

Brief: Leverage Design Thinking To Spark A Customer-Obsessed Innovation Culture

Design Thinking Principles Help Create The Confidence To Change

by Frederic Giron and Ryan Hart

July 7, 2015

Why Read This Brief

The digital world your company now operates in requires a radically different corporate culture — one that's obsessed with improving the customer experience and encouraging a more open, collaborative approach to innovation. That's the only way you'll be able to keep pace with rapidly changing customer expectations and behaviors. But how do you create this culture? What sparks teams and their leaders to change the way they innovate and develop a culture to deliver growth by improving the customer experience? This report presents lessons learned by companies that embraced design thinking principles to shift their innovation process from logical problem-solving to creative experimentation focused on delivering value to customers and the business. Design thinking is no silver bullet; rather, it's a tool in a broader cultural transformation toolbox that CIOs can carry into some of their own digital innovation efforts.

Key Takeaways

Traditional Corporate Culture Gets In The Way Of Innovation

Fear of change, complacency, insular mindsets, and ingrained habits of viewing innovation through a technology lens impede companies from implementing the most compelling innovation strategies. CIOs must define and instill a new culture to make these plans a reality.

Design Thinking Helps Spark Digital Culture

The discipline of design thinking can help members of your team understand why they need to change and how they can become customer-obsessed. A number of companies have immersed their senior leaders in design thinking principles to spark customer-obsessed behaviors.

Design Thinking Is A Set Of Good Principles, Not A Silver Bullet

Design thinking principles help crystallize the mindset that technology and business leaders need to develop to become customer-obsessed and augment their chances of successfully leading digital innovation. For most companies, creating a customer-obsessed culture will take years.

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Effective Digital Innovation Requires A Customer-Obsessed Culture

Companies are responding to the digital innovation imperative in various ways.¹ Some firms, like Metlife, create their own innovation labs; others, like DBS, invest in financial technology startups.² The most advanced tech management organizations have also implemented mature innovation management practices leveraging frameworks like the one outlined in Forrester's innovation playbook.³ Still, most CIOs struggle to link these digital innovation initiatives to meaningful business outcomes. Why? As Peter Drucker once said, "Culture eats strategy for lunch."⁴ Several patterns get in the way of digital innovation:

- › **Customer value is an afterthought.** Innovation teams tend to start with technology; it's only natural for engineers to focus on building the best technology system or product (see Figure 1). But engineers' focus on technology can impede disruption. As Harvard business professor Theodore Levitt famously said: "People don't want quarter-inch drills — they want quarter-inch holes."⁵ And they want that hole to accomplish a specific task, such as to hang a picture. A lack of deep understanding of customers' needs results in a half-hearted embrace of innovative approaches.
- › **Failure is not an option.** Compensation systems that recognize success and punish failure discourage employees from taking risks, undermining the creation of an innovation culture.⁶ As people rarely question these systems, the consensus supports the status quo. As the CIO of a large insurance firm put it: "Middle managers are the hardest to change. They've developed a complacent mentality over the years that's very tough to get rid of."
- › **Collaboration is easier said than done.** CIOs often fail to bring people together — to put them on multidisciplinary teams and get them to interact — to support digital innovation initiatives. As a result, innovation tends to happen inside the vertical silo in which the team leading the effort resides, making the team's codes and language impenetrable to other departments. Such initiatives focus on improving the performance of a single channel and fail to prioritize the overall customer experience. But digital innovation happens at the intersection of multiple functions and leverages external partners to create dynamic ecosystems of value.⁷

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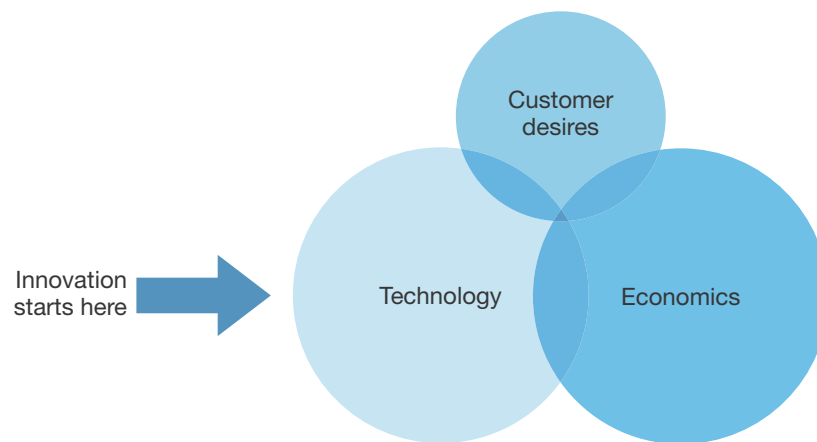
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- › **Anticipating customer needs isn't possible.** Another key obstacle to digital innovation is that customer behaviors change faster than organizations can come up with new products. Lean and agile methodologies can help CIOs and their teams accelerate the time-to-value of innovation processes and move away from a deductive mentality of planning for all eventualities and toward an inductive mentality of continuous testing and learning. But this will merely help them keep pace with fast-changing behaviors, not anticipate and get ahead of customers' underlying needs. The digital world contains significant ambiguities that traditional innovation processes cannot easily solve.

FIGURE 1 Innovation Teams Usually Start With Technology



Design Thinking Principles Put Customers At The Core Of The Innovation Process

Companies must transform themselves from “inside-out” to “outside-in” organizations that shape innovation around the demands and expectations of their users — it’s the only way forward in the age of the customer. Forrester sees design thinking as sparking this shift; we define design thinking as:

A collaborative approach to product and service innovation that puts the needs and expectations of the customer at the center of a project aimed at solving a human or business problem through creative experimentation.

Design thinking encompasses four core principles that frame the implementation of the approach:

- › **Increase empathy for the end user.** Companies foster empathy-based digital innovation by taking a disciplined approach to understanding user demands and expectations: actively listening to and sharing ideas with customers and challenging each other’s assumptions. An empathetic approach to innovation reframes the problem and provides a bird’s-eye view that firms can use to design solutions that address actual user needs.

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“We need to constantly think of new ways to simplify banking technology to meet the growing needs of our customers; these workshops help us understand where the next customer frontier will emerge.” (Dayle Stevens, general manager for support services technology, National Australia Bank)

› **Combine broad perspectives to generate successful ideas.** Groundbreaking ideas rarely arise in a vacuum; neither are they generated by brainstorming among a group of like-minded individuals. Often, the best ideas occur when a horizontally broad and vertically diverse team of stakeholders comes together and focuses on resolving a shared challenge.⁸ A balanced team provides both a high-level understanding of the overarching business goals and a deeper operational comprehension of the working parts. RWE, a large German energy firm, leveraged design thinking principles as a framework to structure the digital initiatives of its global innovation and cooperation team. The team is composed of five people from different business units who have diverse functional experience within RWE, including technology management, finance, law, and corporate affairs.

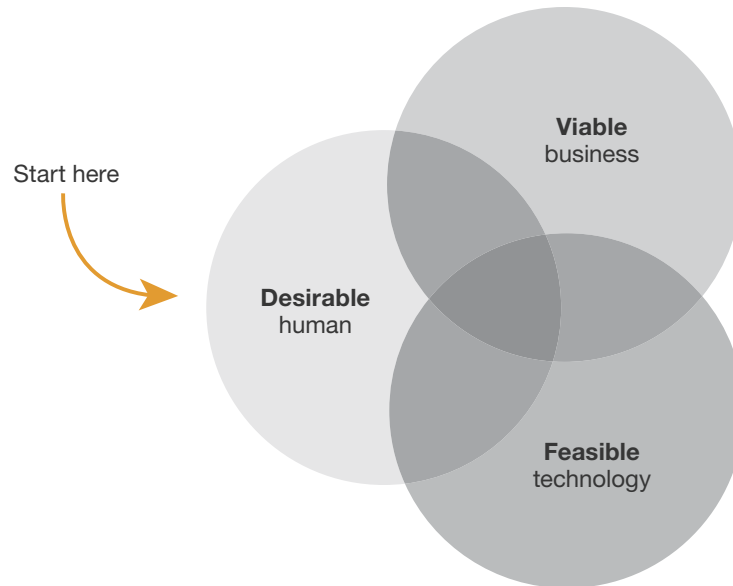
› **Learn by thinking and doing.** The “learn fast” concept is central to design thinking in that products and services, like the customers or users they are designed for, are always evolving. Design thinking adopts an iterative approach — one without a defined start or finish — to creating these products and services. As users change, firms continuously capture their feedback throughout the product life cycle to refine and optimize products in response to dynamic demands. This type of design process is a continuous learning experience for all stakeholders.

“Infosys has been working closely with us from an organizational perspective to incorporate design thinking and an innovator’s mindset into how our teams collaborate on, ideate, and prototype more user-centric solutions.” (Director of business transformation and operations, large high-tech firm)

› **Innovate at the intersection of feasibility, viability, and desirability.** Innovation usually begins with technological possibilities and then works backward to meet user demands. This fundamentally goes against the idea of design thinking, which prioritizes the actual needs and desires of end users above all else (see Figure 2). Ideally, product and service innovation occurs at the intersection of technological feasibility, business viability, and customer desirability to balance the interests of all three as closely as possible. The result is a product or service that employs advanced technology and which the customer uses and the business profits from.⁹ Design thinking sparks this scenario — and it all starts with a deeper understanding of what the customer needs, demands, and expects.

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FIGURE 2 Design Innovation Starts With The User In Mind



Source: IDEO

Infosys Used Design Thinking To Shift Its Innovation Culture

A number of organizations including Citrix Systems, Deutsche Bank, Hyatt, Nordstrom, and SAP have embraced design thinking principles to make their innovation culture more customer-centric. When Vishal Sikka became Infosys' CEO in mid-2014, he made design thinking a pillar of the company's transformation.¹⁰ Infosys started on this journey by emphasizing two core principles:

- › **Give permission to think creatively.** India's technology services industry is built on massive contingents of smart engineers who are really good at following orders. Nobody told them that they could also think creatively. Today, clients look for trusted advisors that can help them with their digital transformation.¹¹ Infosys is using design thinking workshops to empower and change the mindset of its 170,000 employees. In just 10 months, the firm has trained more than 36,000 employees, including 500 senior execs, in design thinking principles at its global education center in Mysore, India and other development centers worldwide.¹²
- › **Develop problem-finding skills.** Sikka believes that, in the not too distant future, systems based on artificial intelligence (AI) will do much of the work of solving problems, leaving humans with the task of finding new problems. The global hotel industry was working fine until Airbnb found a creative angle to redefine the problem and then solve it. Infosys wants to use design thinking

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training to make problem-finding a key element of its employees' skill sets, enabling them to think differently about clients' problems and come up with the right solutions. This is a clear opportunity to create a strong competitive advantage for Infosys in the Indian tech services market.

Infosys Clients Use Design Thinking To Spark Cultural Change

Infosys has run about 30 client workshops on design thinking principles that have enabled the firm and its customers to change their approach to innovation. Stuart Presgrave, general manager of global delivery at Telstra, said that "We found design thinking to be a refreshing approach to problem-solving and plan to use these tools to help bring agility and creative confidence back to our workforce." Other companies have applied the design thinking principles they learned from Infosys to:

- › **Create truly customer-centric innovations.** RWE SmartHome is a leading European producer of home automation solutions but saw limited uptake of its smart home products. While the company created great products, they mostly appealed to engineers rather than the layman. Design thinking workshops helped RWE shift the mindset of its teams from creating the best connected door sensor to understanding customers' true pain points. Design thinking enabled teams to discover the real problem by walking in the customers' shoes and delaying the creation of a technology solution for as long as possible. Then, by rapidly coming up with a prototype and testing it with actual customers, the team could experiment and validate some of the hypotheses it formulated in the ideation phase. The new product will hit the market before the end of 2015 — less than six months since the team started the workshop.
- › **Drive the adoption of new functional systems.** A large consumer packaged goods firm has a significant track record in implementing software products across business functions. However, the way that it force-fed new policies and provided superuser-led training to employees and partners to ensure the adoption of new systems eventually reached its limit. After Infosys introduced the firm to design thinking principles, it understood the importance of empathizing with the people who use the system on a daily basis to improve interest in and adoption of the system. Design thinking principles helped the company understand the pain points of different user personas and design its eProcurement platform with the active involvement of its users — requesters and suppliers. The company sees design thinking as a way to drive business strategy.
- › **Support a broad cultural transformation.** The broader RWE group is exerting massive pressure on its German power subsidiary to transform.¹³ Executives understand that the market environment has dramatically shifted in recent years and will only accelerate in the age of the customer. But the company still operates at a pace dictated by the life cycle of its power generation assets — assets that are replaced every 40 years or so. RWE recently embarked on an ambitious transformation journey leveraging open innovation as a key driver.¹⁴ The company intends to use design thinking principles to frame their new way of working: moving away from a deductive approach where innovation is underpinned by perfectionism toward a more inductive approach where learning by thinking and making is the norm.

Recommendations

Choose A Design Thinking Coach To Help You Learn And Grow

Design thinking is not a silver bullet that will solve all of the challenges of digital transformation initiatives. But applied in a systematic and disciplined way, these principles help change the mindset of technology and business leaders to place the customer at the center of the innovation agenda. Similar to learning a new language, design thinking is not something best learned from picking up a book. Forrester recommends that CIOs:

- › **Make customer understanding the foundation of the design thinking transformation.** Before embarking on a transformation sparked by design thinking, ensure that your organization has the proper channels in place to capture the voice of the customer, including their expectations and demands for how they want to interact with your company or use your product. Once you have standard CX capabilities and proper governance to track customer feedback in place, you can confidently begin implementing a design thinking methodology.¹⁵
- › **Adopt a train-the-trainer approach.** When learning a second language, it helps to have a native speaker coach you through the pronunciation and nuances of the new language. In line with this approach, designate or appoint a design thinking champion to train with some of the leading schools of thought on the subject. Hold on-site workshops on the topic and begin training the company's champions to start operationalizing thinking across the organization.
- › **Assemble a multidisciplinary team and immerse it in design thinking.** Reach out to and involve stakeholders from different business units. The cross-pollination of ideas unleashed by design thinking workshops will do wonders to generate ideas. Involve company leadership early — their commitment and support for this initiative will be vital if the broader transformation is to take hold and become engrained.
- › **Once you understand it — discard it.** Appreciate that design thinking is simply the spark of a larger and longer cultural transformation of the company's approach to innovation. It should not be considered a one-off exercise or a process with a defined end. Once you master the approach, build on it and move forward. Sanjay Rajagopalan, head of design and research at Infosys, compares design thinking to scaffolding that helps individuals, teams, and organizations learn a new way of working.
- › **Selectively scale it across the organization based on goals.** Not all employees must become innovators; nor should you require that they all become expert design thinkers. However, the benefits of a new approach that puts customers at the center of the innovation process has broadly positive implications. As is the case of Infosys, communicating the benefits of customer-centric design principles across the organization can help shift its overarching culture in the direction of a customer-obsessed business that succeeds by designing the products and services its customers want and need.

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Endnotes

¹ In the age of the customer, business is digital. Digital technologies are empowering customers like never before, transforming how they discover, explore, buy, and engage with brands and products. The speed with which consumers embrace these new touchpoints is only getting faster, blindsiding firms that struggle to keep up with the pace of change. To compete in the face of digital disruption, your firm must transform. See the “[Kick-Start Your Digital Business Transformation](#)” Forrester report.

² Source: LumenLab (<http://www.futurelab.sg/>).

Innovative culture is difficult to define and even tougher to build and sustain. eBusiness executives at financial services firms struggle with skepticism toward digital technologies, aversion to risk, and a perception that regulation or legacy systems make change impossible. To help you succeed, we’ve talked to almost two dozen innovators and gathered best practices that fall into four categories: excite, engage, empower, and embed. Start by exciting your colleagues and executives by showing them what innovation is possible. Engage your wider organization and particularly key internal stakeholders to source ideas broadly and enable agile, cross-functional execution. Empower employees with the right digital tools and resources. Finally, embed innovation into the fabric of your organization by linking it to employee metrics and incentives. See the “[How To Create An Innovative Culture In Financial Services](#)” Forrester report.

³ The CIO’s role in innovation is to work alongside organizations from across the enterprise to leverage technology and co-create business opportunities. Forrester’s programmatic approach helps build a repeatable process to develop and sustain business innovation within your firm. See the “[Thrive With Sustained Innovation In The Age Of The Customer](#)” Forrester report.

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- ⁴ “Culture eats strategy for breakfast” was popularized by Mark Fields of the Ford Motor Company in 2006. Source: Jeffrey McCracken, “‘Way Forward’ Requires Culture Shift at Ford,” The Wall Street Journal, January 23, 2006 (<http://www.wsj.com/articles/SB113797951796853248>).
- ⁵ Source: Rowan Gibson, *The Four Lenses of Innovation: A Powerful Tool for Creative Thinking*, John Wiley & Sons, 2015.
- ⁶ Innovation is the No. 1 challenge for CEOs. And CIOs are increasingly asked to help solve the challenge by supporting innovation across the enterprise with new technology. The problem is that technology alone cannot solve the innovation challenge. While all innovation begins with an idea, organizations require more than new technology to foster enterprise innovation. You need a good system for collecting new ideas and sharing ideas among employees, customers, and partners, but you also need a lightweight process for evaluating innovations and pushing the best ones into incubation quickly. This report shows how leading companies are tapping their internal and external communities for ideas and introduces the Forrester Innovation Heat Index as a model to use to evaluate ideas based on core values that should apply to all innovations. See the “[From Ideas To Value: Lubricate The Innovation Pipeline With Processes And Incentives](#)” Forrester report.
- ⁷ You must think of your company as part of a dynamic ecosystem of value that connects digital resources inside and outside the company as needed to compete. See the “[The Future Of Business Is Digital](#)” Forrester report.
- ⁸ Horizontally broad from the perspective of roles and responsibilities across business units; vertically diverse from the perspective of seniority in the organization.
- ⁹ Digital business demands a new approach to technology management. See the “[Accelerate Digital Business With A BT Agenda](#)” Forrester report.
- ¹⁰ Prior to joining Infosys, Vishal Sikka was at SAP, one of the first technology vendors to leverage design thinking principles for the design of its software products. Hasso Plattner, a co-founder of SAP, helped create the d.School in Stanford, CA, in 2003. The Stanford d.School is also known as the Hasso Plattner Institute of Design.
- ¹¹ At recent customer and analyst events, traditional consulting and systems integration providers — including Accenture, Capgemini, Cognizant, Deloitte Digital, Fujitsu, Infosys, NIIT Technologies, PwC, SAP Services, and Wipro — made major announcements about their digital services and digital transformation capabilities. These firms are scrambling to achieve growth and to win the mindshare (and wallet share) of business buyers. Some of the announcements reflected truly new capabilities aimed at new business stakeholders, countering the inroads that digital and interactive agencies have been making. But buyer beware: Other announcements were simply a renaming and repositioning of older existing practices. This report helps CIOs assess the moves of their incumbent service suppliers and provides Forrester’s take on validity and viability of the announcements. See the “[Brief: Making Sense Of The Digital Services Tsunami](#)” Forrester report.
- ¹² Infosys is one IT services vendor with a state-of-the-art approach to employee training. In 2005, Infosys consolidated all of its training and education activities to a new university-like campus. This 337-acre complex in Mysore, India is now called the Narayana Murthy Center of Excellence and houses the Global Education Center (GEC). See the “[The Importance Of Evaluating Your Vendor’s Training Capability: What You Need To Know](#)” Forrester report.
- ¹³ Head of Group Strategy & Corporate Development Thomas Birr spoke about the company’s current challenges and strategy changes in the following article. Source: Bentham Paulos, “RWE’s Thomas Birr on Corporate Strategy in a Changing German Electricity Ecosystem,” Power, January 7, 2014 (<http://www.powermag.com/rwes-thomas-birr-on-corporate-strategy-in-a-changing-german-electricity-ecosystem/?printmode=1>).
- ¹⁴ Source: Jan Hromadko, “German Utility Teams with Google’s Nest Labs for Smart Thermostats,” The Wall Street Journal, April 16, 2014 (<http://blogs.wsj.com/digits/2014/04/16/german-utility-teams-with-googles-nest-labs-for-smart-thermostats/>).
- ¹⁵ To excel at customer experience, organizations must routinely perform the practices required to design, implement, and manage customer experience in a disciplined way. See the “[Customer Experience Maturity Defined](#)” Forrester report.

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