

MARCH 7, 2005

THE GLOBAL ECONOMY

By Bruce Nussbaum

The Empathy Economy

"Design thinking" can create rewarding experiences for consumers -- the key to earnings growth and an edge that outsourcing can't beat

You can't Six Sigma your way to high-impact innovation, but you can design your company to generate products and services that provide great consumer experiences, top-line revenue growth, and fat profit margins. That's the sometimes-painful message CEOs in America are learning today.

Quality-management programs can't give you the kind of empathetic connection to consumers that increasingly is the key to opening up new business opportunities. All the B-school-educated managers you hire won't automatically get you the outside-the-box thinking you need to build new brands -- or create new experiences for old brands. The truth is we're moving from a knowledge economy that was dominated by technology into an experience economy controlled by consumers and the corporations who empathize with them.

"MASTERS OF HEURISTICS." Indian and Chinese engineers and manufacturers are doing more and more of the old cost- and quality-control Six-Sigma stuff (you haven't seen anything yet in outsourcing), leaving U.S. corporations to build new business models around customer culture. America's customer culture is a divide that foreigners have a hard time penetrating -- which gives U.S. companies their best, and perhaps only, shot for growth. And design thinking is increasingly the discipline managers are embracing to penetrate this culture.

Roger Martin, dean of the **Rotman School of Management** at the University of Toronto, is reshaping his entire MBA program around the principle that "businesspeople will have to become more 'masters of heuristics' than 'managers of algorithms,'" that "design skills and business skills are converging," as he said in the Winter, 2004, edition of the school's alumni publication. It's time to embrace a new value proposition based on creating -- indeed, often co-creating -- new products and services with customers that fill their needs, make them happy, and make companies and shareholders rich.

Understanding, empathy, problem-solving -- these are the heuristic managerial skills needed today, argues Martin, who advises Procter & Gamble (**PG**) CEO A.G. Lafley. That should tell you a lot. Lafley is using design thinking to transform P&G into an innovation powerhouse. Managers who want to "get" the new innovation paradigm should check out Martin's MBA and exec-ed programs.

RIGHT-BRAIN GAINS. Martin isn't the only one who understands this major shift in the economy and why CEOs must respond. In his new book, *A Whole New Mind: Moving from the Information Age to the Conceptual Age*, Daniel Pink argues that left-brain linear, analytical, and computer-like thinking are being replaced by right-brain empathy, inventiveness, and understanding as skills most needed by business.

Pink points to Asia, automation, and abundance as the reasons behind the shift. What does this mean for future jobs? Winners are designers, inventors, counselors, ethnographers, social psychologists, and other right-brain folks, while losers will be lawyers, engineers, accountants,

and other left-brainers who will see their jobs migrate across the Pacific. There's also, of course, C.K. Prahalad's terrific book *The Future of Competition: Co-Creating Unique Value with Customers*.

If you still harbor doubts about what's happening, check out the job boards of two of my favorite design sites: idsa.org and core77.com. The Industrial Designers Society of America runs one of the best design contests in the world (which *BusinessWeek* supports and publishes the results of every June) and core77 is one of the coolest, most informative design sites around.

RISING TO THE TOP. In December of last year, ZIBA Design in Portland, Ore., a top design consultancy, ran an ad for a "visualization specialist." ZIBA advertised itself as "an international design consultancy that helps companies create meaningful ideas, designs, and experiences that customers crave." It says it's a company driven by an obsession "for understanding people, brands and technology." "ZIBA innovates with soul." Is that heuristic enough for you?

That same month, Palo Alto (Calif.)-based IDEO (see BW, 5/17/04, "[The Power of Design](#)") ran an ad for a conceptual designer. It read: "You bring...a holistic approach to process: Formulating cultural and user insights, mapping opportunity spaces through strategic frameworks, and expressing compelling solutions." Ask yourself this: Who in your company at this moment is mapping out opportunity spaces through strategic frameworks?

Smart CEOs are turning to this kind of design thinking to guide them to the new land. ZIBA, IDEO, and other design firms are in great demand. Increasingly, design thinking is making its way up to "C" suite levels inside corporations, with chief creative officer, chief innovation officer, or even chief customer officer joining the organization table. Sometimes, design thinking goes all the way to the top.

SHAPING CONSUMER EXPERIENCE. Think about what GE Healthcare Technologies ([GE](#)) CEO Joseph M. Hogan has to say about the future of his business. Hogan wrote in *@issue: The Journal of Business & Design*: "Today, when we think about designing, say, a new MRI system, we don't just think about designing the product, we think about designing the whole radiology suite. Design in the next 10 years will move beyond the product. It will move beyond workflow. Hospitals in the future...will have different ways of interacting with the patient. We have to think about setting the course for how design can affect the whole health-care experience."

Patient experience. Consumer experience. Take Hogan's template and apply it to the U.S. economy, and you can see where we're going. Now, how many of you have looked up the word "heuristic" yet?

Nussbaum is editorial page editor for *BusinessWeek* and covers design
Edited by Patricia O'Connell

Copyright 2000-2004, by The McGraw-Hill Companies Inc. All rights reserved.
[Terms of Use](#) [Privacy Notice](#)

BusinessWeek online



A Division of The McGraw-Hill Companies