

INCREASE CREATIVITY IN STRATEGY FORMULATION

Innovation is a “magic” word, nowadays.

In a world where many of the barriers delimiting traditional competitive arenas have fallen, the contest to win positions of leadership has become increasingly intense, also due to the difficult international economic situation which makes (often ruthless) competition even more selective.

Survival requires being always “better” than your competitors. Where “better”, in many contexts, does not mean just doing things better than they do, but also being several steps ahead.

Many corporate heads and managers have fully understood this lesson and almost all try to introduce innovative aspects into their activity on a continuous basis. However, often the results are lower—and sometimes much lower—than expectations.

In our view, these poor results are due primarily to two factors.

The first is that, often, the search for innovation stops at the “exhortation” stage. In other words, although aware that translating choices aimed at change into reality requires an enormous investment in terms of attention and energy, they fail to find a way to make an impact on behavior and way in which people experience and think about the company. Only a combination of passion, leadership, courage and visionary ability make it possible to run companies with the high level of innovation and change required to get them on their feet.

The second factor is that, even today, when investing in innovation, too often this is limited to working on innovating what the company offers (goods and services) or underlying technologies (and related produced processes). In other words, an attempt to innovate in terms of the instrument with which to compete.

Only rarely do innovative efforts involve the way of competing itself—the strategy, or even strategic “goals” (mission, vision and positioning). And yet, today, this is what is most urgently required.

When Steve Jobs launched the iPod, thanks to this (moderately) innovative product, through iTunes, he structurally redefined the entire sector of music distribution and, above all, more or less consciously, changed Apple’s mission and positioning from computer manufacturer to integrator of an entire new ecosystem of value creation. What changed was

the entire business model: what the company offered, its special areas of competence, processes, organization, personnel and strategic partnerships. In doing this, thanks to new competencies acquired in the area of electronic appliances, Apple opened the door to telephony and laid the bases for new development.

The wave of innovation flowing across the globe, even during this time of economic crisis and, for this reason dangerously hidden away, is a source of opportunity as well as enormous risk for those unable to adapt to new global trends. Every day, new entrants into a wide range of competitive areas change the rules of the game ... for everyone. The examples are infinite, from Amazon to Google, low-cost airlines, OLTAs (on-line travel agencies), innovative operators in the area of mobility services, etc. In many of these cases, traditional incumbent competitors have been taken by surprise, sometimes irreversibly, remaining overwhelmed.

Those who fail to produce an innovative strategy end up bearing the brunt of one. This seems to be the lesson to be learned from examination of all these cases.

Strategy is, by its very nature, a *creative act*. The act of analysis is fundamental, but it alone cannot lead to the type of differentiation necessary to compete in a growing number of markets.

So, how to conceive of and develop creative strategies which embody genuine, radical innovation? What is the process that leads to this result? Are there methods to provide companies with support in the difficult task of developing strategic choices that are truly innovative and ground-breaking?

Our experience shows that **this is possible**. Concrete approaches and ways of operating exist to help companies in this difficult task.

But there is one thing that must absolutely be understood: maximizing strategic innovation means maximizing the creative capacity used in formulating strategy.

To do this, a number of fundamental principles must be respected, principles drawn from in-depth observation of the professional practices of those who, like designers, are called upon continuously in their work to offer creative and innovative abilities.

The process of strategy formulation requires:

- **Building a highly-motivated team to produce new, different and challenging ideas.** Creating the team that must produce strategic innovation is not a simple task. To create an environment of lively and constructive discussion means balancing those with years of experience with people who have a strong propensity for change, individuals who hold a high level of responsibility within the company alongside those who are more eclectic, including with more peripheral positions, who work closely with clients, in a varied organizational, age and psychological mix that is very delicate to obtain and manage. This is the phase of the strategy formulation process that is normally more automatic and to which less attention is paid. But in reality, an enormous part of the final result depends on the composition of the team.
- **Structuring a team that can represent a wide range of competencies and backgrounds in order to increase ideas which are "outside the box".** Especially within large, structured organizations, choosing which competencies should be represented and to what degree in the strategy formulation group is a very delicate task. In fact, different areas of companies offer a range of professional backgrounds and points-of-view on the situation which can often be highly divergent. In some ways, deciding who will be involved is the first strategic choice.
- **Dedicating a concentrated period of time to the creative process to avoid dispersion.** This is a key principle in modern creative techniques where investment in a “total immersion” period involving the problem to be solved is seen as a decisive factor in maximizing the possibility of producing major innovative ideas. This is another major aspect of diversity from the traditional planning approach where the process is divided up and "disturbed" by unmanaged external factors.
- **Managing the process in a rigorous way according to structured work routines.** Creativity does not mean lack of direction. On the contrary, it is a highly-inventive guided exercise within well-defined limits. The existence of boundaries and working routine generates a kind of positive pressure that leads to identifying “breakthrough” points.

- **Applying creativity techniques associated with a rigorous analysis of the business situation and formulation of key strategic questions.** In fact, it is impossible to generate “good” strategy without having correctly clarified the problems to be solved and obstacles to be surmounted. As is well known, this is a phase of the process requiring much time and attention.
- **Developing in advance a very broad informational picture enriched by the presence of non-conventional indicators.** The availability of a statistical and informational dossier to objectify the discussion as much as possible is fundamental to the final result, as is analysis capable of offering unexpected points of view.
- **Building a test lab in real time for the ideas that emerge during work, through simulation processes.** Too often, strategic discussions take place on the basis of assumptions whose concrete implications are not verified. The availability of simulation tools broadens the range of choices to be examined and enriches the analysis and deliberation process.

This, we believe, is the future of the strategy formulation process: the use of conceptual and interactive models that are increasingly open, increasingly oriented towards challenging the status quo, increasingly based on the use of simulation instruments and increasingly available for testing ideas. In short, increasingly oriented towards generating non-linear “leaps” and unpredictable paths.

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*Using as the point-of-departure the above observations, we have developed an original methodology that utilizes techniques of structured creativity and design-related processes to develop global growth strategy for companies. Called **Design-Based Strategy®**, it has already been used successfully in many situations.*

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