

## **The Emergence of the Design Economy**

Researched and Compiled by Fran Ray

(Taken from Bill Breen's book, *Business Design*, Robert Kaplan's book, *Strategy-Focused Organizations*, Daniel H. Pink's book, *A Whole New Mind*, and Dan Madison's book, *Process Mapping, Process Improvement, and Process Management*)

Our economy has evolved from the industrial age at the turn of the 20<sup>th</sup> century, into a manufacturing age that lasted until the 1980's, into the information age that has lasted for the last twenty years or so. Now, our world is evolving into another age – the Design Age.

With the emergence of the Design Economy, the business leaders of today need to learn how to think and act like designers. This involves much more than just having people on staff who call themselves “designers”. It involves a paradigm shift in the way we think, perceive, and problem-solve solutions to enhance customer development, as well the financial, internal processes, and employee development aspects of our businesses. Inductive and deductive reasoning skills can no longer be the predominant ways of problem-solving. The old way of thinking “What has worked in the past will work here,” is slowly being supplanted by abductive reasoning skills, a developed skill that “suggests that something may be, and reaching out to explore the possibilities.”

To become more abductive in our thinking, we must:

- Become Project-based and process-oriented, instead of function-based
- Understand our customers at a profound level
- Partake in Abductive thinking
- Suggest that something may be, and reaching out to explore it
- Brainstorming
- Don't do what others do – get more efficient doing the same thing
- Become “T” thinkers – combine analytical skills with intuitive, experimental, and empathetic skills

Give them something they did not know was missing – “Head Fake”

The ability to execute and implement a strategy is far more important than the quality of the strategy itself

Strategies are changing, but the tools we use to measure them have not kept pace. To enhance our ability to utilize our abductive reasoning skills, we must first explore ways to stimulate creativity. Business leaders must value and demand vision, collaboration, participation, initiative, innovation, and creativity in all aspects of business. Employees must feel challenged, with their skill sets stretched to the outer limits of their jobs, to create intrinsic motivation.

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There are many barriers to creativity, and we must understand those barriers to stimulate innovation and creativity within our organizations.

Some barriers to creativity within the workplace are as follows:

- Money has little or no effect on the level of creativity. Rather, we will be more creative if we feel that our work is valued and recognized by others, especially our superiors.
- Time pressures and procrastination often lead to a short-term peak in creative thinking, but long-term, it leads to under-performance
- Fear suppresses creativity. In today's uncertain economic times, downsizing hurts creativity. Though downsizing has become a part of our business culture, the fear of the unknown disengages us from our work. Business leaders must pay close attention to fostering communication, collaboration, freedom, and autonomy in uncertain times.
- The environments in which we work are often barriers to innovation. In the past, too many organizations were function-based, which can hurt creativity. Creating project-based or process-based small, cross-functional teams that work in the same general location will help promote innovation among workers.
- Time management is an important tool to innovation. Setting aside time every day to collaborate and brainstorm with your peers, and to share and debate ideas openly will allow creative thinking to thrive.
- We must all develop meaning to our work. Leaders must be able to recognize the strengths and passions of each employee and match those to specific projects. Having employees that really love what they do will allow empathy to develop, and allow us to look deeply at problems from our customer's perspective. This will help to develop profound relationships with our customers, increase our ability to offer creative, innovative solutions to problems, and reduce the time it will take to bring new products to market.

Through the 1980's, many organizations simply analyzed financial results to tell them a story. If the results told a negative story, the leaders often reacted by "downsizing" or reorganizing their resources to minimize financial losses. If the story was positive, they reacted by hiring more help. The problem with relying on financial data alone is that it is in the past, something that has already occurred. It is not a reliable indicator of future performance.

In the 1990's, a more effective management tool was developed, called Total Quality Management, which allowed businesses to look as far upstream at other areas, such as customer development, internal processes, and employee development, so that leaders could become more proactive, and make decisions based on what may come, rather than what already has happened. The problem with this style of management is that it still used logical and analytical techniques to make data-driven decisions. We crunched numbers, analyzed the data, and made decisions based on what we perceived the data to tell us.

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In today's economy, we must become more "Forward Thinking", and develop intuitive, perceptive, and empathetic skills, to compliment our analytical skills to arrive at more accurate and fulfilling decision-making processes. If we were to compare the elements of a business to the economic indicators, we would all agree that financial results are "lagging" indicators of the health of our organizations. Focusing just on financial data may lead to short-term benefits, but it sacrifices long-term value and performance.

On the other hand, customer development, internal business processes, and employee development all have the potential to be "leading" indicators of our businesses. We must focus on these "drivers" in order to provide long-term economic value to our customers and ensure long-term performance of our businesses. In the scope of this paper, a driver is defined as something or someone that is an agent for change to recognize threats, seize an opportunity, and initiate innovation.

Employees become expendable if their job can be done cheaper, a computer can do it quicker, or the product or service being offered is no longer in demand. Employees who are able to develop creativity and grasp the concept of the new Design Economy will find long-term value, and their chances of becoming irrelevant in today's business world will be greatly diminished.

Robert Kaplan's business design principles evolved from the basic principles of design, including:

- Balance
  - Symmetrical
  - Asymmetrical – most appealing
- Rhythm
  - Regular
  - Flowing
  - Progressive – most appealing
- Proportion
- Dominance
- Unity
- Closure
- Continuance
- Similarity, Proximity, and Alignment

Daniel H. Pink (author of *A Whole New Mind*) expands on these basic design principles by stating that we must become "High Concept, High Touch" people. Among other attributes, this includes being adept at seeing the "bigger" picture, detecting patterns and opportunities, gaining the ability to empathize, and finding meaning in our lives, other than material wealth.

Pink's book points out that, in order to become "High Concept, High Touch", we must be keenly aware of and continue to develop our six senses, including:

- Not just function, but also design
  - Find ways to differentiate ourselves
  - Celebrate change as something necessary to remain viable
  - Take note of good and bad designs, and note that good designs enhance sustainability
- Not just debate, but also story
  - Develop narrative imagination
  - High Concept, High Touch – tell stories that both sharpen our understanding and tug at our emotions
  - "What problem are we solving?" or "Tell me about your life?", rather than "Tell me about your problems?"
- Not just focus, but also symphony
  - Develop the ability to synthesize – the ability to combine existing processes or products to create something new and more effective
  - The whole exceeds the sum of its parts
  - Become a boundary crosser
    - Ability to adapt easily and quickly to changing environment
    - Develop transferable skills
    - Develop androgynous mind – the best of both male and female
    - Adept at using metaphors
- Not just logic, but also empathy
  - Ability to imagine yourself in somebody else's position, and intuit what that person is feeling – "What is the problem we're trying to solve?"
  - Feeling *with* someone, not feeling *bad* for someone
  - Computers cannot replicate this trait
  - "What can I do to make *you* better?" or "How did you get here?"
  - Volunteer your time to help others who are less fortunate
- Not just seriousness, but also play
  - Well-timed humor will increase productivity and overall job happiness
  - Sense of humor can increase innovation

- Not just accumulation, but meaning
  - Must have a basic desire to enhance both our spirituality and happiness
  - Leads to wholly integrated, balanced, centered well-being
  - Spiritual comes from external sources, while happiness is internal
  - Develop and use your signature strengths to achieve gratification in the main areas of your life
  - Think of this journey as a walk in a labyrinth, not a maze
  - Be grateful for what you have, and offer sincere gratitude to those that help you
  - “Would you still be doing what you’re doing if you had \$20 million or only had 10 years to live?”
  - Develop a vocabulary that stresses “and”, and eliminates “but” in order to stay in a problem-solving mode and away from an excuse-ridden mode
  - Take at least one whole day per week away from work

In addition, Dan Madison (author of Process Mapping, Process Improvement, and Process Management) has identified 38 design principles that apply to all business processes. A few of the most important business design principles to increase innovation, productivity, and creativity are:

- Design work around value-added processes
- Minimize hand-offs, minimize errors
- Single point of contact for all inquiries
- Redesign the process first, then automate it
- Create process-driven and project-driven teams, not function-driven teams
- Capture information at the source once, and then share it widely
- Strive for 100% quality at the beginning of the processes
- Ensure continuous, uninterrupted flow of those activities that add value to the customer
- Role play to test new programs
- Create “generalists”, rather than numerous “specialists”
- Bring downstream information needs upstream
- Those employees who are most involved in using the processes need to be part of the analysis, design, implementation, and improvements to the processes
- Top-down clear and concise communication of strategies
- Develop “Balanced Scorecards” for both company vision and employees, so that all players are developing responsibilities towards meeting the company’s goals



Customer development is arguably the most important element of Business Design, and yet it is the one that receives the least attention, because it is the most difficult to gauge tangible results.

Transform organization from being finance-driven to being customer-driven, to promote long-term economic value added products and services (EVA). Leaders who are willing to mentor and coach other leaders on ways to enhance their own company's strategic vision will be the most successful.

In order to fully develop EVA, we need more intangible, knowledge-based strategies in the following areas:

- customer development
- innovate products and services
- responsive operating processes
- strong IT component
- Systems in place to strengthen employee's skills and capabilities
- Employees who are able to develop intrinsic motivation
- Create small, decentralized, cross-functional teams for continual and participative feedback process to tweak strategies
- Create "feedback loop" with both customers and subcontractors via surveys for continued improvement plans

As mentioned previously, we must create DRIVERS to enhance long-term performance:

- Customer-focused strategies
- Create internal shared service groups
- Concentrate on EVA relationships
- Alignment and Focus of all employees towards the company's strategic vision
  - o Strategy Map
  - o Strategic Management System

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Strategy-Focused Organizations consist of the following:

-Strategy Map is the cornerstone of the Strategic Management System

- #1 Translate strategy into operational terms to create long-term value
- #2 Align organization to match strategies
  - Recognize that functional silos are barriers to strategy implementation
  - Develop “Balanced Scorecards”
  - Create shared service groups who fill out the scorecards to increase consistency
- #3 Make Strategies part of everyone’s everyday life
  - Top-down communication so that strategies are easily understood and can be communicated effectively by all employees
  - Those in the front lines will find ways to become more efficient
  - Teach **CUSTOMER SEGMENTATION, VARIABLE COSTING, and DATABASE MARKETING**
  - Communicate Strategies holistically
- #4 Make Strategies a Continuous Improvement Plan
  - Discuss strategies every day to define long-term performance criteria
  - **Link Strategies to Budgeting Processes**
  - Create “Strategy” budget just like you would create an operational budget
  - Have Management Strategy meetings at least once/month
  - Learn and adopt strategies
  - Open, non-judgmental feedback loop between employees and clients, make results known to all employees
- #5 Mobilize Change through Effective Leadership
  - This is not a “metrics” project as much as it is a “change” project
  - Embrace change as a way to take advantage of opportunities and threats
  - Establish sense of urgency, create guiding coalition, develop vision and strategy
  - Help avoid complacency
  - Governance
    - Create Strategy Teams with employees on the front line for down-top feedback
    - Move towards Process/Performance/Strategy-centered culture vs. Function based environment
    - Stress importance of understanding customers, and that each is different, and the same strategies cannot necessarily be used to get business



A Strategy-Focused Plan consists of four crucial elements: 1) Customer Development, 2) Internal Business Processes, 3) Employee Development, and 4) Financial Results. A sample Balanced Scorecard is suggested below.

Element	Strategic Theme	Strategic Objective	Strategic Measures	Targets	Initiatives
Financial	Revenue Growth Market Growth	Become Industry Leader	Rank vs. Competition Growth Rate vs. Industry	TBA	TBA
Customer Development	Exceed Expectations	Delight Targeted Client	Mystery shopper Client Retention		
	Beneficial Sub-contractor And Vendor Relationships	Win-win relations	Surveys Growth of #'s Quality Scores		
Internal Build Recognition		Innovative Products And Services	Energy Analyses Acceptance rate Market Transformation EVA Celebrate Wins		
	Quality	Meet Contract Metrics	Performance reports Continuous Improvement Plans		
Employee Development	Motivated and Prepared	Continuing Education Stretch Skills Access to Strategic Vision	Invite Employee Feedback Balanced Scorecard Understand Strategy Performance Graphs		

Each Balanced Scorecard needs to stress the fundamentals of good Business Design Principles

EVA enhances sustainability, but is indirect and difficult to measure. That is because EVA consists of many intangible elements, such as training, increase service quality, innovation, higher customer satisfaction, higher loyalty, all resulting in the desired outcome - Higher Revenues and Profits. But, by setting up Balanced Scorecards like the example above, we can eliminate some of the intangibles by setting specific objectives, targets, and initiatives that will tell us how close/far we are from our goals.

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Combining selected ideas taken from the published works by Robert Kaplan, Bill Breen, Daniel H. Pink, and Dan Madison, we can now lay out a strategic focus that will enhance the ways we conduct business today. Our employee-to-employee and customer-to-customer relationships will be more meaningful, our proposals will include more EVA services that will lead to long-term value, and our businesses will be better equipped to address severe economic downturns by adapting more quickly to market changes.

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