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INNOVATION

Design as Strategy

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HOW MUCH DOES YOUR ORGANIZATION WEIGH?

Most organizations are like VCRs blinking 12:00. They are poorly designed, out of date and ill-prepared to survive, let alone thrive, in the modern environment. Organizations today face increasing pressure from multiple stakeholders and relentless global competition, forcing them to become more innovative in everything they do and produce. Similar to a house that is composed of numerous poorly designed add-ons, most organizations are kludges of ill-fitting pieces and parts that were added over time with little consideration for the overall design.





By John R. Latham

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Too often each time a problem occurs in an organization, a counter-productive structure is added in the form of new policies, rules or procedures, which weigh the employees down and reduce innovation and agility. This bureaucracy creep is like adding rocks to the employees' backpacks as they try to climb the mountain thus dooming them to a working life of Sisyphean tasks.

To meet these challenges and create organizations where the employees are free to innovate and do what is best for the customers and stakeholders, leaders will have to redesign and align their organizational systems, including the overall enterprise, strategic management, operations and workforce development systems, to name just a few. This begs the question, What can designers of organizational systems learn from industrial design?

Learning to Create Better Organizations

Humans make poor machines, yet many to most organizations were designed using a machine metaphor with people as cogs that conform to procedures and produce predictable results. These machines were designed to extract the most productivity out of the workforce to benefit a small group of stakeholders, primarily the investors and management. Originally, the concept of bureaucracy was intended as a good thing. Who could argue with the notion of a rational and efficient organization? The wide variety of human stakeholders who have to work in and interact with the organization—that is who. The thinking about organizations has evolved to include other metaphors, such as biological systems, brains, political systems and so forth; however, the actual application of such ideas to organization design lags. While developing new theories, paradigms and metaphors to help us think about organization design is important, there is a gap between our thinking about organization design and the actual process of designing organizations and their systems.

Historically, as with organizations, many products and services were designed focusing on features and functions, or technical requirements, with little regard for the user experience. Consequently, we ended up buying VCRs with many more features and functions than any normal human would or could ever use. However, unlike organization design, industrial design has evolved to include human-centered design approaches and methods that create product and service experiences.

Organization designers can learn much from the contemporary industrial design approaches to design organizations that create experiences and sustainable value for multiple stakeholders: customers, investors, the workforce, suppliers and partners, the community and the natural environment. While some organizations, such as IDEO and the Monfort Institute, are already applying design thinking and systems thinking to a variety of organizational systems and processes, for these efforts to continue to grow, the leaders of the modern organization will need to become chief organization designers and lead the design of their organizations to achieve and sustain high performance.

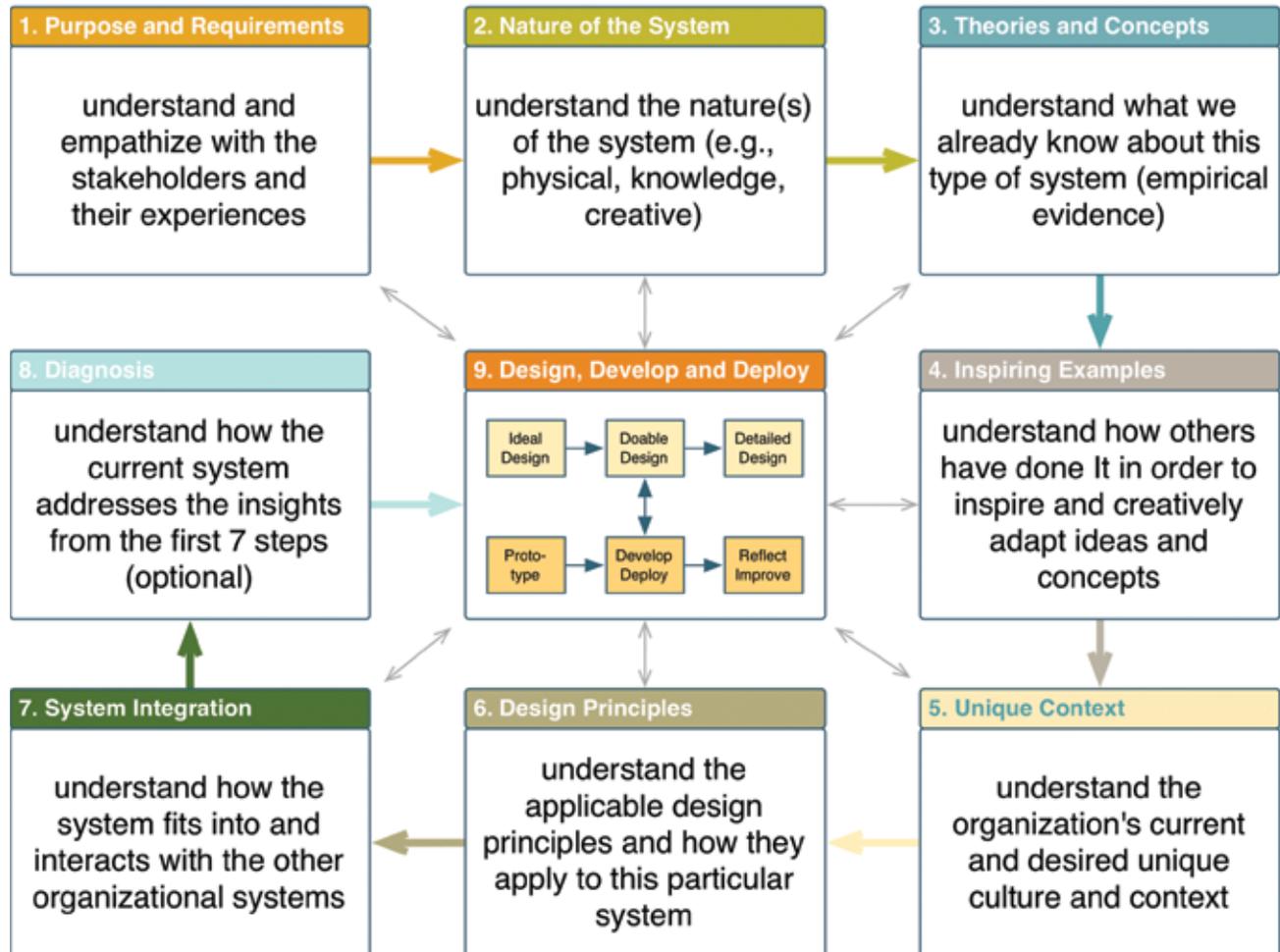
Leader as Designer

Unfortunately, most business schools do not prepare leaders to design organizations and their complex systems. With few exceptions, most business schools teach future leaders and managers how to apply existing tools, techniques and technologies to run a business in a way that maximizes the return on investment. Consequently, most executives spend their careers trying to optimize the systems they inherited. As Thoreau wrote, "The mass of men lead lives of quiet desperation." The corollary in the modern organization might be, "Most leaders spend their careers desperately trying to optimize poorly designed systems." What does a leader need to do to become an organization designer?

Leaders must learn to think differently about their organizations and how they operate. Specifically, they need to learn to apply the concepts of design thinking and systems thinking to the design of the organizational systems. Design thinking applied to organization design includes a deeper understanding of, and empathy for, the human experiences of the multiple internal and external stakeholders who interact with the organization. A deeper understanding of what it is like to experience the organization informs a creative process that asks the question, What could be?

Leaders as designers of sustainable high performance have a low need to be solely responsible for innovation or organizational success, are respectful of others regardless of their positions and are highly collaborative. Collaboration is a key aspect of IDEO's philosophy, which is based in part on the collective creativity of the group versus the creativity of a lone genius. Collaboration helps improve the design and the deployment of new organizational systems

DESIGN AS STRATEGY



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by involving multiple stakeholders and perspectives in the process. Design thinking goes beyond simply reallocating scarce resources to achieve organizational goals—a zero-sum game—to designing new systems that create value for multiple stakeholders.

Leaders as designers are systems thinkers who are motivated to work with systems, manage large amounts of information and learn from the past to help inform better designs in the future. Many of the issues we face today are created by individual system components that were designed based on little understanding or consideration

of the other related components, processes and systems. This often results in unintended consequences that are separated in both time and space, making it difficult to understand the cause-and-effect relationships and thus to learn from experience what works and what doesn't work. To design organizational systems that are aligned and congruent and create the desired near- and long-term results, the leader needs a deeper understanding of systems thinking. To actually apply design and systems-thinking concepts to organization design requires a method that integrates design thinking and systems thinking.

Organizational System Design

While leaders typically prefer an algorithm they can apply to predictably fix a problem, in the case of organization design, a framework with flexible tools, techniques and principles is more appropriate (see figure). This requires some level of comfort with the ambiguity of creative design. Similar to contemporary product design, organizational system design consists of an expanded discovery process (steps 1–8) to fully understand the key aspects of the organization, individuals, culture, and the internal and external complex systems before designing, developing and deploying the new design. While presented in sequence, the use of the eight discovery components is an iterative exploration of the various dimensions. Once the discovery process is complete, a conceptual ideal design is developed considering few (if any) constraints followed by a doable design that addresses the known constraints. Eventually, a detailed design is developed through an iterative prototyping process where the design team learns by doing. Too often systems-design efforts fail because the team attempts to get every detail just right before it reveals the new design to the stakeholders.

Learning quickly and cheaply requires the design team to present its ideas to multiple stakeholders before they are fully developed. This requires a safe environment that encourages testing of partially developed systems, tools, techniques and technologies. In other words, what is needed is an environment where it is OK to fail early and often. Once developed, the system is deployed and continuously iterated to fit the new system to the organization and maximize the stakeholder experiences.

Ideal system designs are characterized by eight design principles (see sidebar) and are aligned with the overall organization strategy, scorecard and stakeholders. **Organizational systems that create the greatest value for the multiple stakeholders are closely aligned with the strategy of the organization and work seamlessly with the other systems.** High-performance systems are designed for the whole person and facilitate work, encourage learning and help humans reach their full potential. However, high performance is fleeting without continuous innovation. Only the most resilient and stubborn of employees will continue to innovate when the system makes it difficult.

Buckminster Fuller once asked architect Norman Foster how much his building weighed. The corollary for the modern leader/designer is, How much does your organization weigh? Systems that include just enough structure—and

no more—encourage and facilitate innovation and agility. Ultimately, the quality of the design is judged based on the value it creates for the multiple stakeholders. The good news is that the right kind of leadership combined with design can create high-performing organizations that attract and enable top talent (internal and external) who create memorable experiences for customers who come back and spend more money (repeat business) and bring their friends with them (referral business). In other words, leadership + design = sustainable excellence. ■

Organizational System Design Principles

Balance	Creates value for multiple stakeholders.
Congruence	System components are aligned and consistent with each other.
Convenience	User friendly and respects the value of stakeholders' time.
Coordination	System components are integrated and work together.
Elegance	Least amount of complexity and structure for the greatest benefit.
Human	Participants are able to find joy, purpose and meaning in their work.
Learning	Opportunities for reflection and learning are built into the system.
Sustainability	Meets the needs of current stakeholders without sacrificing the ability of future generations of stakeholders to meet their needs.

Adapted from "Management System Design for Sustainable Excellence: Framework, Practices and Considerations" published in the *Quality Management Journal*, can be read in its entirety at www.johnlatham.info/resources/2012_QMJ_Latham_Design.pdf

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