

# Design thinking as a business tool to ensure continuous value generation

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## Abstract

As never before, turbulent business environments, scarcity of resources, hyper-competition and globalization have put significant competitive pressures on many businesses. Rapid specialized technology developments and increased global access to geographically unlimited markets allow consumers seemingly to have infinite choices for the best satisfaction of their needs in choosing desired products. Providing value to customers becomes vital to any organization to sustain the business in future. As a main task of design through design thinking is to seek value to customers, fosters management thinking from chaotic fluctuations in external turbulence and enables sustainable order in actions. This is why awareness of extended design application is becoming crucial hot topic nowadays among academics and practitioners.

**The aim of this paper** is to analyze awareness of design application and design thinking in Latvia, to highlight potentials of these innovative management methods and tools to build new organizational capabilities and sustain competitiveness in the challenging business conditions, to improve the welfare of society and create better environment for living.

Research was conducted to find out the stage of design application in broader sense leading to design thinking and design driven innovations was carried out in Latvia. 374 responses were collected from randomly selected companies in Latvia and as a results, due to national and regional specifics based on development level of micro and macro factors influencing entire innovation ecosystem, majority of business managers still focus on short-term business decisions and cost-reduction with limited awareness of design broader usage as a powerful innovation method for product development, improvement of business processes and renewal of business models.

**Research findings** prove the necessity to change thinking model of business management in order to develop the skills and capabilities to recognize emerging new driving forces of innovation unfolded through design thinking to ensure continuous value generation, order in external chaos and sustainable competitiveness.

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## 1. Introduction

New trends in business environment driven by globalization process and new technologies, expanding opportunities for companies to offer new solutions to satisfy current or emerging demands of individuals, business, public sector. Product life cycle is becoming shorter, competition increases, scarcity of resources - these are factors affecting current business environment more than ever before. As a result, there is a conflict among business tools and methods used in past decades and existing or evolving business environment frequently causing chaos in thoughts of business executives how to sustain their businesses in evolving circumstances. In order to sustain competitiveness and profitable business performance in long term, there is a growing need to seek for new gateways of business thinking by applying new tools and methods how to create value to the customers; e.g. how to make an order in puzzled business thoughts and how to lead organization to develop new competencies and capabilities fitting to the forthcoming business context.

One of the unfolded areas in previous management theories and practice is broader application of design and design thinking into business strategies and models to create value to customers and increase worth to organization itself. Furthermore, there is a growing attention in research literature (Borja de Mozota, 2003; Fraser, 2007; Geels, 2004; Golsby-Smith, 2007; Holloway, 2009; McCracken, 1986) that application of design and design thinking based on deep research process leads to the transformation in meanings of products and continuous renewal of the business concepts creating certain order in conceptual chaos.

The aim of this paper is to analyse awareness of design application and design thinking in Latvia, to highlight potentials of these innovative management methods and tools to build new organizational capabilities and sustain competitiveness in the challenging business conditions, to improve the welfare of society and create better environment for living.

## 2. Theoretical background

### 2.1. *Extended design definition*

In the last decades, management scholars and researchers worldwide have emphasized on one of the main task of design – to create a value of the product and thus it becomes a competitive advantage (Kripendorf, 1989). “Companies find that to stay competitive, they need to switch their innovation focus, paying more attention to creating offerings that fit people’s daily lives” says Kumar. It derives from design meaning proposed by Kripendorf “The etymology of design goes back to the latin *de+ signare*” and means making something, distinguishing it by a sign, giving it significance, designing its relation to other things, owners, users or gods. Based on this original meaning, one could say: design is making sense [of things]. The importance of targeting meanings and truly understanding (order of mind) what people are trying to achieve when they buy the product is a vital point in creating innovations (Christensen, 1997). There is a growing attention in scientific literature from such authors as Martin (2009); Verganti (2003) among others, regarding the particular role of design and design thinking in creating sustainable innovation in changing business environment.

Hutton (2010) describes it that “Design is the bridge between the consumer questing for the experiential and the company trying to meet that appetite with an offer that presents the new in a user-friendly and innovative way. It is at the core of the knowledge economy, and one of the coping stones of an innovation system” . In design-driven innovation primarily role is to change meaning that users attribute to the product rather than functional changes in the product itself. The necessary preconditions for this stage are business sophistication level requiring design thinking from business management perspective, fosters order in business development in external chaos.

### 2.2. *Design application perspectives*

Although the meaning of design originated centuries ago, many scholars have brought it on the surface in the last decades and research materials show evident correlation between use of design in the country and its overall competitiveness.

Companies that use design as a central element in their strategy are much more likely to have introduced each type of innovation. For instance, 65% of these companies have introduced innovative goods, compared to 28% of

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