TOPICS

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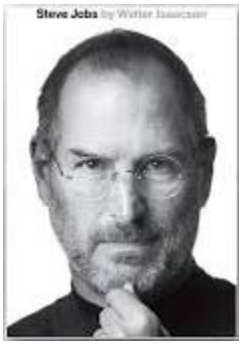
BRINGING DESIGN THINKING TO STRATEGY & MASTER PLANNING



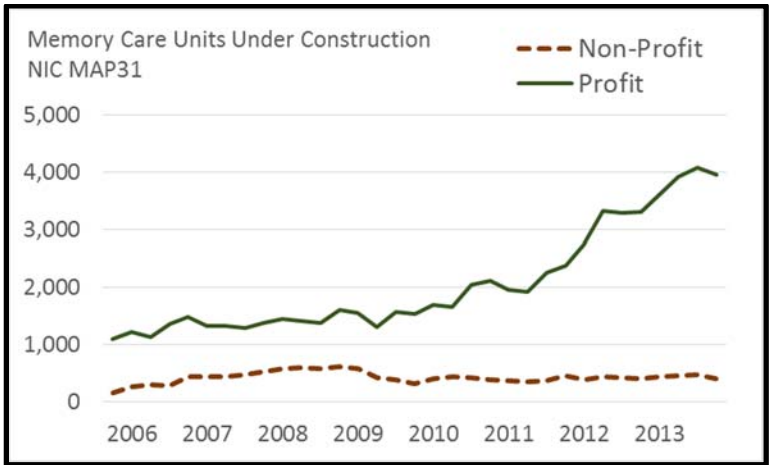
In Walter Isaacson's biography of Steve Jobs (2011), readers learn how Jobs changed and elevated the role of design in business with impressive results. While Steve Jobs focused most of his energy on the products, he also revolutionized real estate through the creation and launch of the Apple Store. Design is inherently an integral part of developing real estate; always has been. However, design thinking elevates the role of design to inform and guide more general processes. This issue of TOPICS addresses how design thinking can inform and improve your strategy and master planning processes.

Background on Strategy and Master Planning

Management consulting, the prime purveyor of strategy, has grown into a sizable industry segment and the field has received significant attention from academia, resulting in greatly improved tools. Strategy has evolved past its prior focus on relentless efficiency improvements, sometimes referred to as Greater Taylorism, to tools and frameworks such as *value chain analysis* and *five-forces analysis* that focus on better understanding the sources of sustainable value creation.[1]

Development strategy is clearly a type of strategy and can benefit from these general strategy frameworks. (See the Summer/August 2013 issue of TOPICS for a discussion of the special attributes of strategy for mission-based organizations).[2]

FEATURED CHART - MEMORY CARE



The need for memory care is growing and the economics of memory care can be attractive on a relative and absolute basis. In many cases mission-based organizations can deliver a better value proposition than their competitors; so why so little memory care construction by non-profits? For good projects, capital should not be a constraint; there are traditional as well as new capital strategies for financing worthy projects. Perhaps developers of memory care view the current environment as an opportunity to "cherry pick" a profitable service line in established markets; which can be good strategy for cherry pickers; perhaps not so good for incumbents.

Alternatively, the planning process, which in many cases is the underpinning of a community- based master planning initiative, has arguably not changed at a similar pace.

Consider this excerpt from 'Dilemmas in a General Theory of Planning', *Policy Sciences (1973):*

> **Many now have an image of how an idealized planning system would function. It is being seen as an on-going, cybernetic process of governance, incorporating systematic procedures for continuously searching out goals; identifying problems; forecasting uncontrollable contextual changes; inventing alternative strategies, tactics, and time-sequenced actions; stimulating alternative and plausible action sets and their consequences; evaluating alternatively forecasted outcomes; statistically monitoring those conditions of the publics and of systems that are judged to be germane; feeding back information to the simulation and decision channels so that errors can be corrected--all in a simultaneously functioning governing process. That set of steps is familiar to all of us, for it comprises what is by now the modern-classical model of planning.**

By today's standards, a 1970's version of an ideal planning framework isn't far off the mark. The regulatory environment has grown in complexity and the analytical tools to actually carry out "cybernetic process" and "statistical monitoring" have greatly improved, yet the framework for today's planning processes may not differ fundamentally from those employed decades ago.

Distinguishing Tenets of Design Thinking

- **Synthesis**
- **Solution-Based**
- **Empathy**
- **Diverging & Converging**
- **Visualization**

A New Approach – Design Thinking

Enter design thinking; a relatively new approach to both strategy and master planning. In the classic *Sciences of the Artificial* (1968), Herbert Simon observed that the trend of higher education, including professional schools, is to focus on the methods of the natural sciences; with an increasing focus on hard analysis versus practical design skills and knowledge. Arguably his observation applies even more so today. The implication is that we may be overemphasizing analysis over practice. Traditional professional training focuses on analysis and problem solving, breaking down processes into their elements or components. In contrast, design thinking employs **synthesis**, which is a **solution-based** approach. Synthesis works the problem in reverse; starting from the perspective of the end goal.

Another key tenant of design thinking is **empathy**. In design thinking, empathy for the users and other stakeholders should serve as the cornerstone for the strategy process; and remains an overarching theme throughout the entire process. This aspect of design thinking is particularly well articulated by IDEO and the Hasso Plattner Institute of Design at Stanford (the "d.school").

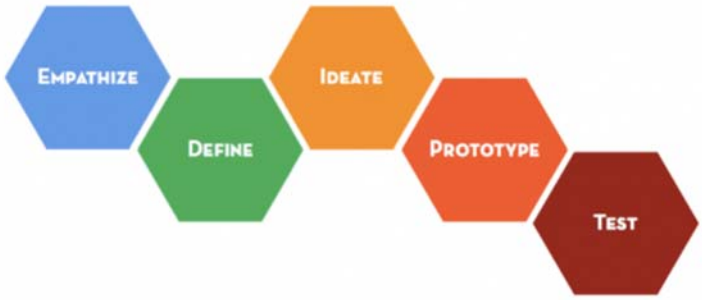
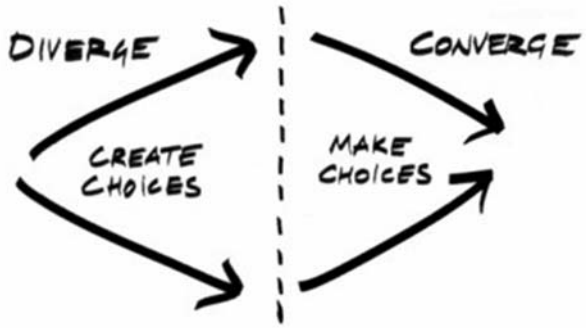


CHART SOURCE: The d.school

In a TED speech posted SEP 2009, Tim Brown of IDEO addresses how design got small and that design is too important to be left to the designers. He makes a whimsical reference to the "uniform" required by those who view themselves as designers; basically think of Steve Jobs. But to the more serious point, Tim is not advocating for a smaller role for design; just the opposite. Tim is arguing, like Steve Jobs, that design isn't something to be introduced at the end of the process to make something pretty but rather all phases of a project can benefit from design thinking. The thought process of a "designer" can be learned by all participants; and more participants employing this approach will lead to an outcome that is better calibrated with the ultimate users. In other words, a plan that has better incorporated empathy.

Running a Design Thinking Process

Another tenet of design thinking is taking a non-linear approach; but how? Clearly processes should have a well-defined beginning and drive towards a well-defined goal.



Design thinking has a perspective on how to best address framing your strategy questions; incorporate distinct **diverging & converging** phases. Converging, which comes more naturally, involves winnowing out relatively unattractive alternatives to converge on the best answer. Diverging is similar to brainstorming, and is intended to expand the range of alternatives.

A strategy and master planning process typically leverages the talents of a wide range of participants with varying backgrounds and varying levels of involvement. If the scope of these meetings is too wide, board members and other participants will get frustrated – quickly. If the scope is too narrow, there is a risk that it will devolve into merely a "rubber stamp" process.

... someday ... analysis alone will provide a ... solution to many planning problems. But until then, consider incorporating design thinking into your strategy and master planning processes.

Design thinking implies that the planning process should start with a solution or reasonably limited number of solutions. Within the broader strategy consulting community, this is referred to as establishing a working hypothesis early; in effect a trial balloon (or trial balloons) of your solutions. Within design thinking, this is what is meant by a solution based approach using synthesis. This approach clarifies information needs; but at the risk of converging on sub-optimal solutions too quickly.

Once the process starts, consider establishing explicit, distinct phases, and possibly separate forums, to have a divergent thinking dialog. It may be appropriate to incorporate multiple diverging & converging cycles into the process; making participants aware when it is appropriate to eliminate choices (converging), and when it is appropriate to create more choices (diverging).

Negotiable Constraints -> Softer Approach

Design thinking does indeed advocate a softer approach. As someone steeped in an economic-mathematical approach to strategy, I may not be a natural advocate of design thinking. However, when constraints are ill-defined, "negotiable" or fuzzy, a linear programming or cybernetic approach gets bogged down. For instance, if all the site constraints are incorporated into the planning process at "face value", there may be no feasible path forward. Many constraints are negotiable; which is generally good but drives complexity. Given the present state of analytics, synthesis may be a better approach. However, on behalf of the analysts, I will advance a bold prediction: someday in the not-too-distant future, technology will progress such that analysis alone will provide *a sufficiently acceptable*[3] algorithmic solution to many planning problems.[4] Until then, consider incorporating design thinking into your strategy and master planning processes.[5]

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-- ***Frank J. Rockwood***

ABOUT ROCKWOOD PACIFIC

Rockwood Pacific is a professional real estate services firm serving mission-based organizations committed to advancing wellness and longevity for older adults through better housing and better healthcare. We provide decision support, development services, financial advisory, and real estate transaction services to our clients.

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ENDNOTES

[1] Great Taylorism effectively refers to the latest-greatest application of scientific management principles as advanced by Frederic Taylor. In contrast to Great Taylorism, the value chain and five-forces analysis models focus on understanding the underlying forces of value creation to break away from guidance recommending organizations should "just run faster". Both the value chain analysis and five-forces analysis models are generally associated with Michael Porter but are utilized and implemented by many major management consulting firms.

[2] Current and prior issues of TOPICS are available on the Rockwood Pacific website (www.rockwoodpacific.com)

[3] In addition to authoring the previously cited *Sciences of the Artificial*, Herbert Simon earned a Nobel Prize for his work on bounded rationality which advances the concept of *sufficient* solutions over *optimal* solutions.

[4] 'Dilemmas in a General Theory of Planning' paper referenced earlier in this paper proposes a definition for "wicked problems", problems for which it is considered impossible to establish agreed upon objectives acceptable to all relevant stakeholders. While wicked problems can benefit from a design thinking approach, wicked problems would not be "solvable", even with tremendous improvements in analytical tools. However, I do not believe that typical strategy and master planning problems are wicked problems because it is possible to establish agreed upon objectives for most strategy and master planning processes.

[5] Visualization is also a distinguishing tenet of design thinking; however this aspect of design thinking is not addressed in this paper.