

# A Guide to Agile Strategy

by Marty Neumeier, author of *SCRAMBLE*

**HOW A COLLABORATIVE  
APPROACH TO PLANNING  
CAN HELP BUILD EPIC  
BRANDS IN RECORD TIME**

**C**onventional wisdom has it that building a successful business or brand strategy takes a good 6-18 months, depending on the size of the company. It calls for completing a series of tasks one by one with a process like this:

1. *Assess your current position*
2. *Research the market for threats and opportunities*
3. *Envision a range of scenarios,*
4. *Get agreement on a direction*
5. *Establish a coherent vision*
6. *Identify strategic goals*
7. *Translate the goals into tactics*
8. *Arrange for funding*

It's a long list of sequential steps, each step building on the one before.

But what if you approached the steps simultaneously instead of sequentially? Wouldn't that speed up the process?

It would, and it does. It's called *agile strategy*, a process we've honed at our own consulting firm to work more quickly with clients. By adopting a more collaborative approach to strategy, and working simultaneously, agile teams can complete a framework for a new business or brand in fewer than six weeks. Six weeks versus 6-18 months.

But there's another benefit to agile strategy. The results are often more faithful to the original intent. Why? Because the various tasks are able to influence each other on the fly. The work is kept in a "liquid state" for as long as possible.

With the traditional sequential process, each step is "sealed" before the next step can be built. So, if a UX designer happens to discover a key idea in step 7, she'll be unable to influence the overall vision because that step has already been signed off and sealed. As a result, the sequential process can resemble a game of "telephone" in which each step draws the strategy further from its original intent, and closer to a generic plan.

My goal with this brief guide is to give you tools to build your own strategy in record time, with optimum fidelity to your strategic goals.

If you'd like to see how agile strategy plays out in a "true to life" situation, you can read my book *Scramble*. It's a business thriller about a CEO and his team who have five weeks to reinvent their company. The basic principles from *Scramble* are laid out here in a shorter format.

## AGILE STRATEGY IN 15 MINUTES

The process of agile strategy is simple. You apply the five principles of *design thinking* (called the five *Ps*) to the five questions of *strategy* (called the five *Qs*).

### 5Qs × 5Ps = AGILE STRATEGY

The *Ps* and *Qs* are not set in stone. They're flexible, adaptable, and customizable. You can use them a starting place, then adapt them to your own situation.

#### *What is design thinking?*

*Design thinking* is the process of using prototypes to work through creative challenges. You might define it as *thinking by making*. The easiest way to understand design thinking is to contrast it with traditional business thinking. Traditional thinking has two main steps: *knowing* and *doing*. You know something—because you've read about it, tried it successfully, or consider it a best practice—and then you do something. You act on it.

But design thinking has *three* steps: knowing, *making*, and doing. The middle step of making—prototyping and testing new ideas—not only challenges what you "know," but changes what you do. It puts surprising options on the table that you hadn't known existed. Without this middle step, you're more likely to go with a safe, middle-of-the-road solution. While safe solutions have their place, they're ineffective if your goal is to innovate.

#### *The five Ps of design thinking*

The five *Ps* are a set of principles for imagining and developing new ideas. They're specifically designed to force your mind beyond the obvious. In my book *Scramble*, one of the characters refers to "third-pasture

thinking.” This is the concept of going beyond the obvious to find the freshest ideas. When horses are turned out in a field to eat, the pickiest ones don’t settle for the trampled grass in the lowest pasture. They climb higher, up to the second pasture, and even to the third, where the grass is truly fresh. The five *Ps* are *problemizing*, *pinballing*, *probing*, *prototyping*, and *proofing*. Together they provide a framework for finding third-pasture ideas.

### *I. Problemizing*

Problemizing isn’t about solving problems, but about *framing* them. Never accept a problem at face value. Instead, try to find out what the real problem is—the problem behind the problem—by asking a few questions.

- *Is this the right problem to solve?*
- *Is it worthy of our best efforts?*
- *What other problems could we solve that would bring more value to the company or our customers?*

Problemizing is divided into three steps:

- 1) Stating the problem*
- 2) Listing the benefits of solving it*
- 3) Describing the penalty for ignoring it*

Here’s an example of how a company might problemize a situation:

#### *PROBLEM STATEMENT #1*

*Our biggest competitor is stealing our customers. This has caused us to lower our prices, which in turn has forced us to lower the quality of our service. Eroding service is making it easier for our competitor to steal our customers.*

#### *SOLUTION BENEFIT*

*The right strategy could allow us to hold onto our customers, keep our prices intact, and deprive our competitor of market share.*

#### *OPPORTUNITY COST*

*If we do nothing, we’ll continue on a downward spiral of lowered prices, slipping service, and vanishing customers, until our business is no longer viable.*

In problemizing mode, resist the urge to jump in with a solution. Make sure you’re solving the right problem by framing it different ways. For

example, here's another way you might problemize the same situation:

*PROBLEM STATEMENT #2*

*Our key product is no longer relevant. Its underlying technology is getting old, which has allowed one of our competitors to enter the market in with a better, cheaper solution. Our first reaction was to lower the price, which put us in a downward spiral.*

*SOLUTION BENEFIT*

*By updating our product with a more advanced one, we can regain our market dominance and keep our profits margins high.*

*OPPORTUNITY COST*

*If we do nothing, the downward spiral will continue as we lower our prices, cut service quality, and watch our market share and profit margins deteriorate.*

Both of these characterizations could be valid. The first one is focused on competitors, whereas the second one is focused on the product. How you frame the problem determines how you solve it, so it pays to get it right.

## *2. Pinballing*

The same way a pinball bounces off obstacles and other pinballs, ideas can bounce off obstacles and other ideas. Now that you understand the problem, how many courses of action can you imagine? Our firm uses a wide range of techniques to trigger new ideas, but here are my top three:

### THINK IN METAPHORS

A metaphor is a way of making a comparison between two unrelated things. “All the world is a stage,” for example. The world is not really a stage, but it's *like* a stage in some respects. If your challenge is to invent a brand name for a store that sells footwear to active girls, for example, you could call it Active Footwear. Or you could think in metaphors and move beyond the first pasture. For example, maybe active footwear for girls is like a bouncy pop song from the Sixties—wait! What if we called it Shoebop?

### ARRANGE BLIND DATES

It's possible to trigger new ideas by matching up two existing ideas that haven't previously been introduced. What do you get when you cross a computer store with a museum? An online shoe store with charity? A

Broadway show with a circus? You might get successful business models like the Apple stores, Toms shoes, and Cirque du Soleil. Of course, you might also get the business equivalent of kitsch, as Clairol did when it crossed hair care and yogurt and got Touch of Yogurt Shampoo; or as Omni did when it crossed a TV hit with a carbonated drink and got a beverage called Tru Blood. Don't fall in love with your first idea. Novelty and innovation two different things.

#### REVERSE THE POLARITY

Reversing an assumption can release conceptual energy. Let's say you're trying to invent a new business model for retail banking. Start by listing all the assumptions you can think of about retail banks:

- *Retail banks have spacious downtown and suburban locations*
- *They have traditional-looking interiors, with wood paneling, desks, and teller windows*
- *A sign on the window lists behavioral rules such as No bare feet, No food, and No pets*
- *Customers wait in line for the next available teller*
- *When customers open accounts, they sign multi-page agreements they can't understand*
- *To apply for a loan, customers must make an appointment with a loan officer*
- *Tellers and loan officers try to upsell customers on additional financial services*
- *Banks compete for customers by lowering interest rates and downplaying fees*

Now, reverse these assumptions:

- *Our new bank has a small footprint that can fit any retail space*
- *It has polished concrete floors, café tables, and no teller windows*
- *A sign on the window says No shoes required, Bring your pets, and Join us for a snack*
- *A representative greets customers at the door and offers a beverage*
- *When customers open an account, they sign a one-page agreement written in plain language*
- *They can quickly apply for a loan on their phones or ask a representative to walk them through it on the spot*
- *Bank representatives are always looking for ways to simplify their customers' lives*
- *Our bank competes for customers by improving their lives, not by lowering interest rates*

This is pretty much how Airbank, a company in the Czech Republic, built a successful new model for retail banking. Reversing the polarity—and other pinballing techniques—can work equally well for starting a business, building a brand, or designing a new product or service. The goal is to put options on the table that weren't there before.

### 3. *Probing*

With new ideas in hand, you and your team can begin mining them for possibilities. An excellent approach to shaping new concepts can be found in Edward de Bono's seminal book, *Six Thinking Hats*. It's based on the idea of parallel thinking—a technique in which the members of a brainstorming group think in the same direction at the same time. You take an idea from the pinballing stage and view it through the six hats.

The *white hat* is for information, the *red hat* for emotion, the *black hat* for caution, the *yellow hat* for positivity, and the *green hat* for creativity. The *blue hat* is reserved for the leader, who determines which hat the group wears at any given time.

When wearing the *white hat*, members of the group offer helpful information—marketing data, customer insights, competitive assessments, sales patterns—without suggesting any ideas or solutions.

When they wear the *red hat*, they're asked to evaluate an idea according to the emotions they're feeling. They may report feeling excited, nervous, cynical, intrigued, doubtful, happy, disgusted, encouraged, and so on, as long as they describe an emotion and not a judgment. The leader lists the emotions on a large sheet of paper as members of the team call them out. You'll find that people make better decisions when they confront their emotions at the start rather than cloaking them in rational-sounding arguments.

The *yellow hat* is for positivity. It gives people the chance to explore the kinds of outcomes they'd like to see. It's the hat of creative wishing.

The *black hat* is the hat of caution and disagreement. What's wrong with this idea? How is it likely to fail? What are the possible repercussions? Black-hatting comes naturally to most of us, since we're hard-wired to weigh danger more heavily than opportunity. The black hat is the hat of the naysayer, the devil's advocate. The leader can usually fill up several large sheets of paper with negative comments. The more the better. Get them out in the open. No fixes or workarounds are allowed while wearing the black hat.

Finally, the *green hat* is the hat of creativity. When the group wears green, only fresh, positive ideas are allowed. The goal is to transform

black-hat fears into green-hat solutions.

The six-hats approach can also be used to drill down into specific features. If a new business idea includes, say, a lifetime guarantee, the group can apply the same rigor to vetting and shaping that specific feature.

#### 4. *Prototyping*

Prototyping is the magic that makes design thinking more powerful than traditional thinking. It adds the *making* step between *knowing* and *doing*. It's the difference between *deciding the future* with off-the-shelf practices, and *designing the future* by working from first principles.

A prototype is simply a rough approximation of an idea, product, service, or process—whatever it is you're inventing. It can be a sketch, a mockup, a model, a story, a bit of role-playing. The goal is to keep it simple, throw it together fast, and learn from the results. You then apply what you've learned to the next prototype, and so forth, round after round.

The responsibility for prototyping often lies with designers, writers, and financial modelers who use their years of training to work quickly and intuitively. Yet nearly everyone can make a sketch, tape a few objects together, or fold a piece of cardboard to approximate a product. To see how simple sketches can work wonders, take a look at Dan Roam's book *The Back of the Napkin*. It's remarkable what happens when abstract ideas are made visible.

#### 5. *Proofing*

Prototypes are essential for testing and learning. With a prototype, you can try out your ideas on prospective customers. You can see what's working, what's not working, and where to make improvements. You can use them to get feedback from colleagues, bosses, or clients.

And yet you need to be wary of assumptions. We all make assumptions about the way the world works, but they can blind us to possibilities—and even reality itself. *Proofing* is the fastest way to test your assumptions against the realities of the marketplace.

To get the most out of proofing, test two or more prototypes against each other. When you test one at a time, you put your respondent in the position of a thumbs-up or thumbs-down assessment. With two or more prototypes, you can have a richer discussion about the relative merits of each. This is especially true when presenting your idea to your own company. Never put yourself in the position of getting a yes or no

answer. Always use your prototypes as part of an ongoing conversation.

A question I often get at keynotes and workshops goes like this: *My ideas are great. But how do I get my bosses (or colleagues or teammates) to buy into them?* There are two assumptions built in to this question.

The first assumption is that ideas have to be sold like finished products. This assumes an active seller and a passive buyer. In reality, most innovative ideas aren't *bought* by bosses but *joined* by believers. When colleagues see the value of a new idea, they open up to it. They begin to see how it might benefit their company or their lives.

The second assumption, or perhaps assertion, is that your ideas are great. Maybe they are. But from an outsider's perspective, who says? How do they know? Using which yardstick? Good for what? If you leave these questions unanswered, it should be no surprise that your ideas meet with initial resistance. The more innovative the idea, the greater the resistance.

Wait, you say: *Shouldn't the value of a good idea obvious to everyone?* Well, no. You have to remember that you, as the innovator, have a head start on the others. You've been working on it for days, weeks, even months. Not only that, you may have skills that your colleagues don't have—skills that let you envision success based on past experience. You may also be deeply passionate about the project, which is not something you can expect from everyone in your group.

So, what should you do?

Make prototypes. Test them with users. Collect evidence from your tests. Prove your idea. Apply what you've learned to further prototypes. Tell stories about your journey. Paint a picture of success. Enlist the support of co-conspirators. Build a coalition. The most important innovations are more like mini-movements than the work of a lone genius.

There, in a nutshell, are the basics of design thinking. If you'd like to go deeper, I encourage you to read my book *Metaskills*, or its simplified cousin, *The 46 Rules of Genius*.

But how do you get from design thinking to a workable strategy for your brand or business? By applying the five principles of design thinking to the following five questions.

### *The five Qs of strategy*

There was a time when business strategy and brand strategy were on two different levels. Business strategy was developed at the top the company, while brand strategy—if it existed at all—was developed at



the marketing level. This no longer true. Business and brand are two intertwining strands of the same DNA. The business strand represents the internal company (how you operate), and the brand strand represents the external company (how customers see you). In today's customer-centric marketplace, any company that doesn't view its customers as integral to its existence is likely to become irrelevant.

For all intents and purposes, you can use the same process for modeling a business as for framing a brand. The five Qs of strategy address the critical questions of purpose, customer, category, positioning, and culture.

### *1. What is our purpose?*

This is the starting place for any strategy. Without a clearly defined purpose, there's no compelling reason to engage in any particular business. Leaders are more likely to bail in the face of strong headwinds. Employees will start to quit months before they actually leave. A rich, satisfying purpose makes this less likely to happen. It brings energy and motivation to everyone involved, including customers. Articulating your purpose starts by asking specific questions:

- *Why are we in business beyond making money?*
- *How do we want the world to change because of what we do?*
- *What are we passionate about?*
- *Where do our core competencies lie?*
- *How strong is the need for our products?*
- *Is this a worthy challenge?*
- *Is it broad enough to encompass everything we'll want to do in the future?*

A properly designed purpose never changes. It lasts the lifetime of the company. Once you articulate it, you can begin to gauge your progress. You can draw strength from it. Build a culture around it. Begin to develop a concrete mission, a clear vision, measurable goals. They all flow from purpose.

People talk about vision, mission, and purpose as if they were interchangeable, but they're not. It helps to think of strategy as a three-tiered pyramid.



At the top of the pyramid is *purpose*. Your company’s purpose is why you’re in business beyond making money. It drives everything else, and it never changes. If a company changes its purpose, by definition, it’s a different company.

In the middle tier, below purpose, are two related concepts: *mission* and *vision*. Both of these answer to purpose. A mission is an ambitious goal for achieving a purpose. A vision, on the other hand, is the visualization of your mission. Microsoft, for example, had declared that its mission was ‘to lead the personal computer revolution.’ But its *vision* was ‘a computer on every desktop and in every home.’ Can you *visualize* the computer on the desktop? So the second tier of the pyramid gives you two views of the same goal. They’re like fraternal twins. These can last anywhere from five to twenty years.

Beneath the twin concepts of mission and vision are the various tactics, or short-term goals, that you need to accomplish them. These would be completed in, say, one to three years.

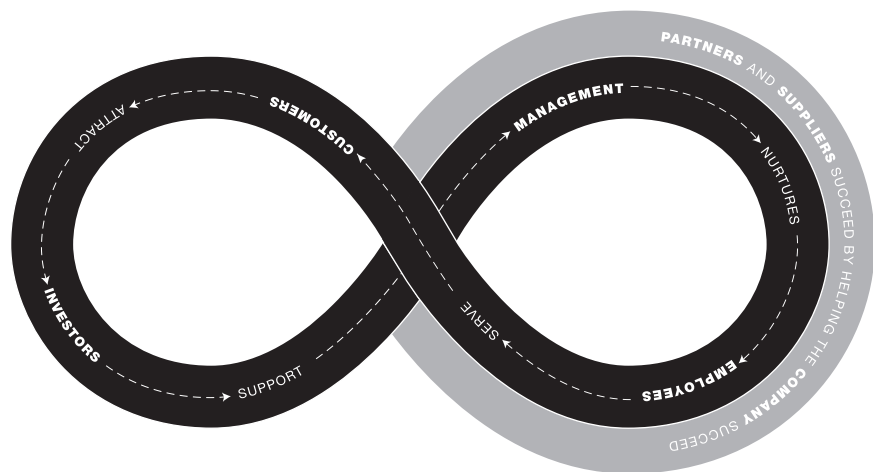
It’s important to understand that your purpose can’t be developed in a vacuum. You have to consider all five of the strategy questions at the same time, working back and forth to make sure they support each other.

## 2. *Who do we serve?*

You serve customers, of course. But which customers? What do they have in common? How do they communicate with each other? How likely are they to form a tribe around our brand? What are the unspoken rules of the tribe?

The biggest mistake companies make is to assume that they're in business to serve investors. This view is not only deflating for employees, but counterproductive for the company. A company that places its investors ahead of customers will eventually find it has neither.

One way to visualize how shareholders and customers fit together is with an infinity loop I call the *brand ecosystem*. It goes like this: Management nurtures employees, employees serve customers, customers attract investors, and investors support management. Investors must support management to build a sustainable company. The focus is on creating and growing your customer tribe. Everything else is secondary.



The easiest way to understand your tribe is to imagine a single, idealized customer for your product or service. At our firm, we sometimes use a *keynote speaker exercise* to help our clients think about their customers. It starts with identifying a spokesman for the brand—a well-known, well-respected individual who believes strongly in your purpose and products. If you can identify the right keynote speaker, you'll have identified your ideal customer—an advocate who can stand up for your brand and help lead the tribe.

But how can you identify your customers if you're not sure what you're selling? Once again, you have to start somewhere, anywhere, and work back and forth among the five *Qs* until it makes sense.

### 3. *Where should we compete?*

Branding is a game of categories. The category you choose to compete in, and the products and services you sell, are key factors in your ability to win. Sometimes the category is obvious, since it serves as your starting

point. But if your starting point is somewhere else, such as your purpose, the field can be broader.

Whether you stick to the category you're in, or strike out in a new direction, it pays to ask tough questions:

- *Do you have the necessary skills to compete in this category, and with this product or service?*
- *If not, can you acquire the skills in a reasonable amount of time?*
- *Do you already have credibility with customers in this category?*
- *Does the product or service create synergies with other products or services you're selling?*
- *Will entering the category bring you into direct competition with stronger brands?*
- *What kind of management systems will you need to support your new offering?*
- *Can you afford to do it well?*
- *What would success look like?*

My book *Zag* is a good reference for where to compete. It also answers the next question, how to prevail against the competition.

#### *4. How will we win?*

This brings us to the most basic question of all: *Why will customers choose our brand over the others in the category?*

If your answer is “because our product is better,” you might be kidding yourself. Customers can rarely tell which product is better. They usually base their purchasing decisions on secondary cues such as popularity, customer rankings, tribal identity, or price. Performance-based facts are usually less persuasive than you think.

Alternately, if your answer is “because our product is cheaper,” you may be missing the point of branding. The purpose of branding is to get more people to buy more things for more years at a *higher price*. Trying to win by lowering the price defeats a key goal of branding—unless, of course, your brand is based on discounts. In that case, you'll need a plan to ensure that your discounts lead to sustainable profits and not to a downward spiral.

The most successful brands aren't better or cheaper. They're different. More important, they're different in ways that customers find compelling.

The discipline of creating a compelling difference is commonly known as *positioning*. It's the art of finding a strategic slot in your cus-

customer's mind. You can never tell a customer what to think, or which products to fall in love with. But you can produce the kind of products, messages, and behaviors that favor an advantageous position in a customer's mind.

The best test of positioning is what I call the *onlyness* statement. You can try it here. Just fill in the blanks.

OUR BRAND IS THE *ONLY* \_\_\_\_\_ THAT \_\_\_\_\_.

In the first blank, write your category (see the third *Q* above). In the second blank, write your compelling difference. For example, Cirque du Soleil is the *only* circus with Broadway sophistication. JetBlue is the *only* airline that offers business-class comfort for the price of coach. In Scramble, Safaar is the *only* online travel agency that produces end-to-end itineraries for bucket-list vacationers. If you can't fill in the second blank with a clear, compelling differentiator, you probably don't have a strategy.

Even if you do, winning doesn't come from strategy alone. There are two parts to building a brand: getting the *right idea*; and getting the *idea right*. Getting it right is the more difficult of the two parts. Why? Because it demands the coordinated efforts of a wide range of specialists, both inside and outside the company, to create a coherent brand. Many companies are not set up to manage the rigor of branding. My book, *The Brand Gap*, describes both the problem and the solution.

##### 5. *How will we grow?*

Many companies have succeeded because they took a chance and got lucky. They're the business equivalent of the player who was born on third base and thinks he hit a triple. For every one of these, there were ten who struck out and were never heard from again.

Of the companies that make it, many won't be relevant in twenty years. To succeed and grow in today's volatile marketplace, you need the ability to innovate at will; to continuously adapt to shifting circumstances.

For a business to be sustainable, it needs more than a good product. It needs a culture of non-stop innovation. The right kind of culture can build momentum with very small inputs, then release large amounts of energy whenever needed. This is called the *flywheel effect*. But it won't happen by simply admonishing employees to "be more innovative." It takes a steady investment in human resources, training, and reward systems.

Here are five modest changes that can make a noticeable difference:

1. *Elevate brand to the C-level.* Branding is not a marketing concern. It's company concern. Appoint a CBO, chief brand officer, to manage all the interactions with the customer tribe. It's a big job, and can't be run from a corner of the CMO's desk.

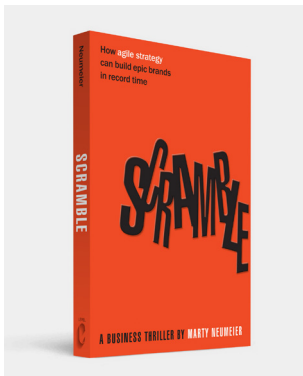
2. *Establish an innovation center.* This can be a physical space where new ideas are prototyped and tested, or a virtual space where ideas and assets are shared among employees. The main idea is to provide a home for creative collaboration.

3. *Invest like a venture capitalist.* A culture of innovation needs a pipeline of ideas. To vet these ideas, emulate venture capitalists by employing a stage-gate process. Start with seed money to develop a concept. Make a slightly larger investment to develop the strategy. Make a medium bet to prototype and test it. And, if the tests go well, make a large bet to launch it. Think big, spend small, build slowly.

4. *Institute branded training.* Companies succeed best when they differentiate from their competitors. Emphasize that difference by training employees in the unique values, methods, and processes that give the company its advantage.

5. *Reward employee creativity.* Send a message to the workforce that creativity is a valued skill. Rewards don't have to be monetary; they can simply offer recognition and the promise of advancement. We all want the same things from our jobs: something to believe in, the ability to contribute our best, and recognition from a team we respect. You can read more about building a creative culture in my book *The Designful Company*.

There it is, the essence of agile strategy in 15 minutes. For more about brand, design, and innovation, visit [liquidagency.com](http://liquidagency.com). For more about my books, talks, and workshops, visit [martyneumeier.com](http://martyneumeier.com).



Read my “business thriller” *SCRAMBLE* to experience how agile strategy plays out in a collaborative situation—with all the hurdles, setbacks, and heart-pounding emotion that competition can bring.

*Marty Neumeier is Director of CEO Branding at Liquid Agency, and author of eight books on brand strategy and design thinking.*