Innovation by Design Thinking: Business Model Innovation

DENIS DENNEHY

DIETER DE SMET
They're just pretending to pay attention.
Any designers present?

Individuals whose personality includes

1. **Empathy**
   - imagine the world from multiple perspectives – those of colleagues, clients, end-users, and customers (current and prospective).

2. **Integrative Thinking**
   - do not rely only on analytical processes (those that produce either/or choices)

3. **Optimism**
   - no matter how challenging the constraints of a given problem

4. **Experimentalism**
   - pose questions and explore constraints in creative ways that proceed in entirely new directions

5. **Collaboration**
   - design thinker does not simply work alongside other disciplines; many of them have significant experience in more than one. (Brown, 2008)
What is Design Thinking?
What is Management?

“equated managing with decision-making and argued that there are three essential aspects of decision-making: intelligence, design and action”

Herbert Simon (The Sciences of the Artificial)
Knowledge Funnel

(source: Martin, 2009)
## Characteristics of Knowledge Exploration and Exploitation

<table>
<thead>
<tr>
<th></th>
<th>Exploration</th>
<th>Exploitation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organisational focus</strong></td>
<td>The invention of business</td>
<td>The administration of business</td>
</tr>
<tr>
<td><strong>Overriding goal</strong></td>
<td>Dynamically moving from the current knowledge stage to the next</td>
<td>Systematically honing and refining within the current knowledge stage</td>
</tr>
<tr>
<td><strong>Driving forces</strong></td>
<td>Intuition, feeling, hypothesis about the future, originality</td>
<td>Analysis, reasoning, data from the past, mastery</td>
</tr>
<tr>
<td><strong>Future orientation</strong></td>
<td>Long-term</td>
<td>Short-term</td>
</tr>
<tr>
<td><strong>Progress</strong></td>
<td>Uneven, scattered, characterised by false starts and significant leaps forward</td>
<td>Accomplishment by measured, careful incremental steps</td>
</tr>
<tr>
<td><strong>Risk and reward</strong></td>
<td>High risk, uncertain but potentially high reward</td>
<td>Minimal risk, predictable but smaller rewards</td>
</tr>
<tr>
<td><strong>Challenge</strong></td>
<td>Failure to consolidate and exploit returns</td>
<td>Exhaustion and obsolescence</td>
</tr>
</tbody>
</table>

(source: Brown, 2009)
Reliability & Validity

(source: Brown, 2009)
What is Design Thinking?

“a process for developing numerous practical alternate solutions to specific problems or issues fully using the individual and group capabilities and ideas of employees, customers, vendors, and the general public”

(Oster, 2008)
Why Design Thinking?

- New approach to dealing with complex (wicked) challenges in business
  - business management strategy
  - development
  - sustaining a unique competitive advantage (Clarke and Smith, 2008; Dorst, 2011; Fraser, 2006; Raney and Jacoby, 2010)

- Can make an influential difference in human-centred activities
  - communication and collaboration
  - business model innovation (Brown, 2008; Fraser, 2006)

- Assumes the human experience is always messy (Liedtka and Ogilvie, 2011)
Solving Tame & Wicked Problems

- Well-defined
- Traditional linear process of problem-solving methods
  - understand the problem which can include data gathering and analysis,
  - then formulate and implement a solution
  (Conklin and Weill, 2007)

=*

- Multiple stakeholders - many decision-makers with conflicting values
- Dependence on human cognitive abilities (creativity) & social abilities (teamwork)
  (Hevner et al., 2004)
“A problem cannot be solved by people who are concerned with only one or another of its parts”

Japanese philosopher Fukuoka
Benefits of Visualisation

- Improves problem solving
- Balances participation and reduces the dominance of certain participants
- Facilitates the decision-making process
- Ideally suited for communication
- Provides a visual means to assure mutual understanding
- Creates involvement of participants
Evidence of Benefits...

<table>
<thead>
<tr>
<th>Promoted Visibility</th>
<th>Provided a Common Platform</th>
<th>Promoted Interaction</th>
<th>Encouraged a Shared Commitment</th>
<th>Promoted Discussion</th>
<th>Encouraged Problem-Solving</th>
<th>Created a Shared Understanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Better visualisation of roles and responsibilities to be shared with new partners joining the ecosystem”</td>
<td>“Common language and focus good for all stakeholders’ understanding of the process”</td>
<td>“A vehicle for brainstorming”</td>
<td>“Main one was team-building”</td>
<td>“Everyone had a voice”</td>
<td>“Helped to identify customer value proposition and to focus all stakeholders on issues”</td>
<td>“Identification of gaps and could be used to exclude some stakeholders?”</td>
</tr>
<tr>
<td>“Ability to see each partner’s contributions and motivations”</td>
<td>“Ability to listen to others, ability to contribute objectively, people’s ability to negotiate”</td>
<td>“Good interactions amongst partners”</td>
<td>“Collaboration amongst team was better”</td>
<td>“Good discussion tool and looking at specifics of problem”</td>
<td>“The visual ability to be able to work as a team collaborating, challenging each other’s skills”</td>
<td>“Able to agree more and very good grounding on the project for all partners”</td>
</tr>
</tbody>
</table>
Business Model Canvas

What are we talking about?
Visa Business Model (Innofin 2014)

Key Partnerships
- Technology alliances
- Commercial partners

Key Activities
- Payments network management
- Transaction processing
- Value-added services

Value Propositions
- Payment product card programs & cashless payments
- Convenience
- Security
- Rewards associated with card payments
- Improved sales & consumer experience

Customer Relationships
- Sponsorships (FIFA Worldcup/Olympics)
- TV advertising
- Trade Shows

Customer Segments
- Cardholders
- Merchants
- Financial Institutions (issuers)
- Financial Institutions (Acquirers)

Channels
- Payments product platform
- Visa brand

Key Resources
- Payments product platform
- Visa brand

Cost Structure
- Personnel
- Litigations Provision
- Brand Promotion
- Network, EDP & communications

Revenue Streams
- Service revenues
- Data processing services
- International revenues
Workshop Challenge

Design an m-payment business model for a retail bank

OR

Is there a business model that you want to explore?
Concluding Thoughts

• Effective collaboration and innovation can provide significant opportunities for any business

• Use of visualisation tools can lead to shared understanding ➔ shared commitment of all stakeholders.

• Requires an organisational culture of a positive design attitude