Design-Centered Innovation
Observe, Learn, Innovate

by James Lichtenberg, Program Director, Council on Innovation

Innovation in the "Age of Experience"

In terms of the commercial dynamics of innovation, we are in the "age of experience." More precisely, we are moving into an "experience economy" where customers value the experience of using a product or service, not just the product or service itself. Thus, it may be advisable for companies to reinterpret their business as a service and sell the total "experience" to their customers. A design-centered approach to innovation facilitates this process.

> ### Defining Design-Centered Innovation
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> Design-centered innovation uses contextual observation and the involvement of customers to enhance product value and create a unique and satisfying experience. The goal of design-centered innovation is to change obstacles into opportunities. In its most basic form, the implementation of design-centered innovation means: You observe, you gain insight, and then you take action by turning those insights into products and services that improve people's lives. It is problem finding before problem solving. In a design-centered approach, removing complexity is a critical element.

Ideation is about maximizing diversity. "There are no judgments early on in design thinking. This eliminates the fear of failure and encourages maximum input and participation in the ideation and prototype phases."

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The Power of Taking a Design-Centered Approach

Like innovation itself, design thinking can be a messy, nonlinear process that challenges inflexible corporate cultures and old thinking. Knowing your customers, while always an element of business success, is critical today for successful innovation.

"Big Data is important, but it is a misnomer: It means little if you cannot extract the right insights and knowledge needed to innovate or change processes and products. That type of knowledge only comes from direct interaction with your customers."

Unlike analytical thinking, design thinking is a process that incorporates a holistic, end-to-end, customer-driven approach. It is built around ideas that originate from keen contextual observation. It is this first-person observation that provides insights—not available through traditional means such as satisfaction surveys and focus groups—to the true needs of users.

A relatively small up-front investment of time and resources in design-centered innovation pays significant dividends in quality improvement, the relevance and desirability of new products and services, and, just as important, speed to market.

Today, while some companies aim their innovation programs at meeting "unarticulated consumer needs," they leave it to the innovation executives to decide what works for customers. By following the approach of design-centered innovation, you as an innovator can reduce the risk of product irrelevance because you see what customers need by engaging with them directly.

The customer "touch point" becomes the starting point of innovation. Council members emphasize that people who are in direct contact with customers often have the best ideas—and in many organizations there is an inverse relationship between good ideas emanating from an individual and the grandness of his or her job title.

"We've seen it again and again. The best ideas come from people who talk to customers."

In fact, people throughout any organization are capable of design thinking. One council member recalls how her company once relied solely on design managers for ideas: "Now we want all people, everyone, at every level, to design. This really empowers people and energizes the organization."

The design-centered approach carries through the entire product life cycle from inception to marketing. In today's "experience economy," telling a compelling story is a strong differentiator—people want to know how your offerings improve their life experiences.

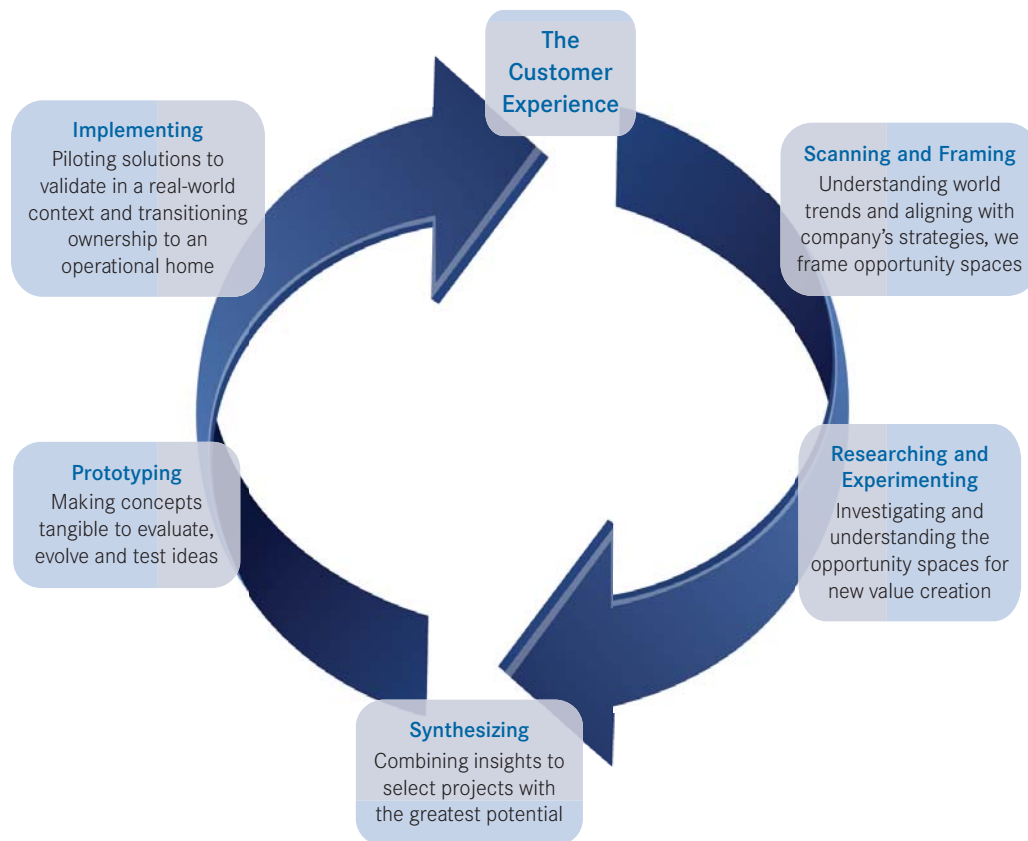## Start Small, Fail Early, Learn Fast

Two iconic and highly successful brands, one in health care and the other in business services, are strong believers in the concept of design thinking to drive innovation.

Created about five years ago, the health organization Center for Innovation's (CFI) methodology incorporates design thinking, deep collaboration, and rapid experimentation to co-create with end users a better health care experience. The key to success: put the needs of the patient first, understand them deeply, and move forward from there.

Similarly, the business services company is an organization that relies on customer observation and interaction to guide its innovation process with a goal of creating a more satisfying experience for customers.

Exhibit 1

Design-driven methodology at one health care organization

The Customer Experience

Implementing
Piloting solutions to validate in a real-world context and transitioning ownership to an operational home

Scanning and Framing
Understanding world trends and aligning with company's strategies, we frame opportunity spaces

Prototyping
Making concepts tangible to evaluate, evolve and test ideas

Researching and Experimenting
Investigating and understanding the opportunity spaces for new value creation

Synthesizing
Combining insights to select projects with the greatest potential

Both organizations have grasped that the traditional methods of customer research fail to provide the depth of insight needed to create the special experiences that truly meet the needs of their customers. The experiential knowledge of what it means to be a patient, on the one hand, and how to solve a mission-critical business problem, on the other, were the keystones of their most recent innovation successes.

In both organizations, innovation embraces an extensive journey in co-creation. In the health organization's innovation process, design thinking and actual medical practice are integrated in a unique physical environment— a working innovation studio—where observations are made and prototypes tested. The "design" team of 60 consists of anthropologists, nurses, engineers, doctors, and other professionals, all attuned to understanding and recording patients' realized and hidden needs as well as their subtle interactions with the full range of medical personnel and their own family members.

Building credibility and acceptance for the concept of design takes time and patience. Starting with a not very well-defined small group dedicated to innovation in

service delivery, the teams in both companies sometimes worked under the radar, believing that it is better to ask for forgiveness than for permission. The goal is often to create a set of modest wins that can be scaled across multiple departments. Today, as technology enables remote delivery of medical services, the vision is to shift the paradigm of health care delivery by making the home, not the doctor's office or hospital, the "hub" of patient care. One novel approach: an anthropologist and a designer resided in patients' homes to understand what the "medical home" of the future should feel like and what patients will expect. The work continues even if a business model for such a paradigm shift remains to be defined.

"It's exciting how we are changing the way we work," says one council member. "We think differently about how we are engaging our talent and how we are using co-creation to build out models with customers. We don't want design to be seen as for designers only. It has to be everyone." Today, innovation is cited as a core competency in the health care organization's strategic plan, only a few years after being on the organization's fringes.

In a far different world, the business services company is also a master of co-creation, having worked with dozens of customers for almost two years in the development of a new product that radically increases the data that can be delivered in real time in key business processes.

One internal challenge has been changing the minds of those executives who see innovation as a risky and undisciplined process. Impactful storytelling, focusing on how new products affect customers' lives, and the contribution customers themselves make to the development of new products have led to greater support for design-driven innovation projects among top executives.

One breakthrough: debunking the notion that new technology alone constitutes innovation.

In this case one tech group came up with a breakthrough (involving the use of retinal scanning), but, as became clear from customer responses, developing a sustainable business model for its commercialization is not currently in the cards. However, as successful innovations are often the result of a fusion of such new ideas, this particular technology may well prove useful in the future.

The business services company has always followed a balanced model, innovating around what's possible, what's profitable, and what's deliverable. The company has learned, moreover, that a design-centered innovation process needs to be ongoing for the company to stay ahead of changing consumer tastes, needs, and experiential expectations.

What Is Success?

One further point: design-centered innovation does not change the basic paradigm of different measures of success at different stages of the innovation process. Initially, in a pure ideation phase, diversity is king. A collection of out-of-the-box, different, uncensored ideas represents success in and of itself. Ask many questions and answer each one in many ways.

While investigating these ideas in the process of shaping an innovation, however, maximization of learning efficiency is the goal. In other words, fail quickly, fail cheaply, and be attentive to the possibility of initially disparate ideas combining. Companies have found that while the different

stages of innovation require different skills, "the unexpected" will occur in all of them. Flexibility and understanding problems as "learnings" is the key to creating something that will succeed with customers.

> "If you can get decision makers to be part of the experience, actually observe the customers, they hear the pain point firsthand. They can't shake it. It is something that sticks with them."

The process of innovation means managing the trade-offs of cost, time, risk, and quality across each phase. In the best of outcomes, a product or service is ready to meet the market. At this point in the journey, a "pivot point" is reached where efficiency of execution, rather than imagination or experimentation, becomes paramount, and the skills of project management are required to ensure a successful launch.

The Voice Is Not Enough

To be truly revolutionary, design thinking and design-centered innovation must be embedded in the corporate culture. It can't be a separate add-on. Hearing the voice of the customer is certainly important, but capturing the subtle yet critical insights gleaned from contextual observation and real-time, real-life interaction with customers is often the difference between an OK product or service and a great one.

Of course to be successful in the marketplace, any innovation ultimately needs support across the entire company. Council members stressed the importance of being bold, creating prototypes, and earning early "wins" that allowed them to create a compelling vision for their colleagues. So much has to happen along the way to get an idea to market that senior management must provide "air cover" for the long road to successful innovation. However, experience has shown that innovation initiatives are more likely to be supported when senior management becomes involved with customers and hears their pain points, a cardinal element of design-centered innovation.

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