

# INNOVATION WAR GAMES COOPETITION FOR POWERFUL INSIGHTS

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## THE ROLE OF COMPETITIVE INTELLIGENCE TO GENERATE INNOVATION

Many things have changed since the end of the 80's when SCIP was founded. In the early 90's, the world was going through an information and globalization revolution, and from that time until today, business has changed dramatically. We have the Internet, people bring their smart devices everywhere, almost each and every single product has its own IP; life has become much faster, and the world became a global community.

In the middle of all these changes, competitive intelligence keeps providing essential inputs for strategic decisions. And, as strategic knowledge has no value if not applied, many successful companies did not listen and failed.

One of the most emblematic examples we can look at is from Eastman Kodak, the giant of imaging solutions, which in 1976 achieved 89% of market share for photographic films in the USA. Kodak invented most of the solutions used on digital cameras. Still, the company was unable to properly use its invention in order to move to the digital world successfully. In 2012, Kodak filed for bankruptcy protection, and at the end of 2013 needed to sell most of its assets in order to survive.

I bring the Kodak case into mind to point out that it is insufficient for competitive intelligence practitioners to just bring the options or recommendations to

decision makers. Competitive intelligence must aid an organization to mobilization for action.

In a world of continuous change, we can consider companies as a living organism that must adapt to its environment or die. In this sense, following Darwin, those organizations that adapt more quickly to the new environment live and prevail. It is not enough to recognize the change in the environment, nor is it enough to have some characteristics that could be used successfully in this new environment. What is necessary for a company is the ability to adapt to new environments, using effective characteristics and knowledge in order to be successful and prevail.



Innovation is essential in order to be prepared for the fast and ever-changing environment. I will address the subject of innovation in more detail later on. For now, it is important to keep in mind what I mean by innovation. Therefore, it is important to differentiate creativity, invention, and innovation. Creativity is the ability to generate ideas: thinking differently about the same problem, brainstorming. A company that is creative means a company that can see a problem, a situation through different perspectives, and can generate ideas based on all these different ways of thinking.

Invention, on the other hand, is the ability to turn the idea into practice: models, sketches, and prototypes. An enterprise must invent more than just having large possibilities of ideas and points of view. It is necessary to put all these ideas into practices. Application is the key word for invention.

Still, to be able to adapt to a fast and constantly changing environment, companies must go beyond invention; they must innovate. Innovation is a successful introduction of the invention to the market, and the result is the maximization of firm value. To innovate means to bring value to the creativeness and inventions that a company can generate.

Competitive intelligence helps organizations to change through innovation, ensuring its long-term existence, and whenever possible, its prevalence among its peers.

### BUSINESS WAR GAMES

Before presenting the Innovation War Game, it is important to say a few words regarding the technique that is the basis for the the Business War Game technique.

Business War Games is a technique broadly used as a role play game in order to emulate the competitor's behavior. The idea is to evaluate possible scenarios and their impact on the company's performance, not only your company (called the host) behavior but also the competing companies in the same market. The ultimate goal is to refine the strategy thinking with the competitor's mentality.

**“To innovate means bringing value due to the creativeness and inventions that a company can generate.”**



Business War Games is normally used when you need to make a decision or develop a plan, third parties have a great impact in the success of you plan, and there are high costs involved to a wrong decision/plan. It was developed to be a fail-proof test of the planned strategy or, in most of the cases, a powerful method to improve it.

Normally, the war game is developed in two phases. In the first phase there is a sharing of intelligence among participants. There is one group that plays the host company and the other one plays the competitor. The share of knowledge is given by the simulation of competitor behaviors based on the information obtained by the Four Corners Analysis by Michael Porter, which consists of motivation aspects as company drivers and management assumptions, as well as of observed aspects such as actual strategy and capabilities. All the information obtained by the competition is used to represent the competitor's behavior during the simulation.

In the second phase of the war game, we have the development of strategic options. The main idea behind this phase is to develop the original plan in order to outsmart the competition. Here each participant uses all the insights generated by the role play game to improve the host strategy.

First, war games demand preparation time as it depends highly on the trustworthy information

you own from the major players in the market. If no precise information from the competition is available, the role play simulation can mislead the host company instead of helping it.

Second, cooperation in a war game is limited inside a team. In the innovation war game, there are other types of direct and indirect cooperation.

Third, the main application of a war game is to improve strategies or identify possible scenarios. Out of this application, as to generate new products and services, for instance, the methodology is of no use.

Still, one of the main driving forces that makes war games so successful is the competition that is generated in the dynamic. The competition among the participating groups in the dynamic stimulates creative impulse and generates the willingness to win. The competition atmosphere is, in my opinion, what makes the war game one of the most interesting analytical techniques. It is fun, it is powerful, and it is insightful.



“The competition atmosphere is what makes the Business War Game one of the most interesting analytical techniques.”

**INNOVATION**

Competitive intelligence has an important role as an innovation driver in an organization, and the tactics of war games can be used as a starting point to develop a bold plan for innovation, but what exactly is innovation?

I already mentioned that innovation is a successful introduction of an invention into the market. But this definition doesn't help to understand what innovation is when you don't have a good comprehension of what can be considered an invention. The economist Joseph Schumpeter says that innovation is new ways to combine things and those new combinations could assume different formats and not only technological variations. Another author, William Baumol, refers to these combination possibilities as well as innovation.

Therefore, we can consider ways of innovation:

- The introduction of a new production methodology;
- The acquisition of a new source of resources
- The creation of a new organization inside the market (as a constitution or a break of a monopoly)
- The launch of a new product (or a new attribute in this product)

- The openness of a new market (already existing or not)

And companies know that at least three things are very important to generate innovation inside organizations. We can call them Innovation's drivers:

1. Resources
2. Values
3. Processes

For innovation, a company must provide time, people, effort, and money in order to promote it. There are plenty of other resources that can be necessary depending on the innovation that is pursued.

Enterprises must have values to provide to the market. Companies shall understand what customers need or demand. Sometimes even things that they don't know they would need and value. Also, they must be aware of what kind of values are already provided in certain markets by other players in order to realize threats and opportunities.

And finally, companies must do it systematically. For that, it is important to have well established processes for innovation. The Innovation War Game technique that will be explained on the next section can be applied as a driver of innovation.

## INNOVATION WAR GAMES

What if we could develop a process to use competitive intelligence inside our organization to innovate?

What if this process requests a deep knowledge of market needs as well as what is available from market players including your own company?

What if we have a group of experts that could evaluate ideas considering expected performance in different criteria?

What if, for the creative process, we use the competition as the main driving force, like in a war game?

What if, in the same way that groups compete against each other, they could cooperate and bring new and different perspectives from the same problem/need?

What if, at the end, we could speed up the process of innovation taking the best of each idea and construct from it?

Well, all the above mentioned possibilities can be accomplished in reality. This is the methodology that I am calling Innovation War Game.

The Innovation War Game joins several concepts in order to speed up the innovation process using the available knowledge of the customer needs and competition behavior through interactive and high quality methodology that take the best of several competing approaches for a given situation.

The methodology can be divided in 3 different phases: a preparation phase; an Innovation War phase; and finally a post event phase. Each of them has clear importance for the quality and consistency of the result of the Innovation War Game.

How it works:

### PREPARATION PHASE

The preparation phase is critical for the success of the game. Here, two groups of people have an early involvement with the game: the ones that want to have a problem or situation addressed by the Innovation War Game, as well as those that are responsible for organizing the game.

The information and the details regarding the situation / problem to be addressed need to be organized carefully. Based on this information, all the participants will propose their ideas and strategies. For example, if the case involves an R&D department that wants to collect ideas for a new product they are developing, they need to specify their target customers, the context of the competition, the restraints of budget, the feasibility of some features before the game starts. This information is crucial to drive the efforts and creativity of all participants in the right direction.

The responsibility of the organization of the Innovation War Game must carefully identify the best composition of each group in order to equalize and balance the knowledge available in multidisciplinary teams. Besides the standard teams, there is a special "A-Team." The A-Team demands special attention. CEOs, Vice-Presidents, and Directors shall be part of this group as, well as top experts and customers of the Innovation War Games (those that bring the demand for the game).

Below is a step-by-step list for the preparation phase:

- 1 The problem / situation / project / product to be launched / market to be addressed/ customer to be attended is defined. From now on it is called Innovation Goal.**
- 2 A short presentation with the key aspects of the Innovation Goal is prepared. All the information regarding the main requirements, the context, the aim, the restraints, the budget, the winning factors, the uncertainties, etc. shall be addressed in the presentation. Presentation shall be designed to last from 20 to 40 minutes.**
- 3 Participants are informed in advance about the rules of the game and receive a short summary or a copy of the presentation with key aspects of the Innovation Goal.**
- 4 Teams are defined based on the following criteria:  
(a) multidisciplinary, diversity of behaviors/opinions;**

**(b) skills and competencies overall balance (e.g. technical guys shall be divided in different groups);**

**(c) distribution of knowledge of the situation (e.g. if there is 2 or more people that know in deeper details the Innovation Goal, they shall be located in different groups);**

**(d) number of people-It is suggested to limit group size to a maximum of 7 participants in order to ensure minimum conversation flow among participants, also, groups should have minimum of 3 participants. Groups shall be composed by equal/similar number of individuals.**

**5 A special team (we call them A- Team) is formed by top experts for each critical evaluation aspect. In some cultures or companies we also place higher ranks in the A- Team in order to enable the other teams to have a free flow conversation.**

**6 All the critical evaluation aspects are clearly identified. The relative importance of each aspect is consider and an evaluation formula is defined.**

## INNOVATION WAR PHASE

The innovation war phase is, for obvious reasons, the most important phase. It is there that the action takes place. In terms of process, it is quite simple. The goal of the workshop is presented (Innovation Goal - IG), teams working in their proposition to reach the IG (a strategy, a product configuration, a business model, etc.), groups present their ideas, ideas are evaluated, groups take the best ideas presented and start a new round of ideas based on previous ones. Then groups present their improved ideas, they are evaluated, and there is a closing with the main takeaways.

Here is some important advice to make it work well: An Innovation War Game can be run in a 4 to 5 hour period. Be aware of time control, a little bit of time pressure will help to bring out the best ideas while avoiding a very long workshop.

The A-Team has a very important role in the process. Make sure that they understand their role and are willing to help and give advice only about what they have been consulted. The A-Team should not drive the ideas from the groups, nor give ideas or recommendations that have not been

accounted for. I know that for some profiles it might be a challenge. The role of consulting is the main role of the A-Team while the other teams discuss their ideas for the Innovation Goal.

In the evaluation round, the A-Team shall evaluate the teams ideas based on pre-established criteria. In my experience, it is much better to address 1-3 criterias for each A-Team member or pair of members instead of make all the A-Team evaluate all the criteria together. Dividing responsibilities for judging makes the game faster and doesn't interfere in the quality level of ideas and presentations.

I also strongly recommend creating, during the preparation phase, an Excel table that would make the process of consolidating the grades of different criteria and make a final ranking easier. In the ideal evaluation round, after all the presentations finished, each top-expert or pair of experts have already defined the grade for the criteria they evaluate for each group. These grades will be entering in the Excel table, and after all the grades are placed, the final results are communicated.

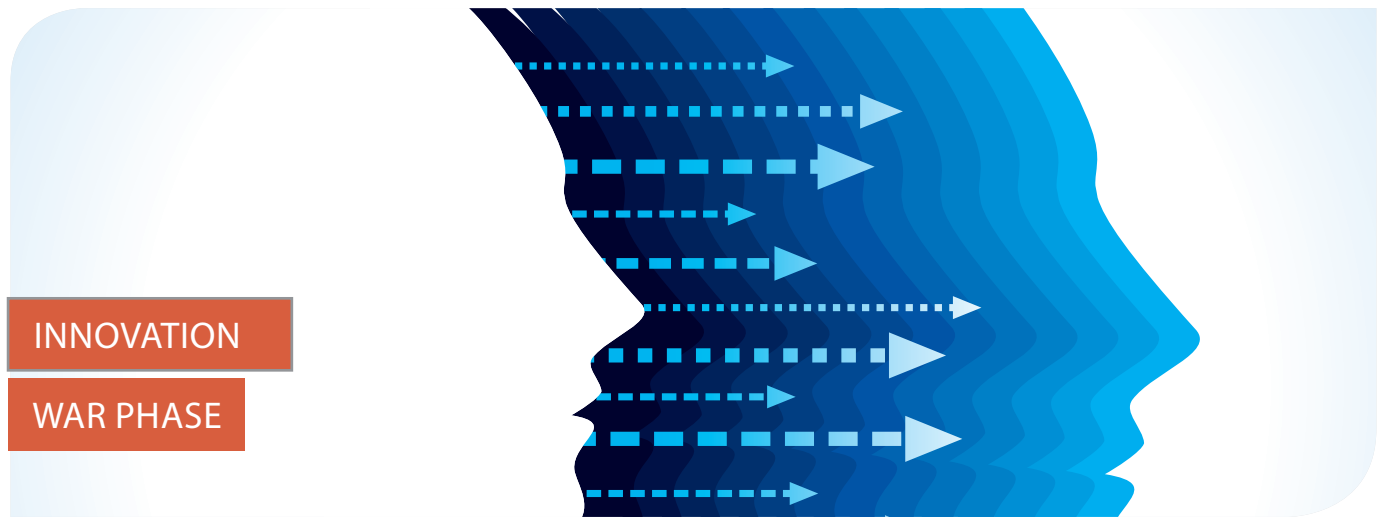
The step-by-step of the Innovation Phase follows:

**1 A presentation of the Innovation Goal to drivers and constraints to reach this goal. It is recommended that a maximum of 20 minutes for each presentation and an additional 5-10 minutes for clarification of doubts.**

**2 First round of innovation, where groups define the best way to achieve the Innovation Goal. For this phase, it is recommended 40 to 60 minutes of discussion. While the groups are working to find the best strategy, the A-Team is available as free consultants in order to clear doubts and give suggestions for specific points raised by the groups.**

**3 The presentation round is where each team makes a short 10-15 minute presentation explaining the main aspects of their strategy to reach the Innovation Goal.**

**4 a) Second round of innovation starts. For this phase, groups are allowed to use ideas from the competing groups in order to improve their strategy. The main goal of this round is to identify how to improve the**



proposed strategy/ideas based both on the evaluation received and the ideas generated by the exposure of others teams. For this phase, a 30 to 45 minute discussion is recommended. After the round, groups should be able to present their ideas in 10 minutes.

**4 b)** Once the second round starts, the A-Team evaluates all proposed strategies/ideas based on the critical evaluation aspects defined in the preparation phase. An evaluation table with the grade for each criteria and the overall performance of each group is presented as soon as evaluation ends to all groups. No explanation about the grades is necessary, and I recommend avoiding explaining it while presenting the results. After that, the A-Team is available for consulting or clarifying doubts about the evaluation. Remember that the evaluation done by the A-Team is final and it is not subject to be reviewed.

**5** Second Presentation Round starts. Each group has 10 minutes to present their improved strategy.

**6** Final round of evaluation takes place. The A-Team takes 5-10 minutes to consolidate grades and present results.

**7** Closing - Based on the presented strategies, the A-Team makes their final considerations, pointing the highlights of the best ideas to reach the Innovation Goal and some points for improvements in their evaluation. The result of the workshop is a starting point for the Innovation activity inside the company.

**POST EVENT PHASE**

After a well-designed and conducted workshop, it is expected to have generated lots of valuable ideas and content. To make sure that these ideas and content will be available for future usage, the post event phase is very important.

My experience suggests that even if some ideas where not selected as the best ones, it is worst to document and have a track of all generated ideas. The post event phase is not the end of a work of innovation; actually, this phase is just the beginning. The proposal of the Innovation War Game is to generate valuable inputs for the innovation process. It can be applied for business models, for strategies, for product designing, for market approaches, for processes, and several other situations/problems.

The step-by-step for the Post-Event phase:

**1** It is important to document the proposed improved strategy for each group as well as its evaluation by the A-Team.

**2** An analysis is finalized of the possible paths in order to achieve the Innovation Goal. Key aspects are identified.

**3** Handover of the documentation and analysis to the Execution Team.

## FINAL COMMENTS AND CONCLUSIONS

The Innovation War Game is a very powerful technique that can help organizations be creative, competitive, and cooperative. It can be used for several different goals and approaches with only small adaptations needs. Some of possible applications are designing innovative strategies, innovating in business models, for innovation in products and services, for innovative market approaches, just to cite a few.

It has been run with large groups with over 40 people and small groups such as 10-12 people. I don't see restraints to the use of the approach for large groups, although for smaller groups it can be challenging as you need a minimum size groups of 3 people, and it is important to have the role of A-Team to make it more collaborative and functional.

Finally, despite the fact that we call it Innovation War Game, one of the most interesting applications of the methodology is for strategy design. Some might say that it is not an innovation tool when it is used for strategy design, but that it actually helps select the best strategy. I disagree, mainly if you consider the approach used to generate new strategies that pass by putting people's insights together and recombine existing and new ideas through a creative process. The whole innovation process is designed to stimulate insights and creativity.

In a century when speed and flexibility for changing is crucial, all the techniques that support innovation and velocity are welcome. The Innovation War Game definitively can help your organization to be fast and creative to overcome the current everyday challenges.

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