

# RETHINKING DESIGN THINKING

It isn't wrong. It just isn't enough.

Design Thinking, the widely celebrated innovation model built on observation and prototyping, seems overdue to be assessed with the same scrutiny and iterative spirit it asks us to aim at everything else.

Time now to say, ok, we've prototyped this thing... what have we learned? What's working and what's not? What should the next model do that this one can't?

The increasingly evident answer is that Design Thinking is 100% effective at solving 50% of what it takes to create big innovation outcomes.

**What's ahead is a model that solves the other half.**

by Mark Payne

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# BACK TO THE FUTURE

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## DESIGN THINKING is relatively new as an ink magnet, an academic pursuit and a business paradigm, but its principles have, in various guises, been around for ages.

**Tackling innovation challenges** by applying lateral thinking in an intuitively-led problem-solving process of observation, interrogation, creation, and iteration has a pedigree stretching back from de Bono to da Vinci.

Working on the front lines of transformational innovation—doing not the close-in line extensions, but the bigger, harder plays that create and grow new markets and businesses—I’m a fan of all but two aspects of Design Thinking.

The first is just semantic. The power of empathetic creativity in innovation is immense and to attach it to that subset of creativity we call design is akin to saying

life is synonymous with breathing. Design is to creatively-fueled innovation as breathing is to life—powerful and fundamental, but part of a bigger whole.

The meatier issue that is the impetus and focus of this paper is that Design Thinking is overdue to have its own tenets pointed in upon itself. By now, it’s been sufficiently road-tested for us to interrogate it with the same rigor it asks us to aim at everything else.

It’s been prototyped. What have we learned?

And in those lessons, is there a path to a more powerful model? **The answer is yes.**



Let's kickstart the prototype appraisal with a simple provocation. If, on its way to work tomorrow, Design Thinking tragically stepped in front of a bus, what would be its legacy?

Perhaps something like this:

*"Design Thinking taught forward looking businesses the value of bringing creative inventiveness (aka, abductive thinking) to the center of modern innovation practice."*

Or maybe,  
*"Design Thinking taught modern institutions that human life should be the primary springboard of 21<sup>st</sup> century innovation."*

Any combination of the above would be a great tribute. There's just one problem. The big companies eagerly embracing Design Thinking are not doing so out of mere curiosity, trendiness or a footloose desire to unlace their wing tips. They're grabbing at it because transformational innovation has simultaneously become more important to long-term growth and more difficult to pull off.

In the end, what these companies crave is not a way to make innovation more creative for creativity's sake, more humanistic for humanity's sake, or simply to elevate the quality of the products moving through the pipeline. What they're after is a way to make innovation a more powerful, impactful and reliable growth engine. Simply put, they need innovation to work better.

Design Thinking, as applied to the creation of business-building transformational innovation, is undeniably a giant leap forward from the linear models that preceded it. But in the realm of business tools, being better-than-what-came-before has a short shelf life as a measure of success. Just ask your Palm Pilot.

The reality is that across sectors and companies, the innovation imperative is going up, but hit rates and ROI are going sideways or down. It's time to shift the conversation around Design Thinking from the rear view mirror to the road ahead—from better-than-the-old-way, to what growth-minded businesses need moving forward in a competitive environment that grows more intense by the day.

As the first well-structured model for injecting empathetic, humanistic creativity into innovation, is Design Thinking the end game? Or is it like the first mobile phone? Paving the way, then giving way to the smart phone that built on what was right, but was far more useful and valuable.

Following Design Thinking's own playbook, let's say that this prototyping exercise, conducted across a broad array of companies and industries over a number of years, is doing no more and no less than what every other prototype is supposed to do. It's showing us the gaps between what the model in hand does and what a subsequent model should do to better serve the needs of the marketplace.

The things limiting Design Thinking's impact—not on the innovation process, the zeitgeist or the academic world, but on its tangible outputs, hit rate and returns to the shareholders bankrolling its use—are becoming clearer the longer it's in play and the more companies it touches.

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*The gap lies not with what Design Thinking is or does, but with what it's missing.*

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It has gone to market as an incomplete answer to what companies need to successfully monetize high-impact transformational innovations in the climate they now face.

In the past two decades, the business world has become far more complex. The low hanging fruit has already been plucked. Markets are saturated. Retailers are flexing their muscle. Competition is global, local and nimble. The half life of competitive advantage continues to shrink. Resources are tighter. Big bets need bigger justification.

When the consumer solution is the only big issue on the table, Design Thinking can deliver in spades. But those cases are increasingly rare. Innovation is now, in nearly every case, a two-problem game.

The increasingly complex needs of the business need equal attention in the form of disruptive growth strategies, new business models, and new ways to profitably redeploy existing commercial assets. Big issues that Design Thinking wasn't designed to address—like where to play, how to win, how to create new competitive advantage and how to make money—are increasingly fundamental to the innovation process, and asserting themselves on what makes it into the pipeline and the P&L.

Most CEOs will tell you that in today's climate, exciting a consumer with a new possibility is far easier than getting a company to do things it doesn't know how to do, or have the asset base to deliver against. Design Thinking, or any other one-sided model, comes with a built-in structural bias toward delivering ideas that would be great for consumers, but will never reach them because they're commercially unattractive, strategically peripheral, naïve of capital requirements or operationally impossible to commercialize.

As design researcher Dr. Sam Ladner put it, "There is no shortage of creative solutions to unmet needs, only a shortage of profitable ways to provide them."

The next leap is obvious. We need a model that solves both sides of the two-problem game.

# THE 2-SIDED COIN

## Solving the two-problem game

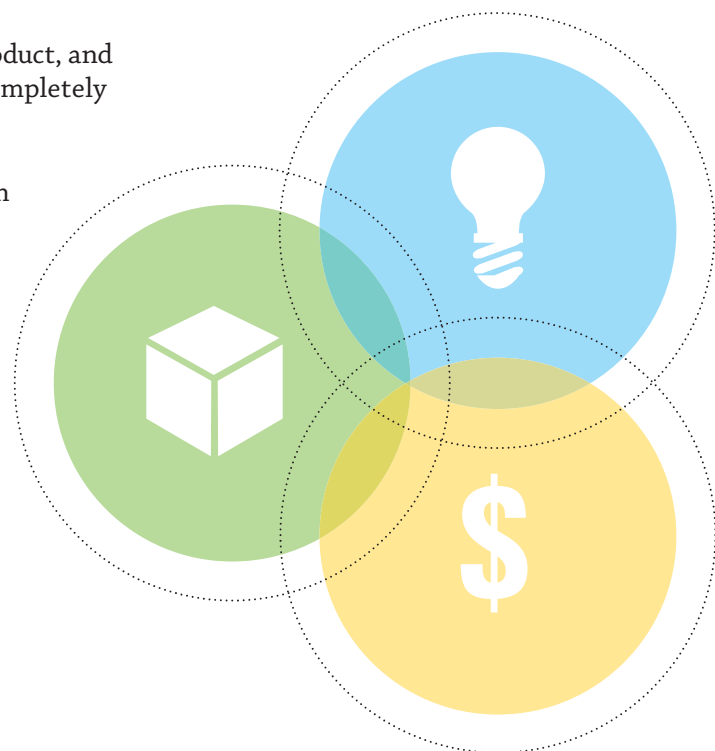
starts with a truism that is too often overlooked.

A great idea, a great product, and a great business are completely different things.

Think of the distinction this way:

### A GREAT PRODUCT

Fulfills a need in an effective, compelling way.



### A GREAT IDEA

Opens an attractive new strategic market space and life space.

### A GREAT BUSINESS

Is feasible, makes money, grows over time and endures.

Obvious as it sounds, these lines are blurred in innovation practice with surprising frequency, and big consequences for shareholders bankrolling a given initiative.

Each has a pivotal role in transformational innovation, but none is sufficient on its own.

A great idea points the way to a two-problem solution by defining a strategically attractive gap in a market, and a market in the gap.

A great business requires, among other things, intelligent use of assets, sustainable competitive advantage and a path to long term growth.

A great product experience—Design Thinking’s sweet spot—is highly valuable when it embodies a big strategic idea and works within a profitable business system, but merely interesting when it doesn’t.

*Deconstructing some well known hits and misses helps illustrate the distinction, and set up a framework for the shift to a two-problem model.*

IDEA

PRODUCT

BUSINESS

2 OUT  
OF 3  
AIN'T BAD

Let's start with some that nailed the two that too often get the most attention—the idea and the product—but missed wildly on the third.

GREAT IDEA

GREAT PRODUCT

BAD BUSINESS

# TIVO

**Tivo was a brilliant idea** served up in a great product. TV fans shouted from the mountaintops that it had changed their lives, freeing them from the tyranny of the time slot and unsatisfying attempts to program the VCR. It opened a new market in DVR, and quickly built legions of addicted consumers. The problem was the business. They entered a market with a structural competitive disadvantage vs. the cable companies who enjoy near monopoly market power, and control the flow of content into the home. TiVo enjoyed a brief run, but is currently valued at just 10% of its peak market cap, as cable companies have predictably usurped TiVo's turf.

**Satellite radio was a brilliant idea**, and another great product. Doing to radio what cable had done to TV was genius. The product is tremendous—bringing hundreds of channels, superior sound quality and a vast array of commercial free offerings to an increasingly car-bound consumer. The business, however, has been nothing short of a disaster. The cost structure attached to delivering ubiquitous satellite coverage and top on-air talent pushed Sirius and XM toward bankruptcy and a forced marriage.

# SIRIUS & XM

# LEAPFROG

**LeapFrog was another great idea** into games) represented a big win for and product. Turning electronic games parents who could get their kids to into an educational tool (or education willingly do something educational,

and for kids whose parents were suddenly handing them electronic games. No begging required. Its products were well accepted. The problem was that it went to market via the toy business, which carries famously tight margins that eventually got the best of LeapFrog. Its market cap is now less than 10% of its peak.

What these examples highlight is that solving for a consumer need is critical but not sufficient to the creation of a commercially successful piece of transformational innovation. What also becomes clear is that treating the human product experience as the thing that matters above all else is akin to building a one-legged stool, raising the odds of falling over.

Now to what happens when you nail all three in equal measure...

GREAT IDEA

GREAT PRODUCT

GREAT BUSINESS

# BEATS

**Based on the big idea** that music fans deserve to hear what artists hear in the studio, Beats by Dr. Dre is street-smart triple play of great idea/great product/great business. Jumping into the gap created by the technology shift from CD to lo-fi MP3, Beats built a new market in the gap,

mainstreaming sonic superiority beyond the core audiophiles courted by Bose, to the tune of a reported \$50million in revenue in 4Q 2010. Founded by music icons Dr. Dre and Jimmy Iovine, it's a business model with top shelf endorsement baked-in rather than bought, made real through beautiful products (designed by Robert Brunner's Ammunition) and new hi-def software. Did we mention the headphone cords don't tangle? Total triple play.

**The idea was brilliant**—transforming water from a pure ancient thing to a modern carrier of nutrients and flavor turned the source-obsessed water world on its head, and gave consumers a new lifestyle tool. Brought to life with an iconic bottle that tells its own story, delicious liquids in vivid colors that break through the clutter at retail, and a premium price point, the business sold for over \$4 billion, and is purpose-built to innovate on a dime to address emerging need states and tastes in the years ahead.

# VITAMIN WATER

**It was a radical idea.** Taking the music business's greatest point of risk and pain—the A&R game of placing big bets on artists ahead of knowing whether they'll be popular, and turning it on its head by making the public into the A&R department. In the process spawn a hit TV show with a 10-year run, a string of hit records, and a vertically integrated business, monetizing the show, the albums of its pre-promoted stars, tours, and even the votes. It should be considered among the most complete 360° innovations of the past decade.

# AMERICAN IDOL

# SPANX

**By any measure,** Spanx is a great idea (reinventing the girdle for the 21st century woman), great products (a fabulous range of seamless body shapers) and a great business (flirting with a billion dollar business in just ten years). With a naughty edge as a competitive edge and legions of devout fans, it makes any innovator wonder what other staid categories are similarly ripe for reinvention.



**What the business world** needs is a model that obsesses over winning the two-problem game, serving the needs of both the consumer and the company by nailing a great idea that opens a new strategic market space, a great product offering, and a great business.

Design Thinking was designed to bring the power of empathetic creative problem-solving to bear on a human need solved by a product experience.

That is a powerful and important contribution that should be leveraged and pushed further in the years to come. But it's gapped in the other areas, for no other reason than it wasn't built to go there.

To unlock the full power of creativity in igniting successful innovation outcomes, human-centered creativity has to become a supporting part of a bigger, more complete, and more strategically astute whole.

Let's call this bigger new thing Money & Magic...an approach that leverages all that's powerful and right about

Design Thinking's core strengths, but builds in the missing link that separates the merely clever from the successful, lucrative and strategically valuable.

Money & Magic is about pairing up human-centric creativity with its catalytic complimentary opposite capability—the commercial acumen needed to dissect the strategic, operational and financial needs of a business.

Not to reign in creativity, but to propel it to ideas that are big, doable and lucrative two-problem solutions.

**MONEY**

**Rather than start with** a one-problem orientation—focused solely on finding a human problem to be solved with a new product experience—Money & Magic works from beginning to end with the assumption that there are two discrete sets of problems to be interrogated, defined and solved concurrently—the needs of the consumer and those of the business out to serve her.

It says that success lies not in first solving for consumers then hoping the commercial, financial and strategic value will eventually get figured out, but in consciously pursuing new intersections between consumer needs and business needs, and only advancing ideas where that sightline to intersection is evident.

Rather than assume a robust set of strategic and commercial choices will precede the innovation process or be made independent of it, Money & Magic makes the questions of where to play, how to win and how to build and leverage competitive advantage integral to the innovation process, bringing as much interrogation and lateral perspective to the needs of the business as to the things that touch the consumer's life.

*There are two killer apps in the Money & Magic approach.*

The first killer app to the is the identification of an array of insights defining pain points and opportunities in the consumer's life, and a parallel array of pain points and opportunities for the business that's out to serve her.

The nature of those consumer insights—identified through observation and empathy—is quite familiar to the Design Thinking conversation. The commercial analogs are not. Those commercial insights may come from spotting a costly new piece of infrastructure under utilized in the current business, an underdeveloped consumer segment that represents a long term business risk, a portfolio gap in a high-growth adjacency, an emerging technology with no defined value to consumers' lives, or a situation where a higher margin technology platform is stuck in a niche part of the business rather than its core.

The consumer insights are doorways to relevance and value in the marketplace. The commercial insights are doorways to strategic, financial and operational wins for the company.

Where inventive thinking has always been described as a process of pattern recognition and connecting dots no one has connected before, Money & Magic presents that process with two sets of dots, and a challenge to find ideas that forge connections between them—not unlike a cat's cradle of connections between opposing anchor points.

**MAGIC**

# Commercial Creativity At Work

## Does this impede creativity?

Quite the opposite. Creativity loves an intriguing problem to solve, a compelling array of stimuli, an ability to bounce around among different perspectives, and the adrenaline rush of making new connections.

Beyond this first killer app of using parallel sets of consumer and commercial insights to catalyze idea development, Money & Magic's second killer app is marrying the 'wow' with the 'how.'

In a two-problem orientation, the 'wow' is that transformational idea capable of catalyzing both a great offering for the end-user and a great business for company stakeholders. The 'how' is the operational, technical and financial road map to making an idea doable and profitable in a reasonable time horizon.

The distinction between working this way vs. the traditional orientation of Design Thinking is quite profound.

Design Thinking's single-minded focus on consumer realities, followed quickly by a leap into product prototyping, leaves it either to chance, to someone else or to a subsequent phase of work to worry about turning a consumer solution into a strategically, financially and operationally attractive outcome.

Money & Magic not only says the needs of the business should be solved in parallel, but that they can—with no compromise to the inventiveness of the idea or its impact on a consumer's life.

All that's set aside is that too common breed of ideas that might have been great for consumers, but never had a shot at reaching them, owing to big strategic, economic or operational flaws.

Money & Magic says that if an idea can't actually reach consumers, improve their lives and create commercial value, it's not a great idea.

# 2 SETS OF DOTS

The easiest way to bring to life the concept of the two-problem solutions Money & Magic is structured to deliver is by deconstructing some widely familiar innovation successes.

## Mini Cooper

It did a spectacular job of filling a gap in consumer choice, where opting for a small, relatively affordable and efficient car meant foregoing a fun driving experience and personal statement.

But the underlying genius was the way it solved for one of the biggest pain points in the prevailing automobile business paradigm. The conventional wisdom was that the only way to scale a car brand was to offer a wide array of models, each requiring its own prohibitively slow and expensive tooling process and production line.

The Mini wasn't just a unique car, but a unique business system that allowed a single model running down a single production line to be liberally personalized—a win-win for the consumer and the bottom line.

## Red Bull

Yes, it nailed an emerging consumer need for energy in a life moving faster by the minute.

But the parallel breakthrough was the way it solved a pain point of the beverage business. At the time of Red Bull's leap from a quiet business in Asia to the world's flagship energy drink, even the world's most beloved beverage brands had little pricing power. Ignoring that it had much in common with conventional carbonated drinks—it was a canned, sugary sparkling drink principally aimed at teens and young adults—Red Bull circumvented established beverage pricing windows by setting itself outside the carbonated soft drink frame of reference, allowing a price point 3x higher than conventional soft drinks, paving the way for energy drinks to become a multi-billion dollar category.

## JetBlue

The consumer-facing solution was a more enjoyable experience at a great price, manifest initially in superior entertainment systems that eased the pain of the journey and made time in economy pass more quickly.

The business solution was equally transformational, and in fact the catalytic mechanism that made the consumer solution economically viable. JetBlue broke the traditional hub-and-spoke route model that saddled conventional airlines with costs and complexities. Doing that let them invest in superior entertainment infrastructure and still hit competitive price points. JetBlue's model stayed profitable even through the brutal downturn of 2009.

*These analogs are deliberately simple to make the point. Any transformational innovation challenge on the table before you has its two-problem moral equivalent waiting to be unlocked.*

*Focusing on just half an answer will bring us just half an outcome.*

# Money & Magic, Short & Sweet:

To sum it up, in the pursuit of high-impact business growth, Money & Magic is both a philosophy and a structured methodology for developing and accelerating transformational innovation.

Its core elements can be captured as follows:

## 1. IT'S THE OUTCOME THAT COUNTS.

Innovation success isn't measured in meetings; it's measured in market. The right innovation process is one that serves this end. Having an idea without knowing how it makes money is as valueless as knowing where growth lies without having the idea to unlock it.

## 4. ANSWERS AT THE CROSSROADS

The creative process is unleashed on spotting patterns and new connections between the needs of the consumer and the needs of the business, sparking ideas out of the tensions between them. Of the many possibilities in view, the only ideas that advance are those with a sightline to solving for both need sets.

## 2. THE TWO-PROBLEM ORIENTATION

Unlike human-centric models, Money & Magic works from day one to uncover two separate sets of problems—those of the consumer and those of the business—and to solve them concurrently rather than sequentially.

## 5. THE WOW AND THE HOW

Bringing ideas to life with high order creative insight, design, sensory experience and storytelling delivers the wow. Robust strategic, operational, financial, and technical dimensions deliver the how.

## 3. PARALLEL INSIGHTS

The pain points and unfulfilled aspirations of the consumer are identified through observation and creative empathy. Those of the business are uncovered through intensive strategic, financial and operational exploration. This two-front quest delivers separate arrays of consumer and commercial insights to catalyze invention.

*The net result is ideas that are big, fast and doable, making transformational innovation the more impactful and reliable growth engine companies need it to be.*



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The experience of recent years has shown that Design Thinking can be 100% effective at delivering 50% of the answer.

It isn't wrong, it just isn't enough.

**Money & Magic** is purpose-built to win in a two-problem world.

And it's not untried.

It has been road tested and delivered new levels of commercial traction with leading companies across a host of sectors, from food & beverage to consumer electronics, technology to personal care, financial services to hospitality, luxury goods to retail.

It's delivering the outcomes these companies sought from Design Thinking, but didn't see. Namely, transformational innovation becoming the more powerful, impactful and reliable growth engine they need it to be in the years ahead.

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**Fahrenheit 212** is an innovation consultancy that is engaged to deliver top line growth. To learn more about our transformational approach to innovation, visit [www.fahrenheit-212.com](http://www.fahrenheit-212.com)