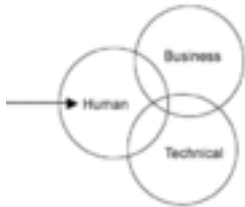


How does design thinking give companies a competitive advantage?

by Admin on August 20th 2010



In 1985, Ethiopia was suffering a major drought. 1 million people had starved to death, and a huge sum of money had to be raised to avoid further disaster. Organizations began by approaching the challenge with analytical solutions that met expected norms about how to garner help for such a large challenge. Some built distribution systems, some set up donation channels, others created efficient food bundling. These were incredibly sophisticated responses, but it still wasn't enough. The donations just weren't coming. Bob Geldof looked at the problem differently. By focusing on people first, he found most were not connecting to the realities of world hunger because it was presented as a statistic or theory. It wasn't being talked about in a positive emotional way that engaged the individual in meaningful ways, and thus, they were not compelled to contribute. How might we make famine in Ethiopia meaningful? That's the question Mr. Geldof took on. And when he did, he didn't turn to experts or statistical data. He turned to music because he knew — as a musician himself — people experience music emotionally. It can be fun, sad, angry, and it can inspire action. What Mr. Geldof was thinking was different. How many of you watched Live Aid when it aired or was rebroadcast? 200,000 people attended on two continents. 400 million others watched through what was then the most technically ambitious satellite broadcast to date. The one-day event raised a quarter of a billion dollars. The immediate impact alone is impressive. Think for a moment what you felt about world hunger the day before Live Aid, and the day after. I was 22 when I watched it. Like millions of others, it affected me then and it continues to inspire me today, to connect to people's passions, to think differently, and to try answering the big questions. It engaged me, and millions of others, to act. To participate. To answer the meaningful call for help. To put it simply I believe combining design thinking with traditional analytical thinking broadens and enriches the way we solve business questions. We are all familiar with the analytical processes that dominate business thinking today. Design thinking, by contrast, is best suited for problems where the goals are not yet well defined, the system is complex, and when there's no obvious starting point. This makes it an important complement for moving beyond the data to generate new ways of connecting with people's passions. I didn't know it at the time, but Mr. Geldof was an early design thinker. He took insights from people, business and technology, built them up into this new and ambitious way of addressing world hunger, made it experiential, brought his own intuition to the problem, and was uncompromisingly optimistic that something more could be done. And he did it. The analytical thinking was important too. It's great that design thinking helped connect people to world hunger and raise money, but the money still had to get to where it was needed most. Creating financial structures to distribute donations and similarly well-defined challenges are well suited for analytical thinking. Creating new value — and new meaning — that engages people to understand or interact with their world in new ways are challenges that are well suited for design thinking. What do I mean by design thinking? Design thinking is a way of approaching questions. It is not about the craft of design, but it is based on the principles of thinking that are used by designers. Let's take a second to look at some of the key principles. Insight driven. Your insights can and should come from many sources, often not obviously related to the current business question. Traditionally

innovation has been driven by the development of new technology, which is one good source of insights. But so are different business models or methods of operation. At IDEO our first source of insight is often from people. This is where we learn about human needs and learn how to connect with people. Synthesis. Integrating the many initial insights and concepts to create a new and holistic solution is a key step to developing new offers. When synthesis is done well you be able to see all the interdependencies, supporting elements, and human interactions within the systemic solution. Experiential. Our learning about an experience accelerates exponentially once we make it real. Humans react to real things they can touch, see, smell, taste, hear and interact with, ideally in their natural environment. Making it real means you can watch people and see what they really do and understand how they are feeling. This learning is best done with a series of iterative prototypes, initially very rough and becoming more refined over time. Start prototyping quickly so you can start learning earlier. Optimism. To create anything new requires a passionate belief that there is a better way. Lots of people will tell you why your idea will not work. It is worth listening to learn, but it is important to always be looking ahead to what is possible. Traditional methods for predicting success rarely work with new to the world ideas. This is when it is important to use your experience and intuition to make the best choices to move forward. Design thinking is a process of bringing together the human, business and technical perspectives. This simple framework helps as a reminder of how these three elements are used through out the process. Each of these elements is first a source of inspiration, usually starting with the human. Secondly understanding how to integrate them. And finally, serving as the guideposts for implementing a new idea. In business today design thinking can be used to address questions in many aspects of your company. It can help build meaningful connections between consumers and your products, services or spaces. Your real brand is the compilation of these experiences and when done right they build deep loyalty. A great example is how Netflix revolutionized the movie rental business using what I see as design thinking. They understood the human desire to avoid late fees and inconvenient travel to the video store. They used an online order system and delivered the DVDs through the US mail, bypassing the traditional retail model. And they used new technology that allowed them to simple sort through every disk in stock once a day, so no complicated inventory or access system was needed. There are many other details that make their business successful, but these simple principles form the foundation of a successful new service that has changed the movie rental business. Design thinking can help move beyond the basic transactions of the B2B world to one based on human relationships. It is easy for a company to switch suppliers based on functional metrics, but the people involved will never have the same relationship with someone else as the one your build with them. A few years back IDEO was working Marriott Hotels to design a new experience for one of their brands. The new experience was very compelling and successful with their guests. But just as impactful was the way Marriott was able to engage the franchise owners in the new design. Normally it could take 3-4 years to form consensus among senior management, build a demonstration unit and engage the franchise owners. For this project we built a full-scale model with pure white walls and furniture in a warehouse. The senior management and the franchise owners were able to come to the warehouse in groups and truly experience the new design concept. Being able to walk through the space and talk through it with the group was very compelling. This time it only took 3 months for everyone to agree to the new direction. Design thinking can even play a big part in nurturing a culture that attracts the best employees by reinforcing intrinsic rewards. Kaiser Permanente, a large group of hospitals in the US, has built a strong culture of empowering their employees to participate in innovating for the company. They started with a small group experiment that revolutionized

the way the nurses exchange information with each other during the shift change. They measured the results, reducing the time until the nurse met with their patients from 43 minutes to 11 minutes, and then rolled the new format out across the entire network. From this beginning they built an innovation center to support ongoing innovations. Today this is a central part of their culture and individuals continue to create new ideas that are being adopted throughout Kaiser and even by other healthcare providers. Design thinking is an alternative way to create a competitive advantage for any business. The most successful businesses take advantage of the benefits from both design thinking and analytical thinking. Maintaining the tension between the creative and operational needs is not about compromising either aspect but a dynamic dance between the two styles. The leadership challenges to manage this tension, taking advantage of both approaches to create meaningful value that drives sustainable growth and the success of your business.

By Bruce MacGregor
Bruce MacGregor A Canadian by birth and education, Bruce's training represents a unique blend of engineering, strategy, concept development and execution. Trained at the University of Alberta in Mechanical Engineering, Bruce evolved into a role at a multi-national franchise company as vice president for Western Canada before moving to California to oversee the Western US region. That move provided him the chance to return to school where he received his Master's degree at Stanford in 1996. Bruce's graduate studies enabled him to reengage with the world of design, and introduced him to IDEO through David Kelley, IDEO founder and Stanford School of Design cofounder. At IDEO, Bruce has worked with a wide range of organizations, from startups to Fortune 100 companies, in industries that include health care, consumer electronics, food and beverage, and consumer goods. Bruce has contributed to leading-edge designs and provided strategic guidance to companies such as Cargill, Samsung, Shimano and Nestle. Bruce balances out his work life by spending time with his wife and two children, traveling, skiing, mountain biking, and lecturing at Stanford.