DING DONG THE WITCH IS DEAD!

The Fall of Homo Economicus and the Rise of Design Thinking

Jeanne Liedtka

It is hard to think of a more flawed theory that has had as much of an impact on organizational life as that of the "rational man" of neoclassical economics:

an unfeeling automaton, driven by analytic assessments of economic utility and the pursuit of self-interest. Perhaps its survival, despite continued assaults by fields as diverse as behavioral economics, cognitive psychology and more recently, neuroscience, can be attributed to the awesome simplicity of homo economicus' models. In assessing how our desire for simple analytical models contributed to the global meltdown in 2009, Nobel laureate economist Paul Krugman offered:

"The central cause of the profession's failure was the desire for an all-encompassing, intellectually elegant approach that also gave economists a chance to show off their mathematical prowess. Unfortunately, this romanticized and sanitized vision of the economy led most economists to ignore all the things that can go wrong... It's much harder to say where the economics profession goes from here. But what's almost certain is that economists will have to learn to live with messiness."

But it's not only economists who retreat to abstraction and analytics for comfort—organizational leaders often have the same inclinations. This creates especially dramatic problems when we are trying to accomplish change—because change is about human beings, first and

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foremost. The "messiness" our management approaches so often try to avoid is, essentially, our humanness. In our desire for predictability, control and simplicity, we eliminate consideration of the reality of the human experience. Our behavior reflects our emotions as well as our presumed "rationality"—we inhabit realities that are subjectively interpreted through our own unique backgrounds and experiences. Ultimately, change requires that a particular set of human beings behave in new ways. Without encouraging and supporting different choices that make sense to those particular human beings, investment in change is wasted.

Enter design thinking. In an environment where change is intensely personal and always a subjective experience, design thinking's human-centered focus brings with it a new set of tools and processes that have been missing from our management tool kits. And that can make a real difference to leaders of change.

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We see design thinking springing up all over—but in most discussions, its impact is relegated to generating more creative ideas. Our research conducted over several years, in thirty plus organizations, both large small and in both business and social sectors, tells a different story. It suggests a much broader set of benefits—especially for change management. We detail the hows and whys of our findings in our new book, *Design Thinking for Greater Good: Innovation in the Social Sector*, but want to give you a flavor of what we've learned.

To do that, let's back up a bit and talk about what design thinking looks like in practice. At its most basic level, design thinking has 3 elements—need-finding, idea generation and idea testing. We think of this flow as asking four questions: *What is? What if? What wows?* and *What works?* During *What is?* design thinking starts with a deep immersion into the current experiences of the particular stakeholders we want to understand, paying special attention to needs and pain points. Our goal in this stage is to develop insightful criteria that will guide our idea generation during the next stage, *What if?* Having then generated a portfolio of different ideas during *What if?* We test them with actual stakeholders to see *what wows*—surfacing embedded assumptions and creating prototypes—and then in small experiments in the real world to see *what works*.

Let's look at how this relates to change management.

One longstanding and popular theory of how change occurs, attributed to Richard Beckhard, illustrates vividly how design thinking's approach supports critical elements of change. It argues that behavioral alterations are a function of four factors: the dissatisfaction with the status quo, the clarity and resonance of the new future, and the existence of a pathway to get there, all balanced against any perceived loss associated with making the change:

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Amount of change =
level of dissatisfaction with the status quo
× clarity of the new future
× pathway
> loss

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Design thinking methodologies, we observe in our research, encourage change and increase the likelihood of successful implementation by impacting each factor in that formula. Exploration of the problem during *What is?* builds engagement that leads to alignment around the nature of the problems that need to be addressed and that naturally deepens dissatisfaction with the status quo. Ethnography that identifies pain points and unmet needs helps develop empathy and builds change agents' resolve to make life better for those they serve. In New Zealand, the government's Family 100 project provides an example of the power of design thinking's front-end research to build empathy and, along with it, the kind of dissatisfaction with the status quo that motivates change. The project followed poverty-level families for a year to understand the issues behind being poor in New Zealand. ThinkPlace, a design consultancy, worked with the Auckland City Mission to distill the massive amount of ethno-graphic data into the compelling story of a single mother, Charlotte, trying to hold a job, care for her children, and find food, medicine, and housing while utilizing Auckland's transit system. Few could fail to be moved by Charlotte's struggle in seeking the basics for her family, and a set of Auckland politicians were even motivated into personal action. "I didn't realize how time consuming and expensive it is to be poor," one deputy prime minister acknowledged, as he sought greater involvement from his staff through volunteering in soup kitchens and shelters to better empathize with their clients.

In Dallas, Texas, leaders at the Children's Health Systems of Texas found that putting ambulatory care centers in low income neighborhoods had not changed—as they had hoped—decrease expensive emergency room visits for non-emergency problem. They embarked on a two-year patient-centered design-thinking program seeking to understand the unarticulated

needs of their low income patients. Finding that virtually all of DCMC's pre-conceived notions about why these patients used emergency care were wrong, the hospital set out to create a new business model, working with The Business Innovation Factory consultants that required shifting the mindset of clinical staff from one of evaluation (patients weren't using the system correctly) to one of empathy; from a "place of judgment to a place of possibilities" as consultant Eli McLaren described it. In the second year of implementation, emergency room visits are down 50% for their first target category, visits related to asthma.

But design thinking doesn't stop there. It works on the second factor; building greater clarity around what the new future looks like, as well. Based on the deeper empathy and understanding developed during *What is?*, design thinking helps everyone involved envision new possibilities for addressing challenges with clear and compelling concepts during *What if*. In Dallas, The Business Innovation Factory worked with Children's health staff to formulate concrete and specific FROM - TO visions for each area that successful change required.

Moving beyond complaining about current reality, design thinking confers an additional benefit: it gives people who are stuck in the problem space the motivation and hope that there can be a new and better future.

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And by moving beyond complaining about current reality, design thinking confers an additional benefit: it gives people who are stuck in the problem space the motivation and hope that there can be a new and better future. In Ireland, the community surrounding the beautiful King of Kerry, beset by economic problems and depopulation, used design thinking tools to have a community-wide conversation about solutions, not just problems. Former high school Principal Michael Donnelly commented on the way design thinking approach helped them think in a new way: "We'd been analyzing and defining the problem for years. This conversation was about *solving* the problem. That meant that there *could* be a solution. Maybe our problems weren't just an inevitable part of society evolving that we had to accept!"

During **What *wows*,** tools for prototyping and assumption surfacing require that those involved in a change flesh out salient details of any new future in even greater detail, adding further clarity. And in **What *works*,** co-creating with stakeholders and experiments involving them further enhance the tangibility and vividness of the new future. Investing $138 million over 10 years, NGO MasAgro in Mexico has set out to modernize Mexican agriculture sustainably by building local partnerships between sometimes illiterate subsistence farmers and international research scientists. MasAgro's practice of encouraging the physical planting of rows of old and new crops side by side provides the ultimate prototype in making the promise of modern farming techniques tangible to skeptical farmers, whose entire livelihood depends upon the success of each year's group and who are understandably reluctant to innovate.

Design thinking's emphasis on the particular also addresses the third factor: providing pathways to the future. It insists that we address the means as well as the ends—what resources will be needed? What training? What measures should we be paying attention to? What are the waystations along the path? The design thinking approach not only left the Kerry community in Ireland with potential solutions; it included detailed timelines of the different specific activities needed along the way. The Business Innovation Factory worked with Children's Health not just to create a new business model, but to design new metrics to measure wellness.

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The creation of new networks of local capabilities was an important driver of change in our research. At the Community Transportation Association of America, we saw the power of localized decision making that used design thinking as a backbone to foster grassroots problem identification and solving to address the transportation difficulties faced by low-income workers. The CTAA taught design thinking to seven teams from across America and each responded with a unique solution that addressed local needs. Most significantly, these teams of people who had never met—from local transit operators, employment specialists and business organizations—continued to work together on other community issues, pooling knowledge and resources. In doing so, they actually increased the resources available in the ecosystem.

Finally, the sense of loss that so often accompanies behavioral change—the loss of control when new solutions ask partners to assume more responsibility, or the lost sense of competence

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arising from the demand for new skills, or even perhaps just nostalgia for the comfort of the "good old days"—were outweighed in these new approaches by the achievement of gaining greater clarity on the gains associated with change. Seeing the small experiments in action, and observing their impacts on the customers they served, built trust and ownership among employees that combatted loss and increased their commitment to the new behaviors. Seeing the crops planted side by side reduced farmers' fears in accepting MasAgro's advice. No one said it better than consultant Eli MacLaren in her work aiding the shift from medical-centered treatment of illness to community-centered encouragement of wellness at Children's Health:

"People feel threatened by work they think is going to disrupt their job. You have to help them to see themselves in the future . . . use their stories, their insight, and their expertise so that they hear their voice reflected in the future state. You co-create so that they feel like they helped build this new model. There's an old adage that change is painful when done to you but powerful when done by you. If you can just tap into that, you're golden."

In each of these stories, and in many more we haven't the time and space to report on here; in Australia, in Ireland and in the US—across health care, government, and business sectors— we see design thinking dramatically increasing the success of change efforts and demonstrating that the strawman provided by traditional theories of human beings as "rational actors" devoid of emotions and only motivated by their own self-interest, is truly dead. It is not accomplishing this by lecturing people on the need for change or incentivizing them with extrinsic motivators—it is succeeding by engaging them, by giving them a window into the needs of those they serve, a voice in how we might improve their lives by better meeting them, and a clear set of tools and process for getting there. By doing change *with* them rather than *to* them. **It works almost as magically as a set of ruby slippers—but it's real.** ◙

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Info

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About the author

Jeanne Liedtka is a professor at the Darden Graduate School of Business Administration at the University of Virginia. Her Columbia University Press books include *Solving Problems with Design Thinking* (2013), *Designing for Growth* (2011), and *The Designing for Growth Field Book* (2013), all from Columbia University Press.