Future Strategies: Part 2 — Research and Idea Generation

The firm must embody its thoughts (vision, direction, strategy) into words that evoke emotions in order to draw people into action.

By Steven J. Isaacs and Karen L. Newcombe

Since the first article in this series was published, an earthquake, tsunami and nuclear plant failure have effectively crippled the world's third-largest economy, Japan. The self-immolation of Tunisian greengrocer Mohamed Bouazizi to protest constant police interference with his street vendor business has turned into revolution in Tunisia, Egypt and Libya, and continuing unrest across the Middle East. None of these events was on anyone's list of predictions for 2011.

These events are having worldwide impacts on energy — increased instability in already-volatile oil prices and the almost-certain removal of nuclear power from the world's menu of potential energy options for the near future.

When faced with uncertainty, our reactions can sometimes mimic panic. We may freeze in indecision or charge off in random directions, hoping any decision will be better than none. Both of these choices ignore the middle ground — reflection on the questions that can shed light and guide us through the ambiguity:

- What are our values?
- What does each of us in the firm hold as our passions?
- How can the firm reflect those passions in our work?

The first article in this series (*FMI Quarterly*, 2011 Issue 2) focused on the necessity of defining and asking the right and often difficult questions as the firm designs or adjusts its strategy.

In our conversations with design firm CEOs during the first quarter of 2011, many of these leaders said that in reaction to the current climate of uncertainty, their firms were temporarily shifting from a five- or 10-year plan to a shorter strategy adjustment period, anywhere from three years to month-to-month. Several firms have put strategic planning on hold entirely, citing the need for their particular markets to stabilize before any planning is possible.

Whether your firm is building a new long-range plan or tweaking a short-term strategy for the next few months, robust strategic planning should create clarity from a set of complex data and emotions. It should focus on human values — we are creating workplaces for people, environments for human and natural communities, and vehicles for the expression of the firm leaders' personal passions. Planners should collaborate across boundaries, including a range of people within the firm and the input of clients, so that all have a stake in the plan's success. Plans should be biased towards action. If execution is the hardest part of most strategic plans, then build action into it from the start. The planning process should be mindful, not a rote exercise.

ALTERNATIVES FOR CREATING STRATEGIES PROS/CONS

Firms have a range of ways to get to the future. Many firms feel that they are already comfortable with existing knowledge of their markets, competitors and clients, and gravitate towards a more typical strategic planning process. While it feels safe, this is an increasingly risky direction to take, making the first decision in the strategic planning process a choice about how it will be accomplished. There is a larger diversity of options available to us today and numerous points of view about how to design a process for strategy.

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Everyone plans differently — no single process works for every firm, so all planning efforts must be keyed to the firm's particular situation. At one extreme is the firm that does no strategic planning. Often such a firm is the brainchild of a strong entrepreneur who has a clear, personal vision of the company's direction and future and the charismatic leadership abilities to drive the firm forward. Firms that choose this option may choose to put their energy into research and development, constantly seeking new products and innovations that will put them at the forefront. The obvious question attendant to this choice is, "What happens when the visionary ultimately leaves the firm?"

Will a successor be able to maintain the firm's drive with fresh energy and ideas?

The other extreme is the firm with a directed, ongoing strategic planning process that truly is a process — updated and adjusted on a continuous, almost daily, basis and implemented by every person in the firm, not just the leadership team. This kind of process allows great flexibility in responding to changing conditions, but the goal and vision must be thoroughly clear to all implementing it, to prevent them from being drawn in multiple directions.

In the middle are the two most widely used methods: the traditional planning effort by the leadership team during the annual retreat and the democratic process involving many participants across the firm. The former is still the most widely used today, so familiarity makes for a smooth process, but one that may be prone to following old habits and taking a checklist approach …"Did we write a new strategic plan this year?" "Check — retreat's over, let's get back to our real work." The democratic process brings in a diversity of viewpoints but is prone to groupthink if participants fear offending the leaders/boss/teammates. The goal is to achieve buy-in, but the result can be institutionalized mediocrity with all the passion drained out of it.

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Strategy must reflect the passions of the firm's leaders, and the firm's practices must bring those passions to action. Actions are based on emotions that in turn are based on thoughts. The firm must embody its thoughts (vision, direction, strategy) into words that evoke emotions in order to draw people into action.

Leaders need to create a constant sense of the organization as an entity, what its goals are, how they will be accomplished, and what each person's place is in accomplishing them. Everyone in the organization should be able to explain what the organization is doing and why, and should be able to do so without having to think it through or look it up. Your employees may not be able to rattle off your company's mission, but it is nearly certain that they know this familiar phrase: "A computer on every desk and in every home." Do your employees know more about Microsoft's strategic mission — and their part in it as consumers — than they do about their own role in implementing your firm's direction?

Leaders need to convey their connectedness to every person in the organization, the power of their vision, their core values (as well as the firm's) and the cohesion within the leadership team and between the leaders and the rank and file — all of which help get the power of individual activity going in a positive direction. For a real-life example of how one successful firm is doing this, please refer to our

One of the best ways to ensure that human values are reflected in your strategic plan is to broaden the input by involving more stakeholders.

article: Firmwide Quality: The Business Case for Pursuing the Highest Standards (*FMI Quarterly*, 2011, Issue 3.)

WHO SHOULD BE INVOLVED?

One of the basic characteristics of architecture and engineering is a focus on human values — serving people, communities and the environment they inhabit. One of the best ways to ensure that human values are reflected in your strategic plan is to broaden the input by involving more stakeholders.

Firm leaders today are taking advantage of the range of ideas available when a diverse group of people is invited into the strategic planning process. One question for firm leaders today is whether their youngest staff members, in possession of considerable technological prowess and who have grown up in a world of instantly accessible information and ideas, can help design the firm's process in new ways. A 25-year-old may be able to access many creative ideas from around his or her network that could be useful; in essence, "I'll ask my friends."An eclectic mix of experiences, backgrounds, ideas, approaches, education, gender and cultural background all lend richness to the creative process. Whether a traditional or alternative methodology is used for planning, the richness of perspectives and contributions is the goal for a successful strategic planning process.

Clients also have a role to play in your strategic planning process. Your firm should have an established method for asking your clients what they see in the future for their businesses and what they think you will need to do to serve them effectively over time. You will get more targeted information about the future of their needs, they will appreciate that you take their concerns for the future seriously, and it will build goodwill for your firm.

What about end users? We rarely hear of firms inviting members of the community in to share their opinions and ideas about the community's needs; this is usually left to city council meetings and similar public forums. Yet design firms often tell us they wish they had more influence in how the community makes choices about urban design, infrastructure choices, green building, long-term planning, preservation of green spaces and other factors that can affect the quality of the entire region. One way to build influence and to identify unaddressed community needs that could become work is to give the public user the same consideration you give clients: Invite them in and ask them.

RESEARCH

Research is the basis for understanding what the firm's opportunities will be in the future, and it must occur both within and outside the firm. Depending

on whether the firm is doing a full-blown strategic plan, an interim short-term plan or tuning up a month-to-month ongoing process, different levels of data will be needed.

Internally, every firm must understand two things about clients and projects: whether they are profitable, and whether doing that work and working with those clients satisfies the professional passions that are the firm's purpose for being. Firms should seek to do more work that is both profitable and satisfying. It can be useful to spend time identifying which types of projects and clients are high-demand/low-profit or even cause a loss to the firm. Let another company that is a better fit do this work.

The firm must also know what its own values are and how they are expressed in its culture. It should understand what range it falls into on these issues:

- Does the firm push for innovation, or does it prefer a business-as-usual stance?
- Where does the firm fall on the risk spectrum? Does it like to take high risk and possibly reap the rewards? Does the firm prefer a conservative approach that minimizes risk? Is there a risk awareness program to mitigate exposure in either case?
- How does the firm feel about the alignment of offices? Is it run as autonomous business units, or does it expect across-the-board cohesion as a firm?
- What is the firm's stance on ethics, and how is that expressed in the firm's work?
- Does the firm adhere to a primary focus on one thing that it does supremely well? Or is it active in many markets and services?
- Will the firm grow organically, or is acquisition a desired method for growing?
- Where does the firm stand on collaboration? Are clients, subconsultants and contractors fellow travelers on a journey? Or are they factors in a project process that need to be managed and overseen?
- What is the firm's attitude towards staff? Does the firm's work require that they be interchangeable parts in a production line striving to meet the lowest costs, or does the company nurture them as individual professionals making creative contributions?
- Is the firm's work focused on service or on price?

The firm needs to be clear about these when looking towards future strategies. Markets and services will change constantly, but it takes a full generation to change an organization's culture. If a strategy is not in alignment with the culture, that strategy will never be fully realized.

To understand how the marketplace is changing in ways that will affect the firm, research must also encompass trends in the outside world — you need to "go wide." At the macro level, we recommend examining seven major trend areas: economic, social, political, technological, environmental, global and the A/E/C industry. All of these areas are widely documented by media outlets, nongovernmental organization studies, university research papers, futurists, corporate analyses made available to the public and many other sources. Collecting and organizing this data can be a thought-provoking learning experience for the people participating in the planning process as well as an opportunity for developing leaders to learn skills in scanning the horizon for relevant trends. Many firms combine some internal research with the efforts of an outside researcher to save time and keep costs reasonable.

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On a level that is closer to the firm, data should be gathered about competitors. Our recent conversations with CEOs have emphasized that competition is not only steep, but also is coming from new quarters. Mega-firms are pursuing work that they once ignored as too small. Firms from outside the U.S. are competing for — and winning — projects that were once local meat-and-potatoes work. Not long ago, most consulting design firms looked at globalization as a concept of concern to banks and manufacturers. Today, globalization has become our concern.

Also relevant are local and regional trends and changes in client organizations and needs. Once again, direct interaction with your clients is your most useful resource. Invite them to tell you what is changing in their business, why, what changes they are facing over the next several years, and what you can do to support them.

When you have found all the information relevant to your firm's needs, how do you interpret everything you have learned?

SCENARIOS CREATE CLARITY

Scenarios can help create clarity from a complexity of data, trends and opinions and help substantially with the idea generation needed to form a successful strategic plan. Scenarios are thought-provokers to give planning teams a structured way to look at possible futures and drive their thinking outside of the familiar channels. All scenarios look at defined sets of trends and organize them into easily grasped stories that illustrate how those trends might play out under different conditions.

Many firms that use scenarios limit those to the best-case future and the worst-case future and usually end up doing most of their planning on the optimistic

side. In reality, the future plays out for us with a great range of subtlety and variation, and this subtlety can best be explored by looking at a wider range of possible futures.

Building scenarios for planning purposes can be hard: it takes time to collect the data and organize it into scenarios that reflect how the real world could play out. FMI and a team of experts from the industry worked together in 2009 and 2010 to create four future scenarios for the A/E/C industry, taking some of the effort and cost out of the process for firms who use the material in their internal planning. These recently created scenarios, tuned to the needs of consulting design firms, provide a framework for examining the collected data as to how specific trends could play out in that firm's marketplace.

The process described here combines the A/E/C Future Scenarios with the data collected by a firm to identify implications for the firm and customize the scenarios to the firm's specific conditions and needs.

The planning team is given the A/E/C Future Scenarios, and each person is asked to pick two of them to analyze and to write down the implications he or she sees arising from these scenarios, i.e., how the two scenarios each of them chose would affect the firm if they played out as described. Supplied with information and knowledge, as well as the time to process, planning teams can see and understand how this data applies to their organization.

After identifying the implications on an individual basis, the group then meets, reviews the implications together and decides on the scenarios it wants to build for the firm, specific to the markets, the organization's structure and culture, and the firm's situation. Some clients have used a four-quadrant method to create the firm's scenarios, and others modify the existing A/E/C Scenarios.

The next step is to go broad: Using both the drivers supplied in the *Future of the A/E/C Industry* report and the drivers identified by the firm, the team finds the key universal and specific drivers that apply to its firm, at both the macro and micro levels. For example, the

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rise in energy costs is a worldwide macro trend; it can play out at the micro level when your long-term client commits to build all its new facilities at a high level of energy efficiency.

## STRATEGIES ARE SOLUTIONS TO PROBLEMS

With key drivers identified, the team then identifies potential strategies to respond to the key drivers. This can take several forms. For instance there could be a general brainstorming session of the entire planning team, breaking into small groups to discuss how to respond to the drivers, or individual assignments followed by presentations to the entire team. Many tools can contribute to this idea-generation process. The goal of generating these ideas is to move toward creating solutions.

Architects and engineers are trained in generating ideas for projects — designers solve problems, and those solutions are projects. These same skills apply to generating ideas for business strategies. Assume a beginner's mind-set — put aside biases and approach the challenge with a fresh outlook:

- Don't judge
- Question everything
- Be truly curious
- Find patterns
- Listen

The rules for all these processes are generally similar and should help foster creativity and generate a wide range of ideas:

- Be visual
- Go for quantity
- Stay on topic
- Build on the ideas of others
- Encourage wild ideas
- Identify "how might we"
- Defer judgment
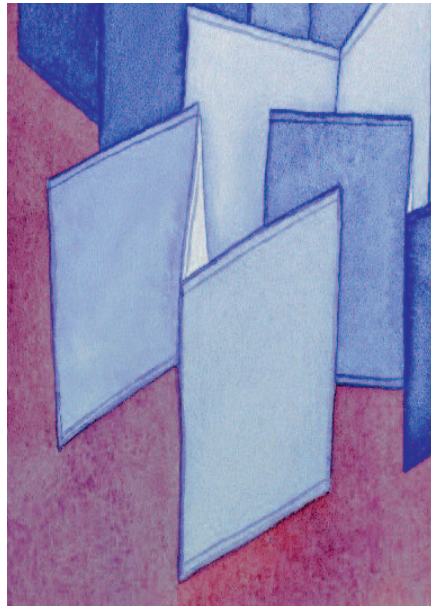
With a number of proposed strategies identified, planning teams can be broken into groups again to test the strategies against the firm-specific scenarios: Which strategies are effective in dealing with which scenarios? The strategies are then ranked by how robust they are (how effectively they apply to each scenario). Strong strategies for the firm are viable in all four scenarios and are obviously going to be the most useful under a variety of possible futures for the firm. Strategies that respond well to three scenarios are moved ahead, and for strategies that apply to only two or one of the scenarios, choices must be made about which to keep and which to reject.

With the array of possible strategies narrowed down to the most robust and flexible choices, the team now faces more big decisions: How much can we really do, given the resources that we have or can secure in the near term?

The next step, which we will examine in Part 3 of this series, is to create the implementation plans for making the strategies happen and create the systems that will make this implementation part of daily operations for every person in the firm. ■

Note: This article used some concepts from the D. School Bootcamp Bootleg, a guide to the design process from the Hasso Plattner Institute of Design at Stanford. A free copy of the booklet can be downloaded from: http://dschool.typepad.com/files/bootcamp-bootleg2010.pdf

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