

National Decisions using Strategic Gaming



Simulation Characteristics

- A simulation is a game of chess – living, dynamic, and interactive
 - ✓ Players must think ahead
 - ✓ Decisions will have an impact on the outcome
 - ✓ Non-attribution
 - ✓ Play action drives to an endgame
 - ✓ During simulation, participants live each move and counter-move:
 - Why did the move happen?
 - How could it have played differently?
 - Participants will be better prepared for future similar situations
 - ✓ Participants challenge themselves to try new strategies
 - ✓ It's a simulation – risk free, nothing lost only gains
- Simulations bring together Stakeholders, each of whom has an agenda
 - ✓ Forces them to work out issues together
 - ✓ In doing so:
 - Appreciate the benefits of cooperation
 - Buy into the strategy they have developed
 - Are forged into one team working toward a shared vision
 - ✓ Over time, all organizations bog down with growing overhead, comfort with doing things the “usual” way, and difficulty actually seeing change for what it is – this inertia prevents them from acting decisively, if at all

Experiences

- Although every simulation is different, there are things that you could expect to learn:
 - ✓ Your view of the situation will change – it will be like turning a map on its side to see what is on the other side of the mountain
 - ✓ It will give you a view of how the future might evolve and, more important, an understanding of the drivers of that evolution
 - ✓ You will experience the future together as an organization. Having lived through the simulation together, you will now share the same assumption about their environment and its dynamics
- Simulations show what can happen in the real world
 - ✓ They are not academic exercises
 - ✓ Participants live through possible worlds, examining competitive factors which are intractable to conventional analysis and which could lead unknowingly into a fatal ambush of one's own making

Specific Outcomes

- Test assumptions on which national business decisions are based
- Develop a “bullet-proof” strategy – tried out with competitive dynamics
- Gain new insights
- Identify required strengths and potentially fatal weaknesses in your plans
- Identify exactly what needs to be done to develop more successfully
- Understand how to join and leverage the strengths of key organizations
- Gain buy-in by managers with responsibilities for implementing plans
- Realize the opportunities and risks – what and where and how to manage
- Experience developing and executing a strategic plan, anticipating surprises, and countering competitive elements in real time
- Gain a rigorous process which can be replicated to review these issues or others. Develop a portfolio of alternative courses of actions for an economic baseline

A Strategy Game is a Catalyst

- To **challenge** the traditional view of “reality” stakeholders must break away from their current paradigms. Strategic simulations bring together all relevant stakeholders who often challenge each other.
- To **understand** how someone views the world you must stand in their shoes. Strategic simulations present unique opportunity for participants to “experience” the complex environment of other stakeholders.
- To **achieve** a credible test strategy strength you must focus everyone’s full intellectual power on the problem. The intensity of a scenario driven strategy development demands on that focus from participants.
- To **generate** new ideas you must have competitive interaction. A strategic simulation has multiple competing dynamics, moving the real world.
- To believe you must **change** the way you think and execute you must experience your strategy in a realistic environment. A strategic simulation uniquely provides an “experimental strategic planning” opportunity. You experience your strategy among competitors and peers.
- To **accept** this change stakeholders must see the results in a coherent, realistic context which must incorporate all challenges and perspectives. Stakeholder complexity is a critical ingredient for a successful strategy.

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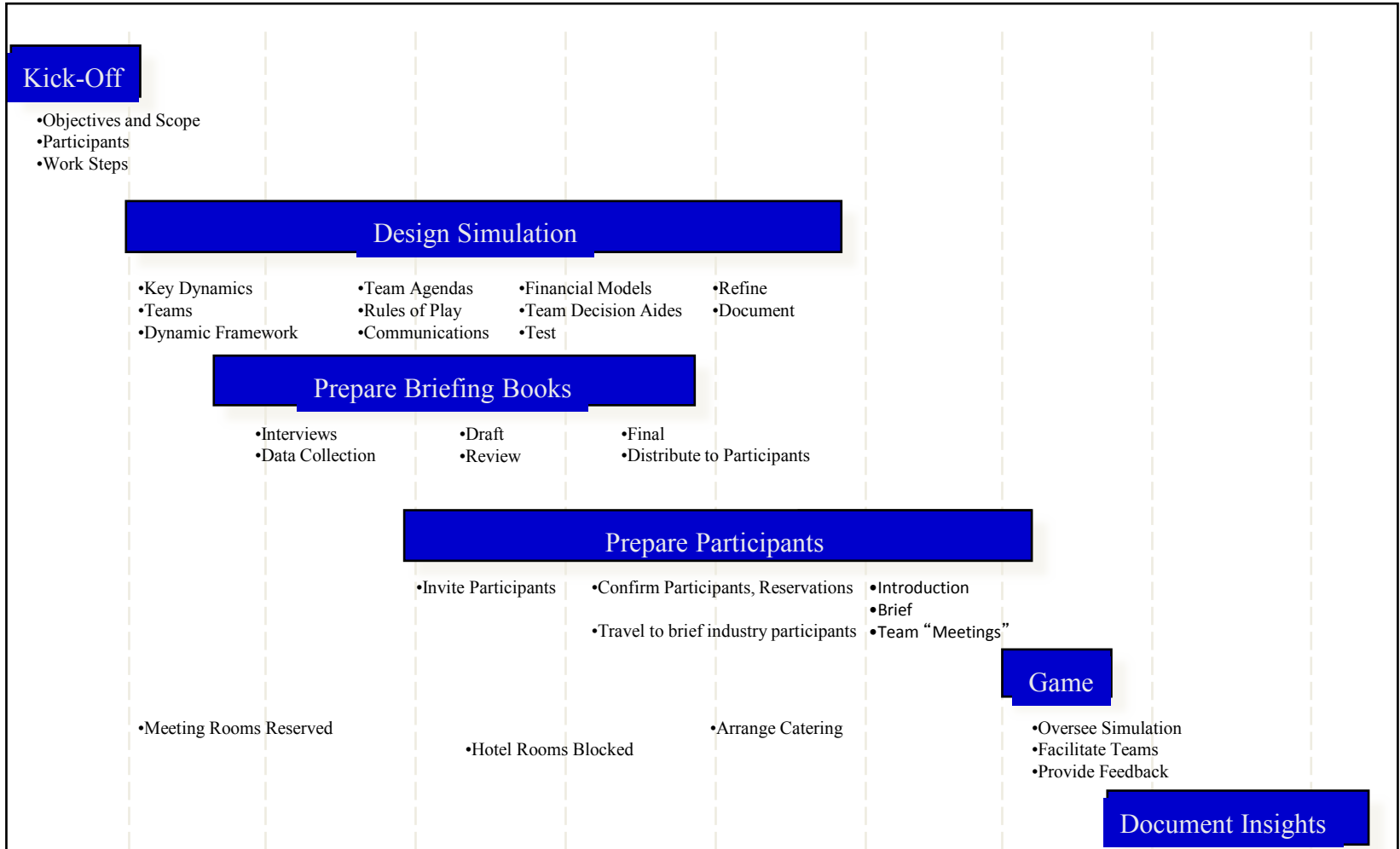
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Game Schedule



China Case Study

Energy and National Economic Strategies

National Goal & Wargame Design

China's National Goal

Provide a forum for executive decision-makers from China, US, global international companies, research institutes and governments to identify key energy and economic issues and the implications for corporate operations and investments.

Design Used

- Eight teams with specific roles centered around two moves:
 - Government teams (China, U.S., Regional and Petroleum Suppliers) concluded move one in a economic summit to discuss roles and responsibilities
 - Four industry teams two financial, two petrochemical, concluded move two at a summit to discuss corporate impacts and strategies
- Many insights were provided through team interactions, plenary briefings and e-mail
- Strategic as well as cultural issues were identified during the simulation and post analysis

Key Findings

- **Currently there is no global forum that involves all major consumers and suppliers of oil International Energy agency (IEA), Asia Pacific Cooperation (APEC) and UN do not provide equitable forum**
 - OPEC is primary forum for energy suppliers
 - IEA does not include China and India as members
- **Other Government teams resisted U.S. initiatives to have Crisis under UN auspices**
- **U.S. not sensitive to regional cooperation initiatives to involve Korea, Japan, Malaysia and Indonesia**
 - U.S. tended to pursue unilateral initiatives
 - U.S. focused on military solutions, with use of U.S. Navy to patrol and secure straits of Malacca
- **Other countries including China, cautious when reacting to terrorist events such as bombing of Ras Tanura**
- **Corporate reactions and priorities differ between Chinese and other corporations**
 - Global corporations prioritize corporate issues and shareholder responsibilities
 - Chinese corporations prioritize social responsibilities placing other issues as secondary
- **U.S. corporations did recognize the need to maintain good relations with Chinese corporate partners and the Chinese government**
- **Government flow of information to corporations critical during a crisis**
 - Danger that corporations pursue actions that may not align with government policy
- **A crisis, even an energy one, can provide opportunities to develop new policies and procedures**
 - Coal liquids technology was a priority in discussions by China and regional investment teams

Key Findings *cont.*

- **China is less vulnerable to oil supply disruptions than the U.S.**
 - Coal provides 85% of electric supply
 - Domestic oil prices are controlled by the government
 - Domestic oil companies can receive government subsidies for financial stability
- **Chinese corporations coordinated with their government, U.S. corporations did not**
- **Companies developed crisis assessment, then submitted government team for comment**
 - Domestic and social and economic impacts were assessed by all Chinese teams
 - Chinese corporations offered their government policy advice concerning their countries and domestic investments
- **Chinese teams concerned that all regional interest be addressed**
 - Include Japan and Korea in oil allocation discussions
 - Regional stability was a financial concern for China
- **China wanted security coordination to be performed by regional actions (Malaysia, Singapore and Indonesia)**
 - Resisted U.S. initiatives to involve U.S. and Japanese navies
 - Did agree to a bi-lateral meeting with U.S. to discuss crisis and oil rerouting
 - Agreed to assist if asked by regional states but not if asked by U.S.

Africa Case Study

Africa Issues and Challenges

- Western African country wants to accelerate economic development leveraging income from natural resources
- One of major resources is oil, which currently is considered too volatile to predict a 3-5 year economic development plan
- Discussions being held to build a large port facility which would facilitate the movement of goods, in and out, and further establish the country as a major player in economic development of western Africa
- Private industry has met with President of country, who has assembled a team of industry stakeholders who are willing to invest in the country.
- Major challenge is to gain alignment of industry's priorities government priorities.
- International organizations to include World Bank, United Nations, IMF, NGOs can be assets or disruptors. Major challenge is how to establish a stable economic environment to encourage investment and industrial activities.

Africa Issues and Challenges

Industry

- A secure operating environment and protection of investments, assets and personnel major concern
- A consortium of industries have met with the President and senior members of the cabinet and are willing to initiate operations in partnership with the country
- Recent terrorist activities in Nigeria a distractor
- Industry cannot secure private insurance for operations, so has asked the government, what is the plan.

Africa Issues and Challenges

Government

- Will have to have assistance from other countries/United States to provide secure environment
- Has identified numerous new oil blocks and is willing to license drilling operations
- Nigerian pirates remain a national challenge
- Role of United States major consideration
- Too many US stakeholders: OSD, DoD, Air Force, Navy, Coast Guard, AFRICOM, State Department, Intelligence
- Government concerned about perceptions of neighboring countries and losing control of development of national security priorities

Belize Case Study

Belize-Issues/Challenges

- Belize senior leadership wanted to assess current status of economic development. Illegal activities in logging and fishing continued to occur.
- What were the key economic drivers and assets that could be utilized to facilitate the economic development of Belize
- How were these assets currently utilized/under utilized? How does the government exercise authority over privately held land?
- What were the major impediments for full utilization of assets
- Who were the stakeholders who could assist in the economic development of Belize?
- How could the government successfully prioritize education when citizens were economically distressed?
- Was the current organization the correct one with the appropriate lines of authority, roles and responsibilities

Belize Assessment/Priorities

- The game preparation process included an independent analysis of current policies, activities, government funding and current/potential partners
- Interviews were conducted with key stakeholders, including department heads who reported to the new Minister of Economic Development, Heads of NGOs, industry and other senior stakeholders within the government
- A major concern was how to develop an overarching policy on sustainable development when the resources of Belize were needed to sustain economic growth
- Some key legislation was outdated and did not provide the appropriate guidance for current situations. Some mandates dated to the 1930's, 1950's.
- Some key government stakeholders thought there was “competition” within the government for resources, which prevented buy-in of an economic agenda
- Belize has a large number of NGOs that do not recognize government authority over investment of resources or activities.
- How could Belize develop a better economic strategy for assets and tourism
- How can the Minister encourage the departments to better work together?
- **Bottom Line: Who had the actual authority to develop investment plan for sustainment of Belize's natural resources and economic development?**

Belize Outcomes

- Minister utilized independent assessment to initiate a number of changes within her department
- Key stakeholders had a better understanding of roles, responsibilities and the need to work better together
- Leveraging concerns for the economic growth of Belize and its resources provided a common focus to move forward
- New Minister was able to gradually effect the necessary changes and better establish authorities for coherency
- **Non-attribution** interviews conducted in preparation for the strategy game provided an opportunity for key stakeholders to provide insights and propose solutions for consideration.