



## RE-THINKING RISK IN THE 21<sup>ST</sup> CENTURY

### Human-Centered Design Thinking Instills Organizational Competency for Greater Business Risk Mitigation

By Kel Davison

Intersection-Inc, Growth Strategist

*"It takes twenty years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."* - Warren Buffet

A Human-Centered Design (HCD) mindset and tools equip an organization to face a challenging economy with greater insights and confidence. **Risk mitigation, among other benefits, is inherent to Human-Centered Design.**

The heightened interest in Human-Centered Design today is no coincidence. Changing consumer preferences, expectations and social connectivity have given the public an unprecedented voice and powerful political leverage. This has prompted business executives to start listening more to the needs and feedback of key stakeholders.

Human-Centered Design Thinking, was popularized outside the design industry through over the past decade through the publication of various articles published in top business journals, like the Harvard Business Review's, [Design Thinking Comes of Age](#) (Kolko, 2015). Human-Centered Design Thinking is a methodology of creative thinking and problem-solving that uses an empathic lens to better understand end-user motivations and needs; shifting conventional product or service development practices from a focus on resources and competition to emotional drivers of behavior. Emotions are powerful. According to a recent report published by Forrester Research on the

impact of emotions on business, “This is not a touchy-feely consideration about delighting customers as a matter of altruism: Emotion continues to be the most potent driver for growth. This is, at its heart, crass and clear financial risk” (Forrester Research, 2018).

Empathic work requires close connections to key stakeholders. HCD activities include quantitative and qualitative research, prototyping, and user-testing research before a product or service is launched into market. A continuous feedback loop is put in place, giving business leaders a clearer message of where to invest, what is working, what is not, and the ability to more accurately anticipate change in the market. The approach is collaborative, breaking down silos, enriching conversations, and reducing financial and reputational risk.

Design’s operational contribution complements other organizational priorities, such as Marketing, Human Resources, Operations, and Innovation. **The diversity of HCD tools allows their application to existing functions and enriches competencies across organizational disciplines.** Full Human-Centered Design Innovation integration ([HCDi™](#)) can transform an organizational structure, inform strategic direction and cultivate a creative internal culture. For organizations, adopting HCD is not only about delivering and measuring the best possible product or service, but how an organization will show up and survive in an increasingly transparent global economy.

### **Risk Mitigation using Human-Centered Design**

In a recently published book titled, *Political Risk, How Businesses and Organizations Can Anticipate Global Insecurity* by Condoleezza Rice and

Amy B. Zegart, the authors discuss emerging political risk in the 21st century; describing in detail a set of past and modern risk generators that contribute to an unprecedented level of institutional financial and operational exposure. *“Increasingly, political actions are happening everywhere – inside homes, on the streets, and in the cloud; in chat rooms, dorm rooms, and boardrooms; in neighborhood bars and summit sidebars”* (Rice & Zegart, 2018).

**Political risk in today’s economy extends beyond the domain of politicians, military, and government agencies, and into the less containable hands of local businesses and communities.** Instantaneous social connectivity allows consumers to alert a global audience of experience failures or unethical behavior associated with an organization. The political threat compounds as individual voices morph into virtual crowds, and crowds into social movements that can unexpectedly jeopardize and organization’s reputation and financial stability.

Sea World’s recent exposure by Gabriela Copperthwaite, a mom who, concerned after the death of a trainer, produced a documentary on Sea World’s treatment of killer whales. Gabriela’s story got the attention of celebrities and sponsors. Through sharing her amateur film with total budget of \$76,000, she effectively reduced Sea World’s stock price from \$38.92 before the film was released to \$15.55 just after. Sea World has still not fully recovered from the backlash (Rice & Zegart, 2018).

The story of unexpected exposure is increasingly common. Other companies who suffered through similar scenarios include, United Airlines, Facebook, Target, Starbucks, and

Sony. Understanding the vulnerabilities in a business model, supply chain or geopolitical relations grows urgent as the threat and impact of their disruption becomes more likely. Paying close attention to human interactions and utilizing creative problem-solving in this climate is not a trend, but a business necessity.

Ten specific categories of political risk are presented in the book: geopolitics, internal conflict, laws, regulations and policies, breaches of contract, corruption, extraterritorial reach, natural resource manipulations, social activism, terrorism and cyber threats. As the book points out, "The probability of one of these risks happening in isolation to an organization is low, but the *cumulative risk* of one of them happening at some point in time is high" (Rice & Zegart, 2018).

Rice and Zegart offer a framework of questions and recommendations to help companies analyze and decrease their risk exposure. Many of the recommendations, or best practices, are intrinsically embedded in design-driven organizations. Table A. illustrates the priority alignment between the risk management framework presented in *Political Risk*, and essential tools curated by The Design Academy used

in Human-Centered Design. To learn more about the tools visit [The Design Academy](#).

Mitigating risk, according to Rice and Zegart, starts with creating a deeper awareness of potential threats, understanding stakeholder behaviors, identifying where weak points exist and using imagination to think boldly about possibilities. HCD methodology promotes interchangeable philosophies and frameworks to getting to the 'right' problem and inclusive ideation; prompting discussions with phrases like: "What if?" or "How might we?"

To illustrate the correlation between the two disciplines, The Design Academy HCD Essentials Toolkit is applied to each area of the risk management framework presented in the book. Table A. below details how each risk analysis approach can benefit by incorporating a corresponding HCD tool from The Design Academy HCD Essentials Toolkit. **The strong correlations between the two suggest that where HCD is active contributor to an organization, internal competencies needed for 21<sup>st</sup> century risk mitigation are already built-in and accessible.**

Table A. Risk Framework (Rice & Zegart, 2018) and Human-Centered Design Tool Enhancers

Risk Framework	Risk Mitigation Strategy	The Design Academy HCD Essential Tools	How The Design Academy HCD tools mitigate risk
Understand	Build trust among stakeholders	<ul style="list-style-type: none"> <li>• Stakeholder mapping</li> <li>• Empathic Interviews</li> <li>• User feedback and testing before bringing a new product or service to market</li> </ul>	<ul style="list-style-type: none"> <li>• Tangibly expresses company values</li> <li>• Readies stakeholders for change</li> <li>• Demonstrates transparency and goodwill toward stakeholders</li> <li>• Assesses risk appetite of the organization</li> <li>• Maintains continuous feedback loop</li> <li>• Provides deeper insights into stakeholder behavior and preferences thereby improving adoption curve</li> <li>• Creates emotional connection</li> </ul>
	Reduce blind spots	<ul style="list-style-type: none"> <li>• Contextual Interviewing</li> <li>• Observational research</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding consumer customer/user interaction in a broader and richer context</li> </ul>
Analyze	Get good information and perform rigorous analysis. Encourage outside the box thinking	<ul style="list-style-type: none"> <li>• Qualitative and quantitative research with key stakeholders internally and externally</li> <li>• Journey mapping</li> <li>• Identifying <b>Pain Points, Positives and Opportunity</b></li> <li>• Strategic cost/benefit and impact filters</li> <li>• Scenario planning</li> <li>• Problem identification</li> </ul>	<ul style="list-style-type: none"> <li>• Assess perspectives and needs of stakeholders before, during and after</li> <li>• Plots value delivery/process/service interactions with stakeholders</li> <li>• Identifies structural and competency weaknesses and strengths</li> <li>• Proves insights about perception and emotion</li> <li>• Weighs value, vulnerabilities and advantages of varying models</li> <li>• Eliminates group think/cognitive traps</li> </ul>
	Integrate business analysis into business decisions	<ul style="list-style-type: none"> <li>• Requires a diverse mix of perspectives present along the entire continuum of engagement</li> <li>• Operational Blueprint</li> </ul>	<ul style="list-style-type: none"> <li>• Generates new and more robust thinking around challenges</li> <li>• Breaks down silos</li> <li>• Assesses trade-offs</li> <li>• Removes “optimism” and other biases in decision-making</li> </ul>
Mitigate	Reduce exposure	<ul style="list-style-type: none"> <li>• Journey mapping</li> <li>• Multiple layer journey mapping</li> <li>• Ideation</li> </ul>	<ul style="list-style-type: none"> <li>• Breaks a critical journey down to evaluate existing and potential interactions and highlights key overlaps to recognize where their are discrepancies and consistencies</li> <li>• Imagine and prepare for the possibilities</li> </ul>
	Set tripwires and warning signals for timely action	<ul style="list-style-type: none"> <li>• <b>Pain points, Positives, Opportunities</b></li> </ul>	<ul style="list-style-type: none"> <li>• Pinpoints key stages to integrate tripwires or back-up protocols</li> </ul>
Respond	Capitalize on near misses. React effectively	<ul style="list-style-type: none"> <li>• Stakeholder mapping</li> <li>• Persona development</li> <li>• Stakeholder empathy</li> <li>• Story boarding</li> </ul>	<ul style="list-style-type: none"> <li>• Allows businesses to craft clear messaging of organizational values to the right people at the right time</li> <li>• Asks for feedback</li> <li>• Shows authenticity and transparency</li> <li>• Deepens trust</li> <li>• Tell a story</li> </ul>
	Develop mechanisms for continuous learning	<ul style="list-style-type: none"> <li>• Prototyping</li> <li>• Testing</li> <li>• Research</li> </ul>	<ul style="list-style-type: none"> <li>• Empathizes with stakeholders</li> <li>• Sources weak signals</li> <li>• Creates a back-up plan</li> <li>• Encourages creative thinking</li> </ul>

HCD and risk management focus on mitigating risk of financial and reputational loss and competitive survivability. Risk management acts as an organization's proverbial brakes, cautioning and alerting to potential threats based on patterns of the past. HCD tools enhance the risk management function by expanding the analysis and research to focus on evolving stakeholder behaviors, needs and motivations, allowing the organization to innovate and move forward with greater confidence. Together they cultivate a broader and deeper intelligence of market and ROI influencing factors and represent crucial corporate behaviors promoting long-term thrive-ability.

## Conclusion

Human-Centered Design practice and theory has gained traction among for-profits and non-profits, as both look for new ways to connect, compete, and innovate in an increasingly complex economy. While professionals still work hard to formulate a measurement of Human-Centered Design's exact ROI, less tracked advantages deserve credit, like risks mitigated and dollars saved when 'bad' ideas are avoided; the high definition lens design affords into stakeholder behaviors, and the constant feedback element that positions organizations to be proactively agile and better prepared for change. **ROI of a design-driven organization goes far beyond a financial quote or a single or set of metrics.** The associated mindset that supports Human-Centered Design advocacy postures an organization to fearlessly face its future.

## References:

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