

FREE UP YOUR MIND TO FREE UP YOUR STRATEGY

By Martin Reeves, Julien Legrand, Jack Fuller, and Hen Lotan

RATES OF CHANGE IN business have never been so high: five-year EBIT margin volatility has jumped from 10% to 20% since the 1990s, and companies move through their business life cycles twice as fast today as they did in the early 1990s.

Companies therefore need to anticipate change. There is strong evidence that preemptive self-disruption is much more likely to be successful than involuntary disruption. But many forces mitigate against this, especially the conservatism and complacency that often follow success. Too often, when we need to be responsive to the environment, we end up following the same well-trodden paths in our processes and thinking.

We need the equivalent of a “fire starter”—something to kick-start our minds, to push us out of habitual process-driven ruts. We propose that well-designed games can serve this purpose, unlocking imagination and intelligence to take us to the starting line for developing great strategy.

Counterfactual Thinking

The idea of playing games in business may sound frivolous, but they can be a powerful tool to unlock a much-needed capacity: counterfactual thinking. Most of the time in business, we focus on the factual world—the dynamics that exist around us and the problems they raise. But it is sometimes vital to get away from what happens to be the case now (the factual) to consider imaginative possibilities (the counterfactual): the realm of what is not currently the case but could be.

Without counterfactual thinking, we become mentally and practically stuck. We focus only on exploiting the prevailing offering and business model instead of asking broader strategic questions: What other products and services could we develop? How could our company transform itself? What scenarios might throw us off course or offer new opportunities?

We need to provoke counterfactual thinking in order to explore, learn, and change.

Former IBM CEO Lou Gerstner pointed out two major barriers to substantial change in large companies: the failure to create a sense of urgency and the failure to address entrenched interests. Games help overcome both these barriers. First, because we are tuned to deal with what is most immediate to us, there is usually no urgency to contemplate new possibilities. But by putting daily demands on hold, games create a context where thinking counterfactually becomes the priority. As well as the permission they give, the competition and excitement of games drive a sense of urgency.

Second, it often seems pointless to imagine possibilities for change if you don't believe that they could ever happen, because of entrenched interests. Games address this barrier by creating an interaction in which entrenched interests are put aside, reducing the risk of suggesting new ideas. It is hard in a regular business meeting to ask hypothetically about transformation if the division head is sitting right there. In a game, you can playfully raise possibilities in a context that includes key stakeholders, but where everyone knows the thinking is exploratory.

Strategy Games

What are specific games we can play that will help us self-disrupt our thinking to get us to the starting line for constructing a creative strategy?

STRATEGY PALETTE

It is a common pitfall for companies to think of strategy too narrowly; the default is usually the classical “analyze, plan, and execute” approach. To explore a broader range of approaches, we created the Strategy Palette Game (available on [iOS](#) and [Android](#)). In this game, you operate a lemonade stand in various competitive environments and must adapt your approach to strategy and execution accordingly. The game can be used as a starting point to discuss how different parts of your organization face different strategic environments, and understand why this in turn calls for a range of approaches to strategy and implementation.

This is true not only for companies but also for business units within a company. The game shows that a single standard process for strategy is no longer viable, hence inviting and legitimizing a broader set of approaches beyond planning.

INVERT YOUR COMPANY

To play this game, first think through your current business model, identifying and articulating underlying assumptions. For example, a car manufacturer's business model might be based on the assumption that people want to buy cars, that cars will be manufactured in factories, that the main offering of the company is cars, and so on.

The next step is to invert these assumptions, either by reversing them or radically changing them in some way. Then imagine and make the best case for doing business on the basis of these inverted assumptions. For example, inverted assumptions could include: that people only rent cars (that the offering is a service, not a product) or that cars or parts are made by 3D printing in a decentralized fashion. The important thing is not to be right but to stretch your thinking to generate ideas that may be worthy of further consideration. An apparently ridiculous idea might indeed be unviable—or it may be merely unfamiliar and uncomfortable. It is not possible to discover valuable but uncomfortable ideas without first thinking counterfactually.

This game has two main intended outcomes: First, to make explicit the assumptions on which your business model is based. Second, to generate new ideas from the inverted company view to open up new possibilities and thinking paths.

MAVERICK BATTLE

For this game, first list all the companies, large and small, that are implicitly making a bet against your business model. Pick five that capture the range of alternative business model assumptions and imagine the implications of each becoming successful to the point of challenging your business. For example, a large real estate company might consider the disruptor Redfin. Though currently small, one could picture

a future in which Redfin is a \$5 billion firm, and its app-based model for bidding on houses is as popular as the prevailing model of using a real estate agent.

Then, imagining this future scenario, picture what your company would need to have done to compete successfully against the maverick. What strategic moves would your company have made, and what capabilities would it have developed or acquired? The point is not whether or not the maverick actually succeeds—most challengers, especially startups, will fail. Rather, the point is to test the disruptive potential of their ideas, stretch your thinking, and in so doing discover new threats and opportunities.

Doing this can lead to three useful outcomes. First, by imagining the means by which mavericks could succeed, you can better understand their ideas and selectively incorporate them into your own business model. Second, by considering potential future rivals, you can identify and prepare countermoves in advance. Third, you can broaden the set of ideas that form the starting point for strategy development and in so doing reduce the all-too-common danger that the result of your strategy process is merely a marginal variant of the status quo.

DESTROY YOUR BUSINESS

Select an area of your business and contemplate how to disrupt it. Playing the role of a disruptor, flesh out the details of a business model and how to go about realizing it.

The game surfaces your company's key vulnerabilities and identifies disruptors' potential moves and success factors. Once those have been identified, you can consider whether you want to integrate these elements into your own strategy. GE famously systematized the approach in the late 1990s, asking each of its units to have one "DestroyYourBusiness.com" team to come up with disruptive internet-based ideas. By adopting such an approach, companies can ensure an external-oriented and flexible mindset, which helps reduce the risk of being caught off guard. This is critical, since research indicates that the single biggest

predictor of success in major change is the timing of initiation.

BAD CUSTOMER

Imagine, or actually go and meet, people who do not use your products or services or who have major dissatisfactions with your business model. Try to put yourself inside their heads; make educated guesses about their desires, worries, and frustrations. Then brainstorm new ideas for business models that would satisfy these "bad customers."

It's satisfying to focus on current customers who like you. Almost by definition, your best, longest-standing customers appreciate you. But they may not be able to tell you very much about the disruptive ideas that could undermine your business model. A lot can be learned from the people who have gone off your product or have no interest in it. For example, what would it take to convince an iPhone fan to purchase an Android phone? Or a Mac user to switch to a Windows computer? Disruption often starts from noncustomers, or marginal customers, and thus can provide a window into the future.

This game should lead to a better understanding of your company's weaknesses and self-imposed limits. By contemplating these, you not only alert yourself to possible threats but also discover untapped opportunities to expand your customer base or revitalize your business model.

ACTIVIST ATTACK

A common model when a PE firm buys a company, for example 3G Capital's takeover of Heinz, is to fundamentally rethink the business and to strip out all unnecessary complexity and inefficiency. Rather than assuming the validity of the current way of doing things, as companies often do in their routine strategy process, activists start from a "blank sheet." Then they remove what is not part of the reimaged company.

Rather than waiting to be targeted or acquired by an aggressive PE firm or by activist investors, we can preemptively simulate

such an attack. Imagine starting from zero in building your current company. What is strictly necessary to perform excellently and create loyal and satisfied customers? Once you have built up this picture, turn back to your current model and try to identify unnecessary complexity and cost. Some companies even hire advisors with long experience in PE or activist investing to help them keep the exercise honest.

Of course, your collective imagination around what you do and don't require for success isn't guaranteed to be right. But the game is a starting point for raising questions that the subsequent strategy process needs to address and generating options to free up resources to invest in growth.

FIX YOUR CUSTOMER'S LIFE

Amazon aims to "solve shopping" for its customers. That is, it has identified an area of its customers' lives and aims to solve any and all problems in this area, even if they have never been addressed or solved by any business before. In so doing, Amazon is framing needs that current customers may not even realize they have.

For this game, ask yourself what area of your customers' lives your company addresses. It is important to picture this holistically from the consumer's perspective, not from the narrower perspective of supplying today's products and services. For example, a bank is fundamentally concerned with solving money-related needs. An Amazon-like real-estate company would be aiming to "solve accommodation." This might include offering products and services we currently classify under interior design, construction, financing, hospitality, and travel—as well as services yet to be invented. These might include, for example, new psychological services to address questions such as when is the right time to move house, why you want to move, and what you are truly looking for from a home as a function of your life stage and outlook.

Step back from current operations and products and think about the area of human life that your company touches. Think

about the problems no one else has solved for yet. This is the territory you could move into to build a winning strategy for the future.

FRICTIONS

Imagine a business where customers experience no friction, a business in which there's perfect choice, perfect information, no search costs, perfect customer understanding of your offering, perfect availability, no mistakes, no quality issues or rework, and no delays. Then consider where your business departs from this ideal scenario. Quantify the cost involved and ask yourself: What are the sources of friction that are largest and easiest to reduce? Imagine a business model that would create this improved customer experience.

Of course no business is frictionless. But disruptors, to have a viable and compelling proposition, will implicitly be addressing a source of friction that incumbents take for granted. It can be hard to identify such frictions, since the current business model may have decades of precedent. There may be no customers complaining about, nor competitors yet addressing, these frictions. Here are the sorts of questions you'd ask to uncover these frictions in an insurance company: Is it inevitable that there are many risks that are hard to insure, that insurance contracts are hard to understand, that it's hard for individuals to comprehend their total risk profile, that it's painful to adjust one's insurance portfolio, that intermediaries take substantial margins for providing navigation and advice, and that claims are resolved only after substantial delay? What questions would you need to ask about your business to reveal the frictions you take for granted?

The frictions game can help you envision sources of disruption preemptively, and surface ideas on how to better serve customers with more competitive and economically attractive business models.

HEROIC PRESS CONFERENCE

Your company's new business venture has become immensely successful. Imagine the press conference explaining this success.

What would it be like? What would you say about your company? Then consider what it took for the company to get there.

The heroic press conference game can align stakeholders on a vision of success and help elaborate the concrete steps required to reach it. There is a stage when a new innovation is known but may not yet be seriously contemplated as a future pillar of the business. Scaling an innovation requires not only increasing the resources allocated to it and removing the bottlenecks to expanding operational scale, but also cultivating belief and adoption by employees, customers, and investors. Working backwards from the counterfactual of assumed success can help create the narrative that brings this about.

PREEMPTIVE POSTMORTEM

Come up with a couple of plausible catastrophic events (such as natural disasters or competitive disruptions) and think about how your current or contemplated strategy would be impacted.

The effectiveness of a new strategy can be hard to assess. Confronting it with dramatic events is a great way to further push the thinking, making it more robust. In today's business world, the longevity of a strategy is as important as its immediate attractiveness.

The game lets participants identify risks to take into account when further developing the strategy, identify the conditions under which it could fail, and develop the actions required to mitigate these.

Combining Games

The games described above can be leveraged in various combinations depending on your company's situation and needs: you can choose to use one, several, or all of the games as part of your strategy process. You can use the games as a prelude to a formal strategy process or even as an alternative to a more traditional process.

For example, here are several combinations of games that address common business needs:

- **Rethink the company's strategic direction.** Start with Strategy Palette, followed by Invert Your Company, Activist Attack, Heroic Press Conference, and Preemptive Postmortem.
- **Identify and react to potential disruptive threats.** Start with Strategy Palette, followed by Maverick Battle, Frictions, Destroy Your Business, and Activist Attack.
- **Enhance customer focus.** Start with Strategy Palette, followed by Bad Customer, Frictions, and Fix Your Customer's Life.
- **Foster alignment around and elaboration of a new strategy.** Start with Strategy Palette, followed by Heroic Press Conference.

How to Run Strategy Games Effectively

Running games successfully requires the right environment, the right mindset, and the right participants.

Playfulness happens when people feel comfortable enough to think freely, allowing established ideas and interests to be challenged. The "playground" needs to be a judgment-free area, favoring suggestion and elaboration over argumentation. This can be helped by escaping the traditional meeting room, which can signal business as usual.

Yet changing the space is only effective when it is accompanied by a change in mindset. This comes from the top: managers should be careful to suspend judgment and encourage others to do the same. "The best way to have a good idea is to have a lot of ideas," says Nobel Prize winner Linus Pauling. Judgment can occur after the game, once the development of a strategy begins. Counterfactual thinking works by elaboration and thus requires patience and a constructive approach. The starting points are often vague or odd—before the picture gets filled in.

Success with games, finally, relies on selecting the right players. Participants should include those with the power to act on the ideas or influence those who can. It should ideally also involve a diversity of viewpoints: different positions within the company, business units, and cognitive styles. Yet the greater diversity in positions (such as the CEO and an associate in the same room), the more attention is required to mindset in order to ensure that people feel able to contribute.

RUNNING GAMES AS a precursor to the strategy process can free up the precious resources of our minds, which determines how other resources are subsequently used. Games take us beyond habitual assumptions and processes, and set the ground for reading critical changes in the business environment and responding with creative new strategies.

About the Authors

Martin Reeves is a senior partner and managing director in the New York office of Boston Consulting Group and the director of the BCG Henderson Institute. You may follow him on Twitter [@MartinKReeves](#) and contact him by email at reeves.martin@bcg.com.

Julien Legrand is a senior associate in the firm's New York office and an ambassador of the BCG Henderson Institute. You may contact him by email at legrand.julien@bcg.com.

Jack Fuller is a consultant in BCG's New York office and an ambassador of the BCG Henderson Institute. You may contact him by email at fuller.jack@bcg.com.

Hen Lotan is a principal in the firm's New York office and an ambassador of the BCG Henderson Institute. You may contact him by email at lotan.hen@bcg.com.

The BCG Henderson Institute is Boston Consulting Group's strategy think tank, dedicated to exploring and developing valuable new insights from business, technology, and science by embracing the powerful technology of ideas. The Institute engages leaders in provocative discussion and experimentation to expand the boundaries of business theory and practice and to translate innovative ideas from within and beyond business. For more ideas and inspiration from the Institute, please visit <https://www.bcg.com/bcg-henderson-institute/thought-leadership-ideas.aspx>.

Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with offices in more than 90 cities in 50 countries. For more information, please visit bcg.com.

© Boston Consulting Group 2019. All rights reserved. 2/19

For information or permission to reprint, please contact BCG at permissions@bcg.com. To find the latest BCG content and register to receive e-alerts on this topic or others, please visit bcg.com. Follow Boston Consulting Group on Facebook and Twitter.