Idealized Design -- *An "Open Innovation" Process*

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Shared Understanding of Concepts

- Business Model Design
- “Open Innovation”
- Knowledge Management
- Idealized Design

Business Model Design

- A business (model) design is the totality of how a company selects its customers, defines and differentiates its offerings (or responses), defines the tasks it will perform itself and those it will outsource, configures its resources, goes to market, creates utility for customers and captures profits. It is the entire system for delivering utility to customers and earning a profit from that activity.
  - Source: Adrian Slywotzky, *Value Migration, 1999*

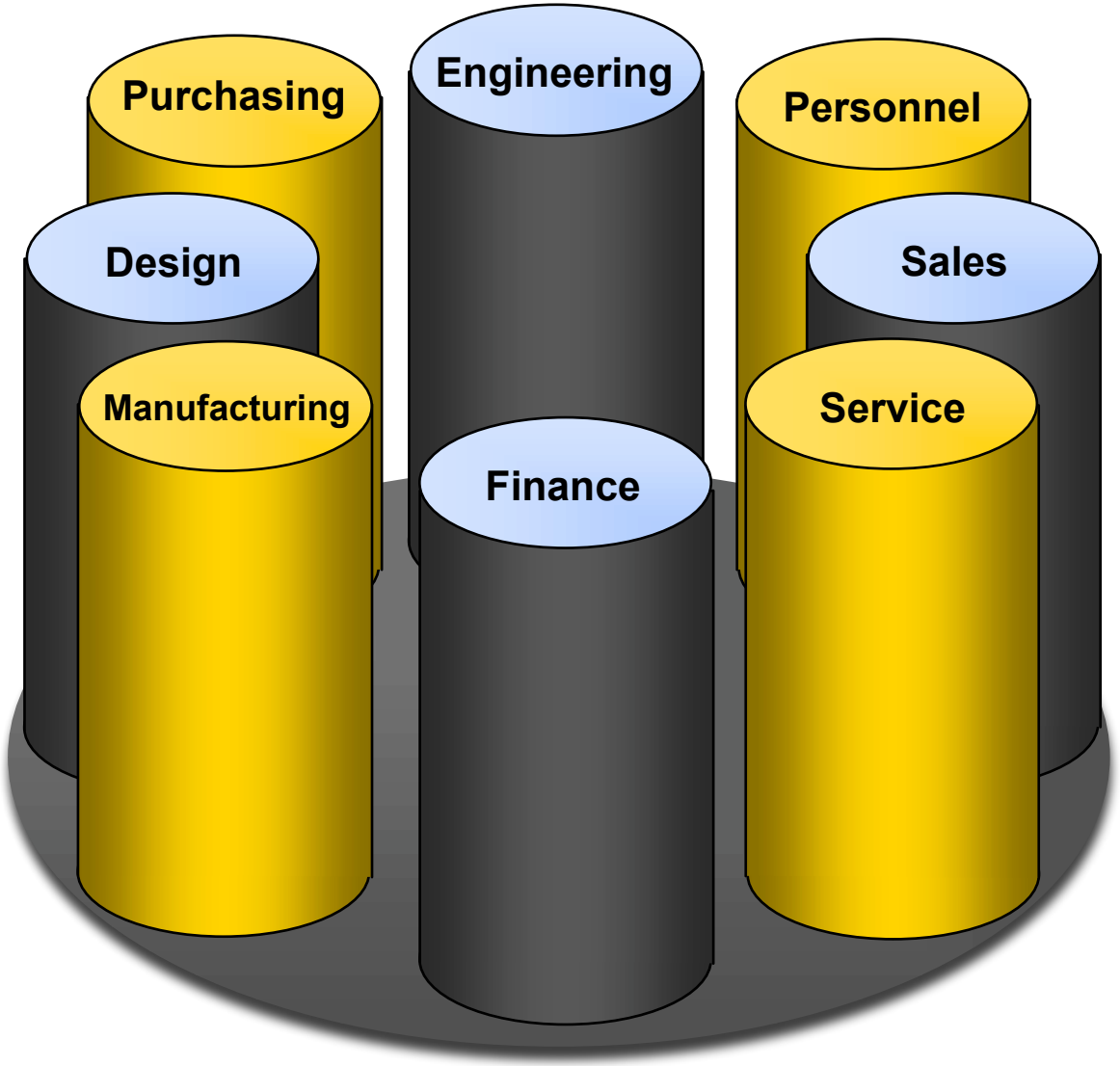
Open Innovation

- "Open innovation is the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively. [This paradigm] assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as they look to advance their technology."
  - Source: Henry Chesbrough, *Open Innovation: Researching a New Paradigm*
  - » http://www.openinnovation.net/

Meaning of Innovation

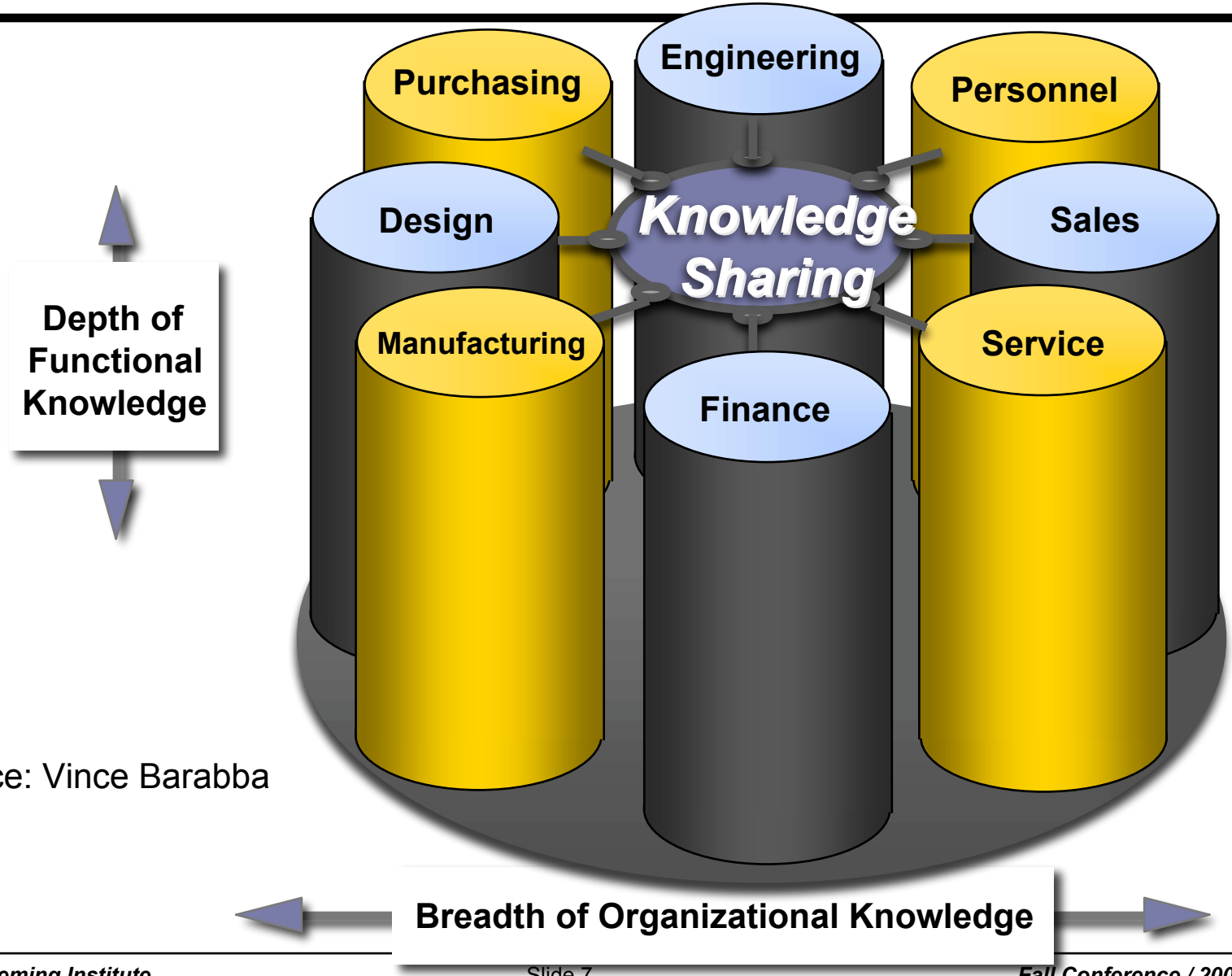
- ✓ The word “innovation” refers to an attribute, a process, and a result.
- ✓ Innovation is a process that happens somewhere in your company, or perhaps in someone’s mind. The result, in any case, can be an insight, a new idea, a product, a strategy, or perhaps a new business process.
- ✓ It may be a question, a theory, or just a fear. But whatever it is, one of the qualities that will distinguish the new thing is its “innovativeness.”
- ✓ This innovativeness refers to its distinctiveness, its originality, perhaps its usefulness, and most importantly its value.
- ✓ “Innovation” also refers specifically to that new thing itself that the innovation *process* has produced. To be considered an innovation in business, the result must be increased value in the form of new or improved functionality, reduced cost, a price increase (good for the seller), a price decrease (good for the buyer), better margin for the seller, or some combination of these.
- ✓ According to this definition not every new or different idea qualifies as an innovation. In fact only a small percentage qualify. Innovative ideas, by definition, create value for their users and valuable competitive advantage for their owners, as well as economic rewards.
  - ➢ Langdon Morris, Ackoff Center, acasa.upenn.edu/**business_model**s.pdf

Silos



- Source: Vince Barabba

Silos



- Source: Vince Barabba

Knowledge Management

- "Enterprise 2.0" technologies have the potential to usher in a new era by making both the practices of knowledge work and its outputs more visible within an organization.

- Six components of Enterprise 2.0:
  - Search
  - Links
  - Authoring
  - Tags
  - Extensions
  - Signals

  - Source: Andrew McAfee, Rotman Magazine, Winter 2007.

Design Thinking

- The designers who can solve the most wicked problems do it through collaborative integrative thinking, using *abductive* logic, which means the logic of what might be. Conversely, *deductive* and *inductive* logic are the logic of what should be or what is.
- In traditional organizations do you get rewarded for thinking about what might be? Encouraged? No . . . these firms can only do what they know how to do and constraints are the enemy—as opposed to the design firm, where constraints bring challenge and excitement.

  - Source: Design Thinking and How It Will Change Management Education: An Interview and Discussion DAVID DUNNE ROGER MARTIN, Joseph L. Rotman School of Management.

All men are designers. All that we do, almost all the time, is design, for design is basic to all human activity. The planning and patterning of any act towards a desired, foreseeable end constitutes the design process. Any attempt to separate design, to make it a thing-by-itself, works counter to the inherent value of design as the primary underlying matrix of life. . . .

Design is the conscious effort to impose meaningful order.

- Source: Papenak, Victor, Design for Human Scale, 1983

Design

- Design is considered as the core concept in the systems approach.
- "Design" is to the systems approach as "continuous improvement" is to the scientific approach
- Design is a process which requires the ability to question prior or existing assumptions regarding the ultimate state to be achieved.

- Further, the methods developed from science which have been useful in the past for problem solving are not sufficient for the creative design process.
  - It is in complex problem solving situations that the weakness of conventional design approaches fail most egregiously.

➢ Source: Van Gigh and Warfield

Idealized Design

- Idealized design is the best known way of designing or redesigning a system.
  - ✓ Idealized Design is that design its designers would have if they were free to have any design they wanted right now. Developing an inspiring vision through stakeholder participation.

  - ➢ Identify the ideals, objectives and goals
  - ➢ Define what the organization wants, not what it does not want
  - ➢ Design the system the designers would have if they could have any system they wanted NOW
  - ➢ Design constraints
    - » Technological feasibility
    - » Operational viability
    - » Capable of learning and adaptation

Idealized Design -- Attributes

- ✓ It promotes understanding
  - ✓ Designing a system is the best way to acquire knowledge and understanding of a system, and therefore, to assure its working effectively.
  - ✓ In the design process, one is forced to consider the assumptions on which the design is based.
- ✓ It transforms the concept of feasibility
  - ✓ The principal obstruction to what we want most is ourselves.
- ✓ It simplifies the planning process
- ✓ It enhances creativity
- ✓ It facilitates implementation
  - ✓ This considerably increases the chances of successful implementation of plans because those who participate have a vested interest in seeing to it that they are implemented as intended.

The System Was Destroyed Last Night!

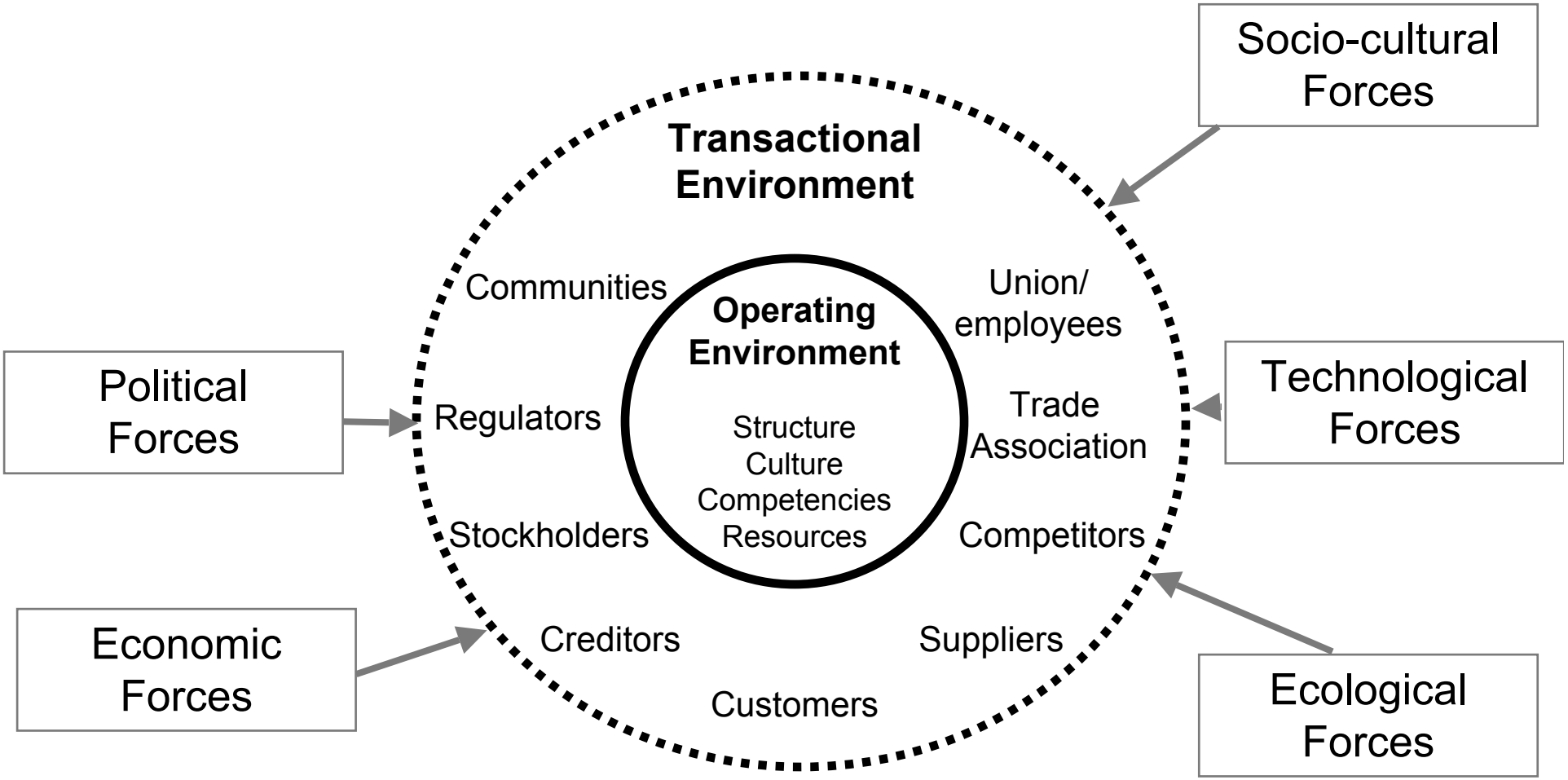
- Research conducted in 1989 by Deborah J. Mitchell, of the Wharton School; Jay Russo, of Cornell; and Nancy Pennington, of the University of Colorado, found that prospective hindsight—imagining that an event has already occurred—increases the ability to correctly identify reasons for future outcomes by 30%.

- We have used prospective hindsight to devise a method called a *premortem*, which helps project teams identify risks at the outset.

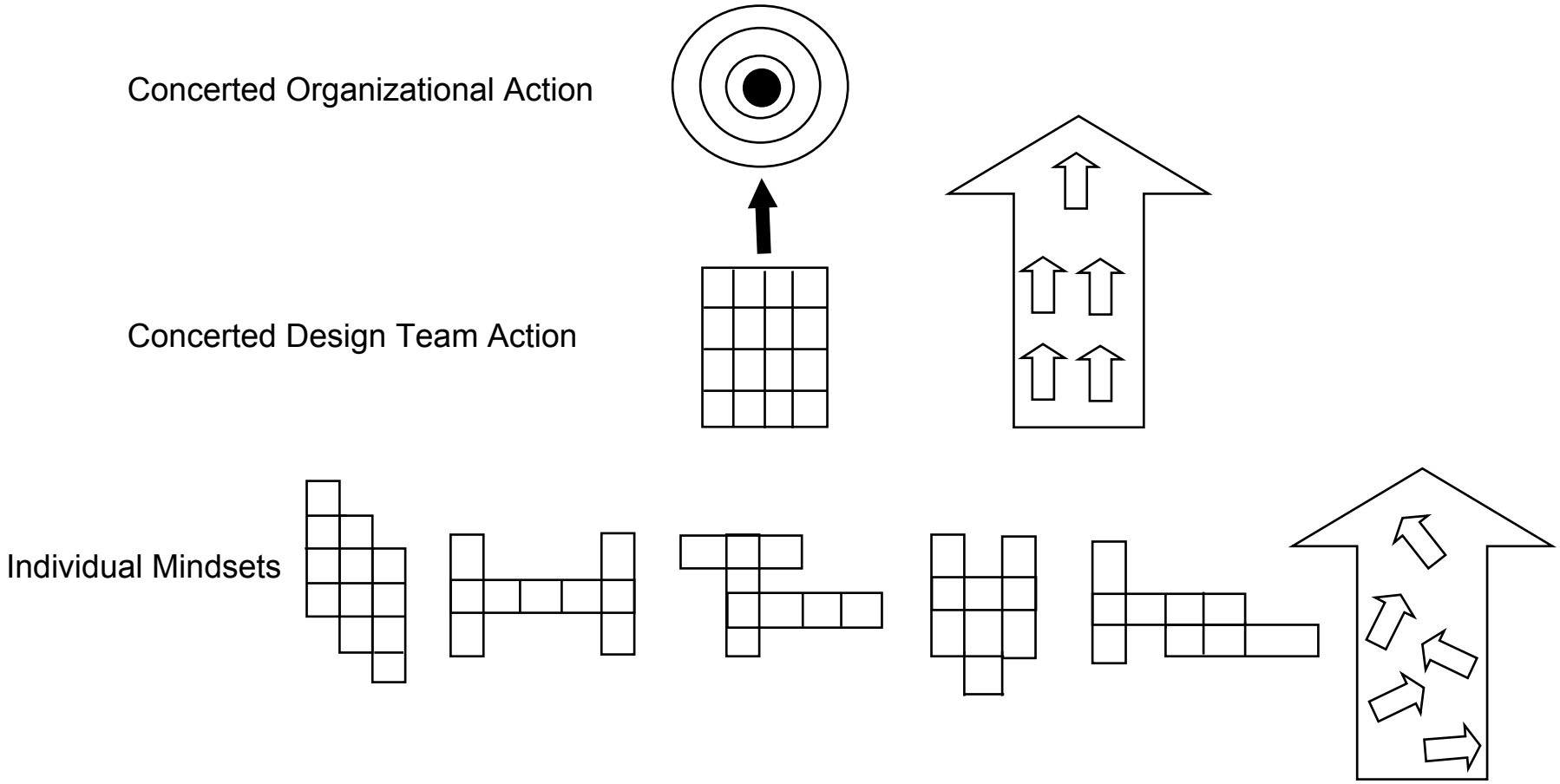
  - Source: Gary Klein, Harvard Business Review, September, 2007.

Stakeholder View of the Organization

Contextual Environment



Organizational Alignment
Through the Convergence of Mindsets



Stakeholder/User-centered Interactive Design

The Role of Users in Business Model Innovation

- Designing ***for*** users
- Designing ***with*** users
- Designing ***by*** users

Designing for Stakeholders/Users --The First Generation

- Rely heavily on **professionalism**,
  - In the sense that the professional is viewed as the holder of knowledge that is critical to design, and inaccessible to the user of the design.

- The **professional** creates a design,
  - Because of her/his expertise and sense of responsibility, is under no obligation to go further. . . . This approach is the one typically taken in the past in the design of operating systems. . . Frequently described as an **"over the wall" approach.**

Designing With Stakeholders/Users – The Second Generation

- Rely heavily on **participation of persons** who are likely to be involved with whatever is designed and who are viewed as having some potential contribution to make during the design process.
- The design process is open and designers are responsive to **ongoing dialog** and new input relevant to the particular context.
- The designer is viewed more as a **contributor** to the integration of a participative design process than as a detached professional.

Designing By Stakeholders/Users – The Third Generation

- The success of a design is directly related to the level of stakeholder participation in the development of the design.
  - A successful design is not one which is imposed on or provided to the organization from a source external to the system. The best way to insure that the design will serve the purpose of the organization is to include the stakeholders in the formulation of the design.

Stakeholder/User-centered Interactive Design

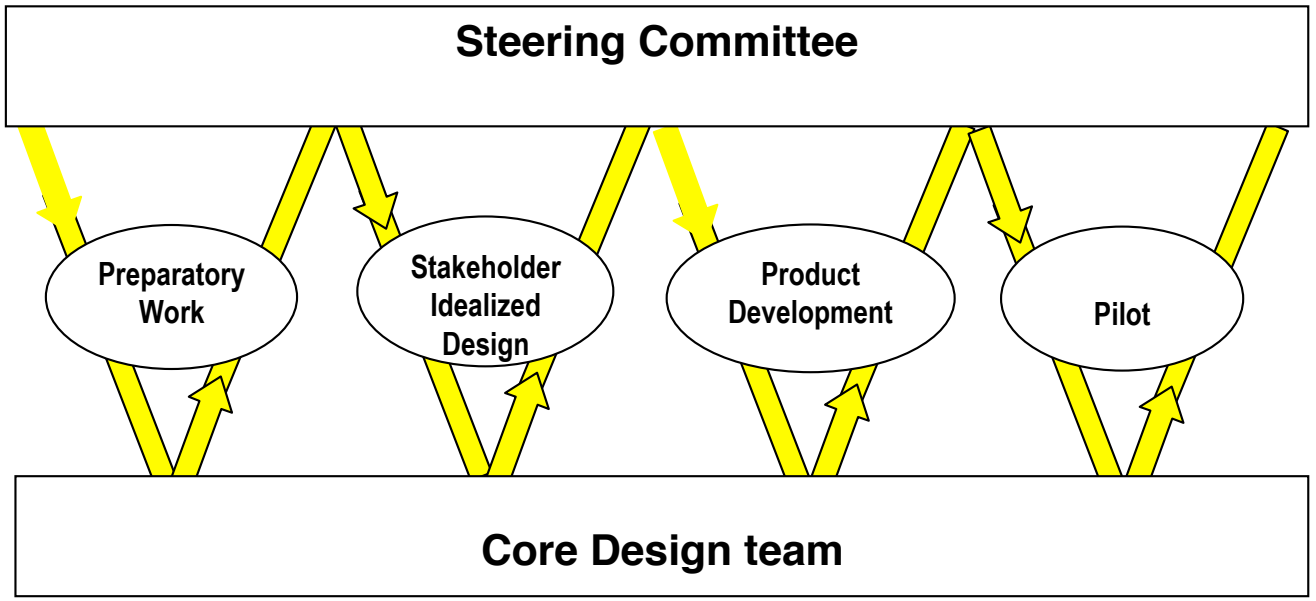
- An approach to working with stakeholders/customers & consumers– internal or external – **to generate a gold mine of ideas** that can propel an organization far ahead of their ideal product, service or system.

- Shifting stakeholders/users into **"wish mode"** and learning how would ideally they like a product, service, or system to operate to provide value to provider organizations.

Going Beyond Requirements Development

- Using the stakeholders/consumers to design products or services.
  - It is harder for a market researcher to get inside a consumer's mind than it is for a consumer to turn his mind inside out.
- In design by stakeholders/users, stakeholders/end-users are the actual designers of their ideal product, service, or business model.
- They not only specify the ideal characteristics they want, but also design (minimally in concept), what it looks like (its structure) and how they will use it (the process).

4-Phased Design Process

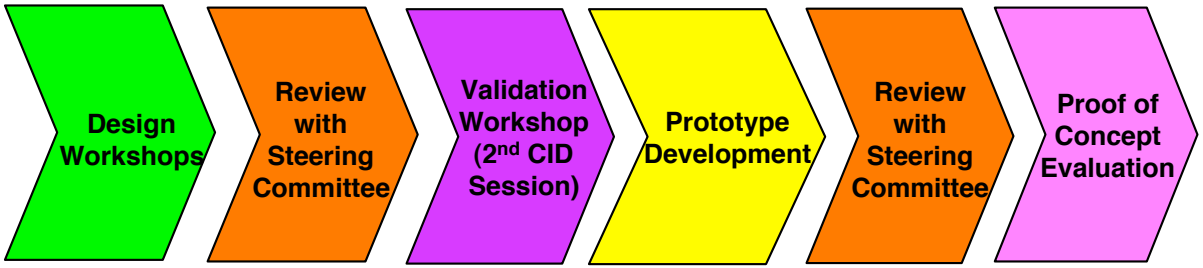


Learning Space

4-Phased Idealized Design Process

- The objective of the four-phased process is to create a disciplined business model design and management effort that would:
  - facilitate interaction and understanding between the Steering Committee and the Core Design Team through periodic review sessions,
  - create and recognize new points of view through dialogue among the participants,
  - transform individual knowledge into organizational knowledge, and
  - Provide the Core Design Team with strategic guidance, direction, and ultimately, the final decision for action.

Breakthrough Business Model Development Process



The Principal Benefit Of This Approach

- Both the **idea generators** and **concept implementers** start their activities at concept development, with a higher level of shared understanding.

- The voice of the market (represented by customer value)…provides both groups an approximation of how customers would react to many tradeoffs that must be made as an idea moves through concept development, refinement and implementation.

- The voices within an enterprise…articulate what an enterprise is able and willing to provide. Ideally, these voices interact with customer values.

Organizational Learning (Cont'd)

- From start to finish, this process should be considered to be an **organizational learning** exercise.
- Therefore, the process of product and service development is divided into three parts: **learning before, during, and after design**.
- In the first part, in-house research provides some useful insights, information; knowledge and understanding . This is collected, displayed, and shared in the **"learning space."**

Organizational Learning

- Part two provides a basis for making explicit the kind of knowledge and understanding required to effectively address the needs and wants of the customers and the consumers.

- In part 3, the focus is on creating an effective **feedback system** for the process. The results obtained from focus groups, individual in-depth interviews and finally test markets are fed back to the Core Design Team for further improvement and fine-tuning of the designs.

Intellectual Environment in which New Ideas Emerge

- Participants
- Venue
- Facilitators
- Catalyzing effect of the interactive design process

References for This Presentation

- Ackoff, R.L. *Re-creating the corporation – A design of organizations for the 21st century*. New York, NY: oxford university press, 1999.

- Pourdehnad John and Patrick J. Robinson, "Systems Approach to Knowledge Development for Creating New Products and Services," *Systems Research and Behavioral Science Journal*, A Wiley Publication, Vol 18, Issue 1, January/February 2001, Pages: 29-40.