

Preface

In October 2008 during the Dutch Design Week, an annual event in the city of Eindhoven, I held my inaugural lecture with the title of ‘Designing (added) value’. While preparing the lecture, it became clear that the term ‘value’ was widely used but barely understood. It has different meanings in different contexts, and different disciplines use different definitions. So how can we ever create the ‘shared value’ for people, organizations and society that we aspire to so much? Growing numbers of people recognize that we are in a transition, in which ‘business as usual’ is no longer possible. The industrial paradigm focusing on shareholder value and profit maximization is being replaced by a new, transformational paradigm. One in which people are looking for ways to make meaningful contributions to addressing collective issues in which society is not just a stakeholder, but a beneficiary. People also expect this kind of ethical behavior from others and from organizations, both profit and nonprofit. At the same time there is a growing awareness of the tremendous business opportunities in ‘doing good’. Social responsibility is no longer only about charity and philanthropy, but about creating value for people, organizations and society at the same time. Discussions with people in the industry and academia have clearly shown me that there is widespread recognition of the need for a better understanding of value, and of how to use it to create more meaningful innovations. Fortunately, my managers at Philips Innovation Services were among those who recognized this need. That gave me the opportunity to take a nine-month sabbatical to explore the subject more deeply and to write a book about it.

This book is aimed at practitioners in the field who are actively involved in both profit and nonprofit organizations: innovation managers, product managers, program managers, design managers, project leaders, architects, designers and engineers. I hope it will give them an insight into what meaningful innovations are, what value is, and practical methods and tools that can be applied directly in their own organizations. The scientific foundation also makes it suitable for (academic) educational purposes: academics at BSc, MSc and PhD levels studying innovation, design, business and/or engineering-related subjects, and in particular those aiming for a professional career in innovation.

Roughly the first half of the book explores ‘value’—its meaning from different perspectives and in different contexts. This exploration is based on many years of discussions in projects in the industry and academia, as well as an extensive literature study conducted more recently. It considers value from the viewpoints of users, organizations (profit and non-profit) and society, as well as from the perspectives of economics, psychology, sociology and ecology. The resulting Value Framework can serve as a map to create meaningful innovations that improve the quality of life of users, provide value for organizations, enable ecosystems to evolve and improve the quality of life for society as a whole. In other words, caring for both people and planet. The second half discusses how to get started on creating meaningful innovations, and provides the practical tools needed to really create the value that is aimed at for the various stakeholders.

It became clear at an early stage that creating meaningful innovations with value for organizations, users and society at large most often requires collaboration between different players. In fact it is not just the innovation itself that needs to be designed, but also the ecosystem to support it. These multiple players are needed to jointly contribute knowledge, experience and resources; to deeply understand the societal issue being addressed; and to generate ideas that really solve that issue in a way that brings value to all the stakeholders. An issue like obesity in children cannot be solved by a single organization. It needs the collaboration of parents, schools, the food industry, governments and many other people and organizations that, in one way or another, are all part of the system influencing children’s eating habits and activity levels. Failure to recognize this fact could lead to ‘innovations’ and other measures that would be unlikely to achieve the desired goal of happy and healthy children. Moreover, in many cases the solution is not just a single product or service but a system of combined products and services from different organizations. This requires a sound business model to ensure a sustainable overall value proposition, as well as sustainable value for all the social and economic actors in the ecosystem. It may sound complex and challenging to address societal issues at this level, in creating innovations that really do bring value to multiple stakeholders. But I hope this book will provide the necessary insight and practical tools to get started. It gives many inspiring examples to help readers take up the challenge and contribute meaningfully to solving the societal and economic challenges we are currently facing – challenges like the aging population, energy scarcity, environmental issues, social well-being and many more.

Chapter 1, ‘The Age of Transformation’, provides the context of the book. The world is currently going through a transformation. We face a number of tremendous societal challenges for which traditional approaches no longer work. Mankind has gone through big changes before: moving from the agricultural economy to the industrial economy, and more recently into the ‘experience’ economy and the knowledge economy. This chapter explores past and present paradigm shifts to set the scene for what follows. Most of all, facing the current societal challenges will require collaboration between profit and nonprofit sectors as well as connected individuals, to create meaningful innovations that will guide people and society through the transformation.

Chapter 2, ‘Levels of Value’, explains that the transformational solutions needed to tackle today’s societal challenges must create value not only for their users and the organizations that market them, but also for society as a whole. The term value is used frequently, but has different meanings in different contexts. This chapter explores the different levels of value that are relevant for innovations addressing societal challenges: the user, the organization, the ecosystem and society.

Chapter 3, ‘Value from Different Perspectives’, takes a deeper look at the meaning of value. Value is a subject that has been studied in many contexts and many scientific disciplines. Even within one discipline it has different connotations. This chapter gives an overview of ‘value’ from the perspectives of the social sciences that provide a relevant context for innovation: economics, psychology, sociology and ecology. It also looks into the history and etymology of the term value, and the philosophical perspective, to provide a sound basis for further discussion throughout the book. The different views on value are integrated into one overall Value Framework. This combines the value concepts from economics, psychology, sociology and ecology, and explains them at the four levels of the previous chapter: user, organization, ecosystem and society. The Value Framework serves as a basis for design to create shared value with transformational innovations.

Chapter 4, ‘Meaningful Innovations’, builds on the Value Framework to show how to define meaningful innovations. Finding solutions for today’s societal challenges demands new value propositions for people, organizations and society at large. Transformational innovations will only have an impact on society if they bring about changes of behavior and create long-term value for users. Moreover such innovations are likely to disrupt the current industry structures and ecosystems. The Value Framework shows how to define meaningful innovations that combine creating an ‘experience’ for the user, ‘doing well’ for the organization, ‘doing good’ for the total ecosystem and creating a ‘transformation’ at societal level.

Designing meaningful innovations that create value for users, organizations, ecosystems and society requires a holistic view to integrate seemingly conflicting needs and requirements into compelling solutions. **Chapter 5**, ‘Creating Meaningful Value Propositions’, describes and shows through examples the way of thinking, the process and the tools to reach integrative value propositions and their accompanying business or value models. It shows that innovation projects of this kind typically have higher uncertainties. These translate into a need to integrate knowledge and experience from various disciplines, and to follow a more explorative approach in the initial phases of the projects. Building on the literature from design, marketing, business and innovation management, as well as extensive practical experience in projects in the field, a practical approach is defined that describes pragmatically how to define and realize meaningful innovations. It contains descriptions of methods and ways of working, supported by examples.

The final chapter, **Chap. 6**, ‘Designing Ecosystems’, shows how new ecosystems can be designed for solutions that require combinations of products and

services from different organizations. This will often be the case in defining meaningful innovations that provide sustainable value for people and society. A number of organizations are needed to realize the innovation, hence apart from the products and services themselves, the total ecosystem needs to be designed. This has to include all the relevant social and economic actors required for a successful launch of the innovation on the market, but also for sustained service in the long run. The design of the ecosystem needs to ensure a return on investment of both tangible and intangible value for all the business parties and other stakeholders involved. This chapter shows how new ecosystems can be designed by presenting the Value Flow Model as a method to identify the relevant stakeholders and the values that are important to each of them, and to balance those values in the total system. The method has proved to be valuable in enriching value propositions, but also in gaining commitment from the different business actors to make the investments required for implementation. The visualization of tangible and intangible value flows enables the balancing of value across the different parties to ensure sustainable value for all.

This book aims to provide a solid background on value creation and the process of defining new value propositions, business models and ecosystems for meaningful innovations. It builds on practical experience and an extensive literature overview. Although I believe that the literature included is representative of the different fields, I do recognize that I am not an expert in all the fields mentioned. So I would like to apply a ‘probe and learn’ approach to this book. I also invite readers to contribute to the second edition by pointing out missing but relevant topics and literature. If you would like to share your ideas on implementing my thoughts in practical projects, you are very welcome to do so. I will keep a list of suggestions and examples of implementations online at: www.elkedenouden.nl/innovationdesign.

I hope this book will inspire readers to embark on the journey of designing value propositions that bring value to people, organizations and society. And that, through them and their ideas, it will contribute to making the world a better place!

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