



# Designing Through Dynamic Decision-Making



**ACROSS INDUSTRIES,** business models are being closely examined as new players enter the game and change the rules. While some firms are making efforts to ‘tune up’ their practices, the stark reality is that those who fail to find new ways to create value will be

left in the dust. In this context, the modern enterprise needs to be dynamic, adaptive and market driven, and it must concurrently perform two tasks: navigate the choppy waters of the present environment while simultaneously creating value for the future.

A company’s decision-making dynamics are a critical dimension of both its adaptability to the present and its future success. In our work with organizations big and small, commercial and public, local and international, my **Rotman DesignWorks** colleagues and I have gained interesting insights into these dynamics, and our observations have driven home the value of Business Design principles in activating more dynamic decision-making.

Following is a scenario that no organization would care to claim as its own, but unfortunately, its elements are too often a reality that impedes progress: At the same time each year, the senior management of ‘Status Quo Co.’ heads off for its annual planning retreat. Executives review the usual data – business results, market research data, analysis of tactical and operational success. They spot a problem or two, and maybe even an opportunity. They define a strategy for the next 12

months, polish up an impressive strategic plan, and return to headquarters to communicate the mandate. Lower levels of management absorb the plan and present their unit’s tactics for achieving it to senior management. “See how well we have listened and how smart we are?”, they think to themselves. Their forecasts are impressive (just what was asked for) and the plans are a logical extension of what they are already doing and know they are skilled at doing.

That’s it for another year. Everyone involved moves ahead to execute their razor-sharp plans and diligently sticks to the well-defined path. Any ‘inspirations’ that occur along the way are put on the back burner because they’re not accounted for in the plan.

Two quarters into the year, the numbers aren’t materializing. Fearing that they have failed to execute the plan as well as they could, management fine-tunes its tactics. They pour through their analytics, rearrange spending allocations and push even harder on what they initially set out to execute. The year ends, and they almost miss their numbers; good thing they had a few lucky breaks in the final hours and were able to close a few big contracts. They regret that they had to cut some staff or abandon their pursuit of that new opportunity they wanted to pursue, but that’s the reality of business. What’s worse, they are heading into the new year with low first quarter numbers and no progress against the breakthrough ideas they know they need to position themselves competitively for the future.

While this example may appear extreme, such a scenario is not at all uncommon. In all-too-many cases,

- strategy goes one way: top-down;
- plans are set and executed, with only narrow course correction allowable;
- decision-making is largely linked to delivering on the plan;
- the primary source of decisions is data, which ‘proves’ ideas have value; and
- there is no allowance for and few resources to experiment with breakthrough future-forward ideas.

In situations like this, there is limited practice of what we at DesignWorks call the ‘Three Gears of Business Design’: the cultivation of a deep understanding of the human factors that underlie a business; multiple prototyping and iteration of new possibilities; and proactive evolution of the strategic business model. This ‘Business Design approach’ can have a profound impact on decision-making dynamics, from long-term strategic planning to day-to-day problem-solving and business development.

Here are six key ways to encourage managers to embed design principles and practices into the decision-making process:

**1. Embrace user-inspired strategies.** Strategies are driven by what the market needs (both explicit and unarticulated needs) and what the enterprise is positioned to and committed to deliver in the long haul. A key strategic decision, then, is *who* to serve and *which needs* to serve. Good CEOs are personally committed to the customer and astutely tuned-in to their needs, both *deeply* (what they really need from a product or service, practically and emotionally) and *broadly* (as a whole person with an appreciation for ‘user context’ – the needs surrounding the products and services they sell to them currently).

**2. Visualize solutions to decide what gets moved ahead.** Many companies decide upon strategies in ‘abstract form’ – via words on a page that can have multiple interpretations. We often hear business teams admit – long after the strategic planning process and well into execution – “That’s not how I thought it would play out.” By translating words into proto-

types, team members can share a clearer picture of what a strategy really ‘looks like’ in concrete terms, whether it be an enhanced customer experience, a new kind of product or service or a new way of operating. For example, in designing an improved patient experience for **Princess Margaret Hospital**, a visualization of the patient journey with tangible manifestations of space, technology, communications, features and furnishings helped set the strategy for facilities, IT and services. Faced with tangible possibilities, understanding becomes clearer and, in our experience, decisions are more inspired.

### **3. Use a ‘multiple choice’ framework for decision-making.**

Unlike Status Quo Co., where the plan rests on a limited (and rather fixed) solution set, companies that explore a number of solutions early in the process not only realize richer solutions, they also reduce the risk of placing all of their bets on one idea. Powerful strategies should provide the latitude for opportunistic consideration of market-inspired solutions. Ongoing exploration of alternative prototypes also helps to inform better, broader decisions. This keeps peoples’ thinking open and fresh, and ensures forward movement informed by more lateral thinking and decision-making. For example, when it comes to ongoing quality and productivity improvement, **Toyota** practices ‘hansei’ (which means ‘stop and reflect’), identifying root causes, exploring multiple counter measures and consulting all partners. This approach to consideration, experimentation and implementation allows for quick execution once a decision is made, without having to rework. It also helps them get the concept right using creativity and insight to arrive at an overall vision for the product or solution. Multiple-choice experimentation shifts team decision making from singular ‘go/no go’ to ‘what’s the best way’ to achieve better outcomes? As a rule of thumb, instead of developing one solution to improve value, consider *three* ways.

**4. Engage users in decision-making.** Too often, teams develop ideas in an Ivory Tower and interact with end users only when it is time to provide ‘proof’ for their concept. By this point, the investment cost (of time and money) is high, as is the risk of the solution being sub-optimal and having no recourse. By engaging the user early in the development process, the user helps guide decisions through the concept

of *'co-creation'*. Who can argue with the people who will ultimately use or buy your 'solution'? This approach helps keep the focus on what really creates value. For example, in a recent strategic planning exercise at Nestlé, the business team explored a wide range of ideas, played them out for consumers and consolidated their insights and learning into one powerful strategy. They spent only two days of the leadership team's time and \$18 in prototyping materials. Co-creation allows for expedient, efficient strategic and tactical decision-making.

**5. Nurture a culture of experimentation that allows people to test new ideas.** It's valuable to experiment with new ideas on an ongoing basis. The resulting output not only advances the enterprise in the short term, the sharing of learning from these successes provides clues to bigger strategies for the enterprise over time. For example, Google Labs releases imperfect prototypes to the market to allow users to test drive new and innovative products in return for their valuable feedback. This provides the company with more robust user information before deciding to launch to the mass market, as was the case with Gmail.

**6. Use informed intuition to guide decision-making.** The closer you are to your customer, the less you will need to rely on heavy-duty quantitative research. Furthermore, the value of truly breakthrough ideas is close to impossible to 'prove'. Regular quality interaction with customers – through site visits, shop-alongs or co-creation sessions – builds your instincts as to what will 'fly' and what will not. Successful companies like Nike, Apple, Cervelo, and P&G are intimately involved with their customers and have a track record of success to prove the value of close relationships. While this does not mean running your business entirely on 'gut instinct', it does entail having a more 'engaged' team that can accelerate the development process and get to bigger ideas. In short, rich customer understanding enables better, faster decisions.

Now that we've covered some ways to embed design thinking into decision-making, let's look at how companies can harness creativity on a broader level.

- **Embrace and embed a 'design approach' into everyday practices.**

This is a dramatic shift from the ways most companies have operated in recent years. Ongoing customer interaction and understanding, prolific prototyping and experimentation are a disciplined skill set that fundamentally changes behaviour. With this behaviour change comes a new mindset and bolder, more optimistic thinking. For a company like Apple, this has been part of its DNA since the beginning. Others, like P&G, have made it a priority to train their organization and provide the means to practice this approach effectively.

- **Establish an ongoing process for reviewing breakthrough ideas early in development.**

Many companies have a 'stage gate' approach to project paths, but surprisingly, many do not have an ongoing channel to review radically new 'early phase' ideas. Microsoft, for example, has used a process that allows employees to bring forward big ideas in an early stage and get an audience with senior management. Interestingly, after our workshops with corporate clients, the most senior executives express that they would rather their teams brought forward big ideas in their early 'rough form' than mediocre polished ideas late in the game. This can be a productive way to capture experience and wisdom to guide and expedite breakthrough development.

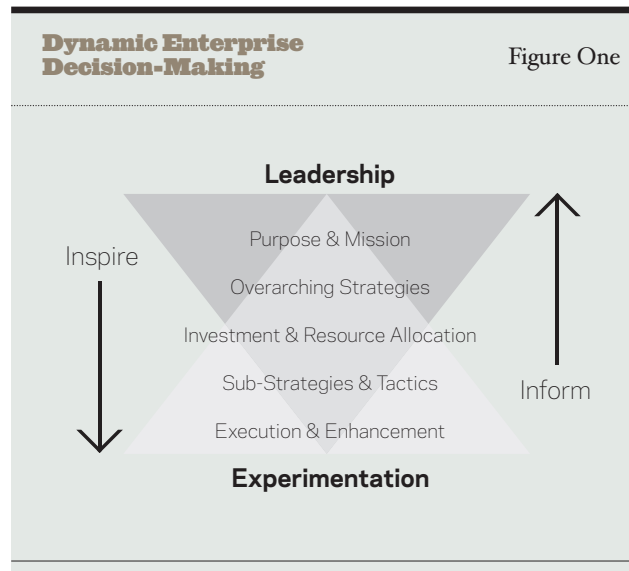
- **Create a clear structure for innovation.**

Many innovation departments come and go. The key is to set up a clear structure, integrate it into the rest of the operation and hold people accountable for defined deliverables. Like Google Labs, Nokia explores, develops and tests new ideas through its online applications and Nokia Beta Lab. SAP has labs all over

the world, some with a specific focus – for example, Vancouver’s focus is environmental. **Tata Consulting Services** has been advising outside clients for 20 years; they began providing in-house counsel to their own group of companies in 2007. **P&G** has a Design & Innovation group trained in design practices and facilitation. Whether via an in-house Lab, an internal consultancy or an internal expert support group, the greatest successes emerge from well-defined structures and clear lines of accountability.

- **Create a culture in which innovation and decision-making is part of everyone’s job.** When people don’t pursue new ideas because they are not in on ‘the plan’ or ‘it’s not in their job description’, they will tend to continue to do what is expected. However, if given the license to experiment and explore, they will exercise their insights and innate creativity to the benefit of the enterprise. Witness **Google’s** policy that asked employees to spend 20 per cent of their time on ‘projects of personal interest and passion’. It’s no surprise that 50 per cent of **Google’s** freshest ideas come from this initiative. At **Whole Foods**, responsibility for purchasing, customer service and P&L are allocated by department. Those on the front line interface with customers daily to see what they buy and want, and design selection accordingly in order to maximize sales, velocity and profitability.

**Figure One** depicts a framework for what I call Dynamic Enterprise Decision Making. The Leadership of the enterprise sets its purpose and mission, its overarching strategies, and decides how resources will be invested and allocated, including an allowance for ‘future exploration’. The ‘Front Line’ (i.e., business unit managers and teams) not only executes and enhances the fiscal plan, but also places an agreed-upon amount of effort against experimentation and exploration of future possibilities. All of this is done in the spirit of open communication and collaboration between Leadership and



the Business Unit. The results of exploration and learning throughout the year inform future strategies and possibilities for breakthroughs that can provide meaningful advances in competitive advantage.

#### In closing

For most companies, getting the most out of the business design principles outlined herein will require some degree of ‘cultural rewiring’, including skill development and strategic allocation of resources for future development initiatives. However, firms that integrate this dynamic form of decision-making into their DNA will enjoy a competitive advantage resulting from speed, bigger thinking and greater agility, all of which will help drive success over the long haul.

Today’s most successful companies show that ‘the proof is in’: nurturing a culture of dynamic decision-making and experimentation through a design approach can produce fresh thinking in the short term and inform strategy over the longer term. The potential for greater efficiency, employee empowerment and enterprise agility can form the basis of renewed competitive advantage in the ever-changing markets in which we operate today. **R**