ABSTRACT OF MASTER’S THESIS

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ABSTRACT

Escalating complexity of the business world establishes an organisation’s ability to innovate as its greatest competitive advantage. And as linear, rational approaches have proven insufficient for the goal, executives seek novel, creative ways to develop and realise breakthrough strategies.

The concept of design thinking, centring around empathy, invention and learning, becomes instrumental in tackling business challenges and supporting innovation initiatives. By bringing about a hands-on toolkit, design professionals become well-equipped in developing offerings, improving operations and crafting strategies.

Over the past decade, the discipline blending strategy with design began to emerge in specialised consultancy. The large design firm, such as IDEO, Fjord and Doblin, launch strategic offering to drive business growth and align organisations. In parallel, design-led approaches thrive in innovation practices at the consulting majors, including BCG, McKinsey and Deloitte.

The insider research aims to establish the relevance of business design by linking its practice to a holistic theoretical framework. Defining and describing the core approach of the discipline provides insights for both professionals and scholars at the intersection of design and strategic management.

KEYWORDS strategic thinking, design thinking, business design, design consulting, action research, insider research
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This report wraps up an exciting two-years-long journey through my professional and academic experience, which turned not only very challenging but also highly rewarding.

Insider research is an exceptional combination thriving both academic rigour and creativity, individual work and cooperation. This study has become possible due to the tight collaboration between the industry and academia. I am infinitely grateful to everyone who has contributed to this work, including many colleagues, peers, and friends, for their willingness to help — with ideas, insights, criticism and assistance alike:

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December 2016

Berlin
**Business Design** — a discipline applying principles and practices of design to developing offerings along with an associated business model, strategy, and organisation design.

**Business Ecosystem** — a network of parties involved in delivery of the offering through both cooperation and competition: suppliers, distributors, competitors, government, and others.

**Business Model** — a plan for the successful operation of a business, identifying its offering, intended customer base, critical activities and profit model.

**Business Strategy** — see Strategy.

**Change Management** — a discipline incorporating tools and techniques for managing the people side of organisational transition and achieving business goals.

**Competitive Advantage** — a condition or circumstance that puts a business in a favourable or superior position compare to its rivals.

**Customer** — a party that purchases or consumes firm’s products or services and has an ability to choose between different offerings and suppliers.

**Customer Insight** — a non-obvious understanding about the customers that is based on interpretation of trends in behaviours, people’s needs, desires, and expectations.

**Design** — conscious activities aimed to plan a change for achieving a goal or solving a problem, as well as a specific solution resulting from these activities.

**Design Management** — a discipline applying principles of project management, design and strategy to overseeing creative process, building a structure and organisation for design.

**Design Thinking** — a set of principles describing thinking modes, practices, and cognitive approaches aimed at problem solving.

**Functional Strategy** — an organisational plan for functional areas of a company that is used to back up business strategy.

**Insight** — thoughts, facts or data that further understanding of a situation or issue, re-directs thinking and has a potential to benefit the business. See also Customer insight.

**Marketing** — a discipline concerned with developing a product or service offering, its pricing, distribution channels, and promotional strategies.

**Organisation Design** — a discipline focusing on workflows, procedures, structures and systems to improve both the technical and people sides of an organisation.

**Service Design** — a discipline focusing on quality of customer experience by organising people, processes, environments and communications.

**Stakeholder** — a party that has interest or concern in a business, can affect or be affected by its actions, objectives and policies: customers, shareholders, employees, partners, government, and others.

**Strategy** — a course of action chosen for achieving an organisation purpose and goals as well as for solving a problem. See also Functional strategy.

**Strategic Management** — a discipline involving formulation and implementation of the major goals and initiatives taken by an organisation for achieving and maintaining competitive advantage.

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2B</td>
<td>business-to-business</td>
</tr>
<tr>
<td>B2C</td>
<td>business-to-consumer</td>
</tr>
<tr>
<td>BCG</td>
<td>Boston Consulting Group</td>
</tr>
<tr>
<td>CEO</td>
<td>chief executive officer</td>
</tr>
<tr>
<td>DMI</td>
<td>Design Management Institute</td>
</tr>
<tr>
<td>DV</td>
<td>digital ventures</td>
</tr>
<tr>
<td>HBR</td>
<td>Harvard Business Review</td>
</tr>
<tr>
<td>HCD</td>
<td>human-centred design</td>
</tr>
<tr>
<td>GVA</td>
<td>gross value added</td>
</tr>
<tr>
<td>HR</td>
<td>human resources (management)</td>
</tr>
<tr>
<td>IT</td>
<td>information technology</td>
</tr>
<tr>
<td>KPI</td>
<td>key performance indicator</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>merger and acquisition</td>
</tr>
<tr>
<td>MBA</td>
<td>master of business administration</td>
</tr>
<tr>
<td>MVP</td>
<td>minimum viable product</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>research and development</td>
</tr>
<tr>
<td>ROI</td>
<td>return on investment</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>Standard &amp; Poor’s</td>
</tr>
<tr>
<td>SWOT</td>
<td>strengths, weaknesses, opportunities, threats</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UX</td>
<td>user experience (design)</td>
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</table>
FOR ALREADY A HALF-CENTURY, design professionals religiously recall a memo issued in 1961 by Thomas J. Watson, Jr., a former CEO of IBM, stating that “Good design is good business.” Whereas Watson’s message may have been baffling to some in the industrial era post-World War II, it is evident and perhaps even conventional today (at least for everyone who has seen an iPhone): committing to design shapes better products and helps to realise their full potential in the market (Weiss, 2002).

Two decades later, in the mid-1980s, marketing guru Philip Kotler urged the readers of the Journal of Business Strategy to revise their understanding of design as a cosmetic tool applied in the late stages of product development and recognise its strategic role in enhancing environments, communications and corporate identities (Kotler & Rath, 1984). Kotler advised to train managers, marketers, sales people and engineers to better understand design, its function and growing potential for creating competitive edge.

Until now, executives seem to follow Kotler’s advice as companies across industries seek to incorporate design into their core competence and build in-house design expertise (Buley, 2015, Maeda, 2016; see Figure 1c). In 2004, the electronic manufacturer Flextronic acquired the global design firm frog design. In 2011, the software developer GlobalLogic made a deal with the design consultancy Method. More recently, the financial firm Capital One purchased the design and development companies Adaptive Path and Moosoon, while the banking group BBVA (2015) acquired the UX consulting Spring Studio to accelerate its efforts “to become the leading digital bank through great design and technology.”

The effort clearly pays off: a recent study revealed that effective users of design, capable of integrating and embedding its principles up to the senior level of an organisation, outperform the S&P 500 by a stunning margin — 219% over the previous decade (Rae, 2015; see Figure 1a). Another research estimated the design’s contribution to the UK’s economy at £71.7 billion (€100 billion) in gross value added (GVA), equivalent to 7.2% of the national GVA (Design Council, 2015).

Meanwhile, twenty years after Kotler, Roger Martin (2009), an eminent business thinker and a founding partner of the strategic firm Monitor, reinforced the notion of design as the next source of competitive advantage. Martin reflected on the convergence of analysis and business rigour with creative skills and intuitive thinking. Here, ‘thinking like a designer’ serves a distinctive purpose — to help managers break free from the ‘tyranny of given’ and produce creative solution to complex problems. Martin’s suggestion is more radical than ever: instead of understanding designers better, business people need to become designers.

The idea seems to reflect a widespread belief of executives. A survey of 1500 CEOs around the globe conducted by IBM (2010) named creativity the most crucial leadership quality, placing it higher than rigour, management discipline, integrity and even vision. In coping with rapidly escalating complexity of the business world, creative leadership is intended to encourage experiment, find innovative ideas and make deeper changes in business models for realising strategies.

Yet, the creativity imperative is hardly exclusive to top managers. A report by the World Economic Forum (2016) predicted that by 2020 the list of the most critical skills will be led by ‘big three’ of complex problem solving, critical thinking and creativity, with more than half of all jobs requiring them in the core skill-set (Figure 1b). Creativity made the biggest leap in the list, having climbed seven spots up.

The conversation emerging around Martin’s views sheds light on the new dimension of design’s strategic role, suggesting that its greatest payout is in designing business itself (Fraser, 2012). And this is beyond the vision of a consultant exploring variations of executive thinking. Only in the past five years, Microsoft examined design-led business transformation (Warren et al., 2012), the European Commission — value of design for advancing business models (Dervojeda et al., 2014), and Deloitte (2015) discussed design thinking in its annual selection of business trends. Harvard Business Review continues to investigate evolution of design thinking (Brown, 2015, Brown & Martin, 2015, Kolko, 2015) and features design-led success cases: Samsung became a ‘design powerhouse’ (Yoo & Kim, 2015), PepsiCo recognised design thinking at the strategic level (Ignatius, 2015) and hired a chief design of-
**Figure 1**

Creativity Imperative in Strategic Management

**A** DESIGN-CENTRIC COMPANIES VS. S&P 500 (2004–2014) \( \text{Rae}, \text{2015} \)

![Graph showing the design value index (DVI) for design-centric companies vs. S&P 500 from 2004 to 2014. The DVI for design-centric companies is significantly higher than the S&P 500, with a growth rate of 219%.](image)

**B** TOP-10 CRITICAL SKILLS IN 2015 AND 2020 \( \text{World Economic Forum}, \text{2014} \)

<table>
<thead>
<tr>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Complex problem solving</td>
<td>1. Complex problem solving</td>
</tr>
<tr>
<td>2. Coordinating with others</td>
<td>2. Critical thinking</td>
</tr>
<tr>
<td>3. People management</td>
<td>3. Creativity</td>
</tr>
<tr>
<td>4. Critical thinking</td>
<td>4. People management</td>
</tr>
<tr>
<td>5. Negotiations</td>
<td>5. Coordinating with others</td>
</tr>
<tr>
<td>7. Service orientation</td>
<td>7. Judgement/decision-making</td>
</tr>
<tr>
<td>8. Judgement/decision-making</td>
<td>8. Service orientation</td>
</tr>
</tbody>
</table>

**C** DESIGN M&AS \( \text{Maeda}, \text{2016} \)

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Acquirer</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>MONITOR</td>
<td>acq. Doblin</td>
</tr>
<tr>
<td>2010</td>
<td>RIM</td>
<td>acq. TAT</td>
</tr>
<tr>
<td>2011</td>
<td>FACEBOOK</td>
<td>acq. Sofa</td>
</tr>
<tr>
<td></td>
<td>ONE KING S LANE</td>
<td>acq. Helicopter</td>
</tr>
<tr>
<td></td>
<td>GLOBALLOGIC</td>
<td>acq. Method</td>
</tr>
<tr>
<td>2012</td>
<td>GOOGLE</td>
<td>acq. Mike &amp; Maaide</td>
</tr>
<tr>
<td></td>
<td>DELOITTE</td>
<td>acq. Cuban Council</td>
</tr>
<tr>
<td></td>
<td>FACEBOOK</td>
<td>acq. Bolt Peters</td>
</tr>
<tr>
<td></td>
<td>SQUARE</td>
<td>acq. 80/20</td>
</tr>
<tr>
<td>2013</td>
<td>FACEBOOK</td>
<td>acq. Hot Studio</td>
</tr>
<tr>
<td></td>
<td>GOOGLE</td>
<td>acq. Gecko Design</td>
</tr>
<tr>
<td></td>
<td>CAPITAL ONE</td>
<td>acq. Adaptive Path</td>
</tr>
<tr>
<td></td>
<td>DELOITTE</td>
<td>acq. Reactive</td>
</tr>
<tr>
<td></td>
<td>GOOGLE</td>
<td>acq. Flow Interactive</td>
</tr>
<tr>
<td></td>
<td>PWC</td>
<td>acq. Optimal Experience</td>
</tr>
<tr>
<td></td>
<td>KPMG</td>
<td>acq. Cynergy Systems</td>
</tr>
<tr>
<td>2014</td>
<td>GOOGLE</td>
<td>acq. Carbon Design</td>
</tr>
<tr>
<td></td>
<td>GOOGLE</td>
<td>acq. Gecko Design</td>
</tr>
<tr>
<td></td>
<td>CAPITAL ONE</td>
<td>acq. Adaptive Path</td>
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<tr>
<td></td>
<td>ACCENTURE</td>
<td>acq. Reactive</td>
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<tr>
<td></td>
<td>DELOITTE</td>
<td>acq. Flow Interactive</td>
</tr>
<tr>
<td></td>
<td>GOOGLE</td>
<td>acq. Mike &amp; Maaide</td>
</tr>
<tr>
<td></td>
<td>DELOITTE</td>
<td>acq. Hattery</td>
</tr>
<tr>
<td>2015</td>
<td>FACEBOOK</td>
<td>acq. Teehan+Lax</td>
</tr>
<tr>
<td></td>
<td>BBVA</td>
<td>acq. Spring Studio</td>
</tr>
<tr>
<td></td>
<td>MCKINSEY</td>
<td>acq. Lunar Design</td>
</tr>
<tr>
<td></td>
<td>CAPITAL ONE</td>
<td>acq. Monsoon</td>
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<tr>
<td></td>
<td>WIPIRO</td>
<td>acq. Designit</td>
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<td></td>
<td>EY</td>
<td>acq. Seren</td>
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<td></td>
<td>DELOITTE</td>
<td>acq. Mobiento</td>
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<td></td>
<td>AIRBNB</td>
<td>acq. lapka</td>
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<tr>
<td></td>
<td>COOPER</td>
<td>acq. Catalyst</td>
</tr>
<tr>
<td></td>
<td>SALESFORCE</td>
<td>acq. Akta</td>
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<tr>
<td></td>
<td>ACCENTURE</td>
<td>acq. Chaotic Moon</td>
</tr>
<tr>
<td></td>
<td>FLEX</td>
<td>acq. Farm Design</td>
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<tr>
<td></td>
<td>PIVOTAL</td>
<td>acq. Slice of Lime</td>
</tr>
<tr>
<td></td>
<td>IBM</td>
<td>acq. Resource/Ammirati</td>
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<tr>
<td></td>
<td>--</td>
<td>acq. ecx.io</td>
</tr>
<tr>
<td></td>
<td>--</td>
<td>acq. Aperto</td>
</tr>
<tr>
<td></td>
<td>CAPGEMINI</td>
<td>acq. Fahrenheit 212</td>
</tr>
<tr>
<td></td>
<td>DELOITTE</td>
<td>acq. Heat</td>
</tr>
</tbody>
</table>

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1. S&P 500 INDEX contains 500 of the largest stocks in the US, allowing to gauge the overall health of large American companies.

2. Only the deals announced in the 1Q2016.
The new movement is perhaps most evident in the consulting industry (see Figure 1c). In 2014–2015, the tech and consulting giant Accenture invested $200 million (€180 million) in building and growing its own ‘design powerhouse’, having acquired the global design firm Fjord, among other companies (Accenture, 2015, Montgomery, 2015). The innovation consultancy Doblin was purchased by the strategy firm Monitor in 2007 and became a part of Deloitte in 2013. McKinsey & Co. acquired Lunar Design in 2015 and Veryday in 2016. IBM (2014), apart from its M&A activities, committed over $100 million (€72.8 million) to expanding its consulting services by fusing strategy, data and design. Deloitte Digital, a subsidiary of the accounting and consulting major, positions itself as “part technology, part strategy, part creative” (Deloitte Digital website). PwC Digital operates at the intersection of business, experience and technology, offering to co-create strategies (PwC Digital website).

The revised view of design opens up avenue for a long-held aspiration of design consulting — to approach strategic assignments and innovation initiatives from the beginning. The fusion of design and strategy arises distinctively in a form of business design, the discipline seeking to apply the design principles and toolkit to complex business challenges and innovation ambitions. Business design has recently begun to thrive in consultancy, from a business-focused offering at the most credited company IDEO to an innovation practice at the global strategy firm Oliver Wyman.

Research gap

In the past decades, the traditional views of strategic planning have often been named the least effective function in organisations, criticised by both scholars and practitioners for bias towards analytical thinking and formal processes (Carlopio, 2010, Liedtka & Ogilvie, 2011, De Wit & Meyer, 2014). The opponents of the conventional approach consider strategy as art, rather than science, and see creativity as an aid for developing unorthodox insights and generating innovative solutions to uniquely challenging problems. The research agenda shifts further away from the century-old Taylorist focus on productivity, cost reduction and quality management to an organisation’s ability to adapt to discontinuous change and deliver sustainable innovation.

In the meantime, the contemporary research approach in strategic management suggests to examine strategy as practice — that is, something that people do rather than firms have (Whittington, 1996, 2006). The ‘practice turn’ encourages process-oriented studies focusing on the work of strategists and their everyday activities. In a bid to develop novel approaches, tools and techniques for strategising, the discourse investigates the role of various stakeholders, including executives, middle managers and external advisers (Balogun, Huff and Johnson, 2003, Johnson, Langley, Melin and Whittington, 2003).

Within a similar movement, scholars address design as an end-to-end system for problem solving, or “a bundle of attitudes, tools and approaches” (Liedtka, 2015, p. 5). By recognising work done by multiple stakeholders, the practice orientation in design enables to export its principles to other disciplines where they can produce superior outcomes (Kimbell, 2011, 2012). Action research, even in form of theses and dissertations, effectively becomes a channel to grow credibility of design, gain its external validation, project novel perspectives and ultimately enlarge its practice (Swann, 2002).

Admittedly, specialised firms (notably IDEO and its CEO Tim Brown) and prominent business thinkers like Martin have already mobilised interest in the principles collectively known as design thinking both among executives and in academia. However, in many cases, it was suggested to ‘borrow’ tools used by designers in their work and apply them to managerial tasks and practices (Liedtka & Ogilvie, 2011). At the same time, design professionals and consultants, who have long been seeking to engage in strategic decision-making, receive little attention from scholars in light of their role in clients’ innovation efforts (Siedel, 2000, Calabretta et al., 2014).

Study aims

In both the academic fields of strategy and design, there is an ongoing dispute between views considering each as ideological or locked in theory and those finding them not rigorous enough (McKenna, 2012, Johansson-Sköldberg, Woodilla, Çetinkaya, 2013). Moreover, the concept of design thinking, having surfaced in the management discourse at the beginning of the new century, is often alleged to have neither sustainable development nor a solid theoretical body. Operating at the intersection of the two fields, the study has a potential to make an academic contribution by examining the consulting practice of business design with a pluralistic perspective on its theoretical underpinnings. The question put forward by the research is, How can business design be conceptualised in the context of external design and innovation consultancy?

The study has three key aims. Firstly, to establish the relevance of business design as a distinctive approach in
strategy. Secondly, to connect the consulting practice of business design to a holistic theoretical framework covering strategic management and other relevant fields. And lastly, to conceptualise the business design practice in the context of design and innovation consulting by identifying its key attributes — be it cognitive approaches, techniques or competencies.

**Structure of the report**

The study is divided into five chapters, commencing with this introduction that explains its background, outlines the research gap, sets the aims and defines key terms.

The second chapter presents the theoretical framework that reviews and explains key concepts relevant for the study in their historical development. The first of the chapter’s three sections focuses on the problematic nature of strategy. The second section explores the concept of design thinking within its highly fragmented development and investigates its opportunistic nature. The third section explores different perspectives on the roles of management consultants.

The methodology chapter presents rationale for using a specific research approach, addresses applicable quality criteria, and describes mechanisms for collecting, analysing and synthesising empirical data.

The fourth chapter delivers the study’s empirical outcomes and is divided into two sections. The first one of them reviews the existing literature exploring the application of design thinking to strategy formation, and the second presents a suggestive model conceptualising the consulting practice of business design.

The fifth chapter discusses the outcomes, summarises and concludes the study, explains its limitations and suggests directions for further research.

**Terminology conventions**

In several cases, the study specifically focuses on the definition of its essential concepts, occasionally concluding the lack thereof. It is, however, important to outline some ground principles for using the key terms to guide further reading.

Strategic management recognises the lack of widespread agreement among researchers, practitioners and theorists on what strategy really is (see Section 2.1 for details). Moreover, the modern discourse emphasises that intensity of the debate, fuelled by alternative, and often conflicting, perspectives, produces more complex understanding in the area. For the basic level of clarity, strategy is defined as a course of action for achieving an organisation purpose (after De Wit & Meyer, 1994/2010, 1999/2014). Across the study, the terms ‘strategy’ and ‘business strategy’ are used interchangeably.

Likewise, the existing literature on design often lacks its sharp definition, while various perspectives on the issue shape richness and sophistication of the discourse. As a starting point, the study uses a broad twofold definition of design (after Simon, 1969/1996, Liedtka & Mintzberg, 2006): as design process — conscious activities aimed to plan a change of an existing situation into a preferred one, and as design outcome — a specific solution resulting from these activities.

A more specific and relevant term, design thinking, is often perceived potentially confusing or even misleading (Hassi & Laakso, 2011). For the purpose of the study, design thinking is broadly defined as a collection of principles applied in multiple professional areas and traditionally associated with creativity. Importantly, it is not exclusive to the cognitive principles and also covers tools and activities, being equally about ‘design doing’ (see Section 2.2 for the discussion of the term).

Finally, an important distinction needs to be made between a number of admittedly ambiguous terms pointing at the interplay between design and strategy. Two of them are rooted in the design context. Strategic design is usually associated with acknowledgement and effective use of design resources, competencies and tacit knowledge for achieving organisational goals (Olson, Cooper, Slater, 1998). Somewhat simplified, it can be described as strategic application of design, or ‘design as strategy’. Design strategy defines and guides the application of design, its attributes in various continuous processes, including product and service development, brand and programme management (Lockwood, 2009b).

A number of seemingly similar terms relate to the business realm. The design school of strategy is a predominant school of thought in strategic management that presents a traditionalist approach, where strategies are first ‘designed’, then agreed upon and finally implemented (Mintzberg et al., 2005; see Section 2.1 for the overview of strategy-related terms). The view of strategy as design points at the benefits of intuition and creative thinking to strategy formation (e.g. Liedtka, 2000; see Sections 2.1 and 2.2 for details). Strongly related and overlapping with the latter, the discourse of strategy by design is concerned with the use of the design thinking to strategy making (Carlopio, 2010; see Section 4.1 for details). Considered synonymous to the term ‘strategy by design’, business design is defined as a discipline that applies design thinking to shaping business models, strategies, and organisation design.
2

THEORETICAL FRAMEWORK
Strategy generally acknowledges its roots in warfare. The Greek *strategos* (στρατηγός), meaning art of generalship, provides one of the most straightforward definitions of the term: in contrast with tactics, ‘using the troops to win a battle’, strategy is ‘the art of using a battle to win a war’ (Von Clausewitz, 1832/2001). Coming from the ancient world, the military origins still inform metaphors like ‘winning the battle of competition’ in such diverse activities as law, business, sports and games.

In the business context, strategy remains a relatively new academic and professional field. It was introduced in the course on business policy at Harvard Business School in 1912, but gained momentum only after World War II (Ghemawat, 2002, Kiechel, 2010, McKenna, 2012). During the 1950–1960s, academic thinking on the subject was driven by the Harvard professors George Albert Smith, Roland Christensen, Alfred Chandler and Kenneth Andrews, being concerned primarily with strategic fit between ‘internal capabilities’ of a firm and its ‘external possibilities’. One of the most known concepts developed at the time is certainly the *swot* model (Exhibit 1) for assessing strengths and weaknesses of the organisation or project in light of opportunities and threats in its environment (Mintzberg *et al.*, 1998/2005, Ghemawat, 2002).

Up until the 1960s, only a handful of companies — most notably, General Motors and AT&T — had a practice similar to today’s strategy (Ghemawat, 2002, Nadler & Slywotzky, 2005/2010). However, ‘business policy’ or ‘planning’ of the time was still guided mostly by instinct and tradition as long as firms’ knowledge of their products and customers was not supported by proper insight on the competitive landscape (Nadler & Slywotzky, 2010, Kiechel, 2010).

The rise of strategy consulting practices in the 1960s and early 1970s and works of thought leaders such as Igor Ansoff and Bruce Henderson, the founder of the Boston Consulting Group (BCG), produced a new set of methodologies with a profound influence on the academic discipline of strategy (Nadler & Slywotzky, 2010, McKenna, 2012). Seeing business potential in the ambiguity of the strategy definition, Henderson put significant effort in establishing BCG as a strategy consulting firm (BCG website). His work, regarded as the first breakthrough in strategy, uncovered the concept of the price experience curve (Henderson, 1970, pp. 35–37) and the Growth Share Matrix (Henderson, 1979, pp. 163–166), having transformed the ad hoc and intuitive

The second strategy breakthrough is associated with the Harvard professor Michael Porter, cofounder of the consulting firm Monitor (currently Monitor Deloitte; ibid., pp. 106–107). In the late 1970s, Porter (1979, 2008c) explained that, beyond established competition, four more forces define profitability in the industry: savvy customers, powerful suppliers, potential substitute offerings, and new entrants hungry for market share (Exhibit 2). He also popularised the concept describing a business as a chain of value-creating activities (Porter, 1985, pp. 33–45, 59–60; Exhibit 3) and suggested that a strong strategic position must be developed within the three generic alternatives: cost leadership, differentiation, and focus† (Porter, 1980, 1996).

By the late 1990s, Henry Mintzberg identified ten predominant schools of thought in strategy. Three of them (design school, planning school and positioning school) are prescriptive, or normative: more traditional in nature, they focus on the notion of ‘ideal’ strategy formulation. Here, strategies are first designed by senior managers, then agreed upon and finally implemented. In contrast, the descriptive schools (learning school, power school, cultural school, environmental school and entrepreneurial school) focus on the content of strategies, rather than process of their development. The last, configuration school, is a hybrid that seeks to integrate the content and process of strategies with organisational structure and context (Mintzberg et al., 2005).

Hoskisson and colleagues (1999) observed that over the past decades, strategic management theory evolved as a pendulum swing. Starting in the 1960s with the forerunners’ focus on internal aspects of a firm, including inner strengths and managerial competences (Chandler, 1962, Ansoff, 1965, Andrews, 1971/1987), it shifted towards the external forces and industries during the 1970–1980s (Porter, 1980/2008a, 1985/2008b) and returned back to its micro-level origins at the end of the twentieth century. The swing back to the outside-in views is associated with the modern theories in strategic management, including core competence of a firm (Prahalad & Hamel, 1990), knowledge creation (Nonaka & Takeuchi, 1995) and strategy as practice — a distinctive perspective conceptualising strategy as something that people do, rather that something firms have (Whittington, 1996, 2006; see the Methodology chapter for details).

Nature of strategic management

Despite the obvious importance for business and decades of academic research on the topic, there is no single clear definition of strategy and little agreement on how to develop a good one (Mintzberg, 1987c, Camillus, 1996, Markides, 1999b, 2001).

Shared views on the nature of strategic management are shaped around the works of its pioneers (see Sniukas, 2010 for a detailed overview). Firstly, the ultimate goal of strategy is to gain sustainable competitive advantage that allows a firm to outperform its rivals and gain persistently higher profitability (e.g. Markides, 2000, Hamel, 2001, Porter, 2008b). Strategy is widely concerned with differentiation — providing unique attributes valued by the customers in order to shield a firm from competition (e.g. Porter, 1996, 2008b, Markides, 1994a, 2001, Hamel & Välikangas, 2003). Whereas each successful company employs its own strategy, competitive edge is normally achieved through the

† Cost leadership implies increasing profits by reducing costs. Differentiation is maximising relevant differences with rivals and making the offering more attractive. Focus means serving a niche market resistant to cost and competitive pressures.

EXHIBIT 2 Porter (2008a) describes the five forces shaping the competitive environment. Apart from the established competition, profitability within the industry is affected by the degree of rivalry, buyer power, threats of substitutes, barriers to entry, and supplier power.

EXHIBIT 3 Popularised by Porter (2008b), the concept of value chain describes the process or activities that a firm performs in order to deliver value to the market. Starting from the inbound logistics, it goes along operations and outbound logistics, sales and marketing, followed by after-sales service.
act of innovation (e.g. Porter, 1996, Markides, 2000, Hamel & Välikangas, 2003). Strategy needs to fit, or ensure the balance between the firm’s own resources and its external environment (e.g. Porter, 1996, Mintzberg & Lampel, 1999, Markides, 2000). Finally, in order to succeed, organisations need to focus by making clear strategic choices between available alternatives (e.g. Mintzberg, 1987b, 1987c, Porter, 1996, Markides, 2000).

At the same time, Mintzberg (1987b) argued that no single definition would adequately describe the nature of strategy. Instead, he suggested five mutually reinforcing interpretations, or the Five ps, of strategy: a consciously and purposefully developed plan, a consistent pattern of actions, whether intended or not, a position in relation to the competitors or markets, a ploy to outmanoeuvre the rivals, and a perspective in perceiving the world.

Another potential p contributing to the definition is coming from the view of strategy as a problem. In his first book aimed at a general audience, professor Richard Rumelt (2011, pp. 129–130) considered strategy as solving a design problem, rather than plan or choice: various elements of the problem need to be arranged, adjusted and coordinated with one another.† Bob de Wit and Ron Meyer (1994/2010, 1999/2014, pp. 15–18) addressed strategy as a paradox: instead of finding the single right answer or making a choice between alternatives, it requires to accommodate conflicting points by “getting the best of both worlds.” This portrays strategy as the ultimate intellectual challenge that stimulates creativity to resolve, or synthesise, it.

Aiming to open up the ‘black box’ of strategist’s mind, De Wit and Meyer (2014, pp. 5–13) developed a comprehensive framework that aims to approach the problem-driven, decision-oriented nature of strategy — instead of focusing on specific tools or certain perspectives (see also Davenport et al., 2006). Three interrelated dimensions of strategic issues — context, process and content, — along with the organisational purpose, describe the “why, where, who and what” of strategy (Figure 2).

Each dimension of the De Wit–Meyer (2014, pp. 13-18) model contains a strategic tension shaped by opposing demands that may seem contradictory to a certain extent. Strategic thinking, for instance, can be seen as analytical or creative, while strategy formation — as deliberately planned or emerging over time. The pairs of perspectives at the extreme poles present thesis and antithesis, each with its strong proponents, and call for synthesis — understanding both perspectives, having a dialogue among them and combining the two in a unique and innovative way.‡

† According to Rumelt (2011, pp. 77–94), good strategy has an underlying structure, or ‘kernel’, consisting of three parts: a diagnosis that defines or explains the nature of the challenge, a guiding policy for coping with it, and coherent set of actions intended to carry out the change.

‡ With a similar perspective, Martin (2007b) called upon business leaders to acknowledge the need of integrative thinking aimed to creatively resolve the tension between opposing models by embracing complexity, tolerating uncertainty, and learning.
Strategy formation and strategic thinking

The process of strategy making is normally presented as a sequential progression through a number of distinctive steps — most commonly, analysis, formulation, implementation and change. However, the idea of a linear, rational and comprehensive sequence is regularly challenged by the contemporary views on strategy development in both practice and academia (De Wit & Meyer, 2014, p. 7; see also Davenport et al., 2006).

De Wit and Meyer’s (2014, pp. 13–18) framework unravels strategy process into three partially overlapping issues (Figure 3). Strategic thinking investigates how strategists diagnose and define problems as well as how they solve them. Strategy formation explores how managers formulate and implement strategies. Strategic change describes which areas of the firm are being renewed and how fast the shift is taking place.

The tension within the topic of strategic thinking is shaped by the conflicting demands for logic and creativity. Here, the extreme poles are not only opposites, but also partly incompatible. Requiring different mindsets and cognitive skills, the two are difficult to reach at the same time — for an individual, team, department and overall enterprise alike (ibid., pp. 39–49).

A more traditional approach, with Porter (1990/2011, 2008a, 2008b), Ansoff (1965) and Andrews (1987) as major proponents, views strategy as science — a rational, analytical and convergent thought process (O’Shannassy, 1999). In this view, strong analysis of the facts helps to avoid potential bias and emotional interpretations, make a clear distinction between feasibility and fantasy, and build a true model of reality (De Wit & Meyer, 2014, pp. 40–42). Logical thinking reaches out for more rational reasoning — rigorous, comprehensive, and consistent, instead of ‘haphazard, fragmental and ad hoc’.

Here, analysis means defining opportunities and threats within a firm and in its environment, formulation includes identification of strategic options, assessing them and making a choice, implementation is translation of strategy into concrete steps, and change implies carrying out the identified activities.
Already in the 1970s, Herbert Simon and Allen Newell, both regarded as the founders of artificial intelligence, emphasised the relation between problem structure and problem-solving methods (see Newell & Simon, 1972, Simon, 1973). Designing a house is an example of an ill-formulated problem: having a broad problem space, its definition requires considering all possible kinds of structures and materials as well as various design processes and ways of organising them.

A mathematician, designer and former teacher at the Hochschule für Gestaltung Ulm, Horst W.J. Rittel (1972) developed the idea further. He suggested that many of problems addressed by designers are ill-structured: influenced by many decision-makers with conflicting values, they contain confusing and contradictory information. Later, Rittel alongside Melvin M. Webber, both professors of design and urban planning, coined the term wicked problems and contrasted them to ‘benign’, or tame, problems in mathematics, natural sciences and chess (Churchman, 1967, Rittel & Webber, 1973).

Describing problems as vicious, aggressive or wicked, Rittel and Webber underlined their ‘evil quality’: proposed solutions often turn out to be worse than the symptoms. Many of public issues — from school curricula to tax rates, confronting crimes and global warming — belong to this class of a problem (see the text box on the right for details). Importantly, wickedness is not a degree of difficulty but a fundamentally different kind of a challenge, its second generation: having innumerable causes, they are unique, tough to describe and have neither precedent nor single right answer (Rittel, 1972, Rittel & Webber, 1973, Conklin, 2005, Camillus, 2008, 2016).

Wicked problems are created by social complexity and fragmentation: the greater the number of stakeholders, their diversity and disagreement among them, the more wicked the problem (Conklin, 2005, Camillus, 2008, 2016, Fabricant, 2013). In this light, lack of a specific problem definition can be explained by an array of stakeholders who are certain that their version of a problem is correct.

Recently, strategic problems were also described as wicked: conflicting priorities of stakeholders, constantly changing requirements, and inability to evaluate potential remedies beforehand make them exceptionally challenging (Camillus, 2008, 2016, De Wit & Meyer, 2010, 2014). It is therefore suggested that essentially unique, highly complex and linked to other problems, wicked problems in strategy cannot be resolved merely by gathering additional data, defining issues more clearly or breaking them down into smaller ones (see Insert 2 for details on solving wicked problems).

### Insert 1

**Defining Wicked Problems**

**Properties of Wicked Problems**

**Conklin, 2005**

1. **NO CLEAR FORMULATION** It is impossible to define a wicked problem before the solution is developed. Every offered solution exposes new aspects of the problem, interlocking issues and constrains. Stakeholders have different views on the nature of the problem and acceptable solutions.

2. **NO STOPPING RULE** It is impossible to define conclusively that the solution has been reached. The problem-solving process lasts until either the end of resources — time, money, or energy — or emergence of a ‘good enough’ solution.

3. **SOLUTIONS ARE NOT RIGHT OR WRONG** Rather, they are better, worse, good enough or not good enough. Assessment occurs in a social context, where many parties with independent values and goals can and willing to judge potential solutions.

4. **EACH WICKED PROBLEM IS ESSENTIALLY UNIQUE** Having no precedent, it requires a custom designed and fit solution. While it is possible to acquire experience and wisdom in solving wicked problems, approaching every new one of them makes one a beginner.

5. **EVERY SOLUTION IS A ‘ONE-SHOT OPERATION’**

Every attempt to solve a wicked problem is expensive and has lasting unintended consequences, which are likely to spawn new wicked problems. Solving wicked problems promotes experimentation.

6. **THERE IS NO GIVEN ALTERNATIVE SOLUTIONS** It is a matter of creativity to devise potential solutions and a matter of judgement to determine which are valid, which should be pursued and implemented. There is another host of solutions never thought of.
Advocates of rational reasoning, starting from Simon (1987), emphasise that it resembles the problem-solving approach of chess grand masters — a step-by-step process that aims to be as logical as possible (Figure 4). Alternatives to it appear ‘irrational and illogical’ and are hardly desirable for a conventional strategist. Neither is fully intuitive and creative thinking particularly appealing: useful in some cases, it is often claimed to be an excuse for ‘intellectual laziness’ (De Wit & Meyer, 2014, p. 42).

Views on the opposite side see strategy as intuitive, creative and divergent thought process — as art or, more recently, design. Main proponents of the perspective — notably, Ohmae (1983), Mintzberg (1994), Prahalad and Hamel (1994), and Liedtka (1998a, 1998b, 2000) — suggest that, being formalised and analytical, planning cannot effectively develop strategies (O’Shannassy, 1999). Creative thinking aims to make strategic reasoning more generative — produce more unorthodox insights, imaginative ideas and innovative solutions, instead of having a bland, conformist and conservative output (De Wit & Meyer, 2014, pp. 42–47).

The views favouring generative reasoning are anchored in the notion of ‘wicked problem’ — a unique challenge that has a set of demands with no definitive formulation and hence no proven solutions (Rittel & Webber, 1973). Incomplete, contradictory, vague and changing requirements make these problems hard or impossible to solve (see Insert 1 for details). Unlike ‘tame’ problems in maths and chess, strategic problems are ‘wicked’: having numerous, highly subjective perspectives without a fixed set of alternative solutions, they cannot be solved by a conventional sequence of logical steps (Liedtka, 2000, 2015, De Wit & Meyer, 2014, Camillus, 2008, 2016).

Defining and solving strategic problems is therefore seen as fundamentally a creative process, which, however, should not be equated with brainstorming techniques or occasional use of ‘wild ideas’. Rather, it requires that all strategic reasoning activities are oriented towards creating, or ‘inventing’, a solution, instead of calculating, or ‘finding’, it (ibid.).

**FIGURE 4 PERSPECTIVES ON STRATEGIC THINKING**

*De Wit & Meyer, 2014 (adapted)*

<table>
<thead>
<tr>
<th>Emphasis on</th>
<th>RATIONAL REASONING PERSPECTIVE</th>
<th>GENERATIVE REASONING PERSPECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominant cognitive style</td>
<td>logic over creativity</td>
<td>creativity over logic</td>
</tr>
<tr>
<td>Decisions based on</td>
<td>analytical</td>
<td>intuitive</td>
</tr>
<tr>
<td>Problem defining seen as</td>
<td>calculation</td>
<td>judgement</td>
</tr>
<tr>
<td>Problem solving seen as</td>
<td>recognising and analysing</td>
<td>reflecting and sense-making</td>
</tr>
<tr>
<td>Value placed on</td>
<td>formulation and implementation</td>
<td>imagining and doing</td>
</tr>
<tr>
<td>Strategy is seen</td>
<td>consistency and rigour</td>
<td>unorthodoxy and innovation</td>
</tr>
<tr>
<td></td>
<td>as science</td>
<td>as art</td>
</tr>
</tbody>
</table>

Within the topic of strategy formation, the main distinction is made between the views of strategy as intended course of actions (meaning a plan formulated prior to activities) and realised one (or a pattern of behaviour ex-
Understanding that wicked problems make a whole new kind of a challenge led Rittel (1972) to the conclusion that they require a fundamentally different approach to solving them. A traditional linear practice — understanding the problem, gathering and analysing data, generating and assessing solutions, implementing the chosen option, testing and modifying — is labelled as a primitive scientific process.

According to Rittel (1972), the first-generation approach to problem solving implies the motto ‘think before you act’ and entails the obligation to be rational, understand the entire problem, and look at the consequences. It addresses facts in order to describe the future, predict and control it. The first generation tools and methods, such as locking down the problem definition, seeking a similar problem or limiting the solution space, turn inefficient for solving wicked problems. Using them results in ‘paralysis by analysis’, a high failure rate, and undesirable consequences (Conklin, 2005).

On the contrary, the approach for solving wicked problems makes the solution secondary and recognising the nature of the problem central (Conklin, 2005, Camillus, 2008). The process is seen more emergent and interactive: critical problem understanding evolves in parallel with solution formulation in a continuous cycle of inventing and learning. The process requires an opportunity-driven approach — identifying uncertainties, making decisions and plans, doing experiments, launching pilot programmes, and testing prototypes. The focus in the process shifts to creation, making knowledge and skills insufficient. Decisions are based on stories create a more coherent sense of meaning (ibid.).

Inline with the original framework developed by Rittel (1972; see on the right), the approach for solving wicked problems is presented as fundamentally a social process (Conklin, 2005, Camillus, 2008, Nagji & Walters, 2012). Instead of finding the ‘right’ or ‘best’ answer, it is concerned with engaging stakeholders for creating both shared understanding of the problem and internal commitment to possible solutions. Importantly, this does not necessarily imply agreement; rather, it means that stakeholders understand each other’s positions well enough to discuss different interpretations and solving the problem collectively (ibid.).

Viewing strategies as wicked problems emphasises an organisation’s ability to learn and innovate as the greatest competitive advantage. At odds to linear approaches and analysis, solving wicked problems requires continuous search for understanding, interpreting and making sense of problems. An interactive process of action, reaction and reconsideration includes gathering insights, evaluating diverse options and risk-taking in implementing options with no precedent (Conklin, 2005, Christensen, 2009).

### Taming Wicked Problems

<table>
<thead>
<tr>
<th>1. Symmetry of Ignorance</th>
<th>There are no specialists. Expertise required for solving a wicked problem is distributed over many people.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Maximising Involvement</td>
<td>People who are likely to be affected by the solution need to participate in the problem-solving process.</td>
</tr>
<tr>
<td>3. Deontic Premise</td>
<td>Personal obligation justified not by the planner’s professional expertise, but rather by political, moral and ethical attitudes.</td>
</tr>
<tr>
<td>4. Objectification</td>
<td>Making justification behind the arguments explicit and communicating it to others.</td>
</tr>
<tr>
<td>5. No Detached, Scientific, Objective Attitude</td>
<td>Planning is always political because of deontic premises.</td>
</tr>
<tr>
<td>6. Planner as a Midwife</td>
<td>The role of the planner is to help by bringing about problems, rather than to offer solutions or therapy.</td>
</tr>
<tr>
<td>7. Skepticism</td>
<td>The planner makes careful, seasoned ‘respectlessness’, casts doubt on something, a virtue.</td>
</tr>
<tr>
<td>8. Moderate Optimism</td>
<td>Recognising importance of rationality and planning — as well as impossibility to be completely rational in the process.</td>
</tr>
<tr>
<td>9. Conspiracy Model of Planning</td>
<td>Sharing the risk during the attempted solutions, where each of them is a venture — or even adventure.</td>
</tr>
<tr>
<td>10. Argumentative Process</td>
<td>Evidence is gathered and arguments are built both for and against different positions.</td>
</tr>
</tbody>
</table>
hindered in practice and analysed in a foresight). Having articulated the idea, Mintzberg and Walters (1985) noted that the two views are not contradictory, but complementary.

The strategy formation process describes how strategies were formulated beforehand, with the main tension laying between deliberate and emergent strategies (Figure 5). The former is demonstrated when realised strategy was fully intended: planned course of actions made explicit, documented and finally implemented. In contrast, emergent strategies come about “despite, or in the absence of, intensions”: in this case, plans can be modified or lack at all, but behaviour remains strategic (De Wit & Meyer, 2014, pp. 56–73).

To a large extent, advantages of the two approaches seem to be the opposite counterparts (Figure 6). Deliberate strategising gives a sense of direction, enables coordination of activities and ensures early commitment to the chosen course of actions. At odds, emergent strategising enables flexibility, learning and opportunism in response to unfolding circumstances, taps on entrepreneurial spirit within the organisation, and allows to shape strategy based on what is feasible (ibid.).

Advocates of the strategic planning perspective, such as Andrews (1987) and Chakravathy and Lorange (1991), argue that a pattern of actions, even successful, cannot be called strategy. According to a motto “think before you act”, they insist that strategies must be intentionally designed in order to predict, optimise and programme the organisation’s future behaviour. The view shares many of the assumptions underlying the rational reasoning perspective, and ‘to manage’ here means ‘to control’ (De Wit & Meyer, 2014, pp. 63–67).

Proponents of the strategic incrementalism perspective, including Mintzberg (1993), Hamel (1996) and Liedtka (2000, 2015), see strategy formation as a messy, fragmented and iterative process of ‘thinking and acting’. In this case, strategies emerge over time, adapt to unfolding circumstances, and gradually blend together into a coherent pattern of actions (De Wit & Meyer, 2014, pp. 67–78). Recognising that strategy making is essentially an innovation process, the authors argue against suitability of planning: novel insights and creative ideas tend to surface unexpectedly, rather than being generated on demand. Besides, the notion of the wicked character of strategic problems portrays the planning approach as inappropriate for solving them (ibid.; see Insert 2 for details).
Sniukas (2010) reviewed major grounds for criticism of strategy practice along the dimensions of the De Wit–Meyer model. In particular, the conventional notion of strategy process is widely criticised for bias towards analytical thinking (e.g. Mintzberg, 1987a, Hamel, 1996, Markides, 2001, Martin, 2014). The highly standardised, formal process of planning is claimed to leave little room for adaptation and fast-pace development (e.g. Mintzberg 1987a, Mankins, 2004, Lafley, Martin et al., 2012) as well as for creativity (e.g. Mintzberg, 1987a, 1993, 1994, Liedtka, 2000, Markides, 2001, Lafley, Martin et al., 2012) and for commitment from line managers (e.g. Liedtka, 2006, 2011). An annual cycle of strategic planning is considered in misfit with the discontinuous change in the environment (e.g. Mankins, 2004, Lafley, Martin et al., 2012). Reluctance to change demonstrated by the companies that found a solid and winning strategy leads to mere incremental adaptation of previous plans (e.g. Mintzberg, 1994, Camillus, 1996, Hamel, 1996, 2001, Martin, 2014).

To a large extent, resulting strategy content inherits flaws of its formation process. Over-reliance on best practices and imitation undermines differentiation: firms compete along the same dimensions, varying only in price, and erode profitability margins within the industry (e.g. Hamel & Välikangas, 2003, Martin, 2014). Companies aim to perform the same activity better than competitors instead of differentiating by “doing the same thing in a different way” or “doing a completely different thing”, as suggested by Porter (1996; see also Hamel, 1998). In turn, too strong focus on operational effectiveness enables only incremental change in cost, quality or both, effectively undermining strategic innovation (e.g. Hamel, 2001, Hamel & Välikangas, 2003). Sticking to a single strategic position leads to a failure to find alternative solutions and scenarios (e.g. Martin, 2014).

A number of authors stressed that the conventional views lack a theory of creating strategies, as if they dropped out of analysis fully formulated — in
a Biblical, rather than Darwinian, fashion (e.g. Hamel, 1998, Mintzberg et al., 2005). Traditional tools and models for strategy development are deemed out of date and obsolete (see Sniukas, 2010), focusing too narrowly on the existing competition and market leaders and bypassing new markets (Hamel & Prahalad, 1989, Christensen, 1997/2013). The toolkit is also perceived as unable to either grasp actionable customer insight or to generate strategic foresight and options (Mintzberg & Lampel, 1999). A distinctive stream viewing strategy as design similarly presents strategic planning as the weakest function in most organisations in terms of culture, capability and efficiency (e.g. Liedtka, 2006, 2011, Golsby-Smith, 2007). The forerunner of the discourse, Jeanne Liedtka consistently criticises strategy for its formal nature, which “breeds bureaucracy and myopia, not curiosity and creativity” (Liedtka, 1997, p. 8) and favours incremental over substantive change (Liedtka, 2011). Highly abstract content of strategies is deemed to produce ‘knowing-doing gap’ — failure to turn strategic rhetoric into actions — and falls through creating commitment from managers (Liedtka, 2006, 2011). Seeking specific ways to explore opportunities and make strategies more meaningful, Liedtka found inspiration in design and creative engineering (Friedel & Liedtka, 2007). For her, using design methods helps to move beyond outcome metrics towards the ‘desire-driven approach’, invite stakeholders to participation, engage them in hands-on activities and experimentation, create tangible artefacts and develop them iteratively.

Somewhat ironically, the perspective knitting together strategy and design places itself at odds with design school of strategy. In contrast with the hierarchical, top-down approach of the past, the new view favours creative reasoning and emergent strategising, supported by a toolkit for modelling and experimentation (e.g. Liedtka, 2011, 2015).

§ 2.2. Design for Problem Solving

The complex nature of design is evidently easier to understand by making a distinction between two meanings of the term. Two prominent business theorists, Liedtka and Mintzberg (2006, p. 12), addressed the notion, explaining that design, as a noun, refers to an outcome, which can be superior whenever it embraces simplicity, emotional engagement and the right balance between the familiar and the new. As a verb, design uncovers its second dimension — the act of designing products, organisations and strategies, — which supposedly holds the key for “unlocking the real potential that design has for business” (ibid., see also Kotler & Rath, 1984, Bucolo & Matthews, 2011). The design process and its methods, along with the character of designers’ sense-making, have been in the focus of academic thinking for several decades. Interestingly, the Nobel Prize winner in Economics Herbert Simon (1969/1996) is regarded as a foundational father of design research (Johansson-Sköldberg et al., 2013, p. 124). In the late 1960s, Simon made a distinction between “deal-
ing with the existing reality” in sciences and “conscious creation of the new” in design and engineering. For Simon (1996, p. 111), “everyone designs who devises courses of action aimed at changing existing situations into preferred ones.” Moreover, “schools of engineering, as well as schools of architecture, business, education, law, and medicine, are all centrally concerned with the process of design” (ibid.).

Thinking of the 1980s was almost uniformly concerned with the problem-solving aspect of design, specifically in application to ill-defined problems (see Insert 1 for details). Prior to works on organisational learning, Schön (1983) explored the learning-focused, hypothesis-driven approach of design. On the contrary with the linear, technical approach in Simon’s views, Schön (ibid., p. 49) focuses on the “artistic, intuitive process” applied to the “situations of uncertainty, instability, uniqueness, and value conflict.” Lawson (1982/2006) and Cross (1982/2006) reflected upon designers’ sense-making which is based on generating and testing potential solutions. Taking a more procedural focus, Rowe (1987) introduced the term design thinking and suggested that the nature of the problem-solving process shapes the solution.

In the early 1990s, Buchanan (1992) joined the discussion, building upon Rittel and Webber’s ideas. He argued that design is potentially universal in scope as long as its methods and tools are useful for solving problems outside its traditional domain. Besides, dealing with the ill-defined problems makes creative problem reframing a part of design competence.

Johansson-Sköldberg and associates (2013) identified eight alternative schools of thought in design thinking (see also Hassi & Laakso, 2011, Badke-Schaub et al., 2010). Five of them belong to an older discourse that is based on a half-century-long academic discussion originating in design, art, architecture and planning. Here, design is seen as a matter for initiating new forms (Simon, 1996), making sense of things and designerly way of knowing (Cross, 2006, 2011, Lawson, 2006), creation and innovation of meanings (Krippendorff, 2005, Verganti, 2009) and a problem-solving activity (Buchanan, 1992; see also Wylant, 2010). Due to publication norms of the time, the design discourse is considered more robust and scholarly: authors refer to and quote each other, either in following or in opposition.

The new wave, or the management discourse of design thinking, is significantly younger but has grown rapidly. Appearing at the change of the millennium, it approaches the concept as particular thinking styles and ways of using design methods by non-designers, claiming that its greatest payout is in designing business itself (e.g. Brown, 2009, Martin, 2009, Fraser, 2012, Sniukas et al., 2016; see Section 4.1 for the review). Much of writing here addresses a business or managerial audience in an attempt to translate the academic discourse into a popularised version — but without clear referencing and, in the academic viewpoint, a solid theoretical or empirical basis (Johansson-Sköldberg et al., 2013).

Notably, despite the exceeding interest and eagerness to apply design thinking in both the design context and the business realm, neither of the two discourses has produced its agreed definition, while some authors argue against any attempts to reach one (Hassi & Laakso, 2011, Johansson-Sköldberg et al., 2013). Neither is it clear how design thinking is different from innovation, creativity, emotional intelligence and systems thinking. In an audit of the previous literature, Kimbell (2011) identified three alternative ways to describe the concept: as a cognitive style of individual designers engaged in solving problems, as a general theory of design — a discipline focused on taming wicked problems, and as a resource for organisations in need of innovation.
Management discourse of design thinking

It is commonly agreed that reestablished and mobilised interest in design thinking is driven by consultancy, primarily the design firm IDEO, its chief executive officer Tim Brown, founder David Kelley and general manager Tom Kelley. Brown (2009) presented a ‘secret blend’ of methodologies, work culture and infrastructure to help everyone use the firm’s methods. Labelling the concept design thinking, Brown (2008, p. 86) defined it as “a discipline that uses the designer’s sensibility and methods to match people’s needs with what is technically feasible and what a viable business strategy can convert into customer value and market opportunity.” In parallel, IDEO continues to market design thinking — and innovation as its main outcome — as a mixture of human, technical and business factors (Exhibit 4).

Another stream within the management discourse is shaped around Roger Martin, a founding partner at the strategic firm Monitor Group (currently Monitor Deloitte) and the former Dean of Rotman School of Management. Collaboration with IDEO led him to reconceptualising his early model of integrative thinking — creative resolution of tensions between opposing models (Martin, 2007b). In The Design of Business, published shortly after Brown’s book, Martin (2009) came from a distinctively different perspective, placing his arguments within the management realm and using successful case examples. Widely cited in both the management and design circles, he argues that business people do not need to understand designers better, they need “to become designers” by integrating intuition and sensitivity into decisions. In an attempt to establish an idea of design thinking as a source of competitive advantage, Martin defined it as the productive mix of analytical thinking and intuitive thinking. His model describing the ongoing cycle of generating ideas (abduction†), predicting consequences (deduction), testing, and generalising (induction) was welcomed in the management circles for its clarity (see Johansson-Sköldberg et al., 2013, p. 128).

Hassi and Laakso (2011) presented three elements portraying design thinking within the management discourse: a set of practices, cognitive approaches and mindsets (Figure 7; see also Dunne & Martin, 2006, Stevens & Moultrie, 2011). Among other similarities with the previous, academic stream, the management discourse consistently builds upon Rittel and Webber’s notion of wicked problems, emphasising the value of design thinking for problem solving (e.g. Martin, 2009, Fraser, 2012).

At the same time, management discourse brings about a number of significant changes and additions (see Hassi and Laakso, 2011 for the overview). Much of this difference is associated with the human-centred approach with its focus on in-depth exploration of the people’s needs through observational and ethnographic techniques (e.g. Brown, 2009, Sato et al., 2010). The notion is underpinned by the idea of empathy — “seeing the problem through the user’s eyes” or even being “in love” with customers (e.g. Beckman & Barry, 2007, Holloway, 2009). The human orientation also brings forward the need to engage the customers and other stakeholders in the design process (e.g. Drews, 2009, Siedel & Fixson, 2013) and to assemble multidisciplinary teams for gathering diverse viewpoints and merging them in novel ways (e.g. Holloway, 2009, Sato et al., 2010). Unlike the previous focus on using visualisations and prototypes for communication and testing, the management discourse emphasises their value for real time experimentation and learning (e.g. Holloway, 2009, Sato et al., 2010, Siedel & Fixson, 2013).

† Hassi and Laakso (2011, p. 54) remarked that many design practitioners were unaware of the previous fifty years of the discourse linked to the concept of design thinking and consider it as a recent one, initiated by Brown.

‡ In contrast with deductive and inductive logic of analytical thinking (the logic of ‘what should be’ and ‘what is operative’), intuitive thinking represents the use of abductive logic (the logic of ‘what might be’).
**Elements of Design Thinking in the Management Discourse**

**HUMAN-CENTRED APPROACH** Recognising critical importance of empathy and deep customer understanding reached through the use of ethnographic techniques and by involving users in co-creation.

**THINKING BY DOING** Early and continuous prototyping for facilitating thinking processes, exploring possible solutions, demonstrating ideas, and rapid iteration cycles.

**VISUALISING** A dominant mode for sense-making, communication, discussion and reaching shared understanding through modelling and mapping intangible concepts.

**DIVERGENT AND CONVERGENT** Creating multiple alternatives and moving towards a preferred solution by selection and synthesis. Recognising patterns and relationships in conflicting, ambiguous and paradoxical data.

**COLLABORATIVE WORK STYLE** Gathering rich insights through interdisciplinary collaboration and continuously involving a wide range of stakeholders into the design process.

**COGNITIVE APPROACHES** Cognitive processes and thinking styles

- **ABDUCTIVE REASONING** Exploring possibilities (what might be) to generate ideas and challenge the status-quo — in addition to deductive logic (what should be) and inductive logic (what is operative).
- **REFLECTIVE REFRAMING** Continuously questioning a problem at hand to look beyond its immediate boundaries and to ensure that the right question is being addressed.
- **HOLISTIC VIEW, OR SYSTEMS THINKING** Rich understanding of the problem, ability to draw connections between elements and consider relationships between them.
- **INTEGRATIVE THINKING** Ability to constructively face tensions and generate creative resolutions that contain elements of opposing models, but are superior to them.

**MINDSETS** Orientation towards the work and organisational culture

- **EXPLORATIVE AND EXPERIMENTAL** Exploring possibilities and willingness to take risks related to personal, organisational or technological capability. Embracing mistakes made in the process.
- **AMBIGUITY-TOLERANT** Accepting and being in comfort with a problem-solving process that remains open until its later stages. Celebrating emerging alternatives.
- **OPTIMISTIC** Appreciating constraints as challenging and focusing the work. Finding alternatives and opportunities where the others have given up.
- **FUTURE-ORIENTED** Ability to anticipate and envision new scenarios. Long-term orientation driven by intuition and hypothesis about the future.

With a summary of the issues, Lockwood (2010b, p. xi) defined design thinking as “essentially a human-centred innovation process that emphasises observation, fast learning, visualisation of ideas, rapid prototyping, and concurrent business analysis, which ultimately influences innovation and business strategy.” According to him, the ultimate objective of the design process is “to involve consumers, designers and business people in an integrative process, which can be applied to product, service, or even business design” (*ibid.*).
Discussion of the potential held in collaboration between design and business commonly points out at the significant difference in the dominant mindsets within the two professional fields. Liedtka (2010, p. 8) highlighted that business executives value stability and control above all else, while ambiguity and uncertainty are ‘crack cocaine’ for designers that drives them to challenge the status-quo. Martin (2005, 2007a) emphasised the fundamental tension between the ways executives and designers approach uncertainty. According to him, managers prefer reliability — a product of consistent, replicable and measurable outcomes, whereas designers deal with the notion of validity that aims to produce desired outcomes by considering a broader range of variables, including unquantifiable ones.

Johansson-Sköldberg and associates noted that, similarly to management, being criticised for being ‘not academic enough’ and ‘too academic’ at the same time, design is a subject of different opinions to a much higher degree (Johansson & Woodilla, 2008, p. 2, Johansson-Sköldberg et al., 2013, p. 121). Moreover, in the business context, the concept of design thinking is so closely related to practice that some researchers argue that it has no theoretical body. Recognising that it is easy to dismiss a temporarily intensive discourse as a hype or a fad, the scholars respond to the criticism with a suggestion to revisit academic roots and development of design thinking (Kimbell, 2011, Johansson-Sköldberg et al., 2013). Review of the previous, scholarly discourse, however, revealed a whole new set of flaws and loss of critical elements in translation into a popularised version.

First of all, design thinking is often equated to creativity, while being creative is only a part of the design competence and practice, and creativity is not just reserved for designers’ (ibid.). Likewise, it is often equated to a toolkit, or specific methods ready to use, while ignoring the designer’s knowledge, skills and context — particularly the context of knowledge-intensive design consultancy (ibid.). A ‘generalised’ designer tends to be presented as the main agent of design, ignoring diversity of design specialisations as well as other actors involved in the process (Kimbell, 2011). An unfortunate distinction is often made between ‘thinking’ and ‘doing’ and between the designers and the world they do the work in (ibid.) Finally, in order to make the concept better appealing to the business audience, the management discourse eliminates some of its essential properties — “mess, conflict, failure, emotions, and iteration” (Collins, 2013).

Exploring the concept of design thinking in the business context, Liedtka (2015, pp. 4–5) recently highlighted that individual elements associated with the term offer management a new concept or theory. Emphasis on learning, for example, resembles the notion of learning organisations. The focus on possibilities and brainstorming techniques are discussed in the field of creativity. Need-finding phase, its qualitative nature, ethnographic techniques and toolkit all have strong connections with marketing. Hypothesis testing and prototyping echo ideas of lean startup and effectuation. At the same time, according to Liedtka, design thinking emerges as a distinctive practice when the individual elements are seen as a bundle of attitudes, tools and approaches, or an end-to-end system for problem-solving: “Viewed as a practice, design thinking provides an integrating framework that brings together both creative and analytic modes of reasoning, accompanied by a process and set of tools and techniques” (ibid., p. 5).

\footnote{Kimbell (2011) noted that, according to the recent studies, apart from opinion-makers and creative professionals, medics exhibit qualities associated with design thinking.}
With a similar perspective and inline with the contemporary movements in strategy, accounting and service innovation, Kimbell (2011, 2012) proposes a ‘practice turn’ in design, attempting to avoid problems emerging in the previous literature. The practice orientation aims to acknowledge work done by a variety of actors, including managers, employees, customers and end users. While de-centring the designer in the process, it naturally explains why stakeholders should be placed at its heart. Finally, through the practice lens, design can be exported elsewhere and practiced by both professional designers as well as many others. Recently, Liedtka (2015) urged scholars to continue studying design as a practice — for example, by identifying contexts, conditions and settings enabling it to deliver superior outcomes (see the Methodology chapter for details).

Strategic role and application of design

Borja de Mozota (2011) noted that design has historically reacted to change in the environment by inventing new disciplines (see also Johansson & Woodilla, 2009 and Johansson-Sköldberg et al., 2013 for the review). Already since the 1970s, the academic field of design management aimed to explain business scholars and practitioners the nature and relevance of design, referencing Porter, providing checklists and presenting success cases (Borja de Mozota, 1998, 2006, Bruce & Bessant, 2002). In the late 2000, authors in the discourse concluded that design is “the last remaining competitive differentiator” contributing to the balance among the five forces, strategic fit and value creation, as well as resources, capabilities, and strategic vision (Stevens, Moultrie, Crilly, 2008a, 2008b, Stevens & Moultrie, 2011).

In the mid-1980s, the renown expert on the strategic practice of marketing Philip Kotler prompted business leaders to revise their view of design as a cosmetic task and recognise how it can enhance products, environment and communication, optimise customer satisfaction, company profitability and value (Kotler & Rath, 1984). In the following decades, marketing research examined strategic role of design in application to new product development, branding and corporate identity (Cooper & Press, 1995, Olson, Cooper, Slater, 1998). In parallel, the discipline of service design, also originating in marketing, focused on experiences and operational processes, promoted the value of customer insight and co-operation with end users (e.g. Shostack, 1984). The most recent — and seemingly most viable — stream emerged in relation to innovation, where design was brought about as a “creative alternative or supplement” to the discourse, previously preoccupied with rational models and statistical relationships (Johansson & Woodilla, 2009, p. 18).

Today, the design’s potential to affect shareholder value is seen across three broad dimensions (Stevens et al., 2008a, 2008b, Stevens & Moultrie, 2011). Firstly, competing by ‘high design’ — shaping products and services that delight customers — remains a viable strategy in itself. Secondly, integrating and embedding design principles across an enterprise yields strong bottom-line results. Finally, the design methods and principles are perceived valuable for informing business strategies. To justify the view of strategy by design, Liedtka (2000) outlined six shared premises (Figure 8), asserting that design is well suitable in the context of high ambiguity and uncertainty, and the process of strategising is in fact the one of design (see also Liedtka, 1998a, 1998b, Cross, 2011).
§ 2.3. Knowledge and Knowing in Consulting

Emergence of business consultancy is commonly linked to Frederick Taylor and his treatise on scientific management. At the beginning of the twentieth century, Tailor (1911/2004, p. 87) was seeking industrial efficiency and considered management as being based on clearly defined rules and principles “in which the workmen give their best initiative and in return receive some special incentive from their employers.”

Inline with the principles of Taylorism, consulting firms appearing in the first third of the century focused on efficiency in manufacturing. The
9 MAJOR TRENDS AFFECTING CLIENT NEEDS IN CONSULTING
Poufet et al., 2010

1. KEEPING UP WITH THE PACE OF CHANGE
Discontinuous change and escalating uncertainty encourage strategic repositioning.

2. CONTINUOUSLY REDUCING COSTS
Reconfiguration of value chains and reevaluating operations to increase operational efficiency and suppress costs.

3. ACCELERATING PRODUCT AND MARKET DEVELOPMENT
Intense competition and diversification require developing customer and market insights.

4. COPING WITH DISCONTINUOUS TECHNOLOGY SHIFTS
Recognising technology not only as an implementation tool but also as a strategic driver.

5. MEETING THE GLOBAL IMPERATIVE
Internationalisation of companies requires assessment, developing strategy, restructuring, and support.

In this light, it is sometimes suggested that the core role of the consultants is to provide the clients with reassuring sense of control aiming to reduce this uncertainty (e.g. Sturdy, 1997, Clarke & Salaman, 1998, Lundberg & Young, 2001 in Kakabadse et al., 2006). Two distinguishably different approaches are taken to reframing ideas as generalist and specialised consultancies. The former tend to perform it in-house, or generalise, and offer clients customised solutions. The latter normally act as facilitators by providing clients with a set of problems and solutions from various industries to match with own situations (Sarvary, 1999).

‘first wave’ of management consultancy was led by experienced professionals and ‘wise men’ who enhance intuitive decisions of senior managers by examining internal issues of an organisation. In parallel, university-trained professionals offered executive-level advice on administration and founded a number of ‘management engineering’ firms, including Booz Allen & Hamilton and James O. McKinsey & Company (Poufet et al., 2010, pp. 9–11, Nadler & Slywotzky, 2010, pp. 102–103).

In the ‘second wave’, starting from the 1930s, management engineers renamed themselves as management consultants and shifted their attention from the bottom of the organisational pyramid to its top (ibid.). The advisers studied, improved and systematised the internal functioning of client organisations, marketing and sales, performance, and incentives of the employees. The scope and complexity of the consulting projects is driven by rapid growth and diversification of companies, appearance of the first conglomerates spreading beyond the national borders, and international competition. Following World War II, the most prestigious assignments involve restructuring of corporations.

From the 1960s onwards, the industry witnessed a rapid growth of strategy consulting, when BCG, founded by Henderson, pioneered the marketable idea of strategy (Poufet et al., 2010, p. 11, Nadler & Slywotzky, 2010, pp. 104–105). In 1973, Henderson’s partner Bill Bain broke away to found Bain & Company, which gained momentum during the 1980s and still remains one of the “Big Three” management consulting firms — along with McKinsey and BCG. The firms differentiated by promoting concepts and frameworks, such as BCG’s experience curve and Growth Share Matrix, and McKinsey’s 7S model.

Finally, the ‘third wave’ of management consulting started in the late 1970s (Poufet et al., 2010, pp. 12–19, Nadler & Slywotzky, 2010, pp. 104–105). The client demand became more complex and specific: instead of ‘wise men’, companies turned to an array of specialised consultants at different stages of a project to overcome uncertainty and cope with pace of change, focus on cost reduction and globalisation issues (Figure 9). The new kinds of consultancy surfaced in the industry, including large IT companies, such as IBM, Accenture and Capgemini, as well as accounting firms that form the current ‘Big Four’: PwC, Deloitte, EY and KPMG.

Roles of management consultants

Exploring the demand for consulting services, Blunsdon (2002) identified four main types of underlying organisational problems: scarcity, uncertainty, instability and conflict. Managers’ uncertainty towards the fast changing business environment stands out among the more conventional needs of insight, tools and manpower. The notion appears a half-century back, when Wittreich (1966, p. 130, in Kakabadse et al., 2006, p. 420) noted that a potential client of consultancy often “senses that he has a problem, but is uncertain as to what the specific nature of his problem really is.”

The essence of consultancy is generally seen in the leading-edge knowledge and ability to solve problems (Alvesson, 1995, Sarvary, 1999). Often labelled as a knowledge-intensive industry, consulting is regarded as the major driver behind developing and spreading management ideas — concepts, frameworks and techniques taught to MBA’s and decision-makers (e.g. Gammelseter, 2002, pp. 222–223, Legge, 2002, pp. 74–76). Gathering information about problems
and solutions from an array of industries enables consultants to reframe, adjust and distribute them across the clientele. Repackaged cases appear better communicable and comprehensive, while productised solutions — better marketable and trustworthy (Huczynski, 1993, Sarvary, 1999).

Poufett, Greiner and Bhambri (2010, pp. 27–31) observed that until recently, knowledge, techniques and best practices stayed virtually exclusive to business schools and consulting firms, as in BCG understood the experience curve better than others, and the same applied for value chain and Monitor, founded by Porter, as well as for core competencies and Strategos, founded by Hamel. However, today the intellectual capital is widely available outside the industry, primarily via former consultants and MBAs spread across client organisations. Dissemination of knowledge alters the balance of expertise and power between the parties: reluctant to pass the intellectual control, clients want to stay involved in analytical and implementation process. As a result, consultants are increasingly used to supplement client’s own thinking, rather than substitute it, effectively reinforcing the shift from a former role of an expert diagnostician or problem solver to the new facilitative orientation.

In their critical review of consultants’ roles, Kakabadse and colleagues (2006, pp. 419–424) defined several schools of thought: as some authors focus on a single role, others consider their range. A popular view suggests that advisers can fulfil a number of roles that they consider appropriate for the client, the situation and their own style (Lippitt & Lippitt, 1986, p. 57, Chapman, 1998, p. 212) and that the success of the assignment hinges on the consultant’s ability to align with the circumstances (Massey & Walker, 1999, p. 38). A number of seminal business theorists, including Argyris (1970), Schein (1987/1999), Lippitt and Lippitt (1986), described pragmatic roles of business consultants that include obtaining information, assisting implementation, coaching and counselling. Turner’s (1981) developed a hierarchy of purposes demonstrating the extent of consultants’ involvement with a client (Figure 10). The model reflects the common view suggesting that the role of the consultants evolves as their relationship with the client matures. Starting as an expert for hire to solve a single off problem, a consultant turns into a steady supplier who clarifies problems, provides insights and drives organisational change. Eventually, the consultant becomes a trusted adviser who works collaboratively with the client on various issues (see Nadler, 2005/2010, Maister, 2005/2010).

Over the decades, the main distinction in the consultants’ roles has been made between task and process orientation. Contrasted to the image of an external expert called in to offer concrete solutions and assist implementation, the contemporary views emphasise the role of facilitating client’s analysis and the problem-solving process (e.g. Kubr, 1976/2002, Lippitt & Lippitt, 1986, Maister, 2010, Poufett et al., 2010). Schein’s (1999) seminal work also highlights the critical role of collaborative approach and facilitation (Figure 11). The first model in Schein’s classification is simple purchase of expertise: the consultant brings along knowledge, skills and experience to solve a specific problem determined by the client. The second model is adapted from the doctor-patient relationship: the consultant is entitled to ‘diagnose’ the problem based on the experienced ‘symptoms’ and then to ‘prescribe a remedy’ for solving it. In contrast, the third, process consultation model is similar to counselling: the consultant helps the client to perceive, understand and act upon the problem. According to Schein, the latter model fits best in the situations when the client is uncertain about the nature of the experienced problem and the kind of required help for resolving it.
The client identifies the problem as well as the kind of needed help and required expertise. The consultant brings alongside skills and expertise lacking in the organisation, takes ownership of the problem and tells what needs to be done for solving it. The model works well for straightforward problems that require particular expertise, but puts a heavy demand of responsibility on the client.

**Doctor-Patient Model**

The client acknowledges existence of the problem — ‘pain’ or ‘symptom’, — but is unsure of its nature or potential remedies. The consultant is brought in to diagnose and make a prescription that may include recommendations on what kind of information or expertise would solve the problem. By handing the problem over to the consultant, the client takes on a dependency role until the prescription is made.

**Process Consultation**

The process can start with any client request. The consultant is not obliged to respond to it literally, but is rather expected to work with the organisation in a systematic way, by understanding the client’s values and goals from their own perspective. Instead of taking ownership over the problem, the consultant facilitates the process of exploration and builds the client’s problem-solving capacity.

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**Underlying Assumptions & Success Factors**

**Purchase of Expertise**

1. The client has correctly diagnosed the problem.
2. The client has correctly assessed the consultant’s capability to solve the problem.
3. The client has accurately communicated the need to the consultant.
4. The client has foresighted and accepted the potential implications of the intervention.
5. There is an objective ‘expert’ body of knowledge, which is in possess of the consultant and useful for the client.

**Doctor-Patient Model**

1. The client can trust the diagnosis, and the diagnostic intervention is deemed helpful.
2. The client has correctly interpreted the assumptions and identified the problem area.
3. The consultant receives the accurate diagnostic information without any hiding or exaggeration.
4. The client will understand and accept the diagnosis and implement the prescription.
5. The client will be able to remain healthy after the end of the assignment.

**Process Consultation**

1. The client has identified existence of the problem but is unsure of its specific nature or ways to solve it.
2. The client is unsure about available expertise or sources for receiving the service.
3. The very nature of the problem implies client’s benefit from participating in a diagnostic process.
4. The client has a ‘constructive intent’ and capacity to enter into a helping relationship. The client is motivated by values and goals acceptably by the consultant.
5. The client is ultimately the only one who knows what form of intervention will work in the problem situation.
6. The client is capable of learning how to diagnose and solve their own problems.
The process consultation model is underpinned by the idea of organisational learning through creating, retaining, and transferring knowledge (Argyris & Schön, 1978, Nonaka & Takeuchi, 1995). Client’s active involvement and readiness to change are considered a key component ensuring this learning. It is commonly suggested — and confirmed by Schein — that the client, and only the client, owns both the problem and the solution. The consultant’s ultimate goal is therefore to help the client become a ‘sufficiently competent diagnostician’ — see the problem, generate options, take ownership and responsibility (Williams & Rattray, 2004).

**Flaws, criticism and contemporary approach**

The gap between advice and implementation has long been recognised as a significant flaw of consultancy, affecting the perceived value of services, firms’ reputation and perspective sales. In his *Fortune* piece, Kiechel (1982) revealed that in the 1980s, mere 10 percent of the clients succeeded in implementing strategies developed by their advisers. He described the approach dominated at the time as the ‘seagull model of consulting’: “You flew out of Boston, made a couple of circles around the client’s head, dropped a strategy on him, and flew back” (Kiechel, 2010, pp. 172-173).

The issue remained persistent through decades, worsened by the spread of captive knowledge among the clients and commoditisation of the consulting services (e.g. Poufelt et al., 2010, pp. 19-25). Once aware of difficulty, or even impossibility, to implement consultants’ abstract conclusions, the clients have developed a demand for a service going beyond mere advice or execution to a combination of both into a comprehensive whole. To answer to the new demand, the strategy firms broaden the scope of work by introducing new offerings, both along the functional practices and outside the traditional consulting domain.† In parallel, specialised consultancy — particularly, IT, marketing and design firms — show clear intention to move towards strategic assignments which offer higher margins and opportunity to build stronger relationship at the higher levels of client organisations (Poufelt et al., 2010, Spekman & Kotler, 2010).

In the meantime, despite consistently growing demand for consulting services, its efficiency has been regularly questioned in the business world and academia alike (Williams & Rattray, 2004, p. 180; see Kakabadse et al., 2006 for the review). A range of critical voices raises concerns over ethics and integrity in consultancy — from lacking client focus and objectivity to opportunism in securing deals and building client dependance (e.g. Gammeslæter, 2002). Advisers are considered biased towards portraying business environment as turbulent in order to make themselves indispensable (McKinley & Scherer, 2002, p. 739). Assumingly, ‘defining trends’ allows consultants to continuously ‘re-invent’ tools and techniques for solving problems, effectively forming management fashions and fads (e.g. Huczinski, 1993, Kieser, 2002). This leads to the suggestion that the role of advisers boils down to ‘repackaging’ old solutions as fashionable, or selling “old wine in new bottles” to managers in difficulties (Collin, 2001, p. 30, Blunsdon, 2002, p. 6).

Bloch (1999) is a distinctive voice questioning the very existence of consultant profession, arguing that it requires no special qualification: with a few specialised university programmes, it is not uncommon to receive training on the job. Moreover, consultancy is portrayed as having no access to any

† Poufelt and colleagues (2010, pp. 22, 24, 27) noted that restructuring of the focus and scope of work, in turn, leads to another wave of accusations in potential conflict of interest.
exclusive knowledge and thus only remaining ambiguity-intensive industry which uses ‘claimed professionalism’ to strengthen credibility and authority (Fincham & Clark, 2002, p. 7). Consultants’ toolkit and rhetoric — ‘constobabble’ — is arguably used to reinforce the feeling of uncertainty, mystify consultants’ appearance and mask apparent shortcomings, including lacking expertise (Bloch, 1999, p. 116, McKinley & Scherer, 2000, p. 739). Bloch (1999, p. 115) concluded that both novice and ‘redundant and superseded’ consultants are potentially harmful for client organisations. Moreover, “if management knows what it wants and is competent, consultants are often superfluous” (ibid., p. 117).

Review of the popular motives of criticism led Kakabadse and colleagues (2006, p. 432) to the conclusion that most of it lacks objectivity: often based on anecdotes about unsuccessful projects, it cannot be used for blaming consultants. In response to the criticism, scholars suggested that the ‘esoteric language’ is in fact used to alleviate uncertainty by helping managers to better understand the nature of the problems they are facing, facilitating the conversation between stakeholders and enabling everyone to contribute (Williams, 2001, 2003, 2004, Williams & Rattray, 2004). Fullerton and West (1996, p. 45) urged to collaborate with the clients on tailor-made and creative solutions. Reviewing specialisations in consultancy, Kubr (2002, p. 43) concluded that, despite clear demand for both generalists and specialists, the main issue remains in ways to combine both approaches for achieving best total effect.

The young segment of design consulting has left a significantly thin academic trace. The studies explore the role of design firms in innovation — from problem definition, concept design and testing to internal coordination of R&D initiatives, portfolio management and functional strategies (e.g. Jacoby & Rodriguez, 2007, Calabretta et al., 2012, 2014). Siedel (2000) identified main roles of design-led strategy consulting, highlighting value for developing insights and assisting strategy formation (Figure 12).

Increasingly overlapping with the scope of strategy and general management consulting, design and innovation practices bring about a distinctive hands-on toolkit, novel insights and a different way of finding breakthroughs. Scholars focus on the design process model and hands-on skills — particularly visualisation and mapping. Applied to the business context, they become an asset for communicating and transferring complex knowledge, often being contrasted to bulky reports in traditional consulting — rich with data points, but deemed to be lacking actionable insight and means of persuasion (e.g. Kelley, 1999, Siedel, 2000, Calabretta et al., 2012, 2014). The process orientation and toolset often trigger comparison between the mindset and approaches in design-led practices and traditional management consulting, including the ‘Big Three’ of McKinsey, BCG and Bain. At the same time, New and Kimbell (2013) asserted that the contrasting image of the ‘one-dimensional, shiny-suited’ consultant placed next to the ‘unbounded and groovy’ designer, albeit vivid and picturesque, remains stereotypical and exaggerated.

Advocating for design consultancy, IDEO’s Kelley (1999, pp. 32–33), set the conventional generalist principles against the ‘inductive approach’ to innovation in specialised practices — moving from the specific to the general. In his view, the value of design firms is shaped the experience of solving challenges in different industries and categories. Designers who know the ‘content of innovation’ can apply it to a range of new cases — once they learn business language. Back in 1999, he concluded: “the planets align in a way that matches the interests and capabilities of designers with the business community’s search for strategic innovation” (ibid., p. 34).
Methodology

Scholars suggest that the ‘practice turn’ in different academic fields calls for the ‘action turn’ in research. In effect, the novel approach requires revised research strategies, design, and quality criteria.

SOMETIMES REGARDED AS AN ALTERNATIVE TO THE mainstream discourse in strategic management, the novel approach of strategy as practice was articulated by Richard Whittington in the mid-1990s and brought back to prominence in the following decade. Seeking to balance out the previous discourse influenced by microeconomics, the new stream suggests that strategy is better conceptualised as something people do, rather than firms have (Whittington, 1996, 2006, Johnson et al., 2003, 2007, Jarzabkowski et al., 2007). Anchored in works of the seminal theorists associated with the ‘practice turn’ in social sciences — Pierre Bourdieu, Anthony Middens and Michel Foucault, — the distinctive perspective is intended to open the ‘black box’ of strategy making by investigating concrete activities carried out by practitioners, adapted tools and skills, performed routines and interactions (Golsorkhi et al., 2010, Rouleau, 2013). Apart from established business organisations, researchers examine strategising in hospitals, cinemas and orchestras and focus on a variety of practices: workshops, committees, teams and administrative routines (see Golsorkhi et al., 2010, p. 5 for the overview). The research agenda is not exclusive to senior executives and emphasises the role of middle managers and external advisers such as strategy consultants, corporate lawyers, investment bankers and business school gurus (see Whittington, 2006, p. 619, Golsorkhi et al., 2010, p. 6, Grand et al., 2010, p. 68 for the overview).

More recently, Lucy Kimbell (2012) proposed the similar movement in design. Drawing on scholars associated with the practice lens, including Wanda Orlikowski, Theodore Schatzki and Andreas Reckwitz, the perspective attempts to avoid issues emerging in the previous literature related to design thinking during translation to the new, popularised version. Design as practice aims to acknowledge work done by a variety of actors, including managers, employees, customers and end users, while enabling to export design practice across different disciplines.

The scholars within the contemporary discourse in call out for studies focused on the everyday practices and activities in order to develop novel approaches, tools and techniques for strategising: “If knowledge of practice is to a large extent embedded in practice, then some would argue that it is only through practice that knowledge of it may be acquired and transferred” (Langley, 2010, p. 100; see also Johnson et al., 2003, 2010). Similarly at the intersection of strategy and design theory, Liedtka (2015, p. 5) prompted researchers to study design thinking through a practice lens — for example, by identifying specific conditions that drive its superior outcomes. In this case, the focus on the practice can be framed either broadly, at a unified concept, including philosophy, the end-to-end process and a toolkit, or more specifically — at particular methods and elements of the process. Swann (2002, p. 60) also underlined benefits of action research which offers “a tried and tested model for immediate translation to design practice.” In this light, action research reports, theses and dissertations are perceived as potent in projecting novel perspectives on design, validating its discipline field and enlarging its practice.

Action research is a generic term for methodologies that study “practitioners and their practices within the context of their work” (Balogun et al., 2003, p. 200). Considering a traditional split between research and action as superficial, it aims to produce actionable knowledge valuable for both the investigated practice and the academic community (Coghlan, 2007). Being participatory in nature, action research challenges the status quo in a social practice and intends to change the patterns of thinking.
and activities. Developing theory and testing propositions is done through iterative cycles of planning, acting, observing and reflecting (Argyris et al., 1985). Gummesson (2000, pp. 212–224) formulated ten major characteristics of action research (Figure 13), highlighting its live, dynamic and interactive nature, focus on holistic understanding and recognising complexity.

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**Key Characteristics of Action Research**

*Gummesson, 2000*

1. **TAKES ACTION** — in contrast to merely observing something happening.

2. **INVOLVES TWO GOALS** — to solve a problem and contribute to science.

3. **INTERACTIVE** — requires cooperation with informants and continuous adjustment to unfolding circumstances.

4. **AIMS TO DEVELOP HOLISTIC UNDERSTANDING** and recognises complexity in details, causes and effects.

5. **FOCUSES ON ORGANISATIONAL CHANGE** and is applicable to its understanding, planning and implementation alike.

6. **REQUIRES UNDERSTANDING OF ETHICAL PRINCIPLES:** frameworks, values and norms.

7. **INCLUDES ALL TYPES OF DATA GATHERING METHODS,** as well as all qualitative and quantitative tools.

8. **REQUIRES PRE-UNDERSTANDING** brought to a research project by an investigator.

9. **NORMALLY CONDUCTED IN REAL TIME** — although retrospective research is also acceptable.

10. **REQUIRES OWN QUALITY CRITERIA AND TERMS,** as opposed to using the ones of positivist science.

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The concept of action research is commonly linked to a social psychologist Kurt Lewin (1946, p. 35), who asserted that research producing "nothing but books...will not suffice." In the 1960–1980s, an array of authors, including L. Bruce Archer, John Christopher Jones, Bryan Lawson (1982/2006) and Nigel Cross (1982/2006), profoundly influenced design theory by enquiring designerly ways of knowing (see Section 2.2 for details). Central to the stream is Schön’s (1983) view of design as a reflective practice along with the notions of ‘reflection on action’ and ‘reflection in action’. Likewise, the discourse of strategy as practice is anchored in the earlier research of strategy process by Andrew Pettigrew, Robert Burgelman and Henry Mintzberg (1973) seeking to better describe “what managers do” by observing their daily routines.

Addressing philosophical grounds of action research, Brannick and Coghlan (2007, p. 63) made a comparison between three main approaches (Figure 14). While positivism, a long-dominant paradigm in management and organisational studies, is concerned with generalisation and universal knowledge, action research is more interested in particular, contextually embedded knowledge-in-action. At the same time, a researcher’s role shifts from a detached observer to an immersed actor or agent of change (see also Johnson & Duberley, 2000, Coghlan & Brannick, 2001/2014).

A distinctive stream in action research is shaped by works of professionals in and on their own practice. Unlike cases where an investigator joins an organisation for the purposes and duration of the study — not always aiming at any change, — practitioner research is conducted by ‘complete members’ within their desired career path (Balogun et al., 2003, Coghlan & Brannick, 2014, Coghlan, 2007; see also Alvesson, 2009).

Insider research studies receive a significant amount of criticism and often have difficulties in being accepted, let alone getting published in refereed journals (Brannick & Coghlan, 2007). Frequently labelled as company projects, they are perceived ‘unscientific’ from the positivist viewpoint and disqualified as not conforming to standards of intellectual rigour. A personal stake of investigators and their emotional investment raise concerns over objectivity deemed to be crucial for validity, while the context-bound nature questions the relevance of research beyond its immediate settings (Brannick & Coghlan, 2007, Alvesson, 2009). Addressing the issues, Morse (1994, in Brannick & Coghlan, 2007, p. 59) argued that roles of investigator and employee are incompatible.

Another popular criticism labels insider inquiries as ‘consulting masquerading as research’. In response, Gummesson (2000, p. 172) presented four main differences between consultancy and practitioner research, underlining that the latter needs to conform to higher standards of rigour and documentation, requires theoretical justification, operates in looser time and budget constraints, and takes cyclical, iterative action (see also Baskerville, 1997). Nevertheless, having common intellectual heritage, action research certainly shares many
attributes with consulting — particularly with Schein’s (1999) process consultation model, where the adviser acts as a facilitator helping clients diagnose and resolve problems (Baskerville, 1997; Coughlan & Coghlan, 2002; see Section 2.3 for details).

Despite the criticism, insider research becomes increasingly appealing to individuals who combine academic studies in management with full-time employment and who consider their organisation as an adequate field setting (Zuber-Skerritt & Perry, 2002, Brannick & Coghlan, 2007). Offering good research economy, it provides grounds for a degree and enables to improve both investigated situation and professional practice at the same time (Dick, 2002, Alvesson, 2009). The advocates of insider research also highlight that it creates a virtually unique situation where topics and context of the study are well-known and understood from the lived experience by both the researcher and informants (Alvesson, 2009, Brannick & Coghlan, 2007, Trowler, 2012). If ‘onlookers’ can experience issues with access and depth of gathered data, ‘at-home ethnographers’ are native to the setting and clearly better positioned to reveal meaningful insights, rather than generic characteristics (ibid.).

Research strategy

Edmondson and McManus (2007) explored internal consistency among elements of a study — research question, prior work, research design, and theoretical contribution, — emphasising that they should be affected by maturity of the previous literature. In particular, nascent theories — the ones proposing tentative answers to novel questions of how and why and merely suggesting new connections among phenomena — are corresponded with open-ended enquires. The studies associated with such emerging theories are consistent with qualitative data collected and interpreted for meaning and pattern identification. Gathering rich, detailed, evocative data aims to shed light on the phenomenon, and iterative, exploratory content analysis results in a new construct — usually a suggestive model inviting further work on the issue.

With a more procedural focus, Zuber-Skerritt (1992) developed a model of four major moments in action research: planning includes problem analysis and strategic plan, acting refers to implementation, observing means evaluation of the action, reflecting represents the results of both evaluation and the action and entire research process (see also Argyris et al., 1985, Coghlan & Brannick, 2014). Notably, reflection may lead to identification of new problems which require a new cycle of planning, acting, observing and reflecting. In this matter, Swann (2002, pp. 52–54) pointed out that this cyclical approach strongly resembles the iterative design process centred around the synthesis stage.

More recently, Zuber-Skerritt and Perry (2002) distinguished between two action research cycles operating in parallel: the core cycle focuses on solving the practical problem, and the thesis cycle reflects the moments related to the academic part of the project and its learnings. Reflection and processing are considered to be a critical link between a concrete experience, its interpretation and taking new action (Coghlan, 2007). This reflection on reflection drives action research beyond everyday problem solving and makes knowledge emerging from it actionable (Argyris, 2003, Coghlan, 2007, Coghlan & Brannick, 2014).

Balogun, Huff and Johnson (2003) urged practitioners to engage in research from a process perspective in
order to expand understanding *how and why practitioners do things* as they do them and what tacit, embedded and contextual phenomena evolve from this practice (see also Langley, 2007, Langley & Tsoukas, 2010, Langley et al., 2013). However, as the standards of ethnographies and case studies have proved useful for the task, the ‘big three’ research methods — interviews, observations and archival data — are often found superficial and insufficient for grasping insights into strategising “as a fluid, ongoing, micro level activity” (Balogun et al., 2003, p. 220).

Notably, action research is generally deemed methodologically universal: both quantitative and qualitative data can be collected through a wide range of tools (Gummesson, 2000, Balogun et al., 2003). At the same time, despite lessening confidence in traditional data capturing mechanisms, only a few creative and innovative alternatives are proposed (Balogun et al., 2003, Jarzabkowski et al., 2007, Johnson et al., 2007), with much discussion emerging around revised ethnographic methods (e.g. Vesa & Vaara, 2014). Scholars study the tools and technologies used by practitioners (from post-it notes to five forces analysis and specialised software), specific activities (particularly workshops) and produced artefacts (such as diagrams and flowcharts) in light of their impact on strategic outcomes (Whittington, 2006, Johnson et al., 2010).

Exploring issues of theorising in action research, Eden and Huxham (1996, p. 84) formulated some important guides. The process of theorising is presented as incremental — shaping from characterisation and conceptualisation of the particular experience in small steps. Emergent theories are developed from the synthesised data about the use of practice — which is, in turn, based on the body of theory. There is a need for an explicit concern with meaning of the conceptualised experience to others. The basis for design of tools, techniques and models has to be clearly related to the theory.

Focusing on theorising from process data, Langley (1999, 2009) described seven alternative strategies that help to shape understanding *who did what, when and why* — that is, events, activities and choices emerging over time. The process requires a means for conceptualisation — moving from “shapeless data spaghetti” towards theoretical understanding which embraces richness and complexity of the data in a comprehensive and valuable format. While some approaches involve narration, quantification and visualisation, *temporal bracketing* implies transforming longitudinal data into a series of homogeneous and connected blocks. Considering processes within each phase as relatively stable allows to examine how actions are affected by the context and what effects they have on action in subsequent periods (see also Langley & Tsoukas, 2010).

### Quality of research

The proponents of action research consistently underline that it requires its own quality criteria, differing from the ones of positivist science (Gummesson, 2000, Reason & Bradberry, 2008, Coughlan & Goghalan, 2002). However, specific frameworks for assessing quality of the practitioner research in management and organisational studies remain scarce (see, for example, Reason & Bradbury, 2008, Reason, 2006).

On the general level, the very inquiry into the steps of the *planning-acting-observing-reflecting* cycles is seen valuable for both the academic and practitioner communities. Considered central to developing actionable knowledge, it enables ‘meta-learning’ and thus ensures quality of the research (Argyris, 2003, Coghlan, 2007). In addition, Edmondson and McManus (2007, p. 1177), after Bouchard (1976), suggested that quality of individual elements, such as review of the related literature and effective use of techniques for data collection and analysis, have a strong influence on the overall quality of the study.

Balogun and colleagues (2003, pp. 202-204) laid out five criteria guiding research valuable for the strategy as practice discourse (Figure 15), highlighting its participative nature of studies, the double focus on breadth and depth in data collection, and the need to contribute to both further research and organisational needs.

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**1. CRITERIA GUIDING ACTION RESEARCH**

*Balogun et al., 2003*

1. **AIMS AT BOTH BREADTH AND DEPTH** through gathering contextual, longitudinal, comparable data across multiple levels of an organisation.

2. **CREATES AND MAINTAINS COMMITMENT** from informants, being interesting and pleasant to participate in.

3. **DRIVES EFFICIENCY OF THE RESEARCHER’S TIME** by collecting, organising and analysing large and varied bodies of data.

4. **APPROACHES THE MAJORITY OF RELEVANT QUESTIONS** by addressing various issues and definitions.

5. **GOES BEYOND FEEDBACK LIMITED BY RESEARCH**, providing collaborators with useful insights, informing the content of further collaboration and contributing to organisational needs.
In addition, scholars stress the need to raise and agree on ethical concerns of practitioner research (Gummesson, 2000, Balogun et al., 2003, Coghlan, 2007, Alvesson, 2009, Coghlan & Brannick, 2014). A central challenge lies in ambiguity, tension and potential conflict between the roles of researcher and practitioner. Another issue is close knowledge, insights, and understanding of everyday practices that impact the study in different ways: from staying unnoticed during observations to not probing deeply enough in interviews and not challenging own thinking with alternative reframing. Moreover, insider research requires continuous awareness and management of organisational dynamics and politics (ibid.). Finally, access to sensitive data raises concerns over personal and institutional anonymity that can supposedly be overcome by obscuring some details and laying false trails in descriptions and small but unique details (see Ezzy, 2002/2013, Trowler, 2012).

Study design

The core research cycle of the study centred around the twenty-four month-long experience in business design at a global technology and consulting firm headquartered in Helsinki. Including both internal and client projects, the experience spanned three broad areas. Firstly, establishing business design as a practice area included articulating and elaborating the service offering and developing internal documentation to guide its application. Secondly, creating sales materials and pitching supported sales and marketing of the offering. Lastly, project work was focused mainly on formulating strategies for digital transformation and innovation initiatives, ranging from insight studies through concept design, validation and implementation. Review of ongoing projects and ad hoc competitive analysis supported the all three areas throughout the timeline.

Recognising collaboration as integral part of the research project, practical arrangements included establishment of roles, relationships and organisations across the core team, extended global team, other business units and management up to the executive level. A special range of activities was dedicated to monitoring and discussing results (see Gill & Johnson, 2010).

In parallel, an array of methods was used for collecting empirical data: logs and diaries became a major means for self-reflecting and examining various aspects of the practice, while observations of the design-led consulting practices and group discussions — for exploring individual insights and perspectives of the participants (see Gummesson, 2000, Balogun et al., 2003, Edmondson & McManus, 2007). In addition, analysis and synthesis covered tangible outputs produced over the course of the ongoing projects, including sales materials, meeting artefacts and client-facing design deliverables (see Whittington, 2006, Johnson et al., 2010). A variety of the captured data provided a ground for reflection, where the outputs were collaboratively analysed, synthesised, interpreted and explained to draw conclusions, iteratively develop the practice, and feed the following stages of the process (Balogun et al., 2003).

The plan for the study and its goals were established during the first three months of the core research cycle, having effectively started the academic part of the project. Here, outlining a joined theoretical framework aimed to link the empirical findings from the core cycle with the literature across three main topics: the contemporary discourse of strategic management, the concept of design thinking outside the design realm, and modern views on the roles of management consultants.

The reflection stage of the thesis research cycle was conducted in the four months following the core cycle activities, having resulted in a twofold hypothesis. Firstly, the consulting practice of business design can be conceptualised through an integrated framework of a process model, toolkit and collection of mindsets reflecting a combination of analysis and creativity (see Sections 2.1 and 2.2). Secondly, domain expertise of consultants is complemented by distinctive tools and techniques for facilitating clients’ own analyses and problem-solving activities (see Section 2.3).

During the reflection stage, an additional audit of the literature addressing the use of design thinking to strategy making aimed to align various views and explore pragmatic aspects of the discipline. Review of secondary data, including industry research reports, provided a broader outlook of business design as a consulting practice.

Processing the variety of data aimed to develop theory establishing the relevance of the business design practice in consultancy and formulate its cornerstone approach. Based on the theoretical findings and hypothesis, the main focus in data synthesis was placed, after Liedtka (2015), on three key elements: process model, toolkit and set of principles. In search of means applicable for recognising mutual relationships among phenomena and elements in the framework, several models were assessed for fit, with a notable example of the Snyder evaluation model (see Dick, 1992). A tool known as logic model, or logical framework, and commonly used in management studies for review and evaluation of projects was chosen for exploring relationships between stages, resources, activities, outputs and outcomes in the complex process (see Baccarini, 1999, Gasper, 2000).
An extended framework of seven elements provided the blueprint for analysis and synthesis intended to explain why and how events and activities along the process contribute to strategy making in the context of external consultancy (Figure 15). Starting from a rationale behind each phase of the process, the model extends across activities, throughput, client-facing deliverables and impact on the context of the assignment. Langley’s (2007) guides for process thinking — recognising outputs of one phase as inputs of the subsequent one and turning nouns to verbs — supported reflection and writing.

A conversational style invited the interviewees to speak widely about the practice, providing richness of views and breadth of insights, and fulfilled the gaps identified in the planning phase, including ambiguous terminology and varied use of the design methods in strategic assignments.

The set of principles for conducting the interviews enabled them to approach culturally and commercially sensitive phenomena, including organisational know-hows (Balogun et al., 2003, Trowler, 2012, Ezzy, 2013). The results of the interviews were handled confidentially and published anonymously, reassuring that neither interviewees’ identity, nor their employers could be identified from the report conclusively. All case study details were excluded from the results to comply with non-disclosure undertaking and other client-facing liabilities of the participants.

Altogether, six one-hour interviews were conducted in person and online during the thesis cycle (Figure 16). The participants were contacted through the author’s existing professional network and via interviewees’ references, by using the snowball sampling approach (see Robson, 2002).

With the permission of the participants, the discussions were recorded and transcribed. The notes were subsequently coded and considered in conjunction with the existing outcomes to support sense-making and pattern recognition as well as to use them in the empirical findings of the report (Eden & Huxham, 1996, Langley, 1999, Edmondson & McManus, 2007).

An additional set of exploratory interviews with external participants was conducted to enhance the empirical findings by eliciting views on essential aspects of the practice and identifying routines and phenomena overlooked in self-ethnography (Eisenhardt, 1989, Huberman & Miles, 2002, Yin, 2013). Importantly, the goal of interviews was to find valuable perspectives on the research topic, set basic grounds for comparison, and validate interest in research from industry professionals — rather than to seek a comprehensive or representative sample, typical for larger, quantitative studies.

Accordingly, instead of limiting the sample by practitioners with either educational or professional background in business strategy, recruitment concentrated on senior-level professionals at design and innovation consulting firms experienced in strategic projects. A script for semi-structured and non-structured interviews was pre-adjusted to participant’s core competence and background, enabling to focus the discussion on the key concerns and aspects of mutual interest in a free-flowing and natural dialogue (Balogun et al., 2003).

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**Additional exploratory interviews**

A. **FOUNDER, PARTNER, DIRECTOR OR PRINCIPAL**  
Design and innovation consulting: 10–99 employees

B. **FOUNDER, PARTNER, DIRECTOR OR PRINCIPAL**  
Design and innovation consulting: 10–99 employees

C. **FOUNDER, PARTNER, DIRECTOR OR PRINCIPAL**  
Design and innovation consulting: 100+ employees

D. **SENIOR OR LEAD DESIGNER**  
Design and innovation consulting: 10–99 employees

E. **SENIOR OR LEAD DESIGNER**  
Design and innovation consulting: 10–99 employees

F. **SENIOR OR LEAD DESIGNER**  
Design and innovation consulting: 100+ employees
EMPIRICAL FINDINGS


At the beginning of the new century, the idea of the creativity’s potential to deliver strong business results gained strong press recognition. A former BusinessWeek editor (now a professor of Parsons The New School of Design) Bruce Nussbaum observed the shift from Knowledge Economy to Creative Economy: “IT ISN’T JUST ABOUT MATH AND SCIENCE ANYMORE. IT’S ABOUT CREATIVITY, IMAGINATION, AND, ABOVE ALL, INNOVATION” (NUSSBAUM ET AL., 2005). CREATIVITY — “THE RIGHT-BRAIN STUFF THAT SMART COMPANIES ARE NOW Harnessing TO GENERATE TOP-LINE GROWTH” — WAS PRESENTED AS A NEW CORE COMPETENCE OF ORGANISATIONS (IBID.). THE NEW YORK TIMES COMMUNICATED A SIMILAR SENTIMENT, FEATURING A SERIES OF COLUMNS BY JANET RAE-DUPREE (2008A, 2008B) ABOUT EXPANDED SCOPE OF DESIGN AND BUSINESS RENEWAL THROUGH RIGHT-BRAIN THINKING.


Earlier publications related to the growing role of design consistently focused on IDEO — THE LARGEST AND MOST INFLUENTIAL DESIGN FIRM OF THE TIME. FOUNDED IN 1991 BY A MERGER OF FOUR DESIGN AND CONSULTING COMPANIES, THE PALO ALTO-BASED CONSULTANCY MARKETS THE HUMAN-
centred design (HCD) approach under its own brand. The design issue of BusinessWeek (Nussbaum, 2004) featured an interview with Brown and Kelley telling about IDEO’s shift from designing products to designing experiences. The firm’s approach was explained through a five-step process: observation, brainstorming, rapid prototyping, refining, and implementation.

Having built reputation through experience of working with major clients, IDEO also gained academic credentials. In 2005, Stanford University committed the $35 million (€29 million) donation to starting up the Hasso Plattner Institute of Design, or d.school, appointing Kelley a dean. Attracting students with diverse backgrounds, the school promotes using design thinking for solving problems across various professional fields. Its approach is summarised with a similar to IDEO’s process model and complemented by a set of guiding principles, such as “show, don’t tell”, “Fail fast and cheap” and “Question everything” (d.school, 2010).

By the end of the 2000s, the exceeding interest in design thinking spilled over academic journals and the general management press, appearing in the Journal of Business Strategy (in 2007 and 2009) and Harvard Business Review (in 2008, 2014 and 2015). Introducing design thinking in his HBR piece, Brown (2008, p. 85) suggested that “thinking like a designer can transform the way you develop products, services, processes — and even strategy.” According to him, generating ideas that meet customer’s needs and desires — instead of simply giving shape — shifts the design’s role towards creating new forms of value and strategic benefits.

Earlier in his blog, Brown (2005) also gave an advice on using the firm’s methods for shaping business strategies. The teams are depicted here as full with ‘T-shaped people’ with principle skills in design or engineering and complementary — in another discipline. Strategies are grounded in first-hand customer insights, and emerging ideas are made tangible for communication and testing. Design of strategies is never-ending: once developed, they need to constantly evolve, adapting to new circumstances.

The pendulum of interest in design thinking seemingly swung back in the early 2010s, when the concept was first labelled as a fad and renounced even by the former proponents (see Johansson-Sköldberg et al., 2013). Nussbaum (2011) declared design thinking a failed experiment and turned away from it in favour of creative intelligence. Professor James Woudhuysen (2011a, 2011b) argued that design thinking has failed to live up to its expectations, and professor Fred Collopy (2009) discussed weakness of the term. Don Norman (2010), regarded for coining the term user-centred design, asserted that design thinking is nothing but a public relation term for creative thinking.

Yet, design thinking retains some of its major advocates. Continuing to explore different varieties of executive thinking, Martin has become widely recognised in both the management and design circles. Named one of seven global Innovation Gurus by BusinessWeek, he holds a place in the top ten of the Thinkers50 list, a biannual ranking of the most influential global business thinkers. In The Design of Business, Martin (2009) suggested that executives rely too heavily on analytical thinking, which is only capable to offer an incremental change to the status quo. Once being able to lead companies to success, a combination of the rational approach with the Taylorist principles of management fails to develop consistent innovation today. On the contrary, design thinking enables to balance analysis and intuition and combine the two in a productive mix. For Martin, a path to successful innovation lays through a three-phase process of the ‘knowledge funnel’: heuristics and then derived into predictable algorithms.

Martin encouraged business leaders to import principles of design shops to management practices: work on projects with defined terms, apply iterative and collaborative approach in solving wicked problems (Dunne & Martin, 2006). For an individual, using design thinking requires specific mindset that builds enhanced sensitivities and skills: stance (definition of one’s self and the worldview), tools (concepts, theories, and analytical frameworks used for sense-making) and experiences (practical knowledge).

Emphasising that “for all its emphasis on data and number crunching, strategic planning is not actually scientific,” Martin and AG Lafley, a former CEO of Procter & Gamble, presented a seven-step process model enabling to create novel hypotheses, make a choice and conduct custom-tailored tests (Lafley, Martin et al., 2012; see also Lafley & Martin, 2013). Continuously ad-
FIGURE 18

Adrian Slywotzky

1997/2007 — The Profit Zone: How Strategic Business Design Will Lead You to Tomorrow’s Profits (with David Morrison)
2005/2010 — Strategy and Organisation Consulting (with David Nadler)

A PROCESS MODEL: VALUE-DRIVEN BUSINESS DESIGN

1. VALUE MIGRATION INSIGHTS
   Engaging them in exercises to help them break through the barrier of incremental thinking, redefine competition and anticipate where future shareholder value will emerge. Considering which business designs might best exploit this opportunity.

2. FUTURE VALUE SPACE MAPPING
   Using sophisticated methodologies for interviews and analysis to determine likely customers’ and competitors’ reaction to innovative value growth initiatives. Determining potential future revenue and profit opportunities.

3. STRATEGIC BUSINESS DESIGN CHOICES
   Identifying multiple opportunities and selecting the best options. Defining one or several business designs that will create high utility for customers and high value for shareholders.

4. KEY CAPABILITY NEEDS AND DEVELOPMENT
   Identifying and filling gaps between the organisation’s existing capabilities and the ones required by the new business design. Creating value driven by the emerging opportunities, rather than current competences.

5. CONSISTENT ORGANISATIONAL SYSTEMS
   Developing a plan for redesigning the aspects of an organisation inconsistent with the new direction. Eliminating internal barriers for value capturing to increase the odds for success.

6. ACCELERATED IMPLEMENTATION
   Rapid implementation of a new business design aimed to create high value growth in the current environment of hyper-competition and technological change.

B PRINCIPLES

CUSTOMER-CENTRIC THINKING
Creating a dynamic strategic perspective on customers to ensure relevance to them.

PROFIT-CENTRIC THINKING
Designing and articulating a model for generating and protecting profit streams.

C ELEMENTS

CUSTOMER SELECTION
Which customers to serve?
Specific understanding of the chosen customer set (for which the organisation is best suited for or which it is best able to serve) as well as of the one selected for moving away from.

UNIQUE VALUE PROPOSITION
What value to create?
The reasoning behind a purchase decision — what specific value the customers buy and how they make a choice among competing offerings.

VALUE CAPTURE
How to make profits?
Particular ways the organisation gets rewarded for the value it delivers to the customers — both within and beyond product sales and service fees.

STRATEGIC CONTROL
How to protect the profit stream?
Concrete ways to protect created profitability from competitor imitation, customer power in the b2b industries, and customer choice in the b2c world.

SCOPE
What activities to perform?
Activities in the product and service offerings the organisation should engage in to remain customer-relevant, generate high profits, and create strategic control.

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1 In strategy and organisation consulting (see Nadler & Slywotzky, 2010).
Slywotzky suggests reconceptualising the traditional value chain to better meet the principles of customer-centred thinking (Slywotzky & Morrison, 2007). The novel model starts with the customers and their priorities, including functional needs, preferences, decision-making process, purchase criteria and occasion, buyer behaviour, power, and systems economics. The model spans the channels to satisfy the customers’ needs, the products and services in the offering, the inputs and raw materials required for creating creating the value, and the essential assets and core competences.

Adrian Slywotzky

One of the most renowned consultants in the United States, a partner with the strategy consulting firm Oliver Wyman (and another entry on the Thinkers50 list), Adrian Slywotzky is the earliest relevant account introducing the term business design. Since the 1990s, Slywotzky published a series of management bestsellers focusing on profitability, growth and ‘value migration’ (e.g. Slywotzky & Morrison, 1997/2007). He also collaborated with David Nadler, known for his works in organisation design, to explore the discipline of business design in strategy consulting, having presented a refined framework along with a process model (Nadler & Slywotzky, 2005/2010; see Figure 18A).

In The Profit Zone, Slywotzky portrayed traditional strategic approaches, such as “Grow first and profit later,” flawed and outdated: using them often leads companies to ‘market share myopia’ and brings to ‘no-profit zones’ (Slywotzky & Morrison, 2007, pp. vii-viii). In contrast, the process of business design reinvention has to begin with examining how profitability in the industry happens today and is likely to change in the future, what are the organisation’s most valuable customers and their critical priorities, and how to take advantage of new growth opportunities (ibid., pp. 6-7). Accordingly, the five mutually reinforcing dimensions in the model (Figure 18B) describe chosen customer set, unique value proposition, specific ways to create and protect profitability, and critical activities for a company to engage in (Nadler & Slywotzky, 2010, pp. 107-108).

Slywotzky’s concept of business design rests on two pillars, being both customer-centric and profit-centric (Slywotzky & Morrison, 2007; see Figure 18C). The business side is addressed with a set of profitability models backed up with examples from different industries, and the customer focus is enabled by the ‘messy, nonlinear and confusing, but essential’ process of developing insights (ibid., p. 17-19). In this case, Slywotzky argued against the conventional, inside-out looking, approach to strategic insights as it fails to capture critical information held within the customer base, in the competitive environment and success cases outside the industry. To remain relevant, organisations need to use various methodologies for looking at the customer’s problem through their eyes and assembling a holistic picture: needs, behaviours, decision-making, price sensitivities and preferences, — all of which can be poorly defined and articulated by the customers themselves (ibid.). Slywotzky (ibid., pp. 20–21) offers to reconstruct Porter’s value chain, putting the customers’ priorities first, followed by channels for satisfying people’s needs, organisation’s offering, inputs for creating products and services, and finally, assets and core competences (Exhibit 5). Qualitative, first-hand customer insights are seen more valuable than conventional market research (“mountains of data, hundreds of
1. WHAT IS?
   Exploring the current reality
   Developing deep insight into the problem or opportunity within its context to establish the reference point for change, define success criteria and constraints.
   TOOLS (see on the right) Visualisation, Journey mapping, Value chain analysis, Mind mapping.
   OUTPUT Design brief to provide guidance throughout the project.

2. WHAT IF?
   Envisioning a new future
   Using the synthesised data along with emerging patterns to develop hypothesis, consider possibilities and uncertainties, and generate ideas.
   TOOLS Visualisation, Brainstorming, Concept development.
   OUTPUT Design criteria describing the attributes of an ideal solution.

3. WHAT WOWS?
   Making clear choices
   Assessing long-term potential of the new concepts, testing assumptions underlying hypothesis, and conducting ‘thought experiments’.
   TOOLS Visualisation, Assumption testing, Rapid prototyping.
   OUTPUT Napkin pitch with a simple summary of new concepts.

4. WHAT WORKS?
   Delivering to the market
   Low-cost experimenting, assessing trade-offs, inviting customers in co-creation and working in fast feedback loops in order to ensure learning.
   TOOLS Visualisation, Customer co-creation, Learning launch.
   OUTPUT Learning guide with strategic intent and parameters for testing.

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**B MINDSETS**

**EMPATHY** Establishing deep understanding of customers, their emotional and rational needs and wants.

**INVENTION** Recognising the creative part of management aimed to invent tomorrow.

**ITERATION** Acknowledging the value of experimentation and learning in problem solving.

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**C TOOLKIT**

**VISUALISATION** Using imagery to envision possible future conditions.

**JOURNEY MAPPING** Taking the customer’s perspective to assess the current experience.

**VALUE CHAIN ANALYSIS** Exploring the existing chain of value-creating activities supporting the customer journey.

**MIND MAPPING** Developing insights from the exploration activities to articulate design criteria.

**BRAINSTORMING** Creating novel alternatives to the business model.

**CONCEPT DEVELOPMENT** Assembling various elements of a solution into a coherent model to explore and evaluate its potential.

**ASSUMPTION TESTING** Isolating and challenging the core beliefs critical for the concept’s success.

**RAPID PROTOTYPING** Expressing a new concept in a tangible form to explore, test and refine it with stakeholders.

**CUSTOMER CO-CREATION** Enrolling customers in creating the solution that best meets their needs.

**LEARNING LAUNCH** Engaging customers in low-cost experiments to test key assumptions with market data.
tables, and no actionable insight”) and probes of customer satisfaction (“an important, but backward-looking measurement”).

Slywotzky’s works, albeit clearly resembling the arguments in the new wave of design thinking, never draw any explicit references with design theory and practice. Recently, however, he admitted that his concept of business design shares certain premises with design and the customer-oriented aspects of marketing (Slywotzky & Euchner, 2015, pp. 12-13).

Jeanne Liedtka

A former strategy consultant for bcg, Liedtka is now a professor at the Darden Graduate School of Business who explores innovation and design thinking, organic growth and strategic thinking (see Sections 2.1 and 2.2 of the theoretical framework for the review of Liedtka’s academic works). Similarly to Martin, Liedtka focuses on the benefits of analysis and creativity, suggesting the action-oriented approach of design enables more relevant strategies, experience of dealing with uncertainty makes up for flaws of analysis, and human-oriented approach is beneficial for dealing with the real people’s needs (Liedtka & Ogilvie, 2011, Liedtka, Ogilvie and Brozenske, 2013/2014). However, business acumen remains critical, as long as mere novelty, value creation and designer touch are insufficient for the ultimate success and profitability.

Three main principles for using design thinking in business formulated by Liedtka reflect the difference in cognitive styles common for managers and designers (ibid.; see Figure 19c). Firstly, empathy drives a shift from perception of customers merely as a target for sales and statistical metrics towards a more personal attitude and knowledge of the real people with their real problems. Secondly, design aims to ‘invent tomorrow’ — at odds to the principles of scientific management concerned with ‘investigating today’. Lastly, unlike the linear problem-solving methodologies in management, design’s iterative approach concentrates on learning.

Taking more processual focus, Liedtka partners with an innovation strategy consultant Tim Ogilvie to develop a framework for applying design thinking to the management context (ibid.; see Figure 19A). The target of the process is to answer to four questions. What is? includes exploration of the reality to identify the current problem and opportunity. What if? is about generating ideas and developing concepts to envision new future. What works? involves prioritizing and selecting concepts by using the creative and analytical tools. What works? approaches customer testing, co-creation and learning launch. A complementing toolset is intended to manage the “tension between creating the new and preserving the best of the present” (Figure 19b): the design tools are accompanied here with value chain analysis and ROI models for evaluating design concepts.

More recently, Liedtka supported the framework with a selection of ten case studies demonstrating the application of design thinking in problem solving at major companies and public organisations — from “engaging the citizens of Dublin” to “reimagining the trade show experience at IBM” and “rethinking strategic planning at SAP” (Liedtka, King and Bennett, 2013).

Heather Fraser

Professor of Business Design at Rotman School of Management, cofounder and director of DesignWorks, the school’s business design initiative, Heather Fraser is another business scholar taking a strong design perspective. The first special issue of the Journal of Business Strategy featured Fraser’s (2007) approach to shaping ‘breakthrough strategies’. Continuing to develop the concept under the title business design, Fraser (2012, p. 57) argued that the methods and mindsets used for designing objects are instrumental in enhancing services and customer experiences. The greatest payout of design thinking is therefore in designing business itself: opening up new opportunities, developing strategies and evolving business models. Similarly to Martin and Liedtka, Fraser considers application of design-inspired principles, practices and a toolkit as capable of balancing out conventional business planning by driving creative capability without compromising business rigour.

Central to Fraser’s (2009, p. 81) approach is the key strategic decision — whom to serve and which needs to fulfil. Finding the answer requires a shift from measuring human factors to holistic understanding of the specific people’s...
FIGURE 20

Heather Fraser

2011 — Business Design: Becoming a bilateral thinker
2012 — Design works: How to tackle your toughest innovation challenges through business design

A. PROCESS MODEL AND METHODOLOGY: THREE GEAR S OF BUSINESS DESIGN

1. EMPATHY & DEEP HUMAN UNDERSTANDING
   What’s the opportunity?
   Considering the context around the offering and relationships among stakeholders to develop holistic understanding of people and what matters to them.
   ACTIVITIES Observation, Empathy exercise, Stakeholder mapping, Need-finding research, User journals, Photo elicitation, Listening and recording, Mind mapping, Motivation mapping, Subject profiles, Discovery exchange, Need mining and analysis.
   OUTPUTS Articulated needs, personas, current journey.
   OUTCOME Expanded perspective and reframed opportunity for creating customer value in a new and innovative way.

2. CONCEPT VISUALISATION
   What’s the breakthrough idea?
   Using the design-inspired principles and methodologies to gain insight on what creates meaningful value, refine ideas and develop a distinctive vision.
   ACTIVITIES Ideation, Metaphors, Experience mapping, Iterative prototyping, Role-playing, Storyboarding, Co-creation.
   OUTPUTS Seamlessly integrated experience.
   OUTCOME Identified possibilities to fulfil needs. A new, concretely defined experience aimed at creating a human-centred value.

3. STRATEGIC BUSINESS DESIGN
   What’s the strategy to deliver the vision?
   Translating the new vision into novel business strategy, defining the focus and building capabilities required to make the big idea viable and valuable.
   ACTIVITIES Capability requirements, Activity systems design, Activity system assessment, Activation planning, Value exchange, Assessing reciprocity, Financial sensitivity analysis, Designing management systems.
   OUTPUTS Proposition, future activity systems, experiments, quick wins.
   OUTCOME Strategy to clarify focus in enterprise efforts, guide investments and implement the solution.

B. PRINCIPLES 1

1. BEING — DESIGN AS A MINDSET

   ADJUSTMENT Comfort with ambiguity, general tendency to be emotionally stable, calm, even-tempered and functional in the face of ups and downs.

   OPENNESS To new ideas, new people and new ways of doing things. Active imagination, sensitivity, attractiveness to inner feelings, preference for variety, intellectual curiosity, ability to suspend judgement.

   EMPATHY Genuine sense of caring about people and ability to understand their feelings, thoughts and needs.

   INTRINSIC MOTIVATION by purpose, passion, genuine interest and engagement in work.

   MINDFULNESS of both the self and the world around as a repertoire of reference points and stimulation in solving complex problems.

   OPTIMISM A hopeful view of the future driving toward creative and productive resolutions.

2. DOING — RIGOROUS METHODOLOGY

   MULTI-DISCIPLINARY COLLABORATION for finding value and inspiration in diverse perspectives and skills.

   UNDERSTANDING AND NEED-FINDING Leveraging insights overlooked by competition, both inside and outside the enterprise.

   ITERATIVE PROTOTYPING & EXPERIMENTATION for thinking, communicating, developing, and

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1 See Fraser, 2012.
2 See Fraser, 2011.
exploring multiple strategies and business models.

**Mapping** systems of stakeholders, solutions, business strategies and activities, as well as connections between them.

**Storytelling** around strategy and business evolution for expressing ideas, inspiration and motivation.

**Co-Creation** with decision-makers and outside partners as a feedback loop during prototyping and experimentation.

### 3. Thinking — Well-rounded Mental Capacity

**Emotional Intelligence** Identifying, assessing, controlling and leveraging emotions of one’s self, of others, and of groups.

**Systems Thinking** Ability to think holistically and integratively and to recognise different elements and models as a part of a broader ecosystem.

**Visualisation** Ability to envision the complete solution and end result. Communicating across the entire design process.

**Abductive Reasoning** Ability to process many reference points and make an intelligent ‘leap of logic’.

**Synthesis** Ability to create new solutions based on existing elements or inspired by many different models.

**Intuition** Gathering, articulating and evaluating intuition — both one’s own and of others.

needs, both deeply (including practical and emotional ones) and broadly (within the context of product or service use). Applied to a broader ecosystem — ‘important enablers and key influencers in the equation’ — empathy helps to identify needs of the stakeholders, understand their roles and relationships among them (*ibid.*).

Building heavily on Martin’s arguments, Fraser (2009, 2012) developed the *Three Gears of Business Design* (Figure 20A), the model uniting empathy and deep human understanding, concept visualisation and prototyping, and strategic business design. The goal of the framework is to identify new opportunities to better meet customer needs, rapidly generate new ideas and translate them into focused and implementable strategies. According to Fraser, beyond explaining principles and practices of business design, the framework also describes its iterative process.

Fraser (2007, 2009, 2011, 2012) joined Liedtka in outlining the ways the design methods can benefit strategy making (Figure 20B). ‘Informed intuition’ draws on qualitative data about the customers in order to enable better, faster decision-making. Engaging customers and other critical stakeholders in strategising guides the process since its early stages. Generating multiple strategic choices helps to realise richer solutions and reduce risk of failure. Visualising and mapping improve decision making by translating words into product prototypes and customer experience maps. Experimenting supports testing ideas with the real users and enables quick wins.

Fraser (2012, pp. 1–3) defined business design as a ‘learnable innovation discipline’ that can be implemented by applying the ‘easy to follow’ process and embedding its methodology across the organisation’s strategic planning (Figure 20C). Admitting that designing a business is different from shaping any other product or experience, she pointed out that the latter requires a balance of creativity, analysis, critical thinking, systems thinking, and synthesis: “There is a lot of logic and a lot of creativity... which is activated with a sense of purpose and conviction” (*ibid.*, pp. 73–74). Accordingly, a business designer is depicted as a ‘bilateral thinker’ who unites a particular combination of the “right mindset... and a rigorous methodology... that unlocks a person’s thinking” (Fraser, 2011, p. 71; see also Fraser, 2009, 2012).
## A PROCESS MODEL: STRATEGY BY DESIGN

### 1. BRIEF

*Problem and goal*

Establishing a clear shared understanding of the problem, typically ill-defined, along with project goals and objectives. Defining six critical elements of the brief to guide the following process: purpose (a binding intent worthy of pursuit), principles (behaviour brought about to bear on the problem), people (participating stakeholders), concept (relationships between critical stakeholders), structure (responsibility and authority in the process), and practices (deliberations, acts and decisions).

### 2. RESEARCH

*Discovery, exploration, investigation*

Using various forms of iterative research to question “the most basic, obvious, and unquestionable assumptions and beliefs” about the problem. Identify latent needs and underlying values of the stakeholders to understand them and refine the brief.

### 3. CONCEPT GENERATION

*Ideation*

Using an array of the qualitative and quantitative insights from the research (see on the right for details) to generate multiple alternative approaches, many ideas and concepts related to potential solutions for evaluation and further development.

### 4. EVALUATION AND REFINEMENT

*Evolution, development and rapid prototyping*

Shifting focus from divergence and creativity to convergence through prototyping, modelling and pilot testing. Developing potential solutions further, exploring concepts and generating novel options.

### 5. OUTPUT & PRESENTATION

*Decision and delivery*

Presenting a small number of potential solutions in visual and tangible ways. Involving stakeholders in making a decision on the most promising concepts.

## B METHODS, TOOLS AND TECHNIQUES

### QUALITATIVE RESEARCH

Data collection methods aimed to holistically explore and better understand the problem at hand. Identifying both actual and latent needs and desires of the customers.

**Pattern Recognition** Affinity diagrams, Activity analysis/task analysis, Character profiles.

**Observational Techniques** A day in life, behavioural archeology, Mapping.

**Interviews** Behaviour sampling, Extreme user interviews, Experience drawings, Ask ‘Why?’ or ‘So what?’ five times.

**Prototyping and Simulations** Be your customer, Informance.

### IDEATION

Engaging stakeholders in the design process to better understand the problem and potential solutions. Collaborating with the stakeholders to ensure creativity and generate a diverse range of ideas and concepts.

**Activities and Techniques** Creative combination and alteration, Physical work environment, Random stimulation, Expression and emotional release, Incubation.

### RAPID PROTOTYPING

Repeated experimentation and iterative adjustments aimed to generate, explore and progressively refine various emerging possibilities.

### EVALUATION

Either developmental evaluation of the ideas (focused on iterative refinement) or their terminal evaluation (leading to a final choice or decision).

### VISUALISATION AND REALISATION

Creating visual and tangible expressions to make the final output memorable and persuasive, understood and appreciated. Presenting options and involving stakeholders in decision making.
James Carlopio

The most scholarly approach to the discipline is taken by James Carlopio, another management consultant and business academic with a background in design. Drawing from the extensive body of literature, Carlopio (2010) investigated how applying creativity and design principles to strategising can help “make a profit and a positive difference in our world by integrating your thinking hearts and feelings minds.” One of his central arguments suggests that in the modern world, everything is already ‘good enough,’ which leaves the ‘billion-dollar strategic question’ — “How do we be remarkable?” (Carlopio, 2009, p. 155). The answer presumably calls for strategy innovation — enhancing business models, making profit, and reinventing “our organisation, our industry and our world” (Carlopio, 2010, p. 1).

Inline with the modern views, Carlopio (ibid., pp. 1-4) stressed that organisational strategy is “typically conceived and developed as an extension of the past and present,” assuming that the future will be linear. However, analytical approaches and rational analyses — albeit favourable in some cases — fail to create bold, new value-creating strategies. Likewise, Slywotzky’s profitability patterns are considered merely incremental changes: studying them can be beneficial for learning generic principles, but hardly enables radical innovation (ibid., p. 67).

After the ‘father of strategy’ Hamel, Carlopio (ibid., pp. 1-2, 9-10) pointed out at the lack of clearly articulated theory, tools or processes for strategy creation, suggesting that the gap can be filled by the dynamic design process. An iterative progression through multiple feedback and feedforward loops provides milestones for assessing decisions, allows to plan for potential problems, and consequently reduces the risk of the innovation effort. By combining linear thinking, numerical analysis and rational problem solving, design process aims to balance anticipated problems with opportunities, restrictions with creativity, and perception with conception (ibid.).

Carlopio (ibid., pp. 13-14) offered a five-phase process of creating strategy by design (Figure 21A), noting that it only attempts to reflect an intensely iterative approach, where outputs can be reused and activities overlap and repeat with different emphasis at different times (Figure 21B).

Prototyping, for instance, is beneficial for exploring and generating ideas in the middle of the process as well as for communicating and selling concepts in the end. Similarly to Liedtka, Carlopio specifically focuses on interactions with decision-makers: the process kicks-off with establishing a shared view of the problem and ends with assessment of potential solutions presented in a visual and tangible form.

Marc Sniukas

Over the past decade, a strategy consultant Marc Sniukas has been exploring ways to achieve ongoing strategic innovation capable of shaping competitive edge and leading to financial success. Sniukas (2010) linked the De Wit–Meyer framework to a vast body of research, revealing numerous flaws in strategy process and content (see Section 2.1 for details). An alternative four-stage model developed by Sniukas spans describing and visualising the current strategy, generating new ideas, evaluating and testing concepts, and followed by implementation of the chosen options. The model is accompanied by the highlights about the critical role of creativity, benefits of stakeholder engagement, description of ideation techniques and occasional quotes by IDEO’s Kelley.

More recent and popular model presented in The Art of Opportunity (Sniukas, Lee and Morasky, 2016) recognises its origins in the works related to design thinking, including Rittel and Webber’s notion of wicked problems, theories by Rowe, Cross and Lawson, and novel design-inspired tools. An important distinction is made between strategic innovation, concerned primarily with the content of growth strategy, and business design thinking — a collection of principles, practices and mindsets for effective strategising.

The authors pointed out that the traditional approach in strategic management typically aims to answer to two major questions. Where to play guides the choice of an industry and a product-market combination, and How to win addresses issues related to achieving competitive advantage. This perspective — although still present in the recent works by Markides, Martin and Fraser — is labelled as conventional, while a ‘fresher perspective’ offers supplementing it with the third question — How to play.
Marc Sniukas

2016 — The Art of Opportunity: How to build growth and ventures through strategic innovation and visual thinking (with Parker Lee and Matt Morasky)

**A** PROCESS MODEL AND ACTIVITIES: THE ART OF OPPORTUNITY

1. **WHERE TO PLAY: FIND THE OPPORTUNITY**
   - **UNDERSTANDING CUSTOMERS AND NON-Customers** Exploring people’s needs and expectations, along with customer experience factors.
     **ACTIVITIES** Observations, Interviews, Creating themes, Persona mapping, Customer journey mapping.
   - **UNDERSTANDING THE FIRM** Reflecting on the offerings, resources and capabilities, as well as opportunities in the ecosystem.
     **ACTIVITIES** Resource mapping, Ecosystem mapping.
   - **FRAMING GROWTH INITIATIVE** Defining and aligning objectives.
     **ACTIVITIES** Growth initiative brief, Visualising patterns, themes and clusters, Decision making, Visualising the opportunity.
   - **VISUALISING THE OPPORTUNITY** Communicating to the team and leadership.
     **ACTIVITIES** Opportunity report.

2. **HOW TO PLAY: CRAFT STRATEGY**
   - **DESIGNING OFFERING** Defining a blend of products, services and experience.
     **ACTIVITIES** Offering brainstorming, Offering design.
   - **SHAPING BUSINESS MODEL** Defining and aligning elements critical for delivering the offering.
     **ACTIVITIES** Current business model visualisation, New business model design.
   - **STRUCTURING REVENUE MODEL** Determining cash flows, pricing models and payment mechanisms.
     **ACTIVITIES** Revenue model card sort.

3. **HOW TO WIN: CREATE VALUE** Shifting focus from cost, pricing and differentiation to creating value for customers, the firm and its ecosystem.
   **ACTIVITIES** Setting strategy, Strategy visualisation.

4. **LAUNCH NEW GROWTH BUSINESS**
   - **INCEPTION** Validating opportunity and piloting strategy with the internal stakeholders, potential customers and partners.
     **ACTIVITIES** In-House and field observations, Simulation, Interviews, Prototypes, Research.
   - **EVOLUTION** Adapting strategy through a series of cycles of engaging in action, reflecting and designing.
     **ACTIVITIES** Start, stop, change, continue, Next step design, Growth plan visualisation.
   - **DIFFUSION** Scaling up the business by fully deploying strategy, acquiring clients, expanding staff, dedicating assets and resources.

**C** PRINCIPLES

**HUMAN-CENTRED FOCUS** An empathic approach intended to create value not only for customers, but for all stakeholders, including employees, shareholders, suppliers, and vendors.

**VISUAL THINKING & STORYTELLING** Visualising ideas to make them better communicable, create shared understanding and internal alignment among the stakeholders, develop them collaboratively and accelerate the decision-making process.

**COLLABORATIVE WORK & CO-CREATION** Bringing together diverse perspectives in multidisciplinary groups to generate breakthrough ideas, create solutions, and build internal support.

**ACTIVE ITERATION** Ensuring learning during the design process enabling the team to explore the challenge, overcome ambiguity, and adapt to circumstances. Continuously evolving ideas, solutions and strategies from the initial seeds through market delivery and business growth.

**HOLISTIC PERSPECTIVE** Looking at an organisation as a dynamic, open system of interrelated processes to identify opportunities for breaking down silos, improving efficiency and enabling internal understanding among the stakeholders and decision-makers.
The three overlapping dimensions unravel the content of the growth strategy: Where to play focuses on the chosen customer segment, How to play defines an offering and its business model, How to win articulates specific ways to create value for the customers, the firm and its ecosystem. The model also sets the basis for the process of strategic innovation — an eleven-stage consequence intended to identify an opportunity, generate ideas and test resulting concepts both internally and in the market (Figure 22A). Taking perhaps the most pragmatic approach, the book supplies detailed process guidelines, visual templates, and activity cards for tools and activities (Figure 22B).

The ground principles put forward in the framework resemble those of internal consulting (Figure 22C). It is suggested, for instance, that the greater chances of success are created by acknowledged sponsorship and commitment from the leadership, dedicated budget and physical space, clear goals, expectations and timing. The most critical success factor, however, is in a diverse team of interdisciplinary thinkers who maintain open communication with the stakeholders across the organisation.

* * *

Authors continue to explore the notion of melding strategy with design thinking for achieving sustainable innovation (Figure 23). Van Der Pijl, Kay Solomon and Lokitz (2016), for example, offered a joined framework uniting a process model, toolset, skills, and mindsets for designing business and complemented it with case studies and insights from thought leaders. Mootee (2013) considered applied design thinking as the ‘most complementary practice’ to Porter’s theory, suggesting that it can be utilised for addressing issues in strategy and organisation, new product development, experience design and social responsibility. Mootee’s framework, adapted for an executive education programme at Harvard Graduate School of Design, aligns potential applications of design thinking with various business challenges. Storytelling, for instance, helps people better understand and connect with organisation’s values and purpose, business model design — to make radical changes in strategy and organisation, and strategic foresight — to manage the uncertainties more effectively.
§ 4.2. Consulting Practice of Business Design

Growth of design and innovation consultancy is often associated with development and maturity of service design. Emerging in marketing during the 1980s, it was first introduced as design discipline in 1991 by Michael Erlohff at Köln International School of Design and started to gain momentum in the next decade (Moritz, 2005, Kimbell, 2009). In 2013, Forrester named service design ‘the most important design subspecialty in the business world,’ suggesting that focus on the customers becomes the most significant strategic imperative (Bohdine, 2013a, 2013b). Two years later, the Forrester analysts reestablished the notion, having found its reflection in the acquisitions of design firms by large IT and consulting companies: Fjord by Accenture in 2013, Great Fridays by EPAM in 2014, Designit by Wipro in 2015, Lunar Design by McKinsey & Co. in 2016 (Buley, 2015).

Service design is one of the youngest segments in consultancy, with over a third of the specialised firms founded after 2000 (Buley, 2015, Sangiorgi et al., 2015). Almost a half of them still employs less than ten service design staff, and only a handful exceeds 500 in the total headcount — compared to 12,000 employed by BCG, including 6,200 consultants, and over 394,000 employees with Accenture worldwide (Buley, 2015, Accenture website, BCG website). The recent M&A deals drive growth of the segment: Accenture’s investment in Fjord, for example, enabled the design firm to double the size of its team and increase studios from nine to 17 in just two years after the deal (Accenture, 2015). Apart from specialised firms, practices associated with design thinking are visible today in digital subsidiaries of the consulting majors, such as BCG DV, Deloitte Digital and Digital McKinsey.

While business advisers build their design capabilities, design firms extend scope of their work towards strategic assignments. Demand for service design expertise is largely driven by the innovation focus of businesses around the globe (Interviews A, C and F, see also Kelley, 1999, Jacoby & Rodriguez, 2007, Seidel & Fixon, 2013). Frog’s Gianfranco Zaccai pointed out that the design process and techniques appeal to executives seeking alternatives to pragmatic, linear, analytical and quantitative approaches to business thinking: “They’ve seen that the thought process good designers have been using for a long time, the methodologies and tools they use, seem to complement and inform traditional business thinking” (Lockwood, 2010a, p. 17). Michael Bierut (2007/2012, p. 218), a partner with the design firm Pentagram, noted that innovation forms a new identity for the industry, having become its ‘favourite euphemism’: “Design sounds cosmetic and ephemeral; innovation sounds energetic and essential.”

Another driver for growth of design consulting is rising recognition of customer experience for business success, especially in digital services (Interviews A, C and F, Buley, 2015, frog, 2016, Schybergson & Evenson, 2016). Commenting on the acquisition of Fjord, Baiju Shah, Accenture’s Director of Strategy and Innovation, highlighted: “The battle ground for most of our clients is now shifting towards... engagement of the user, and that puts
experience at the center. [...] This is about helping our clients to be digital businesses. Our clients are finding that sustainable performance can’t really be achieved using a lot of traditional levers” (Hurst, 2013).

Based on core capabilities and focus on specific channels, the Forrester analysts identified five main types of service design firms (Figure 24). Some companies specialise in customer-centred innovation ranging from insight through detail design, others combine business strategy with design for web and mobile, and yet another group focuses on organisation design, training and change management (Buley, 2015).

**24 TYPES OF SERVICE DESIGN FIRMS**

*Buley, 2015*

1. **FUZZY FRONT-END INNOVATORS** Firms focused on customer research, brand strategy, experience strategy, conceptual design, detailed design, and employee experience design.

2. **PHYSICAL AND FACE-TO-FACE EXPERIENCE DESIGNERS** Agencies designing for face-to-face interactions, the physical environment, printed materials, and the contact centre.

3. **DIGITAL EXPERIENCE DESIGNERS** Experts at the crossover of service design, digital customer experience strategy, and digital technology.

4. **ORGANISATIONAL CHANGE PARTNERS** Firms specialised on change management, training, and organisation design.

5. **BUSINESS SYSTEMS CONSULTANTS** Companies combining capabilities in quantitative customer research, business analytics, and technology development.

Business design remains extremely novel practice in consultancy — however spreading rapidly. With many offerings launched in design shops only in the past decade, already four of ten firms have business design in their portfolio (Launier, 2016, Sangiorgi et al., 2015). The discipline is often seen as a means for furthering agenda of service design and promoting its relevance beyond the canonical scope of face-to-face customer interactions in physical environments (Interviews C and F; see also Aricò, 2015). Describing business design, IDEO suggests that “Whenever a company designs a new product, service, or experience, it is essentially designing its business” (IDEO website).

Today, business design finds its application in a variety of strategic challenges within the broad scope of service design — from foreseeing upcoming trends to monetising existing technologies and experimenting with new categories (Figure 25). John Oswald (2016), Business Design Director at Fjord, underlined that design projects exist within a business case, making vital understanding of their anticipated results, value created for stakeholders, and impact on the client organisation.

**25 STRATEGIC FOCUS OF BUSINESS DESIGN**

- **STRATEGIC FORESIGHT** Anticipating trends and for gaining competitive advantage.
- **NEW OFFERINGS & DIFFERENTIATION** Creating novel solutions to overcome commoditisation.
- **BUSINESS VALIDATION** Testing market potential of concepts, offerings or technologies.
- **MONETISATION & BUSINESS GROWTH** Designing business models to ensure profitability.
- **DIVERSIFICATION** Experimenting with new categories and setting up new ventures.

Another range of tasks is related to orchestrating organisational change, refining internal innovation processes and establishing stronger customer focus (Figure 26). Fjord’s Abbie Walsh pointed out that the complementary, business-focused and design-structured perspectives, help to both follow increasing demands of the customers and bring together disparate groups of stakeholders. Applied to corporate challenges, this mixture enables to create a future-proof, human-centred businesses: “Business design is a really useful set of tools and skills that can help you frame what you need to do, have a vision, and then be able to understand how to achieve that, and how to
Phase One
Align and Mobilise

Engaging decision-makers to explore and harmonise viewpoints, confirm executive commitment and kickstart the assignment.

A Sample Activities, Tools and Techniques

Industry Research and Benchmarking Assessing both existing and potential competitors to set a reference point and define best practices relevant for the assignment.

Light Field Research Using interviews and ethnographic techniques in small-scale enquiries to investigate customers’ needs, experience flaws, stakeholders’ demands and expectations.

Alignment Workshop Enrolling decision-makers in group exercises to explore viewpoints, create common understanding and introduce the design approach.

B Principles and Mindsets

Human-Centred Approach Empathising with stakeholders to discover and align different perspectives and to crystallise a shared view.

Collaboration Involving participants to leverage diverse backgrounds, prioritise issues and scope the right business challenge.

Creativity Engaging in an open-minded exploration of possibilities around multiple aspects of the problem.

Holistic Perspective Using a range of inputs, from both inside and outside an enterprise, to shape complex understanding of the corporate challenge.

Interpretation & Synthesis Aligning data with priorities and expectations to focus and drive action in the complex situation.

Evidencing & Experimentation Mapping systems and visualising knowledge to demonstrate trends, envision strategies, and align with the internal understanding of the problem.

C Inputs and Outputs

Trend Overview Selection of major changes in consumer behaviours and competitive landscape, novel technologies and business models affecting the problem at stake.

Stakeholder Map Diagram of roles and relationships between the key parties: customers, personnel, partners, and others.

Customer Archetypes Broadly defined common characteristics of customer groups, including goals, needs and motivations.

Touchpoint Map High-level diagram of customer interactions with an organisation during the service experience or throughout the lifecycle.

D Outcomes

Problem Statement Nascent understanding of the business challenge and focus, scoped by customers’ needs, stakeholders’ expectations and motivations, along with relevant trends.

Project Agreement Formal document defining project fundamentals: approach and timeline, teams and contributions, approval and accountability, communications and logistics, budgets, deliverables and change management issues.
make sure your team, employees and culture are fit for that” (Launder, 2016).

The changing role and content of design briefs calls for clearer articulation of the problem at stake and choosing appropriate directions for the innovation effort (see Weiss, 2002, Chhatpar, 2007, Lockwood, 2010a, Brown & Martin, 2015). An intensive workshop, typically day-long, aims to bring decision-makers together and engage them in exploration of the business challenge (Figure 27A). Involving the participants ensures diversity of viewpoints, prompts clarifications and sheds light on different dimensions of the problem (Figure 27B). “[As a designer,] you are responsible for defining the problem, and you are as good as your ability to do it,” emphasises the senior design consultant. “Connecting dots, bringing clarifications and translating problems [are all] important elements of design thinking” [Interview E].

Prewired inputs for the workshop usually include a selection of mega-trends — major changes in consumer behaviour, technology advancements and emerging business models affecting the problem space (Figure 27C). While the sets of trends are normally assembled ad hoc for the specific project, based on the industry experience and desk research, some established firms dedicate special efforts on trend-watching and issuing annual forecasts. In addition to general overview of the changes, light field studies of customers and stakeholder interviews are conducted to tailor discussion to the specific business circumstances.

A central issue for consultants, however, remains in finding the right balance between speaking, listening and engaging. While delivering insights and perspectives help to establish credibility with the client, the need to understand stakeholders, their viewpoints and expectations is crucial for the ultimate success of the project. “The main benefit of the workshop is getting face time with the client,” says the experienced facilitator. “It is very important to understand how much they know about the world around them and about directions they should be taking. [...] Presenting your vision gives the client a chance to challenge you, but it also explains what they value, what resonates with them, and what success criteria they use” [Interview D].

Involvement in the discussion is achieved by enrolling the participants in group exercises and creating first tangible artefacts. A simple,

### Alignment

It is evident that since the late 1990s, the scope of projects in design consultancy has extended towards the beginning of innovation initiatives, while initial requirements of assignments have broadened out (Interviews A, C and F). “Clients used to come to design agencies with a specific business idea described in a brief,” tells the founder of the design firm. “Today, we often see that clients do not know exactly what they want or who it is for. In some cases, they may have an initial idea, but it eventually turns into something different” [Interview A].

Similarly, frog’s Ravi Chhatpar (2007) emphasised that a blend with design complements conventional approaches to strategic management with process-aware approach and creative techniques, ultimately enabling to innovate faster. Moreover, it is believed that the novel approach to innovation — by thinking like designers — can be taken to both creating products and leading change across an organisation: “Designers gain inspiration by immersing themselves in users’ experiences. They progress iteratively, learning, designing, prototyping, testing and refining, until they get the new customer experience right. This is a process that can be applied more broadly to an organisation going through change” (Frog, 2016).
PHASE TWO
Immerse, Discover, Define: Customer Insight

Fundamentally understanding the customer to identify business potential where needs, desires and aspirations are not yet answered.

A SAMPLE ACTIVITIES, TOOLS AND TECHNIQUES

IN-DEPTH INTERVIEWS Reaching out to the existing and potential customers to define and explain needs, motivations, opinions and desires.

ETHNOGRAPHIC RESEARCH (SHADOWING, PARTICIPATORY OBSERVATIONS) Observing people’s behaviour to understand the context and identify problem areas.

CULTURAL PROBES (USER DIARIES) Self-documenting people’s experiences to investigate the context, provoke novel perspectives and encourage discussion.

LEAD USER RESEARCH Approaching active or extreme users of a product, service or process to explore ideas that can be useful for others.

SERVICE SAFARIS (SITE VISITS) Using existing offerings to understand the context, build empathy with the customers and spot opportunities.

B PRINCIPLES AND MINDSETS

HUMAN-CENTRED APPROACH Using proven techniques for engaging directly with people to explore their context and ensure customer relevance.

HOLISTIC PERSPECTIVE Supplying external perspectives and rich insights to build complex understanding of the context surrounding the business challenge.

INTERPRETATION & SYNTHESIS Harmonising conflicting viewpoints and contradictory data to interpret real people’s needs.

EVIDENCING & EXPERIMENTATION Assembling hybrid insights and creating design expressions to cross-validate data, communicate insights and persuade.

ITERATION Challenging the assumptions outlined in the problem statement to unravel hidden dimensions with knowledge of people.

C INPUTS AND OUTPUTS

TREND REPORT Review of changes in people’s behaviours, perception of value, use of technologies, and consumer preferences.

PERSONAS (CHARACTER PROFILES) Composite, fictional, detailed descriptions of the relevant customer groups according to their context, problems, attitudes and pain-points.

CUSTOMER JOURNEY AND EXPERIENCE MAPS Detailed graphs representing customer interactions with a product, service or brand from an initial contact through a continuous relationship.

STRATEGIC THEMES Essential topics in the findings with a potential impact on the solution, grouped based on their mutual relationships.

DESIGN DRIVERS Critical information and descriptive rationale setting a direction for differentiation and business growth.

D OUTCOMES

DESIGN BRIEF Document providing a clear definition of a fundamental challenge along with the abstract but actionable guidelines for creating solutions. Outlining goals and constraints, serves as a reference for assessing competing ideas.

1 See d.school, 2010.
Business design clearly seeks to integrate two fundamental perspectives on strategy. The inside-out approach, traditionally dominant in strategy consulting, starts with organisation and customer needs, attributes of value, drivers of behaviour, and perception of competitive offerings (see Spekman & Kotler, 2005/2010). The integrated perspective is supported by a distinctive approach to developing insights. In this matter, strategists continuously stress that advanced analytics and data — even when it is ‘big’ — do not automatically translate into intimate understanding of the customers. Market research remains efficient for shaping unbiased representations, reporting explicit opinions and describing behaviours, but often fails to uncover extreme cases, tap on tacit knowledge, and, most
Immerse, Discover, Define: Business Insight

Examining the organisation, emerging trends and viable patterns of innovation to overcome ambiguity and outline the opportunity space.

**A SAMPLE ACTIVITIES, TOOLS AND TECHNIQUES**

**COMPETITIVE ANALYSIS** Assessing competitive landscape and exploring innovation across industries to synthesise patterns and forecast trends.

**DISCOVERY INTERVIEWS AND WORKSHOPS** Enrolling decision-makers, business owners and various staff to explore goals, offerings and circumstances.

**ETHNOGRAPHIC RESEARCH (PROBES AND OBSERVATIONS)** Immersing in routines of personnel, documenting activities, tasks and workflows to identify voids.

**ANALYTICS AND BENCHMARKING** Gathering measurements to set a baseline and evaluate current performance in various aspects.

**EXPERT INTERVIEWS** Approaching practitioners and researchers to gather how-knons and insights or to evaluate the existing offerings.

**B PRINCIPLES AND MINDSETS**

**HUMAN-CENTRED APPROACH** Emphasising with stakeholders to understand the business and organisational context.

**COLLABORATION** Engaging an array of participants — from grassroots to executives — to ensure process agility with faster decision making.

**HOLISTIC PERSPECTIVE** Looking beyond established business boundaries and mental models to identify flaws and inconsistencies, consider a total value ecosystem, and find inspiration in unconventional sources.

**INTERPRETATION & SYNTHESIS** Anticipating trends, generating patterns and drawing scenario plans to reframe the question and determine possibilities.

**EVIDENCING & EXPERIMENTATION** Creating tangible design expressions to ensure a productive discussion within an extended set of stakeholders.

**C INPUTS AND OUTPUTS**

**TRENDS AND BENCHMARK** Success cases across industries providing a point of reference and presenting patterns of thinking and operating.

**VALUE CHAIN** Diagram of the value-adding processes and activities, including production, marketing and after-sales services, to identify areas for improvement.

**CUSTOMER LIFE-CYCLE MAP** Visualisation of the overall relationship with the customers, from consideration through termination, to define gaps and opportunities.

**PORTFOLIO MAP** Graph of the existing products, services and patents to identify mutual relationships and a potential for further development.

**BUSINESS DRIVERS** Factors crucial for gaining sustainable competitive advantage and business success, including resources, conditions, and values.

**D OUTCOMES**

**STRATEGIC FORESIGHT** Alternative scenarios and potential changes in customer behaviour, competitive landscape, technologies and business environment which have implications on the solution and future strategy.
EXHIBIT 6  Originally created by Dave Gray, an empathy map is a collaborative tool for gathering in-depth knowledge about the customers, synthesising observations and drawing out insights. Depending on the nature of the project, the four quadrants on top of the layout may represent what people say and do (observed actions and behaviours along with defining quotes), think and feel (assumptions about the subject’s thoughts, beliefs and emotions), see and hear (objects and people in the environment). The two additional segments on the bottom define customer pains (fears, frustrations and obstacles) and gains (needs, goals and measures of success).

importantly, reveal critical action points (Kolko, 2011). In contrast, design research aims for in-depth, qualitative insights, addressing people’s thoughts, emotions and motivations, along with daily interactions with the world. Ethnographic techniques, central to the service design methodology, shapes a holistic picture of the customers, recognising that not all their needs can be clearly articulated by people, while some remain hidden even from them (Figure 28A). An empathy map (Exhibit 6), supplementary tool used in customer research, illustrates the point by distinguishing between what people think, feel, say and do — and pointing at possible mismatches among the segments.

Another set of activities in discovery is related to competitive analysis. Immersing in ‘service safaris’ by using existing product and visiting sites helps to explore experiences, identify success factors and test hypotheses. However, as benchmark against best practices remains relevant (so does swot analysis), the studies seldom focus solely on the client’s market. On top of it, significant effort is spent to explore innovation across industries, synthesise patterns, define trends, and identify relevant alternatives — implementable, scalable and cost-effective.

Finally, acknowledging that innovation builds on the strengths of the organisation draws attention to its goals, settings and potential internal barriers for innovation (Interviews C, E and F). Ethnographic methods become useful for reaching out to business leaders, product owners and staff, including front-line personnel (Figure 29A). The studies concentrate on objectives, priorities and expectations, examine existing ideas for tackling the challenge, build on know-hows and identify flaws in routines — even if they are not recognised by the participants. On the organisational level, the focus is placed on the core competence and technology, existing portfolio and ways of operating, partners and customer base, institutional settings and ‘corporate DNA’ — visions, values, and sense of purpose defining the company’s culture.

Due to the composite focus on customers, organisation and markets, discovery is usually seen as the most divergent phase of the design process. However, as an array of studies seek to uncover unanticipated insights, deep-held desires, flaws and inconsistencies, only a small portion of them comes directly from the field. To gain strong business value, a selection of incidents, photographs and quotes needs to be developed further by defining reasons behind the observed behaviour (Figures 28A and 29B). “Insight needs to uncover a dilemma — the difference between the current way of things and the ideal situation,” explains the consultant experienced in design research. “Highlighting this tension is the first step in defining business opportunities and potential ways to act on insights” [Interview F].

In parallel, human stories from customer research are complemented with quantitative data points to demonstrate their potential impact. In order to become actionable, each topic is supported with raw idea seeds or specific potential applications. While none of them guarantee ultimate success, they set grounds for translating insights into business opportunities and defining which resonate with markets the strongest (Seemann, 2012).

A body of knowledge about the customers’ context, needs and desires forms personas (Figure 28C). Unlike archetypes, broadly describing customer groups based on their initial understanding, personas build on the research outcomes. Using personal details and photographs allows to put a human face on the qualitative data and share insights in an easily identifiable and understandable format. In addition, maps of physical and emotional ‘journeys’ are used for synthesising and visualising the customer’s progress through the experience around the product,
**PHASE THREE**

**Ideate and Concept**

Producing ideas and developing concepts to create meaningful value for stakeholders and seize business opportunities.

<table>
<thead>
<tr>
<th><strong>A</strong> SAMPLE ACTIVITIES, TOOLS AND TECHNIQUES</th>
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<tbody>
<tr>
<td><strong>IDEATION (BRAINSTORMING)</strong> Generating and capturing raw idea seeds and opportunities for solving the reframed problem.</td>
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<tr>
<td><strong>BACKCASTING</strong> Defining a desirable future state and identifying key intermediate steps required for attaining the goal.</td>
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<tr>
<td><strong>CO-CREATION</strong> Enrolling stakeholders, including customers, personnel and partners, in facilitated workshops to identify possibilities and discover alternative solutions.</td>
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<th><strong>B</strong> PRINCIPLES AND MINDSETS</th>
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<tbody>
<tr>
<td><strong>CREATIVITY</strong> Exploring possibilities, envisioning the desired future, and creating novel concepts.</td>
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<tr>
<td><strong>HUMAN-CENTRED APPROACH</strong> Seeking to delight consumers and connect to stakeholders for ensuring customer relevance and building commitment across the ecosystem.</td>
</tr>
<tr>
<td><strong>COLLABORATION</strong> Embracing diversity to leverage various approaches and toolsets, examine a broad range of possibilities, and create ownership over the designed concepts.</td>
</tr>
<tr>
<td><strong>HOLISTIC PERSPECTIVE</strong> Discovering hidden dimensions of the problem and steps required for realisation of the potential solutions.</td>
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<tr>
<td><strong>INTERPRETATION &amp; SYNTHESIS</strong> Connecting disparate elements and models to spark imagination and assemble novel solutions.</td>
</tr>
<tr>
<td><strong>EVIDENCING &amp; EXPERIMENTATION</strong> Creating design expressions and compelling narratives to inspire the teams, match with expectations, gain clarity and buy-in around the solution.</td>
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<th><strong>C</strong> INPUTS AND OUTPUTS</th>
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<tr>
<td><strong>IDEA CATALOGUE (OPPORTUNITY LOG)</strong> Full list of ideas generated during the project for further analysis, assessment, conception and road-mapping.</td>
</tr>
<tr>
<td><strong>DESIGN CONCEPTS</strong> Elaborated ideas and opportunities describing and explaining how the value is created for a variety of parties in the business ecosystem.</td>
</tr>
<tr>
<td><strong>DECISION MATRIX (VALUE MATRIX)</strong> Visual diagram of the clustered opportunities, aligned with the business objectives, to support the following stages of the design process.</td>
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<th><strong>D</strong> OUTCOMES</th>
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<tr>
<td><strong>VALUE PROPOSITION</strong> Statement or visual model clearly defining benefits created by the solution — product, service or brand — and offered to the customers in response to their needs, tasks, desires, expectations, and negative aspects of the current experience.¹</td>
</tr>
<tr>
<td><strong>CUSTOMER STORY</strong> Use case scenario describing a future situation in the context of designed offering. Videos and other rich media help to make the stories more compelling and persuasive, evolve thinking, create internal buy-in and enable discussion with the stakeholders about potential of the concepts.</td>
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¹ See Osterwalder et al., 2014.
service or brand. Starting from an initial awareness, customer journey maps spread across main interaction points, helping to identify potential breakdowns, or ‘pain-points’, and well-performing areas, or ‘magic moments’.

Analysis of the current performance also draw from quantitative metrics sourcing from client’s own analyses, market intelligence and ad hoc assessments. Measures provide a basis for evaluating customer experience, operational efficiency, and organisation’s readiness for innovation — cultural, structural and procedural alike. Useful for recognising opportunities and making practical decisions on project scope and timeline, they can also be used for benchmarking (Figure 29c). Recently released by Fjord, Love Index is an example of a system for informing design decisions based on measured customer attitudes along five dimensions: fun, relevant, engaging, social, helpful (Nayak, 2016).

Making sense of and synthesising insights results in new ways to frame a meaningful challenge and the opportunity space (Figures 28d and 28e). Strategic foresight, delivered at the end of the phase, combines insights with hard facts to describe and explain trends, define alternative scenarios and identify drivers for growth and differentiation. In addition, a design brief is concerned with a clear definition of the problem, broad potential direction and actionable guidelines.

Conception

Innovation initiatives encourage creating options with a potential to make a significant impact and provide better ROI, rather than delivering mere incremental improvements. Whereas opportunities surface throughout the entire design process, the dedicated generative sessions aim to produce as many ideas as possible, in a bid to translate the quantity into the quality with further assessment and development (Figure 30a). The mass of data points and synthesised insights from discovery sets the foundation for quick and effective generation of solutions. “Design process in general is... a very good and working formula,” tells the senior service designer. “Background research is there to inspire your thinking and look at the problem from different perspectives” [Interview D]. “Without proper background knowledge, you may have obvious ideas, and workshops become more of doctor-patient sessions,” adds another service design consultant [Interview E].

Similarly to the rest of the process, collaboration with the stakeholders in conception drives diversity of perspectives and yields richness of ideas. It also builds up ownership within the core team and across the organisation (Figure 30b). “There is a better chance that ideas will fit best if you ideate with the client,” explains the service designer experienced in co-creation. “People may not have a mental buy-in for ideas coming from outside an organisation. Whenever ideas have to be spread within the company or need funding for realisation, it’s always good that people feel like it’s something they created, not something consultants told them to do. It is essential for from the agency point of view to involve the client as much as possible, so that they thrive the project internally when you are not there to do it” [Interview D].

However, difference in backgrounds and personal attitudes among the participants can elevate the challenge in co-creation. In this light, skilful facilitation stimulates transparency of the discussion, upholds a balance of viewpoints and upholds the constant flow of ideas. "For me, facilitator is, above all else, a psychologist," says the director at the design firm. “The very definition of facilitation is supporting processes and making them to run smoother. [...] When it comes to activating the potential of a group or an individual, you need to be able to understand person’s position and accept it” [Interview B].

Seeking to break out of the existing patterns of thinking and promote creativity, design professionals have developed countless techniques, methodologies, and guidelines. Some of them suggest bringing together no more than twelve participants for no longer than an hour — with an option to involve more participants in further sessions (Design Council, 2014). The set of principles, such as “Remain focused” and “Defer judgement”, seeks to make ideation more productive (d.school, 2010). Sketching, visualising ideas and creating simple mockups enables everyone to follow the progress and keep the conversation on topic. Verbal cues are important for setting the right posture towards the work: using the conjunction ‘yes-and’, instead of ‘yes-but’, allows to build on ideas of the others. Provoking questions starting with How might we, alongside synthesised insights, are used to avoid prescriptive
**PHASE FOUR**  
**Prototype and Validate**

Producing models of complex issues and building prototypes to ensure resonance with the stakeholders and support the investment decision.

### A Sample Activities, Tools and Techniques

**Validation Workshops** Enrolling stakeholders into participative sessions to explore and advance concepts, test their viability and develop associated business models.

**Service Walkthroughs** Creating simple physical models of an environment, process or system to understand main flows and interactions.

**Product and Experience Prototyping** Building a model of the selected ideas or simulating service scenarios with physical props. Inviting customers and personnel in small-scale tests by manipulating building blocks of the model to revise underlying principles, identify potential issues, refine details of form and function.

### B Principles and Mindsets

**Human-Centred Approach** Focusing on value exchange across the ecosystem to align activities, processes and relationships.

**Collaboration** Involving stakeholders to assess trade-offs, identify significant opportunities, and ensure resonance with needs and expectations.

**Interpretation & Synthesis** Orchestrating touchpoints, synchronising systems, integrating gaps and silos to smoothen the customer experience and refine business processes.

**Evidencing & Experimentation** Modelling and prototyping various aspects of the business to explore opportunities, communicate, evaluate and shape a shared strategic vision.

**Iteration** Short and rapid feedback cycles to learn and improve the solution before the roll-out, mitigate the risk of failure and build competence for resolving potential issues.

### C Inputs and Outputs

**Business Case** Justification for the proposed project, including measures of financial performance to gain funding.

**Return on Investment (ROI) Model** Estimating the sizeable outlay of funds in lights of the revenues and profits expected to be generated in the future.

**Ecosystem Map** A diagram of potential and existing relationships between the business and involved parties, including partners and suppliers, and regulators.

**Proof of Concept** Prototype demonstrating feasibility of the concept and its business potential along with initial customer feedback.

### D Outcomes

**Business Model** Concise visual model arranging and describing the core elements of business, including value offering, customer segments, operations and financials:

**Service Blueprint** Detailed representation of the service, including its behind the scenes parts, to demonstrate operational complexity, define and communicate everyone’s role in delivering coherent customer experience.

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1 See Osterwalder & Pigneur, 2010.
2 See Adaptive Path, 2016.
approach: “How might we help John Persona to solve the problem zero?”

Similarly to insight synthesis, a large volume of ideas produced around the particular topic is grouped into themes and prioritised (Figure 30c). If in some cases, participants can select ideas by voting, assessment is more typically conducted against pre-defined criteria. Apart from the specific goals from the design brief, general factors for evaluation include business benefits, cost, feasibility, scalability and experience factors. The selected ideas are further developed into composite, sophisticated design concepts describing their multiple aspects, mutual relationships, potential and value. In addition, a catalogue of all ideas generated in the creative sessions is compiled for further revision and roadmapping.

Conception aims to articulate value proposition—a clear message explaining how solution solves customers’ problems and satisfy their needs (Figure 30d). The value proposition canvas (Exhibit 7), recent design-inspired tool, helps to map out the fit between customers’ needs and pain-points with different aspects of the offering (Osterwalder et al., 2014).

The set of concepts is normally wrapped in a customer story illustrating the solution in the context of real-life use. Building on personas with related insights and using customer experience as a storyline, scenarios communicate the vision, consistent direction and specific use cases. Creating shared view around critical aspects of the solution, stories enable meaningful conversation and help to evaluate the concepts.

Validation

The creative engine of the design process is often presented as a series of continuous cycles spanning ideation, prototyping and testing. By making a shift from linear practices, the iterative design approach aims to perfect the solution from initial concept through final delivery. Multiple variations of the model differ in selection and order of stages, set and pace of activity. Often associated with Google Ventures, the design sprint is an example of a lean, cyclical five-day model for addressing business challenges through design, prototyping and testing with users (Knapp et al., 2016, see also Banfield et al., 2016).

Across the design specialisms, prototyping takes several forms, normally concerned with building low-fidelity models of products, services and environments. The business design methodology takes the logic further, suggesting that every aspect of the business can be prototyped and tested (Figure 31b). A toolset labelled business prototyping covers approaches to parallel modelling and validation of the offering, associated business model and customer experience around it. If creating the ‘minimum viable products’ (MVPs) with just enough features helps to revise underlying assumptions and ensure resonance with the stakeholders, modelling the intangible aspects of the business pursue ‘minimum viable clarity’ — a coherent vision of messy problems, complex processes and solutions (Interviews E and F).

Unlike piloting and beta-versions in the latter stages, the main purpose of prototypes is to reduce risk of a strategic initiative by learning quickly and refining solutions. As the cost of an extra iteration is marginal compared to changes during production, deployment or organisational change — not to mention a failure after the launch, — prototyping ‘often, cheap and ugly’ becomes the thrust that drives the design process from the day one (Design Council, 2014).

Service design methodology provides a set of techniques for evaluating feasibility and potential of business concepts, processes and experiences. Small-scale models with simple props
PHASE FIVE

Roadmap and Implement

Gathering a corporate sign-off, drawing pragmatic action plans and aligning the organisation to bring the solution to the market with maximum impact.

FUNCTIONAL STRATEGIES
Goals and directions set for various functional areas, including new product development, brand management, and marketing.

KEY PERFORMANCE INDICATORS (KPIS)
Actionable targets, along with related metrics and measurement systems, for assessing performance and evaluating business success of the solution.

BUSINESS STRATEGY
Goals and actionable plans for delivering the offering to the market and ensuring its future growth.

ORGANISATION DESIGN
Configuration coordinating work required for delivering the value, along with people, formal arrangements, informal values, and behavioural norms.

ROADMAP
High-level timeline with the plan for implementing a strategic initiative, internal roadblocks, required resources and capabilities.

CHANGE MANAGEMENT PLAN
Directives coordinating transition of both the people and business side of the change — individuals, teams, resources, processes, budgets and operational models — for achieving strategic and operational goals.

— often paper or Lego Figures — prove helpful for walking through common service scenarios and relationships between the involved parties (Figure 31A). More advanced experience prototypes usually combine physical mockups with elements of role-play for recreating, or staging, both frontline experiences and back-stage operations with a small number of customers and staff.

In the business aspects, the focus on value chains is increasingly getting supplemented by the perspective on business ecosystems — networks of parties interacting with one another in order to deliver value to the customers. The new approach is looking to stretch beyond traditional supplier-customer relationships, emphasising that offerings are now based on combinations of products and services provided by a number of parties: profit and non-profit organisations, public and private entities, regulatory institutions, and even individuals. Mapping ecosystems helps to explore partnership opportunities and ensure that the offering is capable of delivering sustainable value for all members of the network.

The validation process also includes developing business models — high-level blueprints describing core logic behind creating and capturing value (Figure 31D). Created by Alexander Osterwalder, the business model canvas (Exhibit 8) is a template of nine building blocks describing essential elements of the business, including its unique value proposition, key customers, undertaken activities, and a profit model (Osterwalder & Pigneur, 2009/2010). Designed to be filled out in a facilitated workshop, the framework builds on the case studies and patterns synthesised in discovery, some of which may require further development. The visual form allows to document options, validate their internal coordination and ensure mutual alignment. Zooming in on different elements helps to refine various aspects of the business, including cash flow, supply chain, product-market fit, and communications.

The mapping activities extend to the validation phase with creating service blueprints. A tool with a long history in marketing resembles journey maps and is typically based on one. Blueprints visualise the solutions by connecting customer goals and actions at each touchpoint with their physical evidence, such as email, paper receipt or navigation signage. Each point is also linked to activities at the service backstage, invisible for the customers, and events across supporting functions (Adaptive Path, 2016). Similarly to journey maps, blueprints provide a framework for iterative development of the offering and are ideally created in collaboration with the client. If at earlier moments, the visual tool is helpful for identifying areas to prototype and improve, it becomes instrumental later in coordinating work of different functions and avoiding siloed units. The structure of the layout reflects the underlying approach to organisation design: customer experience is given a higher priority over internal processes, production cycles and KPIs (Live-work Studio website).

Roadmap and implementation

A range of outcomes produced over the design process has a significant strategic value: aligned executive perspectives articulate corporate ambitions and goals, design brief outlines product or service strategy, customer insights and experience maps support branding and communications. Whereas the offering is being shaped through continuous iterations and assessment, the final phase seeks to gain a final approval, articulate business strategy, ensure its operationality and draw actionable execution plans.

As pilot campaigns are organised to acid-test the solution in close to real setting and gather customer feedback, a series of workshops with the steering committee are set up to shape high-
Aiming to prioritise opportunities and provide guidance for implementation, activities in the final phase draw from the earlier outputs: catalogue of ideas supports roadmaps, business models set basis for coherent business strategy, service blueprints yield seamless organisation design. While some firms develop own toolkits for strategy sessions, the majority of frameworks include similar core elements: goals, value offering, management systems, and measurements (Figure 32d). The strategy choice cascade (Exhibit 9) approaches the task with a set of five integrated and coordinated choices to outline both the chosen strategic direction and associated organisation design (Lafley & Martin, 2013).

Involving leadership aims to bring coordination among functions, processes and management systems by identifying resources that are currently in place with the ones required for delivering the value (Figure 32b). Reconciliation of flaws and conflicts is looking to align the organisation and leverage new strategy (Oliver Wyman, 1998a, 1998b, Lafley & Martin, 2013). In addition, previously defined measures and targets are finalised, approved by senior management and translated into special sets for different units for assessing progress of the solution and its business success (Figure 32c). While establishing new operational practices and partnerships is common for innovation projects, some of them may even require setting up a new venture. “What clients often don’t realise [when they approach us], is that designing and building solutions isn’t enough,” tells the principal at the design and development firm. “We need to reorganise the client business, so that the product or service they deliver to the market is aligned with the vision, teams and capabilities they have internally. This is where business design comes in very strongly now” [Interview C].

Implementation often becomes the most extensive phase of the process, involving an array of specialists for long periods of time. Depending on the project scope and specialisation of the consulting firm, implementation can cover multiple aspects of the new offering, including detailed design, product development, and functional strategies. The firms seek to maintain continuous engagements with the clients — by evaluating the results reached either with an MVP or full-scale launch, adjustments and implementing the plans reflected in the roadmap (Interviews C and F). Besides, as many projects require reshaping the organisation, design firms continue to develop processes and tools for assisting clients in transition and realisation of the change.

Another growing focus of the design firms is training and driving cultural change in organisations. As design thinking becomes better acknowledged in various industries, businesses seek to incorporate its methods and principles into the core competence. “If you’re mature enough, you realise that you need these capabilities in-house. So agency has a slightly different role,” explains the design director with the international consultancy. “We get to ask less to build and we get to ask more to help them [clients] to do it themselves” [Interview C]. Another consultant adds: “Design thinking goes beyond the natural habitat of the designers. We see how common it’s getting today for design agencies to educate managers about the user-centred approach and design tools. And it’s completely different job. It’s about changing people’s mindset and behaviour” [Interview F].
**Principles and mindsets**

While executives strive new ways to embody creative leadership, *creativity* is sometimes overlooked in the design-led practices — perhaps, being taken as granted. However, the creative capacity of the design professionals and their hands-on toolset remain highly valuable in assisting clients to cope with uncertainty, solve complex problem, and search for innovative solutions. By breaking out the established mental patterns, design thinking aims to find inspiration in unorthodox insights and envision the future. Linking creativity to innovation presents design as an interface to generative thinking: “Design... shapes ideas to become practical and attractive propositions for users or customers. Design may be described as creativity deployed to a specific end” (Cox, 2005, p. 2). Applied to strategic challenges, the design approach enables a shift from occasional brainstorming sessions to a streamlined creative process powered by the proven and tested methodology.

In parallel, the tools and techniques of design thinking, centring around empathy, build grounds for the *human-centred approach* in strategy. Providing pragmatic ways to engage with people, design toolkit empowers strategists to hear the voice of consumer and maintain customer relevance. On a bigger scale, reaching out to the stakeholders both across and outside the enterprise yields clear definition of everyone’s ambitions, goals, and expectations, integrating them as inputs in the process and aligning in the resulting strategies. Intending to create meaningful value for the entire business ecosystem, the approach ultimately makes business scalable and future-proof.

The human-centred approach hinges on close collaboration with extended, multidisciplinary groups. Cooperation with the stakeholders in the design process serves a great array of purposes: helps to leverage diverse perspectives and skill-sets, increases variety of ideas, promotes faster learning and decision-making, stimulates ownership and commitment to the results. In turn, critical role of seamless collaboration — both within the teams and with the clients — increases demand for complex competence of the consultants, spanning both business and design aspects. It also emphasises the role of facilitation in design practice for engaging participants, forming common understanding and ensuring alignment of views.

The need for complex understanding of the problems puts a premium on fresh views and external knowledge. *Holistic perspective* on the customers, organisation and markets is critical for seeing the bigger picture through granularity and fleshing out emerging opportunities — by identifying gaps in systems and processes, silos between functions, and white space in ecosystems. Maintaining complex perspective ensures that neither customer value, nor business model is sacrificed during the process.

While rich knowledge is valuable for framing the challenge, an ability to interpret various, and often conflicting, viewpoints and integrate contradictory data points are critical for redefining problems and finding solutions. Interpreting data and synthesising insights helps to connect the unconnected by defining real needs, looking beyond the existing business boundaries and generating patterns. Recognising that many novel solutions are grounded in known elements makes integrative thinking another critical component in the business design mix providing highest leverage in problem solving.

Creating visual and tangible expressions is helpful across the widest range of tasks: explaining insights, transferring knowledge, testing assumptions and envisioning strategies. Evidencing with design artefacts enables real world feedback, ensures more relevant outcomes and creates ownership. Experimenting with prototypes and models of intangible aspects of business helps to overcome ambiguity and de-risk the effort. On top of it, storytelling becomes into an essential design skill: assembling personas and creating compelling narratives provide a digestible format for understanding the customers, their context, multiple aspects of the solution and everyone’s role in creating value.

In parallel, the tangible design expressions help to continuously challenge assumptions, adapt to emerging issues, and perfect the solutions before the launch on the industrial scale. By facilitating the continuous dialogue across the end-to-end process, the artefacts help to avoid early commitment to unviable concepts and upholds confidence in the tested concepts. Stimulating interactive approach and iterations empowers strategists to identify, incorporate and seize opportunities as they unfold.
Formulated in the 1980–1990, Porter’s views on strategy remain largely relevant today: sustainable competitive advantage as a major concern of senior management highlights the importance of ongoing innovation for differentiation and survival of a company. There is, however, an ongoing dispute among theorists and practitioners alike on how to shape solid, winning strategies (Markides, 1999b, O’Shannasy, 1999). More conventional views consider the process scientific; they argue that logic, analysis and rigour are best suited for the task, and only deliberate planning, followed by implementation, can be considered strategic behaviour. On the contrary, a more recent stream emphasises the value of creativity for generating innovative solutions along a messy, fragmented and iterative process of strategy making.

Equating strategy with solving wicked problems explains uniqueness and complexity of the challenge. Grounded in countless causes, strategic problems are difficult or impossible to describe and have neither precedent nor single right answer (Rittel & Webber, 1973). Solving them requires a fundamentally different methodology, where problem understanding becomes central and solutions evolve in continuous cycles of invention, experimentation and learning (Conklin, 2005). Nonlinear and creative approaches aim to avoid ‘analysis paralysis’, establishing an organisation’s ability to learn and innovate as its greatest competitive advantage.

The same agenda emerges strongly in the practice of management, as businesses all over the globe put accent on innovation. Apart from making clear strategic choices, business leaders are now concerned with generating ideas and experimenting — the job for which scientific management and rational analysis have proven insufficient. Looking for ways to confront escalating complexity, executives turn to creativity for developing breakthrough strategies and transforming business models (IBM, 2010).

Yet, as opponents of conventional strategic planning widely criticise it for bias towards analytical thinking and formal practices, the creativity imperative does not dismiss the traditional views on strategy, let along substitute analysis and business rigour. Having strong advocates with undoubtable arguments, the perspectives favouring logical thinking and strategic planning promote timeless values: consistency, coordination, direction and commitment (De Wit & Meyer, 2014). While the conflicting views on the opposite poles add to the richness of the discourse, they also uncover another dimension of strategic ‘paradoxes’. This turns the academic discussion into something bigger — a reflection of the demands for partly incompatible practices, mindsets and skills. Articulating the need to constructively face the tension between opposing models and generate creative resolutions upon them, Martin (2009b, 2009) finds the remedy in design thinking, defining it as a productive mix of analysis and intuition.

Arising from the half-century-old enquiries into designerly ways of knowing, the concept of design thinking surfaced in the business realm in the mid-2000s, building on the idea of wicked problems and presenting novel problem-solving frameworks (Hassi & Laakso, 2011, Liedtka, 2015). The value of the design thinking becomes more apparent when problem ‘wickedness’ is considered a function of social complexity: the more diverse a group of involved stakeholders and the greater disagreement among them, the more wicked the problem (Conklin, 2005). Similarly in strategy: vague, incomplete and changing requirements, conflicting priorities and subjective perspectives increase the challenge to the level, where it cannot be resolved by a linear sequence of steps (Camillus, 2008, 2016). Search for the answer becomes a fundamentally social process intended to engage the participants and reach shared understanding. In this context, design thinking appears as an opportunity-driven approach to problem solving outlined back in the 1970s (Rittel, 1972).

On a bigger scale, the perception of design is changing dramatically across industries — from a local, tactic and cosmetic function to a strategic asset affecting shareholder value. Emerging in the 1960–1970s, three separate streams of design, innovation and strategy tie together at the beginning of the new century, emphasising that design can — and does — operate within the increasingly versatile and complex field: from constructing forms and creating experiences to improving operations and crafting strategies (Johansson & Woodilla, 2009). Applied at the leadership level, design focuses on decision making
Discussion

While the existing literature exploring the blend of strategy and design remains thin, it provides ground for inspecting the variety of views and evolution of ideas. In the late 1990s, Slywotzky’s strategy-led arguments highlighted the growing focus on the customers, appealing to creativity rather tangentially (Slywotzky & Morrison, 1997/2007). Acknowledging the need to develop customer insights, generate options and select the most promising ones, the model focuses on the content of resulting strategies, rather than the process of their formation. In just a few years, an array of scholars, executives and consultants inspired by design addressed the agenda formulated in strategy with a more pragmatic approach (Carlopio, 2010, Liedtka & Ogilvie, 2011, Fraser, 2012). Design thinking is portrayed as an aid for making a substantial shift from the view of the customers as statistical data points to more holistic and intimate understanding of people within the surrounding context. Besides, involving other ‘enablers and influencers’ in strategy making is seen valuable for embracing diversity of views and generating richer solutions. More recently, Sniukas and colleagues (2016) made a distinction between three major groups — customers, internal stakeholders and parties across the business ecosystem. Here, strategy formation is looking for an equilibrium between the people’s needs and organisational strengths, reconcile potential conflicts and create benefits for the collaborators within the company’s value network.

Dismissing Slywotzky’s preassembled profitability patterns as undermining innovation (Carlopio, 2010, p. 67), the design-led frameworks present the process-driven approach. Here, the design process is considered beneficial for developing strategies through continuous feedback loops and dynamic iteration cycles. Whereas Fraser (2012) suggested to integrate the three core elements of business design for enhancing strategic practices in the organisation, the consequential models (Carlopio, 2010, Liedtka & Ogilvie, 2011, Sniukas et al., 2016) attempted to describe a neater progression of distinct steps. The scope of the process is continuously extending: if Carlopio’s (2011) framework links an initial challenge at the beginning with evaluation and selection of the concepts in the end, Lidtka and Ogilvie (2012) added demo launch, and Sniukas and associates (2016) made another step ahead, into scaling solutions in the market. For all their clarity, the linear models acknowledge their main flaw — inability to fully grasp the fragmented and messy design process with its emphasis on repeating activities and reutilising outputs along the way (ibid.; see also Collins, 2013).

The suggestion to export designers’ toolbox to management practice is at the cornerstone of the design-led models. Complementing SWOT analysis, ROI models, and value chain, design brings about ethnographic methods,
Business Design

INTEGRATED FRAMEWORK FOR STRATEGY PRACTICE IN INNOVATION CONSULTING

A B PROCESS MODEL AND METHODS

1. ALIGNMENT
Engaging stakeholders to confirm commitment, crystallise vision, and mobilise efforts.
CORE ACTIVITIES Bringing decision-makers together to explore and align perspectives, shape common view and scope out the challenge.
OUTCOMES Initial problem statement and project agreement formalising practical issues.

2. DISCOVERY
Building complex understanding of the context to reframe the problem and outline the opportunity space.
CORE ACTIVITIES Reaching out to the customers to define and explain needs and desires. Documenting activities, tasks and workflows to identify voids. Exploring innovation across industries to identify viable patterns and set a benchmark.
OUTCOMES Clear definition of a fundamental challenge along with actionable guidelines for creating solutions.

3. IDEATION
Generating multiple strategic options and developing concepts for creating value and sustainable business growth.
CORE ACTIVITIES Engaging various stakeholders to identify possibilities for solving the problem.
OUTCOMES Customer value proposition and use case scenario communicating multiple aspects of the potential solution.

4. VALIDATION
Creating models and building prototypes to ensure resonance with needs, goals and expectations.
CORE ACTIVITIES Involving stakeholders to explore and advance concepts, test their viability and develop associated business models.
OUTCOMES Refined business model around the future offering and service blueprint communicating operational complexity.

5. ROADMAP AND IMPLEMENTATION
Final tests and sign-off, planning for market delivery and future growth, execution and ongoing support.
CORE ACTIVITIES Engaging leadership to articulate core elements of strategy, including capabilities, resources and management systems.
OUTCOMES Strategy with associated organisation design, definition of internal roadblocks, targets and metrics for progressive measurements.

C PRINCIPLES AND MINDSETS

CREATIVITY Visionary thinking and capacity to generate novel concepts, design compelling value propositions and associated business models.

HUMAN-CENTRED APPROACH Connecting with various stakeholders, including customers, staff, and partners, to explore and align with needs, goals, and aspirations.

COLLABORATION Embracing diversity and cooperating within multi-disciplinary teams to enable quick learning and faster decision-making, create shared strategic vision and ownership.

HOLISTIC PERSPECTIVE Maintaining complex view of systems to overcome uncertainty, identify unseen connections, spot gaps, and see entire solutions through granularity.

INTERPRETATION & SYNTHESIS Integrating diverse inputs and balancing conflicting demands to look beyond obvious and refram the context.

EVIDENCING & EXPERIMENTATION Using visuals, models and stories to evolve thinking, prompt discussion, and inform decisions.

ITERATION Challenging assumptions, continuous testing, learning and perfecting solutions to seize unfolding opportunities. Tolerating failure as a the cost of innovation.
techniques for visualisation and prototyping (Liedtka & Ogilvie, 2011, Sniukas et al., 2016). Notably, design artefacts are seen through the lens of their pragmatic benefits for the innovation process: on top of building and transferring knowledge, generating, exploring and evaluating resulting solutions, design expressions stimulate experimentation, learning and mitigating risks of strategic initiatives (Hassi & Laakso, 2011, Liedtka, 2015).

The third integral aspect of the discipline is a set of principles and cognitive styles. If in Slywotzky’s model, creativity plays a rather peripheral role, the design-led approaches grant it central stage. Across the notions of invention, informed intuition and abductive reasoning, the authors emphasise importance of making a ‘leap of logic’ upon various points of reference. At the same time, neither creativity, nor analytical thinking alone is considered sufficient for delivering sustainable innovation. The main goal of the discipline is seen in finding the valuable balance between analysis and intuition, echoing Martin’s (2009) definition of design thinking placing it right at this intersection.

Previously suggested by Liedtka (2015), the triple process–tools–mindsets framework can be traced in the management literature exploring strategy by design. While the elements of the model are framed and described differently, the emphasis on the three essential elements arises strongly across the major accounts — especially the ones led by design thinking (Carlopio, 2010, Liedtka & Ogilvie, 2011, Fraser, 2012, Sniukas et al., 2016).

In the context of consultancy, business design is seen as an integrated practice on the both sides of the crossover between strategy and design. In business consulting, Nadler and Slywotzky (2010) witnessed reintegration of strategy, organisation, and change management — the three disciplines which had established as virtually indistinguishable, separated in the 1960s and afterwards grew sophisticated methodologies, knowledge bases and delivery models of their own. A multidisciplinary mix of tools, processes and competences is considered vital for increasing the relevance of business design for the today’s demand in consultancy driven by accelerated product lifecycles, increasingly global nature of business and growing frequency of discontinuances in the marketplace.

In design consultancy, business design gravitates towards the older — and clearly more established — discipline of service design, sharing with it a common process model, a set of tools, and principles. Besides, the two practices set complementing agendas: as strategists seek actionable ways to become more customer-oriented (e.g. Moser, Wenstrup and Slywotzky, 2007, Slywotzky & Morrison, 2007), principals at design agencies promote the business aspects and strategic value of service design (e.g. Esslinger, 2009, Polaine, Løvlie, Reason, 2013, Reason, Løvlie, Brand Flu, 2016). Although separation of the two disciplines can be expected with their maturity, any attempts to make a clear distinction between service design and business design today calls for simplification — suggesting, in particular, a stronger focus on people in the former and a complementary business or commercial focus in the latter (e.g. Lauder, 2016). In effect, some consultancies position business design as a part of the composite service design practice, while others pair them as a combo, and the third group places business design at the centre (see Aricò, 2015).

Regardless of the chosen setting, seamless integration of design methods with conventional tools in strategy is at heart of business design practice (Figure 33.4). Drawing from an array of proven tools across disciplines and inventing new ones enables the discipline to leverage both creativity and business rigour. Design brings about ethnographic techniques for building fundamental understanding of the customers early on in the process — at odds to establishing briefs in the beginning and conducting quantitative research, common in strategy and marketing consulting. Applied to a broader set of stakeholders, the approach brings together disparate groups of people, uncovers and aligns their positions. The distinctive nature of the facilitative approach manifests even stronger in light of the distinction between the task and process orientations in consultancy. Participation and collaboration between consultants and clients, previously stressed by the authors examining the specialised practices in both strategy and design (see accordingly Nadler & Slywotzky, 2010 and Kelley, 1999), echo the principles outlined by the business theorists in the 1980s (Lippitt & Lippitt, 1986, Schein, 1999), effectively linking the approach
to the original framework for tackling wicked problems that favours involvement and facilitation over unconditional expertise (Rittel, 1972).

As design firms established themselves as a vital source of domain knowledge in product and service development, communications, and marketing, a great share of value created by the specialised firms remains in process knowledge — strategies, rules and skills for acquiring, storing and using relevant information (Kelley, 1999, Seidel, 2000, Brown, 2005, Jacoby & Rodriguez, 2007, Calabretta et al., 2012, 2014, New & Kimbell, 2013, Brown & Martin, 2015). Inline with the views in both academia and strategy practice, it is evident that the role of an expert and knowledge broker in design consulting is enhanced by the focus on developing tailored insights, collaborative problem solving and organisational learning. Tangible design expressions become instrumental in facilitating the strategy process: by forming common understanding, communicating and transferring complex knowledge, the artefacts enable better alignment, more relevant outcomes, and faster decision making (Brown & Martin, 2015, see also Seidel, 2000, Weiss, 2002).

The productive use of the combo toolkit calls for particular mindsets balancing analysis and creativity (Figure 33c). In this matter, business design demonstrates the particular ways of applying creative methods to solving strategic problems. Maintaining a holistic view of complex systems and interpreting various inputs provide highest leverage in problem solving, emphasising that the key to innovation is not in finding solutions immediately, but in framing the right challenge first. Integrating rich banks of knowledge, mapping systems and creating narratives shape basis for informed decisions around strategic issues. Modelling and prototyping provide real-world feedback, serving as a vehicle for learning and dialogue. Iterative approach and experimentation help to develop strategies incrementally, incorporating unfolding knowledge and possibilities.

The seven elements in the selection reflect the difference between analytical, linear strategic planning and the iterative, integrative business design approach. The human-centred orientation enables a transition from making assumptions and predictions to verification with stakeholders — as well as from top-down formulating and implementing strategies to an inclusive and participative approach. Integrative thinking introduces a shift from collecting and analysing data to synthesising insights and recognising patterns, from narrow focus on organisational capabilities to holistic view of the context around the business challenge, and from linear problem solving to creative problem redefinition. While the outlined set of principles can be addressed in multiple ways — as thinking styles, attitudes or philosophies, — in consultancy, it is best considered as meta-competences which supplement knowledge and hard skills, enabling professionals to develop solutions resting on sound business models and strategies.

The process model is the third integral component of business design. Linking a vaguely defined and contradictory business challenge at the beginning of an assignment with implementation and change management at its crux, the five-phase model describes the holistic approach to strategy formation (Figure 33a). A blend of strategy and design makes up a coherent framework cutting across developing novel insights, generating alternatives, co-creating strategies, and delivering solutions to the market. Whereas the central section of the model is well described in the existing literature, the study draws attention to the two phases at both ends of the process as essential for external consultancy. Aligning executive positions in the initial phase of the engagement enables to initially frame the problem, introduce the client to the methodology and confirm commitment. Assisting implementation, enabling organisational change, ongoing support and training in the final phase aim to align organisations, deliver the solution to the market and ensure its growth. Within the consulting discourse, the holistic process model supports older arguments on the advancing roles of the consultants (Turner, 1981). In the industry, the end-to-end process spreading post-launch points at a recognised demand for consulting services — the seamless combination of advice and implementation (e.g. Argyris, 2000, Hari, 2011, Aricò, 2015).

An integrative approach, where various design and business issues addressed in parallel, enables critical agility of the practice (Carlopio, 2010, Nadler & Slywotz-
ky, 2010). Similar approaches are currently surfacing in the views suggesting rich synergies in combination of strategic management with the lean and agile methodologies (see Fixson & Rao, 2014, Collis, 2016).

However, the contradiction between the clearly defined, linear order of phases and integrated, iterative approach also possesses a challenge for consultancy. If the former are valuable for sales and marketing of consulting services as well as project management of the ongoing assignments, the latter is required for the effective use of the underlying design methodologies. Conducting design sprints remains a potential way to resolve the tension: a series of cycles uniting design, prototyping and testing helps to evolve the offering and implement strategies gradually (see Knapp et al., 2016). Another possibility emerges around parallel streamlining of the core process and developing modular, adjusted methodologies for the discontinuous change (see Nadler and Slywotzky, 2005).

At odds to the ‘one size fits all’ approach, this would enable aligning various consulting services with particular client needs. With expected maturity of the demand for business design, customer and business insight, for example, can be tailored to the need to develop strategic foresight, and validation techniques and methods — to testing market potential of the concepts developed by the client’s internal R&D function.

In sum, the empirical findings of the study confirm the hypothesis formulated based on the theoretical framework. Firstly, business design can be conceptualised through a three essential elements — process model, toolset and principles — as suggested earlier by Liedtka (2015). The combination of the disciplines and multidisciplinary collaboration aim to seamlessly integrate the design capabilities in the strategy process, promoting a more holistic and agile approach to innovation. The similar view is also reflected in the discussion on the nature and value of design thinking in specialised consultancy (e.g. Chhatpar, 2007, Schybergson & Evenson, 2016). Secondly, the current domain expertise in design consulting is complemented by the process knowledge and skills supporting facilitation of the problem-solving approach — exploring possibilities, generating options and validating their potential, followed by pragmatic implementation.

Implications

Aiming to conceptualise the consulting practice of business design, the study aligned the views in the business literature and linked the empirical outcomes to the composite theoretical framework. Operating at the crossroad of business strategy and design, the study has approached issues formulated in the academic discourse, while the insider research methodology has enabled contribution to the practice.

Firstly, addressing business design as a novel approach to strategic management contributes to development of a new toolkit for strategising grounded in the proven design methodology. Remaining an important goal of the contemporary discourse in strategy, this outcome is also relevant for the executives’ innovation agenda. At the same time, the notion of using design thinking for solving strategic problems fosters validating, expanding and exporting the practice field of design to strategic management. In this light, the study contributes to more holistic understanding of design’s value beyond core domain and its growing strategic role.

Secondly, aligning different viewpoints on business design discussed in the managerial literature and examining its discipline in light of the previous discourse connects the novel consulting practice to a holistic theoretical framework. Besides its clear relevance for the strategy discourse, this investigation is considered valuable for design theory, particularly in relation to the concept of design thinking.

Apart from it, conceptualising the consulting practice of business design through an end-to-end process model, selection of tools and mindsets has strong implications for strategists, external advisers and their clients. Building theory based on the lived experience contributes to growth and maturity of the discipline on the individual, firm and industry level. In parallel, it also provides insights into pragmatic aspects of the design approach to strategic assignments, exploring its essential principles, processes, methods and outcomes. In the academic discourse, the study contributes to exploring roles of management consultants, focused on the equilibrium between the expert and facilitatory orientations.
Limitations

Drawing on the nascent theory, requiring further development, the study faced a considerable number of limitations. Scarcity of the academic works exploring the application of design thinking to developing business strategies limited available methodology choices by qualitative enquires aiming to collect data for meaning and pattern identification. While the issue was addressed by linking the empirical outcomes with the holistic theoretical basis, it is important to acknowledge that both the scope and focus of the study were determined by the goal to develop theory gradually, in small steps (Eden & Huxham, 1996, Edmondson & McManus, 2007).

Selecting the matching research strategy and design, in turn, raised concerns over the relevance of the outcomes beyond the immediate research settings (Brannick & Coghlan, 2007). As the longevity of the study, supporting audit of the managerial literature, and exploratory interviews aim to conform to academic standards of rigour, research strategy possesses a challenge of its own. The combination of data capturing mechanisms fleshes out the potential flaws related to the conflicting roles, preexisting knowledge and personal stake of both the researcher and informants impacting both breadth, depth and objectivity of collected insights (Brannick & Coghlan, 2007, Coghlan & Brannick, 2014). The issue is complicated by extreme novelty of the business design practice: albeit reasonably claimed to be grounded in the proven methodology, it may still lack best practices covering the entire bundle of process, tools and principles.

In this matter, the study recognises that its empirical findings, building on the use of practice, have a limited potential for generalisation across design and innovation consultancy. Likewise, the accuracy of the developed process model is limited by the selected strategy for processing empirical data (Langley, 1999). In light of this, the described process model and tools are best considered as a high-level, modular framework supporting conceptualisation of the practice, rather than providing an exhaustive description. Similarly, the terminology used for describing the approach, drawing from a variety of disciplines, remains ambiguous and in different firms.

Further research

The limitations faced by the study open the wide horizons for further enquires spanning multiple academic fields and aspects of practice. Liedtka’s (2015) guides for studying design practice remain relevant, suggesting that business design can be examined in various organisational settings and team compositions. Aside from exploring the design-led consulting practice with universal focus and end-to-end scope, the discipline can be investigated in the context of strategy firms, internal consultancy and narrowly specialised service providers, such as digital shops. In line with the agenda established by the practice turn in both strategy and design (Whittington, 2006, Johnson et al., 2010, Liedtka, 2015), the narrower focus can be placed on specific stages and phases of the process model (such as insight studies or change management), particular activities (including alignment workshops and business prototyping), utilised tools (for example, customer journey maps or service blueprints) and produced artefacts (up to outcomes of ideation sessions). Another host of opportunities lies with studying the practice from the client perspective.

Options for studies are also shaped by expanding theoretical basis. On the strategic end, the scope can be extended to additional elements of the De Wit–Meyer (2014) three-dimensional model of strategy — particularly, opposing demands for radical and incremental change. Within the diverse discourse of design thinking, attention can be given to the recent streams, including creation of meanings and design-driven innovation (Krippendorff, 2005, Verganti, 2009). Finally, the stronger emphasis can be placed on the discourse of innovation, covering the notions of fuzzy front-end innovation and issues of collaboration.

At odds to establishing the relevance of business design for strategic management, the practice would also benefit from more critical perspectives, exploring limitations of the approach or investigating unsuccessful cases. Finally, with the maturity of the discipline, future studies may turn to a combination of the qualitative and quantitative means as a core methodology (Edmonson & McManus, 2007).


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