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Book Review: Winning in Fast Time by Col. John Warden (2002, with afterword 2013)

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Col. John Warden is well known for his role planning the air operations of Operation Desert Storm. He refers often to the 48 hours his team used to create the high-level battle plan, but neglects to mention that he spent decades prior to that developing these methods. As he carries over these methods to a business consulting practice it is important to note the importance of a slow think. Daniel Kahneman calls it Thinking Fast and Slow, and a lifetime spent thinking "slow" and developing higher order interactions will serve as well in the business world as in the world of combat. You can't think "fast" successfully without a lifetime of experience. This isn't meant to diminish Col. Warden's achievements, but it is uncommon in business to be strategically and tactically superior in every way over an opponent as he enjoyed during the Desert Storm air campaign. The possibility of a nuclear option, and Saddam Hussein's willingness to project that possibility (later proven false), was the only strategy Iraq had. Losing both the air war and communications battle meant that, unless the people of Kuwait viewed him as a liberator (they did not), a decent strategy by the coalition was unlikely to lose. Note the difference once the war moved to Iraq and Afghanistan, where the people were more supportive of the insurgents. I am also reminded of the Vietnam War, where the Americans had every technical advantage but the North Vietnamese had strong support from villagers. It makes a big difference when boots on the ground become necessary. Many of Warden's methods are not new. Others have used them before, but he issues them distinct and unusual names. This strategy is brilliant. Each subordinate has to understand the terms used in order to be a part of the process, and this is as important as the process itself. Buy in or get out!

Prometheus process

Prometheus is a Greek God who created man, stealing fire for him to use and getting himself in trouble. The Prometheus Process presented by Warden addresses multiple leverage points (called Centers of Gravity) simultaneously, and allows subordinates to develop the tactics once the future state has been developed as a Grand Strategy. Where do you want to be in 5 years, 10 years, or longer? Once that is determined, the worker bees decide how to get there. Each level down uses the same process to develop their piece of the puzzle, with a focus making sure that the key groups receive the resources they need. It is argued that Prometheus is fractal at each level, with the entire plan aligned with the Grand Strategy.

I was reminded of Mike Tyson's "Everyone has a plan until they get punched in the mouth" as Warden discussed the importance of being agile once the plan is underway, empowering staff to make changes they think are necessary. He doesn't comment on how this is coordinated across limited resources, but clearly there needs to be a central presence that is told what each team is trying to accomplish so resources can be allocated on the fly. This is where having a common glossary of terms and a common framework, and culture, developed over decades comes in handy.

Insurance: One way the ERM (Enterprise Risk Management) team can support the PP is by developing and sharing a common glossary of terms.

Four strategic questions

These questions define the Prometheus Process.

- What future do we want to create?
- What system change is necessary?
- Which leverage points in the system are key?
- How will we know when we are finished?

Unfortunately, most people just want to be told what to do. Planning teams should include a wide variety of skill sets that encourage both strategic and contrarian thinking. Others should get off the bus. With the right team in place, not playing politics, a strategic plan with desired outcomes can be developed quickly, and turned over to tactical teams to come up with implementation plans. These teams need to work within specific rules of engagement. In wartime, this can tell the team when they are allowed to shoot. In business it likely includes ethics and rules about expenses and key metrics. Business is different, with the objectives less clear and competition just as agile.

Metrics need to be strategic. In war this transfers the bean counters from body bags and bombs dropped to effects, things like functionality destroyed. For business this means moving from lagging indicators like income statement items to leading indicators like policies sold and agents contracted.

The Grand Strategy

Warden's process focuses on developing a proactive corporate strategic plan, referred to as the Grand Strategy (kind of a goofy name for business purposes). Focused activities avoid those that don't support what he calls the Future Picture. They encourage open-architecture planning, with everything transparent to the entire planning group. This aids buy-in, since each member has an opportunity to comment on the plan before it is locked in. Guiding Precepts act as rules of engagement. For an insurer these should focus on profitability and capital deployment, and be a core part of the culture (Axiomatic Behavior). One thing Warden does really well is to provide examples, although they tend to be from his prior career in the military. One example is that of measuring the end result strategically rather than how you got there. Prior to US entry into WW2, German bombers were regularly sinking unarmed merchant ships traveling to Britain. The US Navy placed anti-aircraft guns on the ships and manned them with trained gunners. After

Pearl Harbor, the Navy wanted to pull the guns and crew, explaining that they had not shot down many bombers. The successful counter argument was that bombers had adjusted to a higher altitude, reducing the number of ships sunk. The guns stayed, leaving the minimally trained merchant crew to shoot them. The focus should be on the effect, and how the action helps move toward the Future Picture environment. It was noted how difficult it is for employees to change from a tactical to strategic perspective. Recognize tactical effort, reward strategic success.

Insurance: I encourage companies to consider lines of business as either core or satellite, using the CFA Institute terminology. A core product receives full compensation but also is charged capital and overhead. A core line with excess returns is encouraged to utilize more capital. Those who utilize the most capital at hurdle rate levels or above should be compensated the most. Satellite lines must be liquid so they can be easily exited when a core line needs capital. Compensation is lower. Think about how a company with lots of excess capital uses their investment department as a default line of business. How much investment risk do you want them to seek out and accept? A diversified, safe, portfolio allows maximum flexibility but not a lot of returns. Be careful what you incent. People will do what you pay them to do.

The Campaign Orchestrator is the coordinator across the organization. This could be a strategic planning officer, but could also be the CRO. In any case the ERM team should be a key member of the group. This encourages consistency in all plans and, once the ERM framework is set up, the velocity (speed AND direction) of implementing plans quickly is enhanced. Often this coordination is accomplished electronically. Success is measured by results. Work smarter, not harder.

Planning efforts should include members of the system that are both above and below the group, and communication efforts should follow suit as parallel efforts. If information sharing is blocked, set up alternative channels to work around it. A Red Team (e.g., the Nellis AFB team that mimics a Russian enemy force) performs a contrarian role to look for holes in the plan.

Once a goal is accomplished, review the organization and dissolve anything no longer needed. This is part of an exit strategy that should be anticipated in advance. Don't overstay your welcome.

Insurance: there are a couple of extreme interpretations of the Prometheus Process. One is to take a company where there is great confidence in the operational team but not much in the leader; perhaps it is a family run business and the current generation did not create a strong leader. By delegating past the CEO, better decisions can be made. Another is to use this as a way to facilitate a complete shake up. By setting up new situations, you can produce upheaval of the entire organizational chart. This gets past the entrenched bureaucracy that resists change, encouraging new ways to think of solutions. The cream (leaders) float to the top. It can also throw out the baby with the bath water, so should be avoided if political pockets are present.

Centers of Gravity

Centers of Gravity need to be prioritized and then addressed simultaneously (in parallel, making it hard for competitors to react quickly, and with flexibility to adjust on the fly). Critical paths must be identified in a complex system so they are quickly addressed if the initial thrust is not effective. These can be customers, processes or other key factors. As I read the book, I think an ERM team can be a Center of Gravity as a facilitator of an improved, consistent and transparent process, but am not sure Warden would agree. Innovative product can be very destructive to competitors, but points out that customers rarely understand where the market is going. The internal team needs to know everyone else's assumptions and perspectives, much like a Delphi study (focus on transparency and a stable distribution of results). It's not the same as consensus, as each group addresses its own Center of Gravity commitment.

A system within a business is the overall environment, much like an ecosystem that is closed, and predator/prey must be in equilibrium. The parts of a system are interdependent, dynamically reviewing its evolution rather than taking a snapshot. Higher order interactions will generate non-linear effects. Systems often have memories, with elastic limits, that must be broken to establish permanent changes. Part of this is pushback due to change.

At each level in a system you will find

- Leadership – sets direction; includes informal leaders, influencers, can be external to company
- Processes – converts energy within the system
- Infrastructure – holds the system together; natural place for the ERM framework to reside
- Population – classified by function; e.g., kinds of cells in the body, demographic groups in a country, groups within company or market
- Agents – actively promote and defend the system; white blood cells, military, marketing, don't establish policy, this is the place where tactics are discussed

This is presented as the Five Rings Model, showing that, like fractals in chaos theory, each level has the same types of questions asked and solutions available. Prometheus presents this as delegation to an independent body. One might argue that this is delegation of decision-making, leading to an elimination of the senior manager, then the person below that, etc. The team is encouraged to treat root causes rather than symptoms.

Insurance: introducing a new product, distribution, or strategy could fit into the system definition. An ERM team can devise and own the ground rules that each must follow related to capital deployment and risk interactions.

Macro Assumptions

Warden suggests the following areas are important to help design your organization's future. He does not expect consensus, but that each person listen to the assumptions made by others. It's not clear who determines the Future Scenario to be planned for. My opinion is that the final decision should not be delegated, but input should be welcomed.

- Economic environment – he suggests each person provide their "bet" on the specific scenario that will happen. This is probably the largest disagreement I have with the book, since for an insurance company he is suggesting that you risk insolvency. An insurer needs a strategy that survives in all environments – this is what a risk appetite helps you to accomplish. Resiliency, the ability to take a shot and live to fight another day, seems like a military concept so is surprisingly ignored here.
- Marketplace dynamics: How is the market likely to move going forward? For an insurer, unless you are Met, Prudential or AIG, you are not designing a revolutionary product, and you are a niche player only until a bigger insurer decides that is their niche.
- Political environment: What changes are coming at the federal and state levels; new or roll-back of regulations; tax policy; or international implications.
- Sea changes: Are discontinuities expected?
- Technological environment: Ever changing, good or bad for you?
- Other assumptions.

In general, significant events occur more frequently than ever, disruptive innovations occur regularly, and technology is driving transactions and the business process.
The 12 Components of a Future Picture, described in Chapter 6, make sense to me, especially in an insurance context. It must fit the culture of the firm.

- Financial position: intrinsic value of the firm
- Market position: leader or follower
- Business areas: lines of business
- Innovation: Yes or no
- Stakeholder perception: internal stakeholders
- Outsider perception: external stakeholders, the community, other companies
- Workforce characteristics: entrepreneurial, consistent, or cautious?
- Brand: breadth, characteristics
- Corporate culture: current or change?

- Corporate citizenship: role in the community
- Incentive philosophy: bonus/equity or salary focus
- Ownership: public or private

Desired Effect

The planning goal is to determine which action(s) will result in the greatest chance of having a systemic effect. Address a large numbers of Centers of Gravity quickly, and in parallel. Prioritize them. After all, recognize that resources are always constrained. A phased attack will move the system in the desired direction.
In war you don't need to destroy a target, just make it ineffective. You can then move on to another target, for example, when the radar stopped working rather than waiting until you had obliterated the radar unit. Warden defines energy events; a negative-energy event removes energy (rare for a business), while a positive-energy event adds energy to a Center of Gravity. If you are attaining your Future Picture, you don't care if others are also successful.

Define the desired effect, pick a metric and time horizon, gather information that relates to your goals (avoid wasting time on unimportant info), develop strategy, delegate tactics, estimate resource requirements.

Insurance: I understand this concept in a war setting but would like someone to provide a business example of when to move on after a marketing campaign. Move on to what?

Conclusion

Col. Warden's *Winning in Fast Time* is an interesting book, but he uses a bizarre nomenclature defined when he was in the military and tries to sell it to businesses as a consultant. In some groups it will make sense but most will struggle to understand what the hell he is talking about. His strategy worked well in the military with an absolute upper hand, but the fact that he was not promoted to General and his methods were not used in later conflicts tells me that he himself did not sell his ideas very well to his commanders.

This method should take more time to think about decision-making. Why should a strategy go in one direction versus another? One common metric that can be used by all teams should be developed. For insurers it should incorporate capital, taxes and overhead. The risk team should play a key role in the infrastructure of the firm.

I read this book in September 2018

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