



Design Thinking: Innovation Catalyst for Digital Transformation

Digital Services Market Report – July 2017

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Full Report Contents*

- Introduction and overview
- Overview of design thinking
- Evolution of design methodology
- Design investments
- Service provider imperatives
- Recommendation for enterprises
- Appendix

*This excerpt includes select pages from the full report; not all areas listed in the contents are covered in this excerpt



Scope of the research

In this report, we analyze applications of design thinking and its role in digital services

We focus on:

- Design thinking and its benefits
- Applications of design thinking
- Design investments by service providers and consulting firms
- Service providers' investment priorities
- Recommendation for enterprises

Scope of this report

- Services: Digital services
- Geography: Global



Innovation has become an imperative for digital transformation and design thinking is the key methodology being adopted for innovation



Over 95% senior executives consider innovation as being highly important in a survey of 100 senior application services executives in North America The impact of design thinking

69% of the organizations believe that design thinking makes their innovation process more efficient

71% say that design thinking resulted in an improved work culture

29% even attributed an **increase in sales** to adoption of design thinking

Source: Hasso-Plattner Institut, Everest Group (2017)



Design thinking is a collaborative and iterative approach to solve problems, explore new opportunities, and create desired outcomes for customers

Design thinking is an action-oriented and solution-focused problem solving methodology. It primarily leverages the needs and the inputs of the user along with the designer's creativity, logic, and systematic reasoning to integrate technological possibilities and business strategy. The process is highly iterative, flexible, and fuels innovation.

Uses Minimum Viable Product (MVP) approach

- Multiple rounds of ideation and critique helps find good ideas
- Helps develop and test minimally viable product and improve based on feedback
- Reduces risk of failure as MVP approach adds features to the product incrementally

Provides flexibility to change paths ---

- Intermediate solutions can be starting points for alternative routes to rethink the problem
- The stages in design thinking can be switched or conducted concurrently
- Phases can be molded and configured to conform to the nature of the problem

Four key features of design thinking

Discovers unarticulated needs of the user

- Helps understand what users do, feel, and desire through their personal experiences
- Reframes the problem in ways that creates new pathways for innovative solutions
- Uncovers customer pain points and deliver solutions that best meet their needs

Promotes collaboration to generate creative ideas

- Engages diverse teams in idea generation sessions to generate different view points
- Creates a platform for collective intelligence
 where ideas are shared and critiqued
- Enables stakeholders to collaborate, interact, and learn

Source: Everest Group (2017)



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Disruptive innovation and exceeding customer expectations are key incentives of design thinking

Benefits of design thinking Improves user Produces solutions that generate new meanings and activates diverse elements – cognitive and sensory that are involved with human experiences experience • Develops designs that meet customer expectations Addresses user pain points throughout the process resulting in better service experience Drives Breaks the conventional wisdom and drives disruptive innovation by exploring multiple alternatives Combines technology, business, and human values to achieve innovation innovation Non-designers can use tools such as empathy maps, sketching, and paper prototyping to help design solutions • Helps create unique services for the customers, increases the reputation of the organization and drives Increases brand customer loyalty value • Design-orientation helps the organization to respond to the market demands quickly and creatively Creates differentiated services that boosts company reputation and brand value Supports rapid • Decreases scope creep; further requirements are extracted during the design thinking phase due to the shared understanding between the stakeholders development • Breaks departmental silos and speeds up development cycle Reduces risk of major failure due to the MVP approach to development Helps healthcare institutions to provide better medical and healthcare services by understanding Promotes social customers difficulties development • The future of urban communities in terms of the transportation and public utilities can be improved by collaborative thinking with the public



Communication gaps, lack of design competencies, and operational inefficiencies are the major challenges for adopting design thinking

Communication handicaps	Lack of design competency	Operational inefficiencies		
 Miscommunication between the service provider, external designers, and the clients. Lot of information is lost between designing and implementation Departmental silos are common in large organizations, hence poor sharing of clients' information across departments resulting in bad customer experiences 	 Most of the employees are not people- centric and design-oriented, and do not have adequate training on design thinking methodology Leadership does not empower the employees to be creative as they are risk- averse 	 External service designers focus on designing concepts and are not involved when implementing services End users are only included to test/validate the new services and are not involved in the design phase Lack of co-ordination between the business units increases time-to-market of the solutions 		
	Challenges			
Approaches				
Promote collaboration	Adopt design methods	Create cross-functional teams		
 Bring all the stakeholders to a common platform to create a shared understanding Collaborate with multidisciplinary teams to avoid miscommunication Adopt iterative process to ensure information flows throughout the development process and is not lost 	 Use design thinking tools and methods where in non-designers can contribute to the design process Conduct design thinking workshops throughout the company to disseminate its principles 	 Use design thinking to enable the end- users to design and prototype Adopt MVP approach to increase speed- to-market and gather feedback from users Transition to agile cross-functional teams to increase coordination between the departments 		



Historically, design-driven companies have proved to be superior than others in terms of financial results



SAP is a new entrant to the DVI. The organization has put continuous efforts to inject design into its operations. SAP's co-founder Hasso Platter had
invested US\$35 million to establish Hasso Platter Institute of design at Stanford. SAP has trained thousands of design thinking coaches, offers SAP
design services to enable customers in experience design, and has established co-creation centers in four locations around the world, called
AppHauses, including the latest one in South Korea

Newell Rubermaid left the index because the company was not able to incorporate design across the organization. Newell was not able to infuse design into all its acquisitions like Jardin Brands, which added 120 brands to Newell's portfolio. Only 1/3rd of the company gave importance to design, while the rest 2/3rd did not adhere to DVI best practices

Source: Design Management Institute (2016), Everest Group (2017)



Service design is a new concept focused on understanding a customer from a more holistic viewpoint

It is the activity of **planning** and **organizing** people, infrastructure, communication, and material components of a service in order to improve its quality and the **interaction** between service provider and customers. The purpose of **service design methodologies** is to design according to the needs of customers or participants, so that the service is **user-friendly**, **competitive**, and **relevant** to the customers.

- Service Design Network

While design thinking is focused on problem solving for a product/service, service design has more emphasis on the service experience than the product/service itself. It applies design thinking principals to provide a seamless experience to the customer.



Source: Service Design Network, Everest Group (2017)



User contribution has increased dramatically in the codesigning approach as compared to the traditional approach





Co-designing approach shifts the user's role from a subject to a concept development partner





Design thinking principles have been applied in different industries to deliver exceptional customer experience (page 1 of 2)

Healthcare	 Healthcare institutions are applying design thinking to improve patient experience by collaborating with patients to understand their experiences Stanford hospital has redesigned its emergency rooms after simulations of daily work routines GE has transformed CT/MRI suites into an imaginary landscape representing serene locations – reducing stress and the need for sedation of pediatric patients
BFSI	 YES Bank has been recognized for innovation in International Banking Expo for using design thinking principles across its product offering and services ASB New Zealand has used design thinking to create interactive, two-way video banking Bank of America has applied design thinking to redefine the account registration process thereby increasing the online traffic
Manufacturing	 Lincoln Motor Company partnered with IDEO to deliver Lincoln MKC, a luxury crossover, which helped them outpace growth in the luxury segment BMW has developed research and innovation centers where design thinking is used to manufacture and deliver prototypes for selected customers Tesla Motors has embraced design thinking to reimagine its cars, both in terms of electric energy source and Al driver
— — — —	
Technology	 Apple has pioneered design thinking and has developed numerous products that are innovative and deliver exceptional customer experiences SAP's design driven culture has transformed them into a major player in design and user experience field Microsoft has adopted a new type of design thinking, designing with the disabled in mind, so that the created products are better for everyone
Source: Everest Group (2	2017)



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Design thinking principles have been applied in different industries to deliver exceptional customer experience (page 2 of 2)

Hospitality	Airbnb adopted design thinking in most of their projects to propel them from a failing startup to a billion dollar business
	 Marriot has embraced design thinking to make its mobile app more customer friendly. After a stay has been booked, the content of the app changes as the user goes through the trip. Hyatt in partnership with Stanford design school has re-designed its front desk experience increasing the efficiency of the customer check-in process

Consumer goods and retail	 Consumer goods giant, P&G harnessed design thinking in the product development of Olay PepsiCo has hired a CDO to help spread design thinking at the company. PepsiCo's innovation contribution to the net revenue has increased drastically ever since Discount Tire, one of the world's largest independent tire retailers, has used design thinking principles to revamp their store operations and decrease customer wait times
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Urban planning

- Mobisol, a budding startup has used design thinking extensively to equip more than 40,000 households in Africa with Photo Voltaic (PV) solar panels
 United Nations Development Programme is collaborating with citizens of Indonesia to solve public
 - transportation challenges





Enterprises should develop deeper understanding of design thinking engagement to derive maximum value

Enterprises should closely evaluate a number of factors before deciding to adopt design thinking, either by acquisition, building in-house capabilities, or hiring a service provider/consulting firm

- Interoperability: The culture fit and the ability to integrate existing development process and design thinking approach. Enterprises can assign a single point of contact, who is aware of the existing processes and approach to design
- **Benefits:** Enterprise should focus on what does not work currently and how can design thinking be leveraged, instead of revamping the whole system at once
- Effectiveness: Ability of multi-disciplinary teams to collaborate, ideate, and develop solutions in an agile manner to generate solutions that are technologically feasible. Training existing employees on agile methodologies and promoting a culture of collaboration
- **Talent:** The level of design thinking skill and expertise of the designers, engineers, and the executive leadership. Whether training will be sufficient or hiring new talent is required
- **Design capabilities:** The design capabilities of the service provider should be assessed to determine their maturity in applying design thinking principles in designing new business models
- Execution practices: Enterprises should assess prior design work done by service provider to understand depth of their capabilities



Design thinking should be applied by enterprises to capitalize on new opportunities and establish a long-term strategy



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Enterprises must aim to increase design maturity with continuous investments and adoption





Establish new roles, such as CDO, to drive design adoption throughout the enterprise





Create new roles with specific design skill sets to adopt design thinking

CDO	Design strategy Design thinking Product design Experience design	
UX/UI designer	Wireframing Prototyping Web design Design languages UX/UI design	n
Digital strategist	UX design Design & prototyping tools design thinking Agile knowledge	3
Graphic designer	Photoshop & illustration software User experience Infographic design	
Visual designer	Design software User-centered design Visual design methodologies	
Source: Everest Group (2017)		
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Adopt new metrics such as time-to-market, profit from new products launched, and customer acquisition to evaluate impact of design thinking





Additional research references

The following documents are recommended for additional insight into the topic covered in this research. These documents either provide additional details on the topic, or complementary content that may be of interest

- Digital Services PEAK Matrix[™] Assessment and Market Trends: "Is Digital the New Normal?": (EGR-2016-4-R-1932); 2016. Digital transformation is a top priority for enterprises. They are seeking providers' help in transforming their back- and mid-office portfolio and reimagining customer interactions. Service providers are undertaking a design-led approach to digital transformation in order to contextualize solutions to solve clients' specific business issues
- 2. Internet of Things Services PEAK Matrix[™] Assessment and Market Trends IoT: Bigger than the Hype: (EGR-2016-4-R-2025); 2016. Internet of Things (IoT) is being rapidly adopted by enterprises across industries to achieve higher efficiency, enable data-driven decision making, and explore new revenue opportunities. Technology vendors and service providers play a significant role in helping enterprises explore and invest in IoT technology. In this research, we discuss the latest IoT market trends and present the assessment and detailed profiles of 16 IT service providers featured on the IOT services PEAK Matrix

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