

# International Political Economy

Analyzing the effects of politics on business and markets.

## Special Report

---

January 7, 2008

### **GOOD INTENTIONS, BAD PLAN, UGLY WAR**

*Tad Waddington*

I recently reviewed a book, *Lasting Contribution*, by Tad Waddington. I thought the book was terrific. But don't take my word for it. Here is what the Kirkus Review had to say: "This thin volume contains wisdom, scientific facts and insights from great figures, all in the service of planning a meaningful future. A thought-provoking work that bears rereading." *Lasting Contribution* just won a National Best Books 2007 Award. I asked the author to apply its insights to the Iraq war.

Marvin Zonis + Associates, Inc., (MZ+A) helps firms assess, monitor and manage political risk. "Political risk" refers to the uncertainties that arise from instances of political instability (such as riots and coups), poor public policy (such as inflation and currency crises), and weak institutional frameworks (such as discriminatory regulations and ineffective legal systems). "Political risk management" refers to the development of processes, structures, and knowledge that allow firms to deal effectively with political risk.

In accordance with Title 17 U.S.C. Section 107, this material is distributed without profit to those who have expressed a prior interest in receiving the included information for research and educational purposes.

To SUBSCRIBE, without charge, to the email distribution list, please submit your name, title, company information, telephone number, fax number and email address to [werner@mza-inc.com](mailto:werner@mza-inc.com). You will be added to the list immediately. To UNSUBSCRIBE to the email distribution list, email [werner@mza-inc.com](mailto:werner@mza-inc.com) and indicate your request to be removed from our distribution list. You will be taken off the list immediately.

## GOOD INTENTIONS, BAD PLAN, UGLY WAR

*Tad Waddington*

---

The debacle that is the Iraq War began when Secretary of Defense Donald Rumsfeld suggested that, even though the terrorists were in Afghanistan, the 9/11 attacks were a perfect opportunity to bomb Iraq. According to Richard Clarke in *Against All Enemies*, Rumsfeld observed that there were no good targets in Afghanistan and plenty of good ones in Iraq, a decidedly odd observation.

It turns out, though, that all observations are odd, because people do not perceive primarily with their senses, but with their minds. Experiments in the psychology of perception have repeatedly shown that people often don't see a thing unless they have some idea of what they are looking for. Or, in the case of Iraq's weapons of mass destruction, people see things that are not there. The reason for this appears to be biological. In *On Intelligence*, Jeff Hawkins and Sandra Blakeslee wrote that "for every fiber feeding information forward into the neocortex, there are ten fibers feeding information back toward the senses." Conception, in other words, leads perception.

What set of ideas led to Rumsfeld's observation about *good targets*? More important, given Plautus', "He gains wisdom in a happy way, who gains it by another's experience," what subset of the Secretary of Defense's mistaken ideas can you and I learn from? The answer goes back to *targets*.

In *Strategic Intuition*, William Duggan explains that the U.S. military derives its thinking about strategy from Antoine-Henri Jomini: Figure out what territory you want to capture; set strategic objectives; execute. One downside of this way of strategizing is that it can lead everybody to the same place at the same time. When both sides of the American Civil War followed Jomini's advice, the result was Antietam and its single-day 23,000 American casualties.

An alternative approach to strategy derives from Carl von Clausewitz: Look for the time and place in which you can destroy your enemy's army and seize these decisive points. When Napoleon invaded Italy he passed by the good targets of Turin and Milan. Instead, he routed the Austrian army at the relatively obscure Lodi. Why Lodi? Because he could.

### **How?**

How do you cultivate your strategic intuition so that you can see and seize decisive points? The technical term for what you need to do involves a multi-method multitrait matrixed way of thinking, which sounds much more foreboding than it is. It's just *triangulation*. Take hunting submarines as an example. You look (one method) for something big (a trait). It could be a whale so you listen (another method) for a propeller (another trait). It could be a sub or a whale swimming over a school of shrimp so you measure water temperature (yet another method) to detect exhaust (yet another trait). It could be a whale swimming over a school of shrimp that happen to be swimming over a hydrothermal vent, but it is more likely to be a sub. Triangulation has converged on an answer.

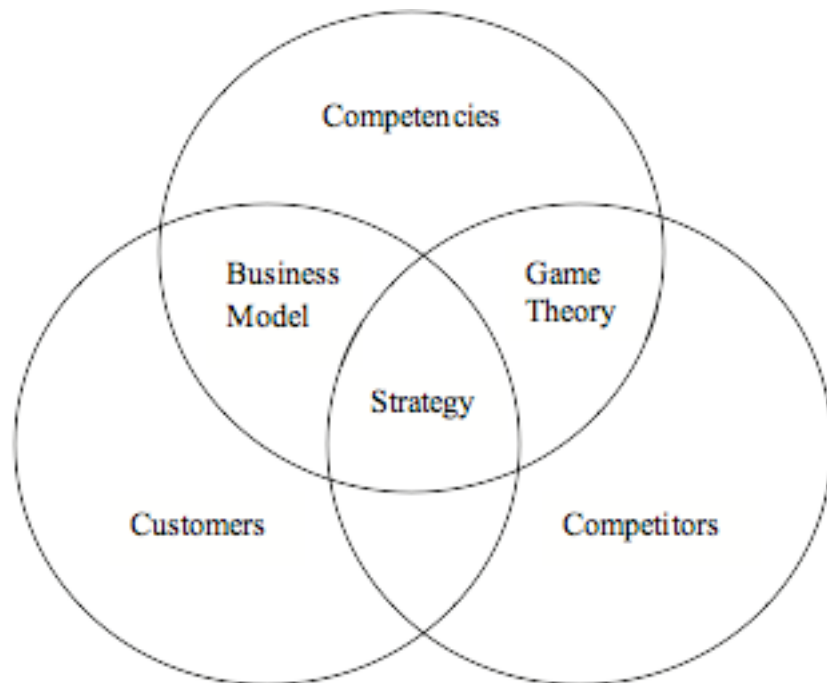
# International Political Economy

More generally, this means you should consciously look at phenomena from different perspectives. Failure to do so will lead you to fail to see the good (on September 12th, 2001 even the French said, “Today we are all Americans”), the bad (the abundant clues that the 9/11 attacks were coming), and the ugly (an incipient Iraqi insurgency). These different perspectives should encompass the different aspects of the world in which we live—mind and body, self and other. One useful framework is to think about the abstract (hopes, passions, values) vs. the concrete (measurable, testable) and the inner (within oneself, such as what you know and believe) vs. the outer (the nature of the world).

<b>Conceptual Frame</b>	<b>Concrete (body)</b>	<b>Abstract (mind)</b>
<b>Inner (self)</b>	Your Knowledge & Skills	<b>Your Values</b>
<b>Outer (other)</b>	<b>Action</b>	<b>The Problem’s Structure</b>

Take business as an example:

	Concrete	Abstract
<b>Inner</b>	Given that Drucker defined management as a process of turning resources into results, this is your resources. Being the knowledge worker, employees’ knowledge and skills often constitute the better part of your resources.	<b>According to Jim Collins and Jerry Porras, this is not to maximize shareholder value, but is your company’s mission. In <i>Built to Last</i>, they found that, in the long run, companies that had a purpose greater than profit outperformed those that were focused only on making money. The concluded: “Contrary to business school doctrine, ‘maximizing shareholder weath’ or ‘profit maximization’ has not been the dominant driving force or primary objective through the history of the visionary companies. Yet, paradoxically, the visionary companies make more money than the more purely profit-driven comparison companies.” This shapes strategy, because, General Douglas MacArthur said, the definition of victory is the first determinant of strategy.</b>
<b>Outer</b>	<b>This is how you execute your strategy, a challenge, because everything else is your business--your financial and organizational structures, for example--must adapt to your strategy. Since your competencies, your customers’ wants, and your competitors’ actions change over time, your strategy and therefore everything else you do must also change.</b>	<b>This is shown in the Venn diagram below. It consists of your competencies, your customers, and your competitors. Your business model is how you use your competencies to meet your customers’ wants. Game theory is how you keep your competitors off balance. Strategy is how you meet your customers’ wants while dealing with your with your competitors.</b>



## Application

I was recently asked, “How do I get the big pharmaceutical company I work for to conduct research in areas where we might not make a lot of money, but that could really help people? I got into this business to help people and there are plenty of inexpensive ways to do that, like using light therapy to treat depression, but my company is more interested in profits than people.”

My answer focused on Game Theory: It costs a billion dollars to develop a successful drug, but it costs only thousands of dollars to prove that a cheaper alternative exists. If your company sells antidepressants, you won't convince them to stop, but you can convince them to conduct research elsewhere. For example, the allicin in garlic can work as well as Viagra (taken orally, not topically). You can encourage your company to research inexpensive alternatives to medicines that your competitors sell, not because you will make money on the results, but because the cheaper alternative will cut into your competitors' profits. Because you are helping people cheaply, you can call the program social responsibility—and bill it to the marketing department.

## From Seeing to Doing

The pharma example shows that the four-quadrant triangulation framework can also be used to guide action, which leads to the question: How do you maximize your efficacy? Take a thought experiment as an example. Imagine that you have 12 points of effort to put into an action. Most people focus only on their actions (concrete & outer) and largely neglect the other three quadrants. This can be represented with the following:

Concrete & Inner = 1

Abstract & Inner = 1

Concrete & Outer = 9

Abstract & Outer = 1

But since it is the output of the entire system that matters (which can be represented by the product of the elements), the result is  $9 * 1 * 1 * 1 = 9$  points of effect. On the other hand, if you were seeking to maximize the output of the system, you would allocate your effort differently:

Concrete & Inner = 3

Abstract & Inner = 3

Concrete & Outer = 3

Abstract & Outer = 3

The result would be  $3 * 3 * 3 * 3 = 81$ , a nine-fold increase in efficacy, which suggests that you will get the greatest return for your efforts not by fixating on just one quadrant, but by coordinating among all four.

### And Back to Seeing

We now have a framework—a conception—to perceive what went wrong with the Iraq war:

	Concrete	Abstract
Inner	A lack of linguistic, cultural, and historic knowledge with a lack of skills for managing and rebuilding a country after it had been defeated.	<b>Not a desire to kill over 4,000 coalition troops and create over 4,000,000 Iraqi refugees, but to protect the U.S. and to rid the world of a tyrant.</b>
Outer	<b>Outstanding execution by the U.S. military.</b>	<b>No understanding of the structure of the problem and thus no plan for success.</b>

The short (and obvious) observation is that the Iraq war is the result of good but incompetent intentions that led to a terrible plan brilliantly executed. The less obvious observation is that an intention can be incompetent. Even stranger is the observation that everybody might have been better off if the U.S. military had suffered hundreds of losses early on and then withdrew, thereby saving thousands over the long term.

*Tad Waddington says he achieved literacy while getting his MA from the University of Chicago's Divinity School where he focused on the history of Chinese religions. He achieved numeracy while getting his PhD from the University of Chicago in measurement, evaluation and statistical analysis. He achieved efficacy as Director of Performance Measurement for Accenture. (Any views expressed herein are solely those of the author, and may not in any way be attributed to the author's employer.)*