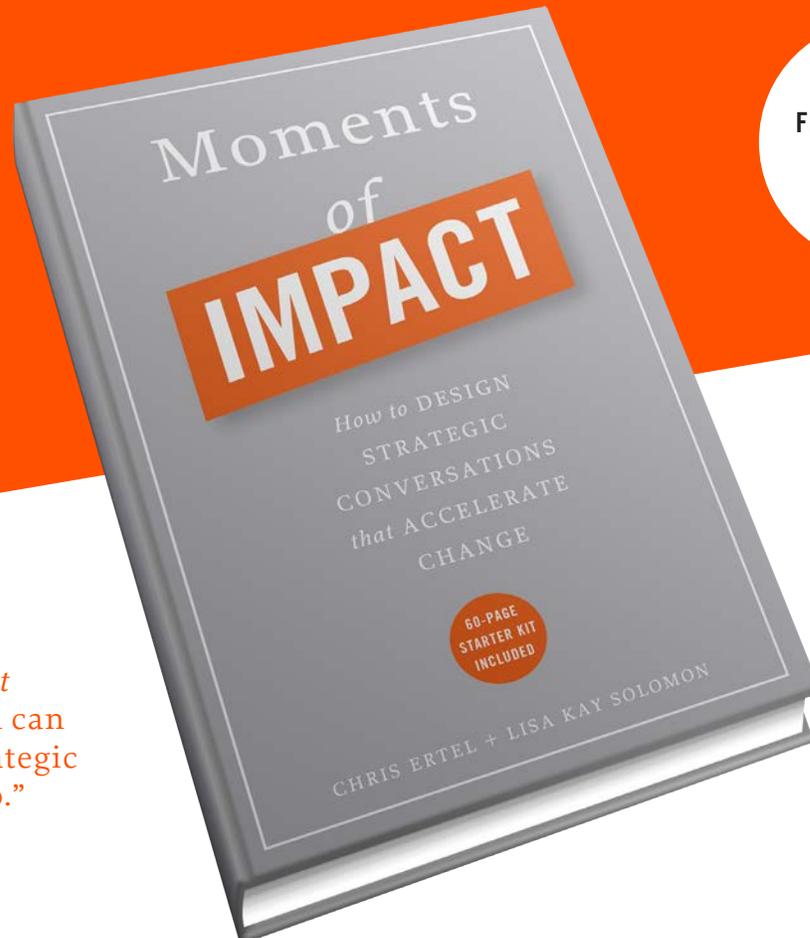


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CHAPTER ONE

*Adopted from Moments of Impact: How to Design Strategic Conversations that Accelerate Change
by Chris Ertel and Lisa Kay Solomon, Simon & Schuster 2014*

DESIGNING A STRATEGIC CONVERSATION

You probably already know how to run a pretty good meeting. You know that you need clear *objectives* that are reasonable given the time you have. That you should invite *participants* who can help meet those objectives. That your *content*—presentations and reports—should lay out the issues clearly. That the *venue* should be the right size for your group and contain the necessary equipment and supplies. That your *agenda* should end with next steps, roles, and responsibilities.

This basic model works well for the vast majority of meetings: routine check-ins, formal board meetings, planning sessions, and the like. But not when it's time to have an important conversation about critical yet ambiguous issues. That's when you need a more powerful tool.

CUTTING WOOD WITH A PAINTBRUSH

We met Marcelo Cardoso in our far-flung search for black belt practitioners of strategic conversation. At the time, he was the executive vice president for organizational development and sustainability at Natura, a personal-care-products company based in Brazil. Founded in 1969 on strong principles of environmental sustainability and economic development, Natura is one of the most successful companies in South America. Today, the com-

pany generates about \$3 billion in annual revenues and engages a direct sales force of more than a million women (similar to the Avon or Amway models) operating in at least ten countries across the Americas, Europe, and Australia.¹

Part of Cardoso's role at Natura was to convene senior executives to work through the company's adaptive challenges. During our interview, Cardoso's comments about strategic conversations were insightful and nuanced. Toward the end, though, he had a confession to make. His most recent strategic conversation hadn't gone well, and he knew why.²

Natura's board and executive committee had come together to think about the brand values and qualities that tie together their major product lines. Brand strategy is a complex, systemic, and open-ended puzzle that cannot be resolved by analysis alone. It's a classic adaptive challenge that calls for a well-designed strategic conversation.

Reflecting on the session, Cardoso realized that he'd made two mistakes. First, the session took place in the same room where the company holds all of its standing board meetings. Second, the brand strategy conversation had been wedged into the agenda between two routine board topics.

These two choices invited participants to revert to their "default settings" for meeting interactions. The managers delivered conclusion-driven presentations instead of teeing up provocative questions for conversation, as they'd been asked to do. This approach invited board members to kick into evaluation mode and look for holes to poke in the managers' reasoning.

The session was by no means a disaster—just a missed opportunity. There was no moment of impact. "Nothing much really happened," Cardoso says. "We ended up having a regular performance review meeting instead of a strategic conversation."

Cardoso knows what it takes to run a great strategic conversation. He's done it many times. But in this instance he didn't do enough to overcome the inertia of the dominant meeting culture at Natura—and at most organizations. And he regretted it afterward.

When bringing people together, you have three main tools in your professional tool kit: a standard meeting, a brainstorming session, or a strategic conversation. Each is good for different things. The key is knowing when to reach for which tool.

It's critical to recognize early on when you are facing an adaptive challenge, call this out explicitly, and start designing your session as a strategic conversation. Then be prepared to hold your ground when the inevitable forces of inertia emerge, pushing you back toward the more comfortable—and less effective—standard meeting approach. If you don't, you're accepting a high risk that your session will yield the standard “okay” results. If you need to cut a piece of wood in half, grabbing a paintbrush is not going to work—even if it's the best that money can buy.

LESSONS FROM THE GODFATHER OF STRATEGIC CONVERSATION

Pierre Wack (pronounced *Vahk*) may be the most influential business guru of the past half century that you've (probably) never heard of. A charismatic French-German of towering intellect, Wack enjoyed the great fortune of being the right man in the right place at the right time. In another era, it's hard to imagine a student of Sufi mysticism who burned incense in his office getting much traction as an oil industry executive. But Wack's tenure as head of the legendary group planning team at Royal Dutch Shell came at a time (1971–81) when that industry, and the world around it, was changing rapidly.

The oil industry got its tickets for the rides at VUCA World before most of us. By the early 1970s, oil executives were forced to cope with a daily reality of high volatility, uncertainty, complexity, and ambiguity—in the form of unpredictable swings in the price of oil.

The price of oil matters a great deal in planning operations for an oil company. It determines how much exploration and drilling you need to do, and what costs are acceptable for developing new sources. New offshore

oil rigs or cross-continental pipelines can take years to plan and execute, during which time it's possible for oil prices to rise or fall by more than half.

A faulty forecast can easily cost an oil company billions of dollars. Yet decades of experience show that nobody can reliably predict the price of oil. It turns on a wide range of external forces that no company can control: economic conditions, the cost of capital, consumer behavior, new technologies, regulatory changes, geopolitical developments, and more. During most of the 1950s and 1960s, these forces operated within a narrow enough band of variation to allow for smooth business planning. Not so in the late 1960s and 1970s.

When Pierre Wack assumed his new leadership role in 1971, Shell's top executives were already frustrated with the limitations of traditional strategic planning. They knew that the usual approach—to try to analyze their way out of uncertainty—wasn't working. But they had little idea what to replace it with.

Wack didn't know what to do either, but he was a free spirit with a willingness to experiment. He had studied the work of Herman Kahn, a brilliant US military planner who was the inspiration for the title character in *Dr. Strangelove*, the classic dark comedy by Stanley Kubrick. During the Cold War, Kahn taught military planners how to “think the unthinkable,” using scenario planning and other war-gaming techniques to anticipate potential moves of the Soviet Union and other countries, with the main goal of preventing thermonuclear war.³

Wack embraced scenario planning—which others at Shell had already experimented with—as a supplement to traditional approaches. Instead of trying to predict the future price of oil—a fool's errand—his team created detailed, divergent scenarios about why and how the price might swing sharply up or down, which they used to test the robustness of different strategies.

While this approach made sense in theory, Wack's early attempts fell flat. He and his team would spend months researching all the key topics

and analyzing and synthesizing them into clear communications packages. But their early scenario reports bounced right off Shell's managers, getting him—and them—nowhere.

During a sabbatical year in Japan, Wack spent a great deal of time studying the difference between an effective report or plan and an ineffective one. His simple but important conclusion would have a decisive impact on the future of Shell—and on strategic conversations—for decades to come.⁴

Years later, in an article for *Harvard Business Review*, Wack described his insight:

I have found that getting to that management “Aha!” is the real challenge. . . . It does not simply leap at you when you’ve presented all the alternatives, no matter how eloquent your expression or how beautifully drawn your charts. It happens when your message reaches the microcosms [mental models] of decision makers, obliges them to question their assumptions about how their business world works, and leads them to change and reorganize their inner models of reality.⁵

In other words, Wack realized that he and his team needed to focus much less of their energy on the brilliance of their analysis and much more on the mind-set and concerns of their audience. It's rare for people to change their opinions when confronted with inconvenient facts. Rather, most humans have the agility of a Cirque du Soleil performer when it comes to twisting data to fit their existing assumptions.

The only way to change minds, Wack realized, was to build on managers' existing knowledge and experience rather than argue against it. This basic insight had a number of important implications for how he and his team worked. First, they needed to understand—and empathize with—the perspectives of managers from the inside, through deep interviewing and other techniques. Next, their presentations had to get well beyond “the facts.” They needed to create stories and visuals that would resonate with managers' existing mental models and tap into the emotional and pattern-recognition parts of their brains—not just their analytic circuits.

From that point forward, Wack’s scenario planning sessions always started with a “conventional wisdom” scenario—a story that best represented managers’ current baseline assumptions about how the world works. Wack would treat this baseline scenario with due respect and show that many of its assumptions were valid. Then he’d gradually expand the managers’ field of vision by holding up a mirror to their perspectives, turning and twisting it from multiple angles. In doing so, Wack was bending and expanding the managers’ mental models one step at a time—rather than breaking or replacing them. In one article title, Wack coined a poetic term to describe his approach: “The Gentle Art of Re-perceiving.”⁶

Wack and his team went on to have a legendary impact on Shell. Their work helped the company anticipate the OPEC oil embargo of 1973 and the massive disruption of oil prices in 1979, and to hedge against these huge events well in advance.⁷ It gave company leaders the courage to take a strongly contrarian position; at a time when everyone else was buying tankers, Shell was unloading them. As a result, Shell leapfrogged from an also-ran among the large oil companies to an industry leader during this era. Wack and his group planning team became heroes, and Shell continues to invest in their methods to this day.

Wack is best remembered as the guy who brought scenario planning from the military to the business sector. But his true legacy runs much deeper and broader. In our view, Wack pioneered the art of strategic conversation as a discipline and practice. He was transforming the mental models of managers long before an established vocabulary or set of tools for doing so existed. His work predates the past four decades of progress in cognitive science, behavioral economics, systems dynamics, group dialogue methods, and data visualization. Lacking all this, Wack drew ideas and inspiration from where he could—Eastern philosophy, military theory, the writings of Peter Drucker—and cobbled together an approach that worked.⁸

Several of the black belt designers we interviewed told us about a time when they had a similar revelation to Wack’s: an “aha” moment when

they saw that their real job was not to find the right answer to an adaptive challenge but rather to help shape people's perceptions of the problem—and thus of potential solutions. Whether they realize it or not, anyone designing strategic conversations today is standing on Pierre Wack's tall shoulders.⁹

“CUTTING CUBES OUT OF FOG”: TAPPING INTO THE POWER OF DESIGN

While energy was arguably the iconic industry of the 1970s, that role today is played by high technology—an industry with far more rapid cycles of strategy and planning. And if Shell was the iconic oil company of the 1970s, the iconic tech company of our time is Apple, one of the most astounding turnaround stories in business history.

Back in the mid-1990s, Apple was struggling for survival. By 2012, it had risen to become, for a time, the largest public enterprise in the world—just the eleventh company since 1925 to claim the largest market capitalization on the New York Stock Exchange. This put Apple in an elite club that includes General Electric, IBM, Exxon-Mobil, and a handful of other megagiants.¹⁰ All this with a product lineup that fits easily on the average kitchen table.

While many reasons lie behind Apple's dizzying success, design leadership is high on the list. In recent years, Steve Jobs and his colleagues have given the world an elaborate and highly profitable schooling in the power of design.

Design can feel a bit mystical, but the basics are straightforward. Design is an approach to problem-solving that strives to address user needs—often unarticulated ones—through disciplined creativity. Great design is about crafting new solutions that seamlessly integrate form and function. Solutions that, as the famous quote from Oliver Wendell Holmes goes, achieve “simplicity on the other side of complexity.”

Well-designed products, services, buildings, and websites don't just look

nice; they work smoothly and feel good—often in ways that you can sense intuitively but may have a hard time explaining. This effect can be found in the way Herman Miller’s Aeron chair gives you firm support while allowing you room to move and breathe. It can be found in the way a Michelin-star restaurant delivers a seamless dining experience. And it can be found on Zappos online shoe store, when it serves up options uniquely tailored to your tastes. Great design delights and amazes us. It delivers solutions we didn’t know we wanted—but that we “get” immediately.

Designers come to these elegant solutions by an emergent, craft-based process that follows a number of core principles—and few hard rules. These principles include:

- ▶ *Developing a deep understanding of—and empathy for—users and their needs.*
- ▶ *Cycling through periods of divergent thinking to explore diverse sources of inspiration.*
- ▶ *Learning through quick-and-dirty prototyping of potential solutions and adapting them in response to user and market feedback.*
- ▶ *Testing these solutions with a small number of users first, scaling them only after they’ve proved robust.*

While design is a rigorous problem-solving discipline, it can feel random at times because it often involves looping backward and trying new combinations of ideas, many of which will fail. The process appears messy not because designers are unruly but because the challenges they’re trying to solve are messy. Imposing too much structure on the search for solutions would stifle creativity.

Designers are, in short, trained to navigate their way through a world of adaptive challenges. As Larry Keeley, cofounder of the innovation consultancy Doblin, is fond of saying, design is the art and science of “cutting cubes out of fog.” This discipline is not just good for creating new products and services. Indeed, this may be the biggest lesson Steve Jobs taught the

world: that design is equally helpful in the creation of new business models, service experiences, and entire market ecosystems.

Today, organizations of all kinds are tapping into the power of design to solve problems that reach far beyond its traditional domains. Public school systems such as the Menlo Park City School District are getting teachers to walk in the shoes of students as they rethink class schedules and overall academic and extracurricular stress load. General Electric is using design methods to turn pediatric scanning experiences into exciting jungle adventures.¹¹ Online creative collaboration ventures such as Kickstarter and Quirky are reinventing the way entrepreneurs get funded, design their products and services, and take them to market. Even the US Army now teaches design principles to help soldiers navigate and solve life-or-death challenges in real time as they appear through the fog of war.¹²

“Successful designers—in business or the arts—are great conjurers,” writes Jeanne Liedtka, a professor at the University of Virginia Darden School of Business who has studied the convergence of strategy and design. “A capacity for creative visualization—the ability to ‘conjure’ an image of a future reality that does not exist today, a future so real that it appears to be real already—is central to design.”¹³

In our VUCA World, organizations need to find new ways of responding to adaptive challenges. They need to get comfortable with ambiguity and seek insight from a broader range of places. They need to continuously frame and reframe not only their answers but also the questions they pose. They need, in short, to approach strategy less like mechanics and more like designers.

But talking about design, to paraphrase an old saw, is a bit like “dancing about architecture.” The only way to really understand the discipline is through direct experience—ideally by doing it yourself.

THE FIVE CORE PRINCIPLES OF A WELL-DESIGNED STRATEGIC CONVERSATION

Let's return to where we started this chapter. Designing an effective strategic conversation requires that you cover all the basics of a well-organized meeting—and a good deal more. But what is “more,” exactly? What does it mean to *design* a strategic conversation?

Designing a strategic conversation means creating a shared experience where the most pressing strategic issues facing an organization are openly explored, from a variety of angles. An experience where all the assumptions that make up your mental maps about how the world works—and how it is changing—are examined. An experience where new stories about your future success are explored, tested, and refined. An experience that engages a group in a deeper level of discussion than they thought possible.

The five core principles below are the main components of our process for designing strategic conversations. At first glance, they may seem like subtle refinements of the five elements of a well-organized meeting. But they're much more than that.

CORE PRINCIPLE 1

DECLARE THE OBJECTIVES ▶ DEFINE THE PURPOSE

A well-organized meeting requires that . . . you start with a clear set of objectives and desired outcomes that make sense and are realistic given the time available. These are usually expressed as a block of bullet points and shared at a meeting's outset. At the end of the session, the group can look at the list and see whether they've accomplished their goals.

A well-designed strategic conversation also requires that . . . you develop a clear sense of the change that this group of people needs to make together—and how this conversation will advance that process. Because adaptive challenges are rarely (if ever) “solved” within one session, you need to understand the purpose of each strategic conversation in the context of your organization's larger change efforts. At the highest level, there are just three reasons to call a strategic conversation: Building Understanding,

Shaping Choices, or Making Decisions. Any session must focus on one—and only one—of these goals.

CORE PRINCIPLE 2

IDENTIFY PARTICIPANTS ▶ ENGAGE MULTIPLE PERSPECTIVES

A well-organized meeting requires that . . . you identify the most appropriate participants for a given session and prepare them well in advance. This means thinking about which leaders, decision-makers, and issue experts need to be in the room. It also means identifying any potential sticking points and “pre-wiring” these issues with participants in advance as needed.

A well-designed strategic conversation also requires that . . . you dig deeper to understand the views, values, and concerns of each participant and stakeholder group. It requires that you find out where opinions are aligned on the key issues and where they are not. And it requires that you think hard about which *perspectives* (not just people) must be represented, such as customers or employees who won’t be in the room. Ultimately, it requires that you find ways to create value from the intersection of diverse perspectives, experiences, and expertise that live inside any organization.

CORE PRINCIPLE 3

ASSEMBLE CONTENT ▶ FRAME THE ISSUES

A well-organized meeting requires that . . . all content be highly relevant to the objectives and clearly communicated. Readings or handouts should be focused on creating a common understanding of the issues or posing questions for participants to think about in advance. Live presentations should deliver clear findings and present options or strong recommendations.

A well-designed strategic conversation also requires that . . . the content and issues are *framed* in a way that illuminates different aspects of the adaptive challenge you’re wrestling with, including how the various parts relate to the whole. These frames should help participants get their heads around a great deal of complexity, thereby accelerating insight and alignment. A good frame helps make insights “stick” and thus accelerates progress on tough issues.

CORE PRINCIPLE 4
FIND A VENUE ▶ SET THE SCENE

A well-organized meeting requires that . . . you find an appropriate venue given the size of your group and the nature of the meeting. Participants should be comfortable in the environment and have all the equipment, supplies, and other materials needed to support their work together.

A well-designed strategic conversation also requires that . . . you make thoughtful choices about all elements of the environment—from the physical space to artifacts to aesthetics. The room setup and seating arrangements should send a message about how participants are expected to relate to one another. Food and other comforts should be consistent with the tone of the session. Like a great theater production, all the parts should come together in a seamless and integrated way.

CORE PRINCIPLE 5
SET THE AGENDA ▶ MAKE IT AN EXPERIENCE

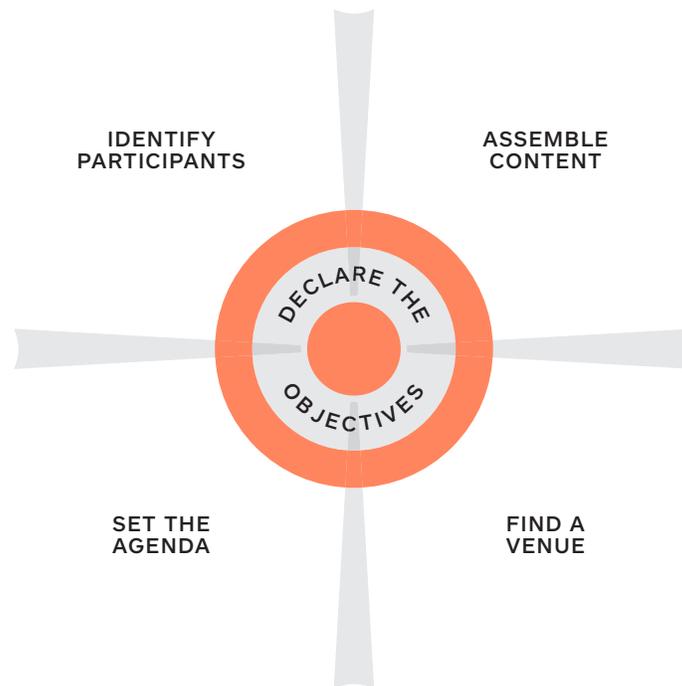
A well-organized meeting requires that . . . you follow a logical sequence of agenda items, typically starting with some form of orientation and ending with next steps. With each agenda item, it should be clear what topic(s) each item addresses and how it contributes to the objectives. By the end of the meeting, all participants should know exactly what they need to do next, and why.

A well-designed strategic conversation also requires that . . . you attend to the emotional and psychological experience of participants. The experience should not only be logical but also intuitive and energizing. It should tap into participants' full capabilities and perspectives—their logical *and* emotional, analytic *and* creative, selves. A great strategic conversation is not just an intellectual exercise—it's an exhilarating and memorable experience.

The table below summarizes a few of the critical differences between a well-organized meeting and a well-designed strategic conversation that we'll explain in greater detail in the coming chapters.

SOMETIMES THE RIGHT TOOL IS A COMPASS

The diagram below shows the five key elements of the standard meeting approach, represented as an archer's bull's-eye target. There's a reason why we chose this image. While most sports require a good deal of muscle memory and repetition, archery is extreme in this respect. An archer's goal is to do the exact same thing in the exact same way—over and over again. Sure, you need to consider the wind and other factors a bit when drawing back the bow. But success turns mainly on clearing your mind of distractions and faithfully repeating what's worked in the past.



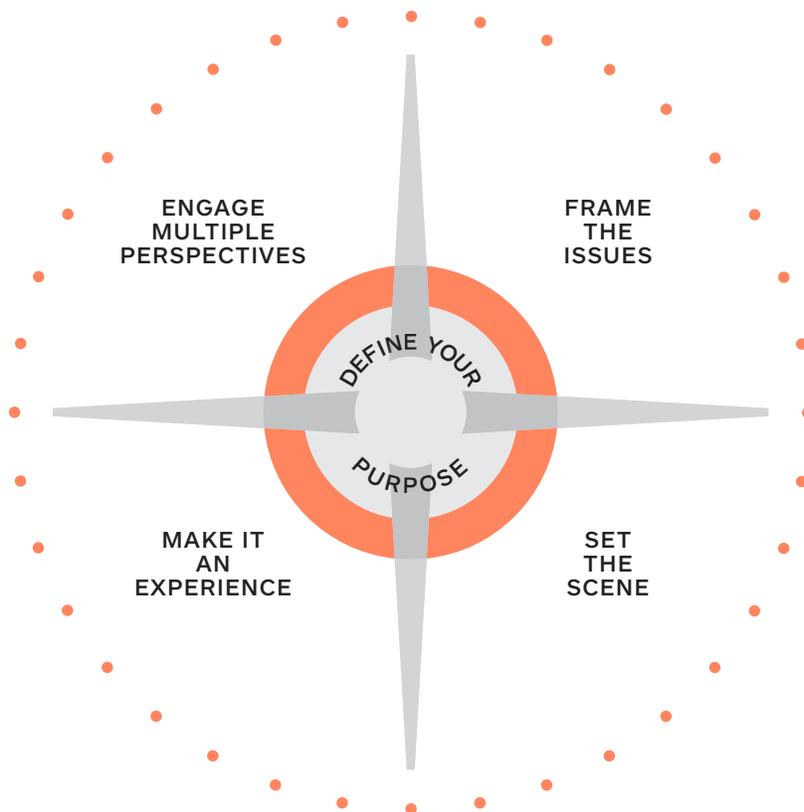
THE WELL-ORGANIZED MEETING: HITTING THE BULL'S-EYE WHEN THE GOAL IS CLEAR

Organizations are a lot like archers. Most of the time, an organization consists of a collection of people going through motions they've done many times before in order to produce a reliable result. Likewise, running a standard meeting can feel like aiming at a bull's-eye. Your goal is to focus all

energy and resources on a pinpoint objective, such as a marketing plan or a quarterly budget. For most technical challenges, the standard meeting approach works fine.

Except when things change. Such as when your customers lose interest in what you're providing. Or when a new technology threatens to reshape your industry. At times like these, an organization can find itself aiming at a target that's moved when they weren't looking. For many, it's hard to stop doing the things that made them successful even after they no longer work.

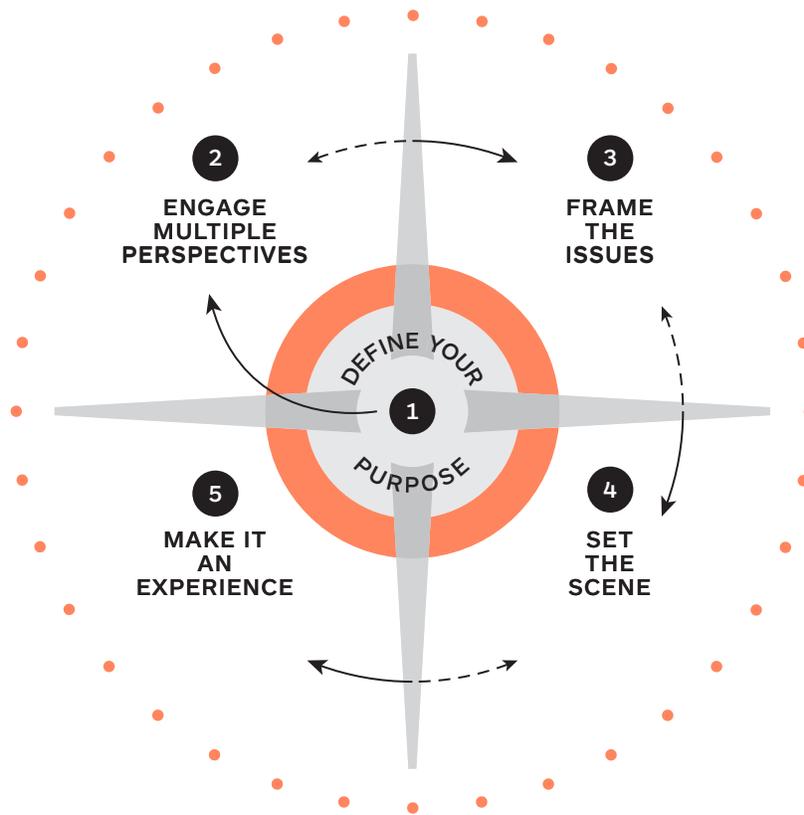
When adaptive challenges arise and clear targets are hard to spot, you need something different to help you find your way. Something more like a compass.



THE WELL-DESIGNED STRATEGIC CONVERSATION: FINDING YOUR WAY WHEN THE PATH ISN'T CLEAR

With adaptive challenges, the nature of your interactions will play a huge role in determining how you resolve them. Real strategy happens in human conversations, not on lifeless spreadsheets and software. Following the five core principles in the above diagram will help you design your strategic conversations for better outcomes.

These principles can also be seen as five steps in a design process. But while we've numbered each of the core principles—and work through them in this order in the book—you don't have to complete each step and then move to the next one in a linear way. It's inevitable that you'll go back and forth among the principles as your design unfolds. The way you frame the issues might change your ideas about who needs to be in the room.



THE CORE PRINCIPLES AS DESIGN PROCESS

Thinking deeply about the experience you want to create might make you reconsider your choice of venue. Think of the five principles as a soft sequence, not a rigid one—as a set of handrails, not a straightjacket.

As you get the hang of designing strategic conversations, you'll no doubt develop refinements that work best for you. That's great. We invite you to use this process and tool kit as a platform to get on the path of mastery—and to make it your own with each new conversation.

KEY DIFFERENCES BETWEEN

A
WELL-ORGANIZED
MEETINGA
WELL-DESIGNED
STRATEGIC CONVERSATION

<p>DECLARE THE OBJECTIVES</p> <p>Specific objectives for the session are clearly stated (usually in bullet-point form), with an emphasis on getting to next steps</p>	<p>DEFINE YOUR PURPOSE</p> <p>Purpose of the session is well understood, with an emphasis on advancing a larger process of change</p>
<p>IDENTIFY PARTICIPANTS</p> <p>The “right people” are in the room, with an emphasis on getting to alignment as quickly as possible</p>	<p>ENGAGE MULTIPLE PERSPECTIVES</p> <p>The right mix of perspectives are in the room to create value by combining ideas from different places</p>
<p>ASSEMBLE CONTENT</p> <p>Relevant content is provided in a complete and well-organized way</p>	<p>FRAME THE ISSUES</p> <p>Issues are well framed around future possibilities and key choices</p>
<p>FIND A VENUE</p> <p>Venue is appropriate for the size of group and task</p>	<p>SET THE SCENE</p> <p>All elements of the physical environment are carefully managed to support the participants and the conversation</p>
<p>SET THE AGENDA</p> <p>Agenda is logical and in the right sequence</p>	<p>MAKE IT AN EXPERIENCE</p> <p>Session is designed as an experience to fully engage participants emotionally and analytically</p>

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