

Managing Uncertainty Through Strategic Thinking

It is an undeniable truth that firms today encounter more unique situations than ever before. How else do you respond to such conditions except by devising strategies to meet them?

By Louis L. Marines and Karen Newcombe

Strategy is a necessary business practice during normal conditions, but it is even more essential during times of uncertainty. Many architecture and engineering firms have strategies that could be applied to any firm in the industry — strategies that do not serve them well, that sit on the shelf without being acted upon, and that lack any contingencies for addressing changing conditions.

The fix is straightforward — firms can develop strong strategies that will distinguish them competitively and focus the firm's direction on a profitable market best suited to the firm's abilities and culture.

A TIME OF TRANSITION AND UNCERTAINTY

Make no mistake. These are uncertain times. The often-predicted pop of the housing bubble has turned into more of an explosion that threatens, at the time of this writing, to take the entire economy into an extended downturn. The government has structured a massive bailout, yet Wall Street has not reacted well to the news. However this situation plays out by the time you read this is typical “weather” for the world we live in now — strange to partly odd, with a high



“If your firm’s strategy can be applied to any other firm, you don’t have a very good one.”

— DAVID J. COLLIS
AND MICHAEL G. RUKSTAD

degree of uncertainty. Economic tumult, combined with yet another natural disaster in the Gulf Coast states, points up the risk and uncertainty that every firm faces.

knowledge once held secret within the guildhalls of each profession is now widely accessible to anyone with an Internet connection. A more well-educated and well-informed public is coming to view professionals more as interchangeable commodities than the nearly magical dispensers of healing, interpreters of the law or creators of cities that they were once. The cat is out of the bag, and as the old saying goes, all cats look gray in the dusk. The only thing that distinguishes each of them is the price tag.

On top of uncertainty in the world, professions as a whole are in transition. The high level of expert knowledge once held secret within the guildhalls of each profession is now widely accessible to anyone with an Internet connection.

Unless it’s *your* cat, that is. Unless you have the close relationship that responds to unique needs, qualities, purpose and culture, then you are also part of the mass. Most of today’s professional design firms appear to the outside world as uniform as a clowder of cats. Consequently, the need to innovate away from commoditization is urgent. Firms must put the client at the center and devise an innovative strategy that aligns so perfectly with client needs that there simply is no other choice; mutual recognition is instantaneous.

“Too often firms in the A/E industry subscribe to the prescriptive practice models developed and presented by the professional organizations they belong to,” said Craig Galati, principal of Lucchesi Galati Architects Inc. and a consultant with AMI. “These organizations, while not intentionally, have helped professional design firms become isomorphous, identical in almost every way. When you couple that with marketplace expectations (green design, BIM, etc.), standard format contracts and insurance requirements, one can see why many firms copy each other’s strategic directions.”

DEALING WITH UNCERTAINTY THROUGH STRATEGY

The time-honored way of dealing with uncertainty of the sort that we face today (for establishing a position of success in the marketplace) is to form a strategy for handling uncertainty. The word “strategy” comes to us loaded with military history, one of actions designed to deceive the enemy and overseen by

On top of uncertainty in the world, professions as a whole are in transition. The high level of expert knowledge once held secret within the guildhalls of each profession is now widely accessible to anyone with an Internet connection.

the *strategos*, the general. The rising merchant class of the Renaissance adopted *strategies* as one of its business tools in the game of outwitting one another in capturing markets and clients. Fortunately for us, today's business strategies rarely involve such traditional practices as arranged marriages, poisonings or assassins.

A deep immersion in the art of strategy is not usually part of the culture of architecture or engineering firms, a condition reflected in the perception that a good business strategy for a professional design firm might be "opening an office in Tucson," or "growing our firm by hiring more staff." While these may be necessary actions to support *a* strategy, they are not in and of themselves *the* strategy.

Why not? A strategy is a plan for how your firm will "capture" clients. This strategy should be simple enough that anyone in the firm can explain it in a few sentences, and hold it in his or her mind as a daily guide to action.

The simplicity of this idea hides an innate complexity. There are hundreds of books on the business shelves explaining how to create and implement a strategy, the stories of great strategists and how to tell if your strategy has been successful. This abundance of information is due in part because strategy is often confused

with either the firm's mission or its goals. "Increasing shareholder returns" is not a strategy. At best, it may qualify as a goal. "Offering our clients the best service and our employees the best place to work" is not a strategy. The many writings offered today are an attempt to get people back on the strategic path.

AMI's director of executive development, Dr. Joseph Rei, said, "Traditionally, A/E firms' strategic planning sessions end up being little more than exercises in long-term planning. Not much strategy slips into the event, which is characterized by collecting the knowledge of the firm's senior leaders. If that knowledge does not also include representative data from clients, possible new markets and services, and a cross-section of the firm's human capital and capabilities, then there is a high risk the firm will miss the opportunity to be challenged in its thinking. Without such a broad perspective they're unlikely to do more than typical long-range planning."

WHAT DOES A GREAT STRATEGY LOOK LIKE?

So if strategy isn't opening an office in Tucson and isn't long-range planning either, then what *is* it?

Strategy can best be explained and understood by looking at a good one. In their article, "Can You Say What Your Strategy Is?", David J. Collis and the late Michael G. Rukstad offer the example of investment brokerage firm Edward Jones. The firm's objective is to provide personal service and advice via small local offices to conservative investors who prefer to delegate their financial portfolio to a professional's care. There is one financial advisor in each office, trained internally



by Edward Jones and located in strip malls — one relaxing and friendly office for each of the 10,000 advisors across the United States.

Edward Jones also decided what is *not* a part of its strategy. Part of its strategy is not to have large offices in urban centers with hundreds of advisors serving people who are largely self-directed or hands-on in managing their investments. This clarity in strategy has put Edward Jones among the top firms in the industry and clearly distinguishes it from the other investment brokerages.

The simplicity and focus of its strategy also answers every question Edward Jones advisors, their staff or customers might have about the firm, including who their clients are and what they want, how Edward Jones can serve them, where clients can be found and why Edward Jones is different from other investment firms. The strategy defines for the firm who and what falls outside its service range, so that no time is wasted on efforts that don't support the core strategy.

There are other notable aspects to this concise and elegant strategy: the complete focus on and understanding of the client and his or her needs; putting the firm in the best locations to serve those clients; and finding appropriate people to hire regardless of their industry and providing them with a full course of training at the firm's expense. This strategy is highly innovative in that it defines a marketplace that was ignored or underserved by the competition, and directly targets that market in a way that is highly attuned to the client.



That attunement is a strategic factor often missed during the required annual strategic-planning session. Such sessions often produce voluminous documents that are impossible to act on, sets of disparate action items

without a strategy to give them structure or a “feel good” report that is easy to ignore. Everyone sinks back into his/her same pre-strategy routine and all good intentions are lost. The client has little or no place in this routine, which is at best reactionary and usually focused on the micro term, i.e. getting through today's work.

An example might best illustrate this need to become fully attuned with the client and with those the client serves. A firm with a focus on hospitals is not just serving the boards of those hospitals, but an entire community of people who rely on that facility to answer its health care needs. Will the firm's best strategy be to simply find ways to win health care projects? That approach forces it into the position of being petitioners for work, one of any dozen tinkers who line up at the door and charge about the same price for about the same work.

The danger is when the doorkeeper says, “These fellows all look just alike ... isn't there someone out there who really understands what I need?” Out of the blue, Target steps up and offers to do commercial interiors. By its very uniformity and lack of understanding of its clients, the design industry is forcing its clients to seek



providers elsewhere. Those providers, such as Target Commercial Interiors, are offering the innovation and service focused on specific client needs that architects and engineers are not.

Would a hospital board be interested in working with a design firm that brings a deep understanding of its unique community's health care needs to the table? Note that we say to

the table, not to the project. For it is the table that matters — no less in business than in legend. The people you invite to break bread at your table are honored guests, partners and allies, working in concert to plan a better community, to do the best for everyone involved in a thoughtful manner.

STRATEGIES ARE LIVING SYSTEMS, NOT DOCUMENTS

This approach is even more than simply being attuned to the client; it is also being attuned to the environment. “This is a key living systems principle,” said AMI Consultant Ray Lucchesi. “Attunement can't only point to the external client. Any strategy explored by the organization should also be attuned to the organization's purpose and value proposition. Strategies not attuned in this way may only provide for compliance and not commitment by the culture — something that is chronic in our profession.”

A project can form, be completed and break up without much of a relationship being developed. A concrete block building can be put up in about two days, and *voilà!* — A liquor store appears overnight. When the relationship is instead at the very basis of the project, in alignment with purpose and value proposition, something entirely different results.

As design professionals, achieving that different result is the path we chose and the commitment we made when we entered our professions. We and our firms are looked to for leadership both in our areas of expertise and in the community at large. It is our chosen vocation to make those communities and their embedded environments as highly functioning, pleasant, healthy and prosperous as they can be.

What makes for a highly functioning strategic-planning process?

Currently, most of these processes happen in a more or less democratic way. This can serve several purposes, including to educate people, make them feel valued and to gain insights that might not otherwise surface. But it is unlikely that the democratic strategic plan will result in the best strategy: The democratic process obscures who is responsible for the strategy and who owns the risk.

We and our firms are looked to for leadership both in our areas of expertise and in the community at large.

Strategy means the firm and its leaders are in alignment across the board, and it means someone is responsible.

Diane Creel, CEO of Envirotek and former chairman/CEO of EarthTech, said, “Leaders must have a vision; leaders must relentlessly drive that vision. You can’t dilute that effort with too many different ideas. And if you see that the vision is wrong, you have to be willing to say so, back up and try something else.”

Steven Isaacs, managing director at AMI, cited an example of how the strategic planning process can bring that alignment of leaders to the forefront. “Part of the strategic planning process is making sure everyone is on the same page. One design



firm we worked with had a number of partners, and during the process the facilitator could see that one partner was totally out of alignment with the others, who were so accustomed to the misalignment that they barely noticed it anymore. The strategic-planning process presented an opportunity for everyone to put his/her design and firm management philosophy out on the table. This public sharing of

viewpoints clearly identified what was a divergence in the one partner. To the shock of the other partners, the degree of this divergence was much more than they had realized. This helped both the firm and the partner recognize that they were not really well matched, and the partner eventually left.”

USING SCENARIOS TO DEVELOP STRATEGIES

A single strategy may not be enough when times are as profoundly uncertain as they are today. Using scenarios allows firms to look at a range of possible futures and design strategies not only for the most likely eventuality, but also for alternate conditions should they arise.

Steven Isaacs of AMI recently conducted a one-and-a-half-year scenario planning process with a major construction management firm. The goals of this process were twofold: 1) to recognize that without knowing the future, much value can be gained from developing a variety of potential futures and then setting strategic directions based on how each direction would operate under the various future scenarios and 2) to produce a group of strategic thinkers who would think beyond their world and industry in building the scenarios to be used in the process.

Typically, scenario planning involves researching the key elements of current conditions and trends, and those that can be projected out with some certainty, then identifying alternatives to those situations that are less likely, but possible, in the future. Typically, four scenarios will be developed. For example, one scenario might predict a calm growth situation, where market, economic, social and technological conditions sail along steadily at a slightly positive rate. The second scenario might predict an economic boom that has rapid and positive effects on the industry. The third and fourth scenarios could take less optimistic positions to prepare the firm for downturns. One might predict a slow economy and the last one a severe and lengthy downturn.

We must accept that our beautifully designed predictions of impending conditions may turn out differently or that sudden change may catch us off guard.

develop. Strategies should first address the big markets and economy, and then focus down into the specific niches in which the firm operates, or wants to operate. Scenarios should be as objective as possible; our brain is, essentially, a pattern-recognition machine, and it will quickly discover patterns that reinforce our dearest beliefs, while subtly rejecting patterns that might indicate our beliefs could be mistaken. Scenario planners should be alert for their own biases and emotional predilections.

Predictions are notoriously inaccurate. Even professional futurists have been shown to score lower than random predictions in almost all cases. So in preparing strategies, we must accept that our beautifully designed predictions of impending conditions may turn out differently or that sudden change may catch us off guard. Are we now at the peak of worldwide oil use or not? Will there be a major breakthrough in alternative energies akin to the breakthrough in electronics brought about by Jack Kilby's invention of the integrated circuit? We can't know the answers to these questions; we can only make our best guess, watch for the unexpected to happen and have some plan for which way to jump when it does.

Warren Buffet recommends that firms prepare not just one strategy, but an entire portfolio of strategies that respond to a variety of possible future conditions so the firm is not caught off guard by change and can react quickly to different conditions. While he is referring to investment firms, that same wisdom is highly relevant to our industry. Few firms have a plan for how they will operate in a post-disaster situation, even though we have seen both natural and man-made disasters in recent years that have destroyed cities and halted normal life for months or, in some cases, years. Those are the times when our profession is of urgent importance to society, and each of our firms should have a disaster strategy in place in addition to its portfolio of business strategies.

Firms should develop a portfolio of strategies based on these scenarios, so the firm is not caught off guard should the unexpected occur. These scenarios, fleshed out with details as to how they could come about, how they would affect clients and the marketplace, and what the warning signs would be give the firm a way of planning for varying eventualities. The scenarios become the basis for developing your portfolio of strategies — an appropriate strategy to react to each unique possible future. The most likely scenario might garner the most attention and detail, but should not necessarily be the only one you

"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change."

— CHARLES DARWIN



WHAT CAN YOUR FIRM DO TO GET STARTED?

For architecture, engineering and other design firms, the very idea of strategic planning may seem like more expensive overhead costs that are hard to justify when the result is so intangible. You don't get an amazing building or an elegantly simple freeway interchange at the end of a strategic-planning process. Yet, it is an undeniable truth that firms today encounter more

unique situations than ever before, with the unexpected lurking around every corner and with great speed and turmoil as the order of business every day. How else to respond to such conditions except by devising strategies to meet them?

The first great strategist, Alexander of Macedon, refused to rely on only one strength as was traditional during his time. He blended together, for the first time in Occidental history, engineering, logistics and intelligence with tactical maneuvers of infantry and cavalry in ways never before seen, and *he created a different strategy for each unique situation he encountered*. This at a time when all battles had been fought in an identical manner for some thousands of years as regular seasonal events — predictable and largely indistinguishable — like those cats in the dusk we encountered earlier.

But no one ever mistook Alexander's army for that of someone else. And no one ever need mistake your firm for another if you will create an appropriate strategic plan, make sure everyone in the firm understands what his role in it is, and remind him of it every day.

Your first step may be simply to start asking questions:

- Do we have a strategy now?
- What is it?
- Do we act on it?
- Does it serve our needs?
- Does it serve our clients?
- Who *are* our clients?
- Who do we want for clients?
- What do they want from us?
- Do we have what they want?
- How can we provide it to them?
- ...and so on.

The most powerful questions are usually the simplest ones. But it is sometimes difficult to put aside everything you know and begin again

It is an undeniable truth that firms today encounter more unique situations than ever before, with the unexpected lurking around every corner and with great speed and turmoil as the order of business every day.

at such a basic level. This is where the outside perspective of a neutral and experienced third party can be of immense value.

Beginning from the position of profound simplicity can help bring fresh clarity to what may seem like an incredibly convoluted tangle of possibilities, services, needs, competitors and the temptation to accept every project whether it fits our profile or not because it is, after all, billable work.

The other thing Alexander is famous for is untangling the Gordian Knot, which he accomplished in mere seconds, after thousands of others had failed, by simply slicing through it with his sword. This is what a well-directed, strategic-planning process and a well-executed strategic plan can do for your firm. ■

Louis Marines is president of Advanced Management Institute. He may be reached at 707.252.2054, or via e-mail at lmartines@ami-institute.com. **Karen Newcombe** is the director of marketing and communication for AMI. She may be reached at 954.428.5457, or via e-mail at knewcombe@ami-institute.com.

Resources

Execution: The Discipline of Getting Things Done, Larry Bossidy, Ram Charan, Crown Business, 2002.

"The Office of Strategy Management," Robert S. Kaplan, David P. Norton, *Harvard Business Review*, October 2005.

The Snowball: Warren Buffet and the Business of Life, Alice Schroeder, Bantam, 2008.

From Good to Great: Why Some Companies Make the Leap...and Others Don't, Jim Collins, HarperBusiness, 2001.

Alexander the Great's Art of Strategy: The Timeless Lessons of History's Greatest Empire Builder, Parthe Bose, Gotham, 2003.