How tangible is your strategy? How design thinking can turn your strategy into reality

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Executives have long understood the need to articulate their company's strategic visions for shareholders and employees alike. The methods used to develop a given strategy, including initial formulation, prioritization, and measurements, are often enshrined in organizational ritual and a belief system unique to each enterprise. The people who drive these processes are the ''high priests'' of their organizations. Visits with them are like the ancient pilgrimages to the oracle at Delphi: great planning is required to prepare for the encounter, and the answers you receive will likely be cryptic and shrouded in mystery. The methods the oracle uses to convey the strategy, the means of describing the vision and depicting the expected results, typically take the form of presentations and lengthy white papers. More often than not, a strong measure of hindsight is required before you can rationalize whether the oracle's predictions codified within these documents aligned with the actual outcomes.

Last year, Golsby-Smith's (2007) article in this publication (''The second road of thought: how design offers strategy a new toolkit'') pointed out the limitations of only applying half of Aristotle's treatise on human thinking rather than embracing Aristotle's full, holistic approach. As Golsby-Smith points out, numbers are very ineffective at communicating what could be; rhetoric, narratives, and stories are needed to convey those possibilities. I would argue, however, that narratives, even those that rely on numbers, lose their effectiveness as they move through an organization. Assuming they are not simply referenced in passing during discussions regarding portfolio and resource planning, well-meaning strategy documents can actually create more confusion than alignment. It is with the best of intentions that the stakeholders within your company will actively interpret these documents. But with each interpretation, resolution is lost and cohesion gives way to a strategy's constituent parts.

How many of us have played the party game ''Telephone''[1]? The evolution of the message as it moves along, while sometimes humorous, reflects the cumulative errors that result with repeated interpretations and re-synthesis of the original message. In short; human beings do not do a good job of retaining details – even precise, numeric ones – when we are asked to interpret them. Regardless of how you document your strategy, people will need to interpret its narrative. After all the meetings, presentations, and keynotes, your team will choose their tools and start to work. Whether they are developing products or services, working with your customers and suppliers, or simply answering your phones, they will, in the course of doing their work, actively interpret your strategy as if it were a game of Telephone.

What if you could express your strategy not as numbers or frameworks or even a rhetorical narrative, but as something concrete? What if your strategy took shape as a prototype that shows your organization what success will look like when you have delivered against your goals?

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What is design thinking?

The SAP Design Services Team (DST) was created in 2005 by Hasso Plattner, Chairman and Chief Software Advisor, to improve the design of SAP software solutions as well as provide the organization with the means to scale up its adoption of design thinking. Design thinking is a term used to describe how designers typically approach problem solving. Beginning with a holistic, ''360°'' understanding of the problem, including customer's needs (explicit and tactic), the end-user's environment, social factors, market adjacencies, and emerging trends, etc., design thinking looks beyond the immediate boundaries of the problem to ensure the right question is being addressed. Using interdisciplinary teams, design thinking incorporates diversity and leverages different paradigms and tool sets from each profession to analyze, synthesize, and generate insights and new ideas. The interdisciplinary nature of design thinking also ensures that innovations are naturally balanced between the technical, business, and human dimensions.

The design thinking approach also encourages teams to create ''project war rooms'' and to work visually using pictures, diagrams, sketches, video clips, photographs, and artifacts collected from their research to create immersive work environments that allow the team to gain deeper, more intuitive empathy and understanding of their users' needs. Using rapid iterative development cycles, teams build rough, ''throw-away'' prototypes for validation with end-users and project stakeholders. The team is challenged to risk failure by pushing the limits of both their own capacity as well as the capabilities of the technology and the boundaries within their organization. Using artifacts to express ideas, the final deliverable in the design thinking approach is a prototype that can be used for communication, alignment, and living requirement specifications to provide clarity and transparency during the production of the solution.

Making strategy tangible

They say a picture is worth a thousand words; if that is true, then a prototype must be worth about a million. Early in the history of the DST, the team began to apply design thinking in a new context: strategic development and conveyance. Carrying through the principle of empathy in conveying a corporate strategy to the organization, we channeled our design thinking approach to illuminate the way people would ultimately be engaging with the strategy. Design thinking gave us a method for creating ''tangible strategies,'' moving away from slide presentations and documents and instead introducing into the strategic process the use of prototypes.

Working from the office of the CEO, the DST engages in strategic programs across the company. Projects range from developing new products and solutions to defining go-to-market and channel strategies to launching internal initiatives to redesigning processes and policies. To accomplish its dual mission, the DST provides both design consulting services as well as training programs to help other groups within SAP adopt design thinking tools and methods. DST consulting services are comprehensive and include a focus on business and material innovations as well as needs-driven innovation incorporating the customers' point of view into the solution offering. A key part of the team's contribution has been in helping SAP to identify and define its overriding corporate

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strategy, specifically in regard to taking the definition and articulation of that strategy to the next level.

Prototypes tell their own stories; they have embedded within them their own narrative, rhetoric and arguments, and even their own methods of assessing impact and success. Prototypes are self-contained and by their nature demonstrate the thinking behind a strategy as well as its realization when it is put into practice. Prototypes do not need to be complex or even highly robust, let alone functional. But they must be concrete enough to allow stakeholders to experience the strategy in the same way that employees, analysts, and customers will experience it when they make it, review it, and buy it.

This approach does not replace the traditional means of developing strategies or metrics frameworks for assessing their impact. Rather, it is an augmentation of those tools, and it will decrease the time it takes to execute a given strategy by increasing the fidelity of the strategy and minimizing misinterpretations or misunderstandings of its intent. Additionally, with rapid iteration and refinement of low-fidelity prototypes, you can validate concepts with your customers and analysts. Good prototypes raise questions and stimulate discussion regarding partnerships and channel strategy as well as revenue models, manufacturing, and portfolio alignment.

MorningStorm, a tangible example

Companies with cultures founded on the development of products are ideally suited to adopting this approach. Automotive companies have long used it to reflect their strategic direction. Starting with clay models and eventually developing prototype vehicles (aka concept cars) that look, feel, and even drive like the real thing, these companies are able to use prototypes as points of discussion for strategies and their implications for future growth. These prototypes provide more than the aesthetic model for a car; they also address deeper strategic challenges such as third party manufacturing, distribution, even dealer challenges and maintenance overhead. However, software and other industries focused on services have not historically relied on this method to model and analyze their strategy. At SAP, the DST has found great success in applying the prototype approach to our solutions.

In the last few years, Web 2.0 has pervaded almost every aspect of software technology. It is comprised of both material innovations in social media, community, and co-innovation as well as business innovations in the monetization, IP ownership, and distribution of solutions and services. Moreover, Web 2.0 is a general change of philosophy resulting from the merging of how things are built and how they are used; the barriers among construction, composition, and consumption are at best blurred. To align the organization around the strategic implications for Web 2.0 within the development, sales, and support of enterprise solutions, SAP's DST built a tangible strategy for the SAP Business Suite. They called it MorningStorm.

Started at executive request, MorningStorm was initially charted with developing a next generation strategy management product to be integrated into the SAP Business Suite. However, the project quickly evolved into a comprehensive strategy leveraging the principles of Web 2.0. The project ran for approximately eight weeks from inception to final presentation, and it included an analysis of material innovations (i.e. widgets, Ruby, wikis, blogs, RSS, etc.) as well as business frameworks from open source and analysis of the impact that community and reputation have on development.

The MorningStorm project team started the project as expected, interviewing industry analysts and thought leaders from the Web 2.0 community, plus exploring emergent business models, industry trends, and competitive threats. However, there were two important aspects that distinguished this team's approach from previous strategic efforts. First, the project was driven by the design thinking approach. It was a multidisciplinary team, comprised of business analysts, designers, engineers and social scientists. It included a pony-tailed development architect from Germany, a designer mother-of-two who brought her children to the project war room on the weekends, an ex-McKinsey consultant who had written the original business case for the product, and a designer new to SAP who was

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quickly brought up to speed on the organization and SAP business model. The team also integrated a number of peripheral stakeholders from within the organization, insuring both strategic alignment and a buy-in for their efforts. Second, rather than just capturing their research data in slides, spreadsheets, and lengthy documents, the team worked visually, capturing the information in quick sketches, whiteboard scenarios, and schematic diagrams.

Using the design thinking method, the team created a physical project war room in order to support their process. Turning a conference room into their project space for eight weeks allowed the team to keep all the material in one place, and with video conferencing, the team was able to remotely collaborate with colleagues globally. Additionally, using a modified Scrum approach, the team assessed their progress daily and realigned priorities for their analysis and the development of their prototype. Analog whiteboards soon gave way to digital media as the team began to build a shared prototype of their strategy.

Their process led to a new way of presenting their final strategy – they applied the design thinking principle of constantly risking failure by building a MorningStorm prototype to show the executive board what embracing Web 2.0 would mean for SAP's customers and partners. The prototype, like the strategy, had many component parts to it. It needed to capture the strategic requirements, demonstrate the business model and customer requirements, working environment, and best practice, and show the audience what the results of the strategy would mean for their teams and themselves. But the goal of the prototype was to tangibly convey the strategy, not to demonstrate a technical proof of concept or visual design of the solution. The team needed a means to create a prototype that would allow team members to participate equally in its creation while simultaneously having them each leverage their strengths. So, the prototyping environment was simple and familiar to all the team members, even a little ironic; they built it in PowerPoint™.

But this was not your typical PowerPoint™ slide presentation. Starting with schematics and simple screen shots, the team used PowerPoint™'s simple animation capabilities, motion paths, and transitions to capture the customer and partner experiences. PowerPoint™ also allowed the team members to simultaneously create, edit, and share the various parts of the prototype without needing to manage a complex version control process or learn a new development environment. This approach maintained the team's productivity while allowing each member to maximize his or her contribution, whether it was generative or analytical. Stretching the limits of PowerPoint's™ capabilities, the MorningStorm team developed a narrative that incorporated the business, technology, and user perspectives, data from their primary research, and supporting material from external analysts and thought leaders. For the team, it was a natural application of the design thinking method they were evangelizing to their audience.

The final MorningStorm prototype demonstrated tangibly how the emergent business models of Web 2.0 could be leveraged for enterprise solutions. Additionally, it showed competitive differentiators at the same time that it made the customer value proposition explicit. The prototype showed a series of familiar business scenarios everyone could relate to – a critical success factor in any prototype. Ranging from the activities involved in replacing a component supplier for your company, to developing a comprehensive channel strategy for an emerging market, to resource allocation and organizational planning, the collective set of scenarios addressed both a breadth of business activities spanning all

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levels of a customer organization. The scenarios were developed based on a needs analysis with our customers. The scenarios also showed connections to existing business processes familiar to the SAP audience so the new ideas could be easily related to the old processes and the contrast could be explicit and clearly understood.

The prototype was able to simultaneously demonstrate big concepts (e.g., *ad hoc* business processes) and tiny interaction details (e.g., drag-and-drop tagging) that were required to understand what the new strategy would require. The prototype also suggested a business model – not just what needed to be developed, but also how it needed to be sold and supported. Finally, it embodied the new approach to both the development and product requirement definition needed to support such a solution. At the prototype's core was a strong user community (both internal and external to the customer), allowing it to show how users, not engineers, would take it upon themselves to leverage their best practices for *ad hoc* business processes so they could evolve and improve their organization's competitive stance.

By interacting with the artifact, the executive board was able to understand both the implications and the outcomes of the strategy in a single context. The final Bbard presentation, which had been scheduled for 30 minutes, turned into a two-and-a-half -hour discussion. Going into the meeting, all of the executives had intellectually understood the principles and technology behind Web 2.0, as well as its importance to enterprise software. But it was not until they experienced the MorningStorm prototype that they understood what it would truly mean to the company, customers, and indeed to the industry to incorporate Web 2.0 into our strategy.

After that meeting, the executive board altered the company strategy, and using the MorningStorm prototype as the basis for communication and assessment, they began to incorporate its tenets into the company's portfolio planning process. In the three months following the board presentation, the team shared the prototype in one-on-one meetings with 50 of the company's top executives. There was no risk of ''Telephone''-like interpretations diluting the strategy: all of the executives were interacting with the same prototype and had a similar core experience. The prototype was also useful in communicating the new strategy with external audiences, including partners and customers interested in making this strategy a reality, and analysts who began to believe that SAP ''got'' Web 2.0. Unlike a written strategy, the prototype could be shown externally without fear of divulging confidential information. As SAP started to execute on its new strategy, the MorningStorm prototype was a useful landmark against which we could compare our progress. If we were ever tempted to declare success with half-measures, the prototype reminded us of our original vision in a tangible, emotional way that kept us motivated to deliver even more.

What we have learned

Over three years of developing our ''tangible strategy'' approach, the DST has learned how to optimize the process and insure organizational buy-in for our efforts. We have built on well-established practices from consulting – specifically client engagement and syndication – but we have taken that approach one step further.

Each time we begin a new project, we first do our ''360° analysis.'' This is a comprehensive assessment that can include markets, emerging technologies, industry trends, competitive

analysis, customer best practices, or other relevant factors that can bring fresh perspective to the problem at hand.

But unlike traditional business consultants, who interview the executives to understand their point of view – or that of their staff – the DST actively engages the executive sponsor and the senior members of their organization by taking them out into the world. Typically, these people would interact with their executive counterparts at our customer sites. In their work with us, although, we introduce them to the warehouse workers, data-entry clerks and others who engage with SAP software every day, allowing them to appreciate the on-the-job realities of those who use our software. With us, executives actively participate in research at customer sites, explore market adjacencies, and meet thought leaders driving the emergent trends and most importantly they help define the resulting Point of View Report. This provides them the chance to reconnect with the people who use SAP solutions, to understand why they do so, as well as discover the real-world circumstances that can inhibit our solutions from being used in the way envisioned in the lab. The idea is to give them empathy for the people using our software, not to see them as a ''job function'' or ''organizational role,'' but as human beings. At the same time, the DST's facilitation process insures these sponsors and client teams have a chance to think creatively about emerging trends and potential market threats. We do not provide consulting; we provide tangible experiences to drive tangible corporate strategies.

The other key differentiation is that we do not operate on a charge-back model when we support other teams within SAP. Rather, we ask that the people who will be tasked with implementing the outcome of our efforts actually be assigned to us for the duration of the project, even at times co-locating these people with our team for extended periods. Whereas other consulting teams would do their work in isolation, delivering a report or presentation in exchange for a fee, we give project teams the opportunity to gain a deeper sense of understanding and empathy for their customers, and to work with us as we develop the best solutions.

For the DST to achieve our mission of insuring that SAP adopts the design thinking approach to provide the best solution possible for our customers, it is critical for the teams that build these solutions to understand first-hand our customers' needs, challenges, and realities. In addition, in their time working with DST, these team members quickly learn design thinking and develop their skills in applying this approach in their daily work. In most cases, knowledge transfer and buy-in are the two major stumbling blocks in delivering a successful project solution. By including the people who will ultimately implement the strategy from the beginning of the project, we ensure not only that they are actively involved in understanding and defining it, but also that they are passionate about it and strongly committed to seeing it come to fruition.

How tangible is your strategy?

Can everyone in your company recognize your strategy? Will they know when they have achieved it? More importantly, will you? Will your shareholders? Can you say with certainty that the strategy from your organization's ''oracles'' is neither vague nor cryptic? Does your strategy provide a well-defined path, clear milestones, and an easily identified destination to ensure that everyone knows when they have arrived?

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As companies move forward and are faced with the emergence of new technologies, business models, the realization of globalization, and the integration of emerging factors like Web 2.0 and Millennials, traditional methods of defining and conveying corporate strategies are quickly falling by the wayside. Decreasing the gap between yourself and your customer is the key to insuring you can provide them with the experiences they expect. We all agree that the changing pace of business requires quicker response times and greater organizational effectiveness. This reality only increases the need to insure everyone in your organization can recognize and understand your strategy, something that is key to any strategy's internal alignment and success.

Note

1. The premise of this game is that a message is written on a slip of paper. In turn, the message is whispered in succession from one person to another until everyone in the room has heard the message and passed it along. The last person then says the message aloud so it can be compared to the original written message.

Reference

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About the author

Matthew Holloway is Vice President of SAP's Design Services Team. With over 20 years of professional experience, he has held executive design positions at various Silicon Valley companies, including Apple, Netscape, and WebMD. As a consultant he has worked with enterprise companies such as Cisco and Microsoft.