strategic horizons of more than 20 years are not uncommon. These games don’t directly produce strategy, but all players get a deeper understanding of the competitive dynamics that drive strategy development and can use this insight to create more robust strategies.

In one game, for example, a DOD team invested heavily in high-cost, long-term R&D of remote sensor technology. When the adversary learned of the plan, it countered with a clandestine investment in low-cost concealment and deception, a move that proved successful when the first sensor product was fielded a few “years” later. The first team interpreted its product’s underperformance as a technical issue and increased R&D investment, a futile strategy that went uncorrected for one more move. Just as in real life – where strategic feedback occurs over long time horizons – staggering moves allows these bullwhip effects to fully develop and influence strategic plans.

The term “co-evolution” is not just a metaphor. Co-evolutionary gaming mimics the dynamics fundamental to ecological competition in order to explore the effects of conflict and cooperation between teams. Teams start in the present day with existing assets and near- term plans, and perhaps some quantity of a scarce resource, just as species in an ecosystem exist in a current evolutionary state and compete for their niches under some kind of selective pressure. One team imposes a shock to the system – such as introducing new technology in a war game – to increase the selective pressure. In successive moves, the teams fight for their futures through strategy adaptation and selection, just as generations of organisms co-evolve in ecological competition.

Consider what a co-evolutionary war game might look like in the case of a major bank that wants to expand its market. In conventional scenario planning, strategy development might proceed this way: The bank conducts an analysis to see what products and services will best serve the new market. Competitive analysis shows the likely reactions of the major incumbents in the market. A senior management team then develops a strategic plan to overcome these reactions. The problem with this approach, of course, is that the bank probably won’t see an incumbent’s actual adaptive response until the throes of real competition. By that time, if the response was unanticipated, strategic initiative is lost.

In co-evolutionary gaming, strategy exploration unfolds very differently. The bank’s market analyses suggest the best products and services, as well as the probable incumbent responses. But then senior management is split into, say, two teams: one to guide the bank through a simulated market entry and the other, representing the incumbent competition, to formulate responses – such as an unexpectedly innovative competing line of products and services or a surprise counteroffensive into the attacker’s own markets. After two or three moves, an interim end state results in which senior management reassesses its initial strategy. In this way, management learns strategic dynamics from both sides: from the firm’s perspective and through the eyes of a determined competitor. Indeed, one of the most useful outcomes of game play occurs when strategic planners, acting in the role of adversary, come to recognize and attack flaws in their own company’s strategy – in effect using the method to unmake, rather than to make, strategy.

The most compelling results from the DOD’s co-evolutionary gaming, we’ve found, occur when players navigate through initial failure to success. Many teams have a strategy crisis after being shocked by a clever competitor’s response to their first moves. Such crises compel the teams to think more deeply about the dynamics of the competition so they can make more robust moves in the future.

Often, teams discover fundamental strategies that will work in most of the likely trajectories – but usually not until the third or fourth set of moves. Knowing what they now know, they can write a more effective strategic plan, one that starts three or four steps ahead of the competition. They can take their third move first. Co-evolutionary gaming allows this awakening to unfold during the course of the game, not when real resources, brands, or equity are on the line.

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