



* Adapted from a chapter of *Design Thinking: New Product Development Essentials from the PDMA*, Wiley-Blackwell.

Empathy, ideation, collaboration, and iteration are not typical terms in corporate executive discussions, which usually focus on financial metrics and employee retention. However these concepts have become central to doing business in an era of hyper-personalization. Executives aiming to better serve customers and consumers should understand these terms and intentionally take them on to develop or retain a competitive advantage. Embedding a Design thinking mindset, culture and the associated systems, processes and practices can create the conditions of a future-fit environment that allows for new value to be delivered to customers and consumer.

Roger Martin, former dean of the Rotman School of Management and a pioneer in design thinking, noted that adopting design thinking requires more than appointing a chief design officer; it necessitates fundamental changes to operate like design firms. To fully benefit, companies must embed design into their business strategies, cultures, processes, and structures. Unfortunately, many corporate cultures hinder design thinking, but embedding it can offer a competitive advantage.

Achieving this advantage requires re-evaluating the organizational context, primarily corporate culture, which influences all aspects of a company.

Culture affects strategic choices, managerial tactics, and employee behaviors, reinforcing certain actions while discouraging others. It can drive innovation or maintain the status quo, making it a crucial determinant of organizational effectiveness. Implementing initiatives like design thinking succeeds not merely through training or directives but by aligning with corporate culture, even if it means replacing existing elements. Transforming culture is complex and risky, akin to scaling Mount Everest—a challenging journey not to be undertaken lightly.

Often, corporate culture evolves organically from a company's founding, reflecting past successes and avoiding failures. This default culture can limit possibilities, becoming a relic that shapes perceptions and actions. For example, Henry Ford's influence persisted at Ford Motor Co. long after his death, hindering adaptation to a changing market until leaders intentionally transformed the culture to regain competitiveness.

In many organizations, culture obstructs design thinking and innovation. Design thinking is human-centric, requiring empathy, risk-taking, prototyping, and acceptance of failure—traits often at odds with data-driven, hierarchical corporate cultures that emphasize rigid returns on investment and penalize failure.

PROTOTYPING GENIUS*

THE MAGIC OF DESIGN THINKING

BY MARIE-CAROLINE CHAUVET
& JON KLEINMAN

Reprinted with permission.

THE
HYPER-
PERSONALIZATION
ISSUE

To embed design thinking, companies should assess their culture, identifying aspects that conflict or align with design thinking principles like empathy and prototyping. As Jeremy Utley of Stanford's d.school suggests, it's unwise to oppose culture; instead, find elements that support a design thinking mindset. Organizations must confront their current culture, design one that leverages design thinking for future success, and implement changes swiftly to avoid inheriting undermining aspects of the old culture.

Forces that can Hinder Design Thinking & Innovation

Corporate culture, the condition shaping perceptions and actions within a company, acts like an invisible force influencing effectiveness and long-term success. It offers a competitive advantage in markets with limited differences between competitors. For instance, Southwest Airlines' unique culture has contributed to its consistent profitability, a trait difficult for competitors to replicate.

However, established companies often have fixed cultures that resist change, leading to inflexibility and inefficiency. In healthy companies, culture adapts to market forces, but when past practices dominate, success becomes about pleasing superiors rather than responding to market changes. To avoid this, organizations must empower employees to innovate and adapt, fostering a culture of renewal and reinvention.

Design thinking challenges assumptions about customer needs,

encouraging organizations to reassess offerings and processes. It promotes collaborative efforts to build new solutions, pushing companies to continually innovate. In large enterprises, certain cultural aspects often inhibit design thinking and innovation. These manifest in organizational practices, structures, and thought patterns, acting as forces that block innovation.

Corporate gravity pulls employees toward familiar, proven methods, hindering innovation.

This force stems from a focus on legacy business models and core products, diverting resources from exploring new ideas. To counteract this, leaders can deliberately support and sponsor cross-functional teams that take on applying design thinking to challenges that will bring new value to customers and consumers. Organizations may also resist cultural changes involuntarily, akin to a body's immune system rejecting foreign substances.

Employees excel by satisfying their managers' expectations, making them hesitant to disrupt established processes with new methods like design thinking. Leaders must engage in tailored conversations to inspire different divisions, applying design thinking principles to their own roles to demonstrate its value.

Corporate myopia prevents executives from recognizing the value of innovations, including new methodologies like design thinking. Executives confident in their market understanding may dismiss

A Process of Discovery
Design thinking challenges assumptions about customer needs, encouraging organizations to reassess offerings and processes. It promotes collaborative efforts to build new solutions, pushing companies to continually innovate.

breakthroughs that don't align with their perceptions or corporate strategy. For example, Nestlé's executives initially tried to kill the now-successful Nespresso system, as it didn't fit their mass-market model. The system thrived after being established as a separate entity with fresh perspectives.

Design thinking itself can counteract corporate myopia by involving consumers in prototyping, allowing them to determine value and suggest improvements.

Four Pillars of Innovation for Enabling Design Thinking

No one, not even expert mountain climbers or Sherpas in the Himalayas, just shows up and starts climbing Mount Everest. It takes years of experience, months of preparation, and many things going to plan. Similarly, design thinking can't be embedded in corporate culture without building a stable foundation. In *The Power of Strategy Innovation*, Mr. Johnston and Mr. Bate identified four critical pillars supporting advanced strategy innovation, adapted here as the "Four Pillars for Effective Creativity and Innovation."

Leadership Mandate

Top executives must commit to innovation through design thinking as a corporate priority. This commitment must be embedded in corporate strategy. Executives must learn, practice, and lead design thinking adoption. They need to make the case that innovation is vital to the organization's future, with a clear,



ISTOCK



ISTOCK

THE
HYPER-
PERSONALIZATION
ISSUE

Minimalized Myopia
Design thinking itself can counteract corporate myopia by involving consumers in prototyping, allowing them to determine value and suggest improvements.

enterprise-wide mandate. This includes permission to innovate, backed by funding, people, time, and space.

Example: In 2001, Procter & Gamble CEO A.G. Lafley said, “We will not win on technology alone. Therefore, we need to build design thinking into the DNA of P&G.” He backed his words with action: attending design thinking workshops, meeting with an external design board, working closely with VP Claudia Kotchka, and personally observing consumers. His leadership modeled a design-thinking-driven transformation.

Dedicated Infrastructure
Dedicated infrastructure organizes people, resources, budgets, timelines, space, and metrics. The seriousness of this infrastructure reflects the seriousness of the mandate. Visible investments signal commitment. Infrastructure may include roles like an innovation office or self-managing teams.

Example: At a successful healthcare company, executives realized continued growth required cultural transformation, focusing more on patients than fiscal discipline. They decided the risk of staying the same outweighed the risk of change.

- **Step 1:** Conduct a cultural assessment using custom-designed questions to interview and survey employees at all levels. The analysis revealed supportive and inhibiting aspects of the culture.

- **Step 2:** Establish an office of transformation and a leadership coalition of 40 people from across the organization. A full-time transformation executive led the group, which drafted new values, vision, and practices.
- **Step 3:** Set a budget and deadlines. The first phase had an 18-month timeline and dedicated funding.
- **Step 4:** Form an enrollment team to inspire and engage the workforce. Members were trained in design thinking and communication, and crafted tailored messaging.
- **Step 5:** Launch keystone projects and development initiatives. A 30-person team developed and executed a critical project aligned with the new culture. Simultaneously, 18 top executives underwent leadership development, each leading a collaborative project.

Within 18 months, the company significantly improved and rose to the top of its industry on key metrics. Note: Management’s first rule is you get what you reward. But also, what you measure matters. Metrics must track the value generated by design thinking. At Clorox, Wayne Delker created innovation metrics that helped secure ongoing investment, creating a virtuous cycle.

Proprietary Process
To align with culture, infrastructure, and mandate, a company’s design thinking process must be proprietary—tailored to its unique business, assets, and culture. Learning from others is valuable, but copying their processes often fails due to different organizational contexts. Context trumps content.

Example: former Sony CEO Norio Ohga said, “We assume all competitors’ products have the same technology, price, and features. Design is the only differentiator.” Companies must design and implement their own creativity and innovation processes.

Supportive Culture
A supportive culture welcomes new ideas from all levels, manages risk wisely, and avoids fear of failure. It combats corporate gravity, immune systems, and myopia.

Compare General Motors and Toyota—same industries, vastly different cultures. Culture can be a major advantage or a barrier. As Herb Kelleher of Southwest Airlines said, culture is a differentiator.

Cultural transformation and serious design thinking efforts are not one-size-fits-all. They must be crafted with the organization’s current state, history, leadership, and strategic goals in mind. Every change initiative must begin by honestly assessing where the organization is today.

THE
HYPER-
PERSONALIZATION
ISSUE

Cultural transformation and serious design thinking efforts are not one-size-fits-all. They must be crafted with the organization's current state; every change initiative must begin by honestly assessing where the organization is today.

Four Stages of Transforming to a Culture of Design Thinking

If you're convinced that embedding design thinking into your culture offers a competitive edge, here are four stages to guide your organization through successful transformation.

Reveal: Identify strategy, culture, processes, systems, and structures that support or block design thinking as well as:

- Uncover hidden assumptions and beliefs that shape what's considered possible.
- Examine unwritten rules for success and how new offerings come to market.
- Analyze how past failures and successes shape thinking about business, market, and customers.
- Are you innovating or just keeping pace? Is your market approach generative or reactive?

Unhook: Identify beliefs that distort your view of facts, such as:

- Stop blaming external forces like the economy or flawed data for results.
- Ask: Are you truly listening to customers or assuming their responses?
- Has "the way" become "the only way?"
- Challenge long-held norms and outdated assumptions.
- Own the narratives that shape culture and set them aside.

Invent: Consider the following points:

- What will the future marketplace look like?

- What company would succeed wildly in that future?
- Define purposes and ambitions that excite and challenge your people.
- Clarify values that support your commitments.
- Establish principles to guide thinking and work.
- Define your leadership mandate for design thinking.

Implement: In the final stage:

- Initiate new enterprise-wide conversations.
- Enable cross-functional collaboration.
- Make the customer present in daily work and dialogue.
- Identify projects to apply design thinking.
- Hold people accountable to act in line with the new culture.

Unleash the Magic

Design thinking is a powerful business approach and potential competitive advantage—when embedded into culture, strategy, systems, and practices. Organizations that adopt it see strong outcomes for customers, employees, and performance. Embedding it requires strategic and cultural transformation, a complex and risky endeavor. But by aligning culture with design thinking and implementing supportive structures, leaders can drive lasting performance gains. **IQ**



Great
Minds
Don't
Always
Think
Alike

Even the best executive can benefit from **new thinking** and **different action**. Find the fresh perspectives you need right now at insigniam.com/thought-leadership. Stay tuned in to the latest insights at insigniam.com/quarterly-magazine.