Design Thinking

Does Your Company Need It to Survive?

Mike Russell
Why companies fail:

BAD IDEA

BAD EXECUTION

OUTSIDE EVENTS
Great Depression

Civil War

Early 80's recession

1830s

Tech bubble crash

now?
Why companies fail:

BAD IDEA

BAD EXECUTION

OUTSIDE EVENTS
“We have seen the enemy, and he is us”

_Pogo_

We have seen the hero, and he is us
this actually isn’t completely “new” to most of you … just different terms and how put together from a big picture view

requires going to meta-models, some theory, etc. to glue together and address
Why this presentation

• Share latest thinking
• Where I “live” – how can I make a difference for people so they can make a difference?
• Faced similar issues throughout career
• Keep searching for integrating theory
• Some of core models/approaches I use
• Constantly updating/integrating/refactoring – Not “pretty” or “finished”
• Slides …
Plan of attack

• Why
  – Org death
  – Design Thinking as a possible antidote
  – Agile is needed
  – Heroes among us

• Q&A

• Call to action
Sigmoid curve - problem
Sigmoid curve - success
Product (and initial company) life cycle

- **Product Development**
- **Introduction**
- **Growth**
- **Maturity**
- **Decline**

![Graph showing the product life cycle with stages of Product Development, Introduction, Growth, Maturity, and Decline.](image)

- **Sales**
- **Profits**

**Axes:**
- **Time**
- **$**
How to extend organizational life …
More typical ...

Don’t start when should

Instead, panic start somewhere here
Another (big) problem ...

Don’t work here!

Optimizing capabilities honed here ...
Projects vs. Operations (PMI)

**Projects**
- Create own charter, organization, and goals
- **Catalyst for change**
- Unique product or service
- Heterogeneous teams
- Start and end date

**“Operations”**
- Semi-permanent charter, organization, and goals
- **Maintains status quo**
- Uniform product or service
- Homogeneous teams
- Ongoing
# Projects vs. Operations (KPMG)

<table>
<thead>
<tr>
<th>ATTRIBUTE</th>
<th>PROJECT</th>
<th>“OPERATIONS”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture orientation</td>
<td>R&amp;D</td>
<td>Production</td>
</tr>
<tr>
<td><strong>Activity</strong></td>
<td>Unique tasks/lifecycle; mix of one-time, continuous, &amp; iterative tasks</td>
<td>Continuous, repetitive</td>
</tr>
<tr>
<td>Resource level primary driver</td>
<td>Task</td>
<td>Volume</td>
</tr>
<tr>
<td>Degree of change</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Planning horizon</td>
<td>Longer term/goal orientation</td>
<td>Near term/ day-to-day</td>
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<tr>
<td>Resource assessment</td>
<td>Frequent</td>
<td>Infrequent</td>
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<tr>
<td>Complexity</td>
<td>High</td>
<td>Low/routine</td>
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<tr>
<td>Risk/uncertainty</td>
<td>Higher</td>
<td>Lower</td>
</tr>
<tr>
<td>Team/management ratio</td>
<td>Lower</td>
<td>Higher</td>
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Source: Adapted from KPMG standard for Information Technology Project Management, 1994
Some reasons why we got here …
“9. Management will go from art to science. Bigger, more complex companies demand new tools to run and manage them. Indeed, improved technology and statistical-control tools have given rise to new management approaches that make even mega-institutions viable.

Long gone is the day of the "gut instinct" management style. Today's business leaders are adopting algorithmic decision-making techniques and using highly sophisticated software to run their organizations. Scientific management is moving from a skill that creates competitive advantage to an ante that gives companies the right to play the game.

A century + of thinking, training, experience

Assembly line, Taylorism, “scientific management” … and later approaches like 6 Sigma etc.
Rearview mirror trap

“But these forms of analytical logic [inductive, deductive] draw on past experience to predict the future. It is no accident that the future predicted through analytical methods closely resembles the past, differing only in degree but not in kind.”

Source: Martin, The Design of Business, p. 45
Ready market + innovation = winner

Yesterday’s problems, today’s solutions

Today’s problems, tomorrow’s solutions

Tomorrow’s problems, tomorrow’s solutions

Today’s problems, today’s solutions

Today’s problems, yesterday’s solutions

Source: adaptation of May, The Elegant Solution, p. 106
Opposing views, approaches, goals … & need both!

- VARIATION
- CHANGE
- FUNGIBILITY

- VARIATION
- CHANGE
- FUNGIBILITY
- OPTIMIZATION
- RELIABILITY
How do we maintain (with excellence!) two opposing forces/views?

- VARIATION
- CHANGE
- FUNGIBILITY

- VARIATION
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- RELIABILITY
Plan of attack

• Why
  – Org death
  – Design Thinking as a possible antidote
  – Agile is needed
  – Heroes among us

• Q&A

• Call to action
Caveat

Discussing design thinking as relates to business design and execution, NOT related to ethical or moral issues
Design Thinking – one definition

A discipline that uses the designer’s sensibility and methods to match people’s needs with what is technologically feasible and what a viable business strategy can convert into customer value and market opportunity.”

Tim Brown, IDEO
Designs should:

• Reflect what customer **really** trying to do (and provide customer value)
• Make business sense
• Not exceed what is (technologically) feasible
• Reflect “good” design patterns/rules

Source: Martin, *The Design of Business*, p. 65
Design Thinking introduction

• McDonalds as a business design process: Innovate, then perfect by driving out all judgment, variability, etc. from operations

• Roger Martin calls this the “knowledge funnel”

• Key problem – how retain/regain front end of the funnel once drive out all variation in initial product/service … our business continuity problem
The “knowledge funnel”

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Complexity Scale:
- **COMPLEX**
- **SIMPLE**
The "knowledge funnel"

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          • Explicit  
          • Fixed formula  
          • Guaranteed results if used in certain situations  
          • Step-by-step procedure that “anyone” can use with similar efficiency without “judgment” |
McDonalds

Culture changes: mobile (car), more leisure time, more $

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<td>Later adapted to new markets with core algorithm(s) left the same</td>
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**MASSIVE EFFICIENCY GAIN**
### Why bother?

**Dkfjozuel;zvjmvo xeiruza;dvmlxdu; rosmfzl;dj.xmvco seurslmvxlzvms.**

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**Paradox**
- Lots of data
- Implicit
- Hunch
- Aids exploration
- Depends on individual intelligence, skill, and experience
  - **Highest skill, cost**

**PAYS FOR EXPLORATION**

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**COMPLEX**

**SIMPLE**

---

**MASSIVE EFFICIENCY GAIN**

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**EXPLORATION**
In terms of our earlier picture …

Got to have enough margin to pay for investments here.
## The “knowledge funnel”

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Business rationale behind portfolios

Imperfect data + no guarantee of results

“VC” approach
Different thinking for different goals

Goal: ID what is true

Data points outside current model norms
Different thinking for different goals

Goal: ID what is true

Goal: ID what is possibly true

GENERAL

SPECIFIC

DEDUCTIVE

INDUCTIVE

ABDUCTIVE
(empiricism: hypothesis, experiment, refine)

POSSIBLE NEW MODEL

Data points outside current model norms
What’s your tasking? Does it match the situation??

Give me a ballpark estimate and let me know how we are progressing or what changes we need to make.

Here’s the project; I want to know the schedule, cost, and scope that we will set and hit.

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I think this is the right thing to do; just get started and see if it gets us in the right direction.
Many organizations try to take left-side idea and want “right side” guarantee of project outcomes.
## Decision data

<table>
<thead>
<tr>
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<th>Perfect</th>
<th>Imperfect</th>
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<tbody>
<tr>
<td>Relevant</td>
<td>Analytical approach</td>
<td>Inference and intuition</td>
</tr>
<tr>
<td>Irrelevant</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Results provable</td>
<td>In advance/pre</td>
<td>When “done”/post</td>
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Deterministic    | Empirical                        | Ad hoc
A chain …

Deterministic view → I can predict outcomes → If change(s) needed, I have failed → Avoid change & ideas from others
... and in the software world

- Give us a software “factory”!
Common problem – applied to software

If all we can do (heuristic) is increase probability of success ...

Then why do we operate as if we can do this?

Best we can do at moment ...

Software “holy grail” – algorithm/process that guarantees success

If all we can do (heuristic) is increase probability of success ...
How do we maintain (with excellence!) two opposing forces/views?

- **VARIATION**
- **CHANGE**
- **FUNGIBILITY**

- **VARIATION**
- **CHANGE**
- **FUNGIBILITY**
- **OPTIMIZATION**
- **RELIABILITY**
“Many leaders like to believe they keep things in balance, but in reality most put much more energy into preserving what they have than creating that which they don’t have. … Thus, most organizational transformation agendas are more about improving the present that they are about creating the future. … Trying to keep everyone [different stakeholder groups] happy at all times is impossible. It’s a matter of sustaining a healthy tension between the different constituencies, taking care to never let things get skewed too far in any one direction.

Point of view leads to consequences if balance not achieved

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<td>Cannot grow or scale because cannot/will not systemize what do and dependent on individuals</td>
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Need a “both/and” … Design Thinking … to build on strengths of both and minimize weaknesses

Why can’t just bolt on an “innovation program” or goals etc. and have much chance of succeeding … the design of the organization will pull back to “normal” and defeat the intended changes
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| **Work implications at extreme** | • Individual skill is king  
• Maximize variation and individual input  
• “Art” orientation – designers are irreplaceable and follow their own paths  
• Ad hoc/random; can plan nothing  
• … | • Process is king  
• Eliminate variability and individual input  
• Factory assembly line orientation – people are fungible; can be done with low skill, training etc. (think McDonalds hires)  
• Determinism; can plan everything  
• … |
# Martin’s characterization

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*CEO/leader as balancing force, either personally or organizationally*
Must address all business aspects

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CEO/leader as balancing force, either personally or organizationally
Heard it many times this week – example:

Cottmeyer & Stevens key takeaway #2:

“To lead sustainable organizational change, you have to address the structure of your organization, your practices and tools, and also the people within the organization.”
Leader’s design output – the organizational “system”

**Focus:**
- Global/longer-range
- Specific/shorter-term
Should they have the same culture?
Manifesto as evidence! … visually

Over ...

= a dramatic difference and barrier
Conway’s Law

Any organization that designs a system
(defined more broadly here than just information systems)
will inevitably produce a design
whose structure
is a copy
of the organization's communication structure

Because the design that occurs first is almost never the best possible, the prevailing system concept may need to change. Therefore, flexibility of organization is important to effective design.
Thinking questions:

Why do we view “reorgs” as negative, to be postponed until absolutely needed, and the bane of humanity?

How do we apply continuous improvement to design of business?
Sound familiar?

“The quickest way to increase dignity, meaning, and community in a workplace is to involve people in redesigning their work. That is also the shortest route – in the long run – to lower cost, higher quality, and more satisfied customers”

Marvin Weisbord

Weisbord, Productive Workplaces: Organizing and Managing for Dignity, Meaning, and Community, 1987
Blanchard/Waghorn’s view: 2 teams

• Key principles
  – Success in organizations is all about creative use of untapped human energy
  – Way to tap this energy is to make people your partners (including involving in decisions …)
  – Way to make people partners is to meaningfully engage them in either
    • improving the present operation of the organization or
    • creating its future

• Therefore, have two “teams”
  – P Team – focused and responsible for Present
  – F Team – focused and responsible for Future

Blanchard and Waghorn, *Mission Possible – Becoming a World-Class Organization While There’s Still Time*, 1997, p. 2
3 “teams”?

- NPD, major variant
- EPD
- Manufacture/Operate

Future

Known near-term

Present
“It is not anymore about having exactly the right business model from the start ... but about creating the winning ones at the highest speed and lowest costs”
Why companies succeed:

an IDEA $\rightarrow$ good idea

GOOD EXECUTION

OUTSIDE EVENTS
Martin (et al): becoming a design thinker

- **Stance** – your view of the world & your role in it
- **Tools** – models that you use to understand your view and organize thinking
- **Experiences** – build your awareness and ability to discern over time
Plan of attack

• Why
  – Org death
  – Design Thinking as a possible antidote
  – Agile is needed
  – Heroes among us

• Q&A

• Call to action
O.K. … what practically do we do now?

• Stance – your view of the world & your role in it
• Tools – models that you use to understand your view and organize thinking
• Experiences – build your awareness and ability to discern over time
O.K. … what practically do we do now?

A: Bring “agile” knowledge and experience as a practical way to implement design thinking
The “knowledge funnel”

**MYSTERY**

**INTUITION**

**HEURISTIC**

**ALGORITHM**

**COMPLEX**

**SIMPLE**

Agile

“Waterfall”, stage gate, etc.
Other familiar terms for internal, SaaS, etc. …

- Dev
  - Variation
  - Change
  - Fungibility

- Ops
  - Variation
  - Change
  - Fungibility
  - Optimization
  - Reliability
“Enterprise Agile” ?

Dev

Ops

↑ VARIATION
↑ CHANGE
↓ FUNGIBILITY

↓ VARIATION
↓ CHANGE
↑ FUNGIBILITY
↑ OPTIMIZATION
↑ RELIABILITY
“Depends on the context”
Example: mobile apps

NPD, major variant

EPD

Manufacture
Operate
Example: advertising agency

NPD, major variant

EPD

Manufacture  Operate
Example: SaaS
Example: embedded

NPD, major variant

EPD

Manufacture

Operate
Mini (almost) retrospective:

- WIIFM: what attracts you personally to “agile”?

- What are the differences between the conference environment and back “home”?
  - “feel”/emotional
  - Relational
  - “fulfillment”
Take it one step farther …

Needed:

New C.E.O.S.
for Fortunate 500
“Most of what we call management consists of making it difficult for people to get their jobs done.”

Peter Drucker
Stakeholders – the “Fortunate 500” concept

• “Fortune 500”
  – Rankings primarily concerned with financial results; owner/shareholder stakeholder focused emphasis
  – Primarily a short-term focus

• “Fortunate 500”
  – Companies strive to provide the performance results desired by all its key stakeholder groups
  – Both short- and long-term focus
Stakeholders – “Fortunate 500” main concerns

• **C**ustomers: quality of service, product
• **E**mployees: quality of work life
• **O**wners: quality of financial return on investment
• **S**ignificant others: quality of relationship
### Stakeholders – “Fortunate 500” organizational goals

<table>
<thead>
<tr>
<th>Customers</th>
<th>Employees</th>
<th>Owners</th>
<th>Significant Other Stakeholders</th>
</tr>
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<tbody>
<tr>
<td><strong>Fortune 500 “Classic” (USA Bias)</strong></td>
<td></td>
<td>Maximized value</td>
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<tr>
<td>“Fortunate 500”</td>
<td>Legendary service</td>
<td>Fulfilling work environment</td>
<td>Enhanced value</td>
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Polarities are:

Interdependent pairs that organizations deal with every day ... dilemmas, paradoxes, tensions
A. Pole A
Positive effects
Negative effects/fears

C. Pole B
Positive effects
Negative effects/fears
A. Positive effects
Negative effects/fears

Future

C. Positive effects
Negative effects/fears

Present
Can use for diagnostic assessment … example

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<tr>
<th>MULTITASKING BETWEEN PROJECTS</th>
<th>SINGLE PROJECT ASSIGNMENT</th>
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### MULTITASKING BETWEEN PROJECTS

- Loss of effectiveness - task switching
- Lack of accomplishment/closure
- Conflict in scheduling
- Risk of lower quality
- Shield low performers – less results visibility
- Less commitment
- Being pulled in too many directions
- Problem forming the team
- Limited knowledge

### SINGLE PROJECT ASSIGNMENT

- Feel isolated / trapped – no diversity
- Not having the correct skills at the right time – project impact
- Company does not have the correct mix of skill sets
- Perception: people are under-utilized
- …
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| Shield low performers – less results visibility | ...
| Less commitment | ...
| Being pulled in too many directions | ...
| Problem forming the team | Limited knowledge |
| Limited knowledge | ...
| ... | ... |

- Wide range of products knowledge
- More organization-wide self-identification
- Able to see bigger picture – broader innovation ideas
- Flexibility in resourcing projects
- More financially efficient
- Perception that more productive
- Commitment to the project is high
- Better team work
- Exposes high/poor performers
- Higher quality
- More efficiencies from no/less context switching
- Strong knowledge of the product – become an expert in tech and business needs
- ...
Stakeholders – the new job for the CEO (& you!)

- Focus on working ON the business primarily and secondarily IN the business
- Drive toward understanding stakeholder expectations
- Get accurate measurement where can
- Communicate the voices of stakeholders
- Become the CHIEF HR Officer for your area
- Redefine C.E.O.S. and be a servant leader
- Elaborate how to achieve the agile/empirical – stability/deterministic balance & share
- Redesign the business accordingly, and when needed
Plan of attack

• Why
  – Org death
  – Design Thinking as a possible antidote
  – Agile is needed
  – Heroes among us

• Q&A

• Call to action
Plan of attack

• Why
  – Org death
  – Design Thinking as a possible antidote
  – Agile is needed
  – Heroes among us

• Q&A
• Call to action
“Agile”
“We have seen the enemy, and he is us”

*Pogo*

We have seen the hero, and he is us
Go out and change your world!

Thank you!

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