



Innovation By Design

How Any Organization Can Leverage Design Thinking to Produce Change, Drive New Ideas and Deliver Meaningful Solutions

THE SUMMARY IN BRIEF

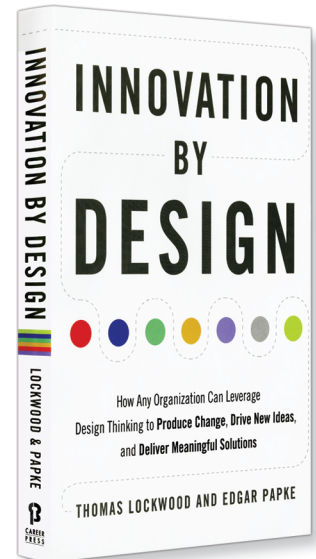
Now more than ever, companies and institutions of all types and sizes are determined to create more innovative organizations. In study after study, leaders say that fostering innovation and the need for transformational change are among their top priorities. But they also report struggling with how to engage their cultures to implement the changes necessary to maximize their innovative targets.

Why are some organizations more innovative than others? In *Innovation by Design*, authors Thomas Lockwood and Edgar Papke share the results of their study of some of the world's most innovative organizations, including the 10 attributes leaders can use to create and develop effective cultures of innovation; how to use design thinking as a powerful method to drive employee creativity and innovation; and how leaders can create their ideal culture.

Innovation by Design offers a powerful set of insights and practical solutions to the most important challenge for today's businesses — the need for relevant innovation.

IN THIS SUMMARY, YOU WILL LEARN:

- Why design-driven companies outperform the S&P 500 by over 200 percent.
- The meaning of design thinking and its key tenets in business.
- The 10 key attributes that drive design thinking in organizations.
- Why empathy is at the heart of design, innovation and creativity.
- Inspiring stories of companies that use design thinking to win in the market.



by Thomas Lockwood
and Edgar Papke

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THE COMPLETE SUMMARY: INNOVATION BY DESIGN

by Thomas Lockwood and Edgar Papke

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PART I: THE CONTEXT

Better Innovation

With all the knowledge and technology available to us, and the means of immediate communication and instant access to information at our fingertips, why does our focus constantly return to how we can become even more innovative, to solve bigger and more complex problems? Why is meaningful innovation the most important issue that organizations continue to grapple and struggle with?

Global surveys of CEOs, C-level executives and leaders from 2015 to 2017 reveal that fostering innovation is one of their top strategic priorities, placing among the top six in every survey. Yet, most CEOs are grappling with how to engage their cultures in the change necessary to be more innovative, and the majority of respondents say their organizations are struggling with the speed of technological innovation. Only one out of five CEOs note that innovation is at the top of their organizational agendas.

The data raises the question of how the most successful organizations in the world go about innovating at the level they do, disrupting industries and market segments, quickly turning what were just yesterday stable technologies and ways of life into quickly outdated or obsolete ones. What is the code to cracking their culture, and what do they do that is so different from the also-rans that they outperform?

A 2015 study by the Design Management Institute demonstrates that a set of larger design-driven companies (including Apple, Starbucks, Disney and Nike)

outperform the S&P 500 by 211 percent. Design thinking has grown in popularity for most of the past decade, and two significant trends have emerged.

The first trend is that design is more and more becoming a readily adopted strategy by companies for responding to the need for innovation, differentiation and customer experience.

The second trend that emerged was the race to build the competency of design thinking. Between 2004 and 2016, more than 70 notable design and creative consulting firms had been acquired. In 2013, the major consulting firms of Accenture, Deloitte, KPMG, PwC, McKinsey and Boston Consulting Group made acquisitions of top-notch design and creative agencies. Accenture, Deloitte, GE and IBM are all rumored to be hiring 1,000 designers each.

Design thinking is being identified as a missing link through which organizations are increasing their capability to innovate and create meaningful customer experiences. The early adopters were the first out of their starting blocks, and the race is on.

Innovative companies' emphasis on design represents the convergence of three key elements: innovation, culture and design thinking. ●

Design Thinking Organizations

According to Wikipedia, "Design thinking refers to creative strategies designers utilize during the process of designing ... Design thinking in business uses the designer's sensibility and methods to match people's needs with what is technologically feasible and what a



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Rebecca S. Clement, Publisher; Sarah T. Dayton, Editor in Chief; Ashleigh Imus, Senior Editor; Masiel Tejada, Graphic Designer; A. Imus, Contributing Editor

viable business strategy can convert into customer value and market opportunity.”

There are several key tenets that appear to be common in design thinking and consistently present in design-thinking organizations. The first is a quest to identify the right problem to solve, coupled with a deep understanding of the user. This is achieved through observation, fieldwork and research, an empathetic approach to discovering stated plus unarticulated user needs, and open inquiry.

The second tenet of design thinking is empathy coupled with collaboration, both with the users and through the forming of multidisciplinary teams. This helps to move an organization past silos and toward radical collaboration, rather than incremental improvement, thereby moving faster toward the creation and delivery of the right solution, a valued solution.

The third is to accelerate learning through hands-on experimenting, visualization and creating quick rough prototypes, which are made as simple as possible in order to get usable feedback. Often the goal is to fail quickly and frequently so that learning can occur.

Last is integrating business-model innovation during the process of design thinking, rather than adding later or using it to limit creative ideations. Design-thinking organizations are able to integrate thinking by combining the creative ideas with business aspects, in order to learn from a more complex and diverse point of view.

Here is a set of 10 attributes that give remarkable power to the human-centered aspects of design thinking in organizations. They are the qualities that separate the truly innovative from those that strive to be like them. The attributes that follow can become parts of the context of how organizations use and integrate design thinking:

1. **Design Thinking at Scale**
2. **The Pull Factor**
3. **The Right Problems**
4. **Cultural Awareness**
5. **Curious Confrontation**
6. **Co-Creation**
7. **Open Spaces**
8. **Whole Communication**
9. **Aligned Leadership**
10. **Purpose** ●

PART II: 10 ATTRIBUTES

Design Thinking at Scale

Innovative design-thinking organizations all share the attribute of scaling, an expansion in the use of design thinking throughout their organizations. Regardless of the size of their organization, they see design thinking as a key strategic element of innovation and a means through which to influence their cultures.

The big lesson is that any organization, of any size, can use design thinking as a means to influence culture and achieve greater levels of innovation. Regardless of size, the more people know about how to engage in design thinking, the greater the level of innovation.

At Marriott and Kaiser Permanente, design thinking started out as function and found its way to becoming a means through which to engage employees in small groups and eventually on a much larger scale. In others, like GE, Philips, Visa and IBM, organizations invested in the acquisition of talent and strategically developed design thinking as a competency.

Intuit, SAP, Deutsche Telekom and P&G approached it from the top down. A CEO or leader experienced the power of design thinking and found it to deliver a means through which to solve the most difficult of problems. In other organizations it started as means to solve a particular business problem in one part of the organization, and people were naturally drawn to its qualities and wanted in on the game.

Consider these conclusions that are important to the success of design-thinking organizations:

- Scaling matters. Leadership knows how important it is to provide design-thinking skills and give access to design thinking to its workforce, and understands the significance of being able to apply design thinking to all parts of the organization, or as many as possible.
- It's not always about spending money on big training programs. What is important is to identify and hire people with the right mindset and get them out in the organization coaching and training people by engaging them in doing.
- Naming or branding a design-thinking program helps uniquely to align the effort to the company and elevate the importance of its application and use, and provides a common language and framework.

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- Leadership involvement is powerful. The best leaders of design thinking are those who are curious and practice it themselves.
- There is no one roadmap that every organization has to follow to get to the promised land of creating an innovative design-thinking culture. The path will be unique.
- The passion and creativity of design thinkers are something to embrace. They embed design thinking into the culture with the goal of shifting mindset and making it part of the organization's DNA. They commit to the idea of creating human-centered cultures and leveraging design thinking to inspire cultures of innovation.

Design thinking at scale isn't much of an option. To leaders and organizations creating an innovative culture, it's more of a necessity. ●

The Pull Factor

One of the essential traits of innovative cultures is the “pull factor.” It is the emotional momentum that results from the natural consequence of people wanting to engage and be part of innovation and the design-thinking experience. Research indicates that design-thinking companies embrace the pull factor as a means to innovation. It differs significantly from the more traditional ways in which organizations have viewed engaging members and driving innovation.

Many companies have invested boatloads of money in innovation over the years, but smart companies — the design-thinking companies — are rethinking how, when and where they spend money. The reality: Scaling employee creativity by providing design-thinking training is both extremely inexpensive and extremely effective.

Kevin Lee, the leader in design thinking at Visa, so aptly described the pull factor's impact, “Once they experience design thinking, people get evangelized and converted. They become believers in design thinking and its delivery of an experience. They want to get involved.” This is consistent across companies that use design thinking and the experience of how it influences cultures. It's in the pull, not the push.

A Paradigm Shift

In every effort to solve a problem or create a change, there is a tipping point. In older paradigms of change

management, the tipping point is reached through the efforts of leaders to chart a course and implement a strategy.

Design-thinking research informs us to shift our thinking to a new paradigm in which, given the right opportunity and empowerment, people naturally endeavor to solve problems and create change. By pulling and not pushing from the top, the tipping point is much less difficult and, in most cases, less time-consuming to reach. It is leveraged through engagement in different parts and groups within an organization.

Furthermore, given the slightest level of empowerment and encouragement, people will engage in the collaboration that is an expression of our collective imagination and the natural consequence of our shared human desire to participate and create together.

In design-thinking cultures, people naturally generate the pull factor required to respond to solving the problem. ●

The Right Problems

In design thinking, a key to success is in first finding the right problem. Delivering a good solution requires one to first focus on finding out what is most important to creating the best solution for the customer.

For this reason, great design thinking always begins with a focus on the customer and understanding the human experience. This includes getting as much information and finding out as much as possible about what is motivating the customer, as well as the contextual aspects of the situation.

One of the key aspects of design thinking is taking the approach to a problem as human-centered. It cannot be solved through just scientific approaches.

Design-thinking cultures also aim to identify and solve the root causes of problems. They are not tempted by the short-term success of low-hanging fruit. The organizations are not driven to just creating new ideas. Rather, they have a need for better ideas and finding the right innovation. Design-thinking cultures are not about just brainstorming or ideation; they are about developing a competency to identify and then focus on what is important, and to solve that.

Ghost Town Turnaround

A great example of finding the right problem is Kaiser Permanente's seminal work several years ago creating solutions to close the hole in patient care created by shift changes in its hospital nursing staffs.

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At first glance, it would make sense that the nurses could solve the problem by immediately paying attention to patients as soon as they came on shift. Yet, when they did, they still found themselves being pulled away to communicate with the nurses ending their shifts or to find patient information.

Using design thinking, the first step was to engage all the stakeholders, including nurses, patients and the array of hospital staff. The discovery process led to the understanding that the problem that needed to be solved was how nurses exchanged patient information between shifts — a process that typically took 45 minutes or more and delayed the arriving nurses' first contact with their patients. In fact, many patients described hospitals as a “ghost town” during shift changes.

What came to be called Nurse Knowledge Exchange (NKE) created a process for passing on higher-quality information more quickly and reliably. Now the exchange occurs at the patient's bedside rather than at the nurses' station. Patients are encouraged to participate, making it less likely that anything important relating to their care will fall through the cracks.

New software helps nurses compile information in a standard format throughout their shifts. And they are less likely hours later to experience a jolt of panic that they've forgotten to communicate something important.

Nurse Knowledge Exchange has since been rolled out to all Kaiser Permanente hospitals. According to Christi Zuber, a member of the Innovation Consultancy team, the most significant result of the group's work is bringing human-centered design to the organization. ●

Culture Awareness

Design thinking, like other ideas and strategic solutions, if introduced and implemented without considering how it will fit an organization's culture, can fail. In the majority of cases this is not the result of the strategies or processes being bad ideas. Rather, they fail to stick because they do not fit the culture of the organization or are not implemented in a manner that aligns to how the organization creates success.

This can easily lead us back to the question of why it always has to be about culture. Because it is!

Organizations are forms of complex social systems that are shaped and formed by human interaction. Therefore, it becomes important to understand how an organization's culture can respond to and support the variety of human needs that manifest themselves in behaviors and interactions.

The better an organization is able to respond to human emotion, the more aligned it is. Furthermore, the more aligned the use of design thinking is to the culture, the greater the likelihood for success.

Organizational Empathy

Empathy is at the heart of design and is the core of innovation and creativity.

Empathy is putting yourself in someone else's shoes and understanding how they feel, thereby having the ability to relate to and experience the emotion of another person. Based on this meaning of empathy, organizational empathy is defined as an attribute of culture demonstrated by the ability of its people to relate to and experience the emotion of others.

Through the use of empathy in design thinking, people are able to collaborate and cooperate with one another across the typical boundaries that exist between functions and groups, as well as experience one another more intentionally when in service to each other as internal customers. This can scale across an organization and goes well beyond the focus on having empathy for customers.

It is further reinforced by leaders who, when at their best, also demonstrate empathy for their employees. This role-modeling and reinforcement of empathy are key to the model of seek first to understand, then begin to solve.

The story about Kaiser Permanente's creation of the Nurse Knowledge Exchange is a good example of shifting the definition of success from merely providing an isolated solution to shortening the time that patients are left without care, to one that also responds to the internal challenges faced by the nurses and related staff.

The broader involvement not only demonstrates a willingness to empathize and understand the internal issues that confront employees; the desire to understand their emotional response invited them to participate and feel more engaged. ●

Curious Confrontation

Curious confrontation can be defined as “facing differing ideas and mindsets with the desire to investigate and learn.”

More than at any other moment in time, people learn about the culture they're in when they experience conflict. Design thinking provides an effective tool for confronting and managing disagreement and conflict. Organizations using design thinking have a belief in and positive mindset about curiosity. People who use design thinking

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demonstrate better inquiry and listening skills, which is key in managing disagreement and conflict effectively.

Because design-thinking skills can be applied to dealing with disagreement and conflict, confrontation happens in a more timely and healthier manner, thereby avoiding much of the dysfunction and consequences associated with it. Design thinking is a valued process for confronting disagreements and misalignments among functions, and their leaders, and effectively breaking down unhealthy silos.

Developing Conflict-Management Skills

The skills of listening and seeking understanding are key to empathy, the first step in the design-thinking process. Genuine inquiry and open listening are paramount for users of design thinking to be successful and, as the result of lessened levels of fear, leads to increased levels of emotional maturity and safety that directly impact how conflict is constructively managed.

The result of lesser levels of fear translates into the free expression that leads to the ability of people to engage in the idea generation that feeds the process of co-creation. When applied to conflicts, design thinking results in greater openness and faster generation of ideas, better feedback loops and less competition over whose idea is better.

Here are some of the ways in which organizations can better leverage curious confrontation to manage disagreement and conflict more effectively and, by doing so, move toward greater levels of innovation:

- Keep the customer first.
- Always critique the work.
- Trust in the process.
- Ask simple yet critical questions (e.g., “What’s missing?”).
- Emphasize your purpose and intention.
- Come from a place of inquiry.
- Act aligned.
- Measure results. ●

Co-Creation

Design-thinking organizations are not bound by the limitations of their structure or the defined roles people find themselves in. Rather, they invite inclusion and bring together diverse groups and parties to collaboratively produce mutually benefitting and jointly valued outcomes.

Innovative organizations display an ability to manifest the belief that the more open they are internally, within their own organizations, the more they are able to be open and engage externally. This results in the capability to involve a much broader group of players and contributors to the innovation process.

It also allows the leveraging of co-creation, which results in greater levels of information-sharing, more timely and productive problem-solving and better-informed employees, customers and leadership — not to mention higher levels of engagement and loyalty among those involved.

In support of co-creation, there is also the sharing of knowledge with and training of groups and individuals that are typically ignored or excluded. In design-thinking cultures, these oft-hidden assets are the powerful source of the creative influence that results in great innovations.

Process Alignments

Visa has a program called Design Hack Practice. Every month they put their learning into practice and how to apply it to solve fundamental claims problems both at Visa and within client teams. Recently they ran a design hack program in Vietnam, Indonesia and the Philippines to create solutions for a bank. The chairman of the bank took part in the hack, which resulted in finding ways to solve end-user problems by using Visa services and thinking through methods in their product-innovation portfolio with their customers.

According to Kevin Lee, Visa’s global head of design, more profound is the impact on the ground level. The company is delivering organizational strategies by helping everybody understand the importance of empathy, listening skills, synthesizing, conceptualizing ideas and involving the user experience. What’s so impactful is that they are solving local problems on a global basis. In support of leveraging co-creation, they ran a two-day design hack with more than 70 people co-located in Singapore and Berlin. ●

Open Spaces

A common attribute of highly innovative cultures is the attention paid to creating an environment that promotes expansive and creative thinking. This includes what physical space looks and feels like, how virtual communities and teams use visual tools and technologies, and their effect and reinforcement of creative and collaborative behavior and open communication.

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When workspaces and virtual communities are more engaging and creatively stimulating, with more capability and opportunity for employees and team members to gather, collaborate and create together, it invokes the natural processes of the collective imagination, visual reasoning and mind mapping. The attribute of open spaces is a means of emotional expression that invites creative expression and more open and energized dialogue.

Often, the creation of open space is the change that produces change. What is vitally important to understand is that any time an organization brings together people, whether in a physical or virtual space, creating it in an intentional manner — one that lends itself to the use of design thinking — will almost always result in greater levels of new ideas and innovative solutions.

Creative Spaces

LEGO's new office in Billund, Denmark, will likely become a model for other organizations to follow. Why? For starters, it is created to provide the sense of community that aligns to LEGO's approach to market and one of their core business strategies to nurture the worldwide community loyal to their product and brand.

Secondly, in alignment to culture, the design has a list of features that creates open space for collaboration and a sense of freedom to work in a manner that breaks down structure, bureaucracy and creative limitations.

Here is a short list of some of the work environment elements consistent with the company's emphasis on creative play: a green roof garden, play areas, lounge areas, a mini golf course, informal meeting areas, hot desks, green courtyards and temporary workstations — all of which are wrapped in a structure that has the appearance of, and is designed in the manner of the product itself: LEGO bricks.

To bring nature and well-being into the environment, the design of the building allows for a generous flow of daylight, giving it a sense of openness. This is all consistent with the design that speaks to the creative design capability embedded in its culture. ●

Whole Communication

Whole communication can be defined as the broader means in which human beings verbally and nonverbally communicate a message. Whole communication engages various forms of logical and emotional expression. From the use of data and basic visuals to the use of painting

and improvising, whole communication allows for the spectrum of possibilities and tools to be used in telling or creating a story.

Design-thinking companies demonstrate an increased competency to communicate in a variety of creative ways. These organizations are great storytellers, creators and users of visual information, and have a willingness to experiment with new ways to communicate, interact and brainstorm.

They appear to understand that innovation happens by contextual inquiry, discovering unarticulated needs, synthesizing, creating with empathy and communicating solutions in methods that embrace the emotions underlining the concepts.

The Power of Storytelling

Stories are a form of whole communication that connect people and allow them to experience common ground, including at the emotional level. They can be useful as a creative reminder of an organization's or group's purpose and how individuals connect and contribute to it. They can also be helpful in changing perspective and thereby producing meaningful change.

Historically, organizations have relied more on the use of data and logic and have struggled with the emotional content of how their people work together. As a result, organizations were designed to work in the world of logic, and the workforce that fed into it was prepared accordingly. This makes design thinking even that much more attractive as a means to overcome the consequences of the over reliance on data-driven approaches.

Emotion-based, informative and interactive forms of communication have the power to multiply engagement, to tell a story with emotion in order to get multiple stakeholders to engage, embrace and contribute to the development of solving the right problems. Design thinking connects the left side of the brain (the source of the analytic and logical reasoning functions) with the right side (the source of creativity, imagination and intuitive thinking). There is recognition that within all forms of data, there is a story. The result is a more holistic approach to exploring and solving problems, and innovating. ●

Aligned Leadership

The level of commitment and support shown by leaders for the use and integration of design thinking, including the development of leaders in their organizations and involving and empowering other design-thinking experts,

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is *the* key factor to success. While committing to the idea that design thinking is important to culture and that scaling it requires alignment to that intention, how leaders role-model is a critical factor.

The alignment and role-modeling by leaders in design-thinking cultures are key to how well an organization's employees feel empowered to engage in the behaviors that support the successful use of design thinking. This requires leaders to learn the value of design thinking and its powerful influence in the development of a culture of innovation. Leaders need to embody the values and beliefs of that culture and to commit to the development of aligned leaders throughout the organization.

The attributes of design-thinking leaders include

- Uses empathy to understand the experiences of others.
- Focuses on creating a benefit for the customer.
- Listens with mutual respect and fearless exploration to understand others.
- Openly expresses their ideas and what they think, see and feel.
- Pursues knowledge by being curious, inquiring and asking questions.
- Demonstrates the ability to be vulnerable, including accepting of their mistakes and incompetence.
- Coaches others, rather than sharing viewpoints and competing with others.
- Relies on the knowledge and insight of others, and not acting as the lone genius.
- Strives for self-knowledge and uses the personal power of choice.
- Uses curious confrontation to effectively manage disagreement and conflict.
- Aligns their personal purpose in contribution to the organization's mission. ●

Purpose

The simple truth is that, for any organization to be innovative requires it to have a shared set of ideals as to its purpose for existence. Why? If members are in alignment with an organization's purpose for existence, they will be more engaged and more motivated in how they think and act.

To be purpose-driven is to hold a promise. Whether it's a large, well-established global company or a highly innovative restaurant, what evokes the emotion that leverages the collective imagination is its purpose. One element that design-thinking companies share is a clearly defined purpose. Some may call it a mission.

Today, more than ever, this is a part of a broader and more engaged consumer ecosystem in which customers are no longer bystanders in the creative process. The fundamental rules have changed and an organization's purpose is the commitment it makes. Not only do consumers want assurance that purpose and the promise will be met, they want to be involved.

Recent studies indicate that more than seven out of 10 younger consumers want to be engaged in the creation of the products and services they are shopping for. More than seven out of 10 are more willing to pay for products and services that are seen in a positive social and environmental light.

Clearly articulating purpose is no longer a matter of influencing only the people within an organization or as a general marketing and advertising tool. It is more and more becoming an element of engagement and innovation with a broader set of participants that are savvier and more interested.

For that reason, not only does the purpose of an organization have to be emotionally compelling, it also needs to offer specificity, accessibility, powerful imagery, social benefit, environmental responsibility, strategic clarity and continuity. A good way of getting there is through the use of design thinking.

We have the ability to actually design new cultures of innovation. More than any other of the organizational processes that have come before it, design thinking offers the greatest opportunity to confront and innovate in response to the greatest challenges of humankind. ●

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