

THINK ACT

BEYOND MAINSTREAM



November 2016

Design thinking on every level?

That's crazy. Let's do it!
Fresh decision-making throughout the organization

SPIELFELD

Roland
Berger



THE BIG

3



81%

of companies say they would be open to a design thinking mindset in the context of corporate strategy.

Page 6

71%

of suitably trained employees perceive that design thinking has improved the working culture.

Page 6

219%

is the amount by which design-driven companies have outperformed the S&P 500 over the past ten years.

Page 14

Crazy times call for crazy measures – Open your mind and inspire the entire organization.

Some of the people at Airbus used to see prototyping almost as admitting a lack of knowledge. Wasn't circulating a product that isn't finished a way of showing incompetency rather than progress? It is fair to say that design thinking has turned this perception on its head and had a huge influence on the company's working culture. Rapid prototyping is now an integral part of daily operations. Staff understand it as a measure of progress in innovation, a tool of knowledge creation. It also lets the company test market acceptance before a product becomes "cast in stone".

In today's much-hyped volatile, uncertain, complex and ambiguous world, it seems the "C" in "VUCA" could just as well stand for "crazy". Managing a company has never been easy, but is a greater challenge than ever today. The transformation triggered by digitization is disrupting entire business models, and traditional businesses find themselves under threat from an array of non-digital forces too. Ambitious start-ups are revolutionizing the way business is done and driving innovation at a frantic pace. Service is on the rise, and everything any company does is expected to be absolutely customer-centric. But how? It is no wonder that incumbents – and indeed companies of all varieties – struggle to cope with so much change, so much uncertainty.

Roland Berger has understood that something has to give. If desperate times call for desperate measures, as the saying goes, then what do crazy times call for? We have long been nudging our clients in the direction of the light footprint, a doctrine borrowed from military strategy. Simply put, a light corporate footprint involves making full use of all available technologies, developing an advanced organization where teams work in largely autonomous "special forces", and fostering a test-and-learn mentality where leadership is rooted in trust. By cultivating both entrepreneurship and intrapreneurship, the resultant agility enables companies to adapt quickly and respond to change with customer-centric innovation.

We have now borrowed another concept – design thinking – that is already helping companies prepare for the disruption that unquestionably lies ahead. Design thinking has long since proven its value as a focused innovation methodology in product development. Roland Berger nevertheless believes it is time to roll it out on a scale that changes the way companies make decisions in every area, on every level. And it appears that we are far from alone in holding this view (see page 6). Seeing what this principle can achieve persuaded us to develop a framework that can breathe fresh life and vitality into your strategic decision-

4 THINK ACT

Design thinking on every level?

making going forward. Design thinking is central to this approach.

Sounds a bit left-field? Probably. The question is: If your organization is having a hard time getting from where you are today to where you want to be – and stay – tomorrow, isn't it time to stop doing the same thing over and over and expecting different results? Which, incidentally, is how Einstein defined craziness. Make no mistake: Disruption is headed your way like an oncoming train. You have to respond. Maybe taking the road less traveled isn't so crazy after all? Come with us on a journey and we'll see!

THE BALANCING ACT

Chief executive: *"Let's just keep our core business profitable while we change everything, go digital and penetrate new markets."*

Chief strategist: *"Would you like anything else to go with that, sir?"*

Modern companies have to drive their core business professionally. At the same time, they are expected to embrace incremental change while also thinking like start-ups and coming up with breakthrough innovations to safeguard the future. That's asking a lot, and it's a dilemma we encounter time and again in our consulting practice. The scientific term for companies that manage this balancing act is "organizational ambidexterity".

Robert Duncan (1976) coined the term in a manage-

BANKING: HOW GEORGE CHANGED THE GAME

Erste Bank and Sparkasse launched a highly innovative, game-changing product called George. George is a customer-centric online banking platform that injected fresh impetus into the Austrian banking sector.

Development was handled in a separate entity by a team working with its own processes, systems and culture. Without this organizational split, George would probably not have achieved the same level of market acceptance and success, as corporate structures often stifle creativity. Organizational ambidexterity allowed Erste Bank to pursue its core business while at the same time working on this new innovation.

ment science context, referring generally to organizations that are good at doing two different things at the same time. Different authors have since framed it more narrowly or broadly in varying contexts. The key meaning today, however, denotes companies' ability to engage in efficient exploitation of existing markets and capabilities (to safeguard short-term viability) while also exploring fresh approaches in both new and mature markets (to stay competitive in the longer term).

→ **A**

Being ambidextrous demands a very different set of strategic agendas, organizational structures, business processes and organizational cultures to those of traditional enterprises. However, companies that achieve this feat invariably give themselves a competitive advantage.

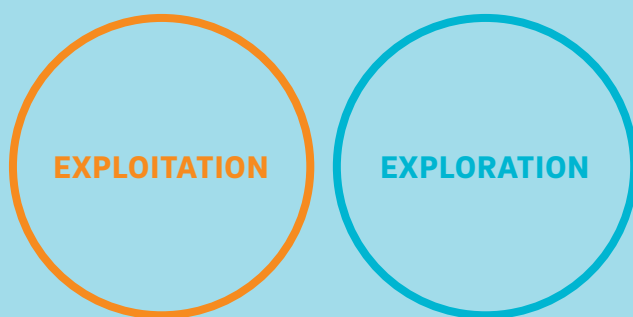
Managing organizations ambidextrously involves dealing with trade-offs and conflicting goals and will therefore always be a "juggling act". Indeed, the very use of terms such as "balancing act" and "juggling act" already hints at the risks, challenges and complexities that go along with organizational ambidexterity. Which itself raises a question: Why should companies bother? Why not just do one or the other and avoid all these complications? The answer is found in the wealth of scientific evidence that ambidexterity can have a powerful and positive impact on corporate performance. For companies keen to reconcile the need for efficiency and innovation, consistency and change, short-term profitability and long-term prosperity, organizational ambidexterity will become more and more important going forward.

To acquire or improve this capability, companies must ask themselves: How can we become more innovative to remain competitive in the future? How do we strike the right balance between being profitable today and staying competitive tomorrow? And how can we transform our organization from the bottom up to instill the right mindset and organizational culture?

Roland Berger sees design thinking as an excellent tool with which to respond to this new strategic challenge. The experience we have gained in numerous projects shows the value of taking this approach out of its product development box and ramping it up as a catalyst for entire strategic agendas. Creativity and innovation are strategic imperatives that every company needs to think about. So why not use a proven concept for innovation management and the generation of new ideas? It seems strange to us that a tool which works so well in solving

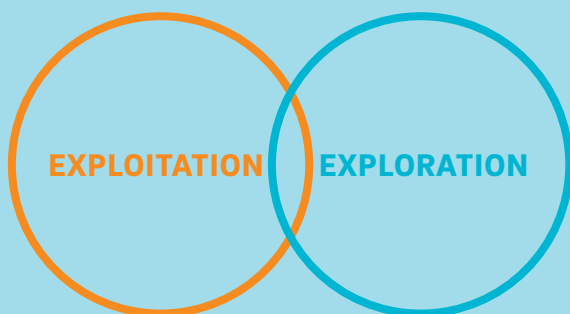
A

ORGANIZATIONAL AMBIDEXTERITY HELPS COMPANIES TO STAY COMPETITIVE IN THE LONG RUN



Traditional companies improve their products and services incrementally (exploitation) and are often likened to oil tankers for their lack of agility. Start-ups innovate radically and disrupt the market (exploration), prompting comparison with speedboats.

Example: Ford constantly seeks to strengthen its brand by adding incremental changes to its core offerings. Recently, the company also acquired start-up Chariot as a way to respond to changing demands. The start-up has not been integrated in Ford's core business and continues to be managed separately.



Companies have both competencies. Incremental innovation takes place in the traditional company, while radical innovation is concentrated in a separate business unit

Example: The BMW 3, 5 and 7 Series are examples of exploitation, while the BMW i-Series is an example of exploration



Companies need to integrate start-ups' culture and way of thinking in their own organization. They require an overarching vision, a combination of both skills, a new definition of their industry and a design-driven approach

Example: Tesla sees cars as a platform, integrates hardware and software capabilities and integrates the entire supply chain

WHAT EXACTLY IS STRATEGIC DESIGN THINKING?

Design thinking is a focused innovation methodology based on the way designers seek to reconcile technological feasibility to profitability and customer desirability. It focuses on solutions, not problems, and rests on the principles of customer-centric design, rapid prototyping and experimentation. It looks at literally everything not from the perspective of "what do we do well", but from the angle: "what does the customer want". It is all about radical innovation in all areas from a customer's eye-view. As we have seen, design thinking has already proven its value in product development. However, Roland Berger also sees it as a key tool for strategic decision-making in the future. To put that another way: Strategic design thinking ticks all the boxes for companies that want to develop a light footprint, become genuinely customer-centric and make full use of digital technology while staying profitable. If you get the thinking right, the chances are you will get the decisions right too.

fragmented and isolated problems has so far rarely spilled over to affect entire organizations. This is all the more puzzling given that recent Roland Berger research found 81% of companies claiming they would be open to a design thinking mindset in the context of corporate strategy. Similarly, a 2015 study conducted by the Potsdam-based Hasso Plattner Institute notes that, where it already has been implemented, 71% of employees with relevant training see design thinking as having improved the working culture in their organizations. We believe it is high time to take these insights seriously – and act on them systematically. Our aim must be to take the proven effects design thinking has already demonstrated for individual solutions and apply them systematically to decision processes on every level. Companies certainly need fresh decision-making in all areas of the organization: defining worthwhile strategies despite planning uncertainties, for instance, dealing with unexpected new circumstances, scouting for modern skill sets in new recruits and handling new ideas throughout the value chain. Drawing on a large number of client projects as well as a scientific thesis prepared in cooperation with the Vienna University of Business and Economics, Roland Berger has drilled deeper into this top-

ic. The outcome is a framework to show how companies can apply design thinking in a way that delivers lasting, enterprise-wide effects and is profoundly embedded in all strategic processes, creating a genuine impact and charting a course for fresh decision-making.

THE GAME HAS CHANGED

There are a lot of very, very good reasons why design thinking is a topical issue right now, especially for strategic decision-making:

- Profit orientation alone is no longer enough. Looking to the future, companies need to recognize customer orientation and innovation as top strategic priorities.
- Most top managers and employees have been through a strongly analytical education, and this one-sided view may have been fine in the past. The future, however, requires a healthy mix of analytical and intuitive thinking. Design thinking can resolve this dilemma by instilling a new mindset and a new way of working in the company.
- Today's young generation has grown up with lean interfaces and outstanding design. Think of the way Amazon lets you place orders with a few clicks, or how Apple has revolutionized electronic devices. Design thinking gives companies a customer-centric way of thinking to deliver a comparable experience.
- Many companies that are successful today were founded in the 20th century. Some of them even earlier. But the rules and principles that counted when they started out are no longer valid. Design thinking helps organizations understand the needs of their various stakeholders and redesign the company accordingly.
- Outdated organizational structures and silo mentalities inhibit successful collaboration. Design thinking introduces a new way of working within the company that is based on teamwork, interdisciplinary collaboration and lean hierarchies.
- Design thinking shortens the time to market thanks to rapid prototyping and experimentation. Instead of long planning cycles, early prototypes are tested on the market and improved on the basis of feedback from users. That saves time and reduces the risk of failed innovations.
- Companies that adopt a culture of zero tolerance forego countless opportunities for innovation and creativity. Design thinking introduces a start-up-like

culture that has no fear of “failing fast, failing cheap and failing often”.

THE NEED FOR FRESH THINKING

The pressure of external trade-offs and the need for incumbents in particular to rediscover the joys of entrepreneurship have created an urgent need for new ways of thinking and decision-making. Five areas of tension in particular underline the potential that design thinking can unleash:

1. Strategic ambition

Big versus small: Instead of thinking in terms of incremental improvements to existing offerings, companies should be reaching for the stars. New and valuable growth areas can be tapped by including scalable business models in the corporate agenda and development program.

2. Entrepreneurial culture

People versus technology: Based on a clear, overarching vision, a customer-centric approach allows companies to identify new business models and products. Customer touchpoints are made as lean as possible instead of being weighed down by complicated technical details. Good quality, ease of use and desirability are the new target parameters. Empathy unlocks new opportunities to penetrate customers while at the same time empowering employees to develop and grow.

3. New skill sets

Knowledge versus intuition: Companies are either not collecting the right data or are collecting enormous amounts of data and not using it efficiently. Smart data – using the right data for the right decisions in order to uncover trends, needs and wants and steer business activities – is the new paradigm. Following this path enables organizations to improve existing products and business models while simultaneously discovering new areas of growth.

4. Agile processes

60% versus 100%: The rise of agile work methods is forcing businesses to move faster. Applying concepts such as rapid prototyping and experimentation can shorten the time to market and cut costs compared to traditional methods. New products are iteratively tested on the market even before they have been finalized. This makes product generation faster and more focused on customer requirements, which can be incorporated through

direct feedback. Importantly, it also allows concepts that do not live up to expectations to fail fast.

5. Inspiring environments

Networks versus silos: Joined-up thinking is another new business paradigm. Silos within the organization are broken up as business units collaborate across different areas. Similarly, companies are collaborating with external partners in various fields – even with players from other industries – to enhance their own creativity and diversity. → **B**

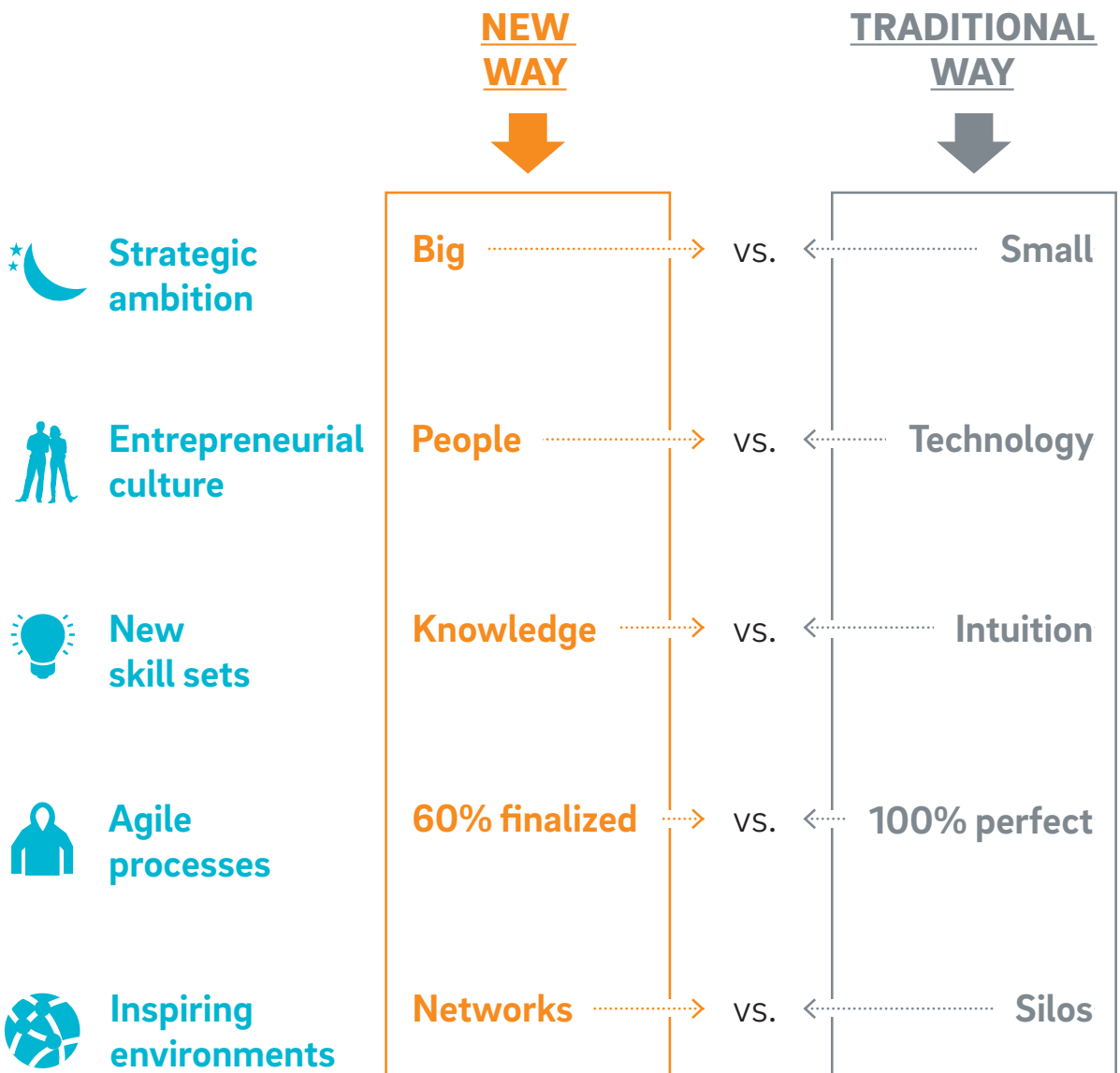
TESLA: REDEFINING A WHOLE INDUSTRY

One area where new entrants are merrily disrupting the business models of incumbents is the automotive industry. Tesla has made a surprisingly successful entry to this highly competitive market and illustrates a number of interesting aspects. The company has an overarching vision and assumes a wider-than-usual definition of the industry. By buying Solar City, Tesla has stated its intent to become an integrated company that goes beyond the traditional car market, planning to reconfigure cities, energy systems and environmental impact. The company adopts a design thinking approach and looks at products as holistic solutions. It sees cars as electronic devices and facilitators of frictionless mobility rather than as machines. For Tesla, automobiles are a platform that can be updated and improved over time rather than leaving users stuck with the features of the initial purchase. Furthermore, the company's core competencies in hardware and software give it a competitive advantage over other car manufacturers who have to buy software as add-ons. All these innovations are enabled by far-sighted leadership, a clear vision and strategy and a design-driven approach. For this approach to work, however, the elements of design thinking must be applied consistently throughout the company and not only to individual solutions.

B

EXTERNAL TRADE-OFFS CREATE THE NEED FOR A NEW WAY OF THINKING...

... and decision-making for existing and new businesses alike



So... Where do we start?

A framework for fresh decision-making, driven by design thinking

Colorful Post-its have today become symbolic of how design thinking solves narrowly defined individual problems. However, it is time to move on from sticky labels, from piecemeal solutions, and advance to the next level. The question is: How can the principles behind these successful innovation techniques be applied systematically across entire organizations?

Roland Berger has developed a framework specifically to enable the value of design thinking to be leveraged on a strategic, enterprise-wide level. The framework dovetails the best of the old and new worlds of management. It combines strategic thinking with flexibility and agility to create real value for the whole company.

We have already seen that decision-making driven by design thinking requires a new mindset and a new way of working. To transform an organization in a way that affects decisions made every day and on every level, several elements must be addressed. Referencing the trade-offs and pressures described in the section on "The need for fresh thinking", the Roland Berger framework sees strategic ambition as the overarching element that spans four distinct enablers. These enablers correlate directly to the individual aspects of design thinking. Let us look at each of them in turn: → **C**

CUSTOMER-CENTRIC DESIGN THINKING

Good design thinking always involves an interdisciplinary team of industry experts, customers, designers, developers and others, all working together in an inspiring environment. Beyond that, however, there are few hard and fast rules. Design thinking practices what it preaches: flexibility and agility.

The process normally starts with an analytical phase to ensure that everyone shares the same understanding of the environment, the user and other stakeholders. It ends with a synthetic phase of experimentation and innovation. Iterative cycles of exploration are conducted throughout all phases of the process to gain insights and develop design criteria. As a next step, various ideas and concepts are generated that will be tested in the form of rapid prototypes. The most promising ideas are selected by an interdisciplinary group who are in close contact with customers. The iterative nature of the process also lets the team skip back and forth between earlier and later steps in the process on the basis of feedback from prototyping. It is very important to remember that design thinking is a flexible arrangement. Depending on the context, the situation, the given problem and its environment, suitable steps are defined as necessary.

We have selected and defined five general steps as

C

DECISION-MAKING DRIVEN BY DESIGN THINKING IS EMBEDDED DEEPLY IN THE ORGANIZATION

From individual solutions ...

... and enablers

...to deep roots in strategic processes

CUSTOMER-CENTRIC DESIGN THINKING



ENTREPRENEURIAL CULTURE



STRATEGIC AMBITION

Deframing/
reframing

Gathering insights

Full immersion

Idea generation & prototyping

Extrapolation



AGILE PROCESSES



NEW SKILL SETS



INSPIRING ENVIRONMENTS

Deep roots are needed so that the design thinking mindset can permeate every enabler in the company: every process, every skill set, everything! Only then will it ultimately have the desired impact on strategic decisions throughout the organization. The whole purpose is for strategic decisions to be made differently than in the past.

a point of departure. Individual points can, however, readily be added, removed and mixed in varying permutations depending on the precise needs of your organization – and the precise nature of your customers.

Deframing/reframing:

The deframing/reframing phase aims at understanding the problem and the underlying hypothesis. The tasks must be analyzed and defined. This is one of the most crucial phases, as any errors or misunderstanding at this stage will negatively influence the whole process and can cause delays and unnecessary extra work later on. When everyone is on the same page and the common ground has solidified, the design challenge needs to be understood. This means that both the target group and the goal should be clear. Only then is it possible to assign the resources needed to complete the task, prioritize content issues and set a time frame.

Gathering insights

Gathering insights is very important because the problem and the scope have to be understood in the context of their real environment. The goal is to observe the problem in a real-world context. The team should examine existing solutions and find out why no alternative has yet been developed. One important factor is empathy and being able to see the problem from the perspective of the target group. The aim here is to develop valuable insights into the main problem and its context. The entire ecosystem, the stakeholders and the end users must be fully understood before the process continues.

Full immersion

All the data generated up to now needs to be fully understood. The information must be synthesized to gain a common understanding across all team members. The collected insights have to be evaluated, interpreted and weighed. This common understanding lays the foundation on which to define the next steps – or to decide whether more information is needed before continuing the process. To build a common knowledge base for everyone, all information, impressions and observations should be presented in both narrative and visual forms. A further roadmap should be defined based on these findings.

Idea generation and prototyping

Based on the information thus acquired, ideas should be developed that fulfill the needs and solve the problems of the users. First, as many ideas as possible should be created without evaluating them. Second, ideas should be selected based on a majority vote and then modified and refined.

Rapid prototyping is one of the major strengths of design thinking. Dialogue with customers accelerates the learning cycle. Its aim is not to finish anything, but to identify the strengths and weaknesses of ideas as quickly as possible so that the team can learn, adapt and, if necessary, move in a different direction.

Extrapolation

It is now time for the process team to think beyond the initial scope and look at disruptors that could leverage the idea to ten times the business potential of normal ideas. Scalability, disruption and innovation are the focus here as they seek to take the findings of design thinking to a higher level.

ENABLER 1: ENTREPRENEURIAL CULTURE

If innovation and growth are to flourish, the corporate culture needs to be open and flexible. If employees have no realistic way of experimenting, testing and developing – if test-and-learn is frowned on and no one trusts their leaders to back them if they fail fast – no one in the organization will ever dare to think new thoughts. Innovation will be conspicuous by its absence. An interdisciplinary team approach is necessary to cultivate an atmosphere of creativity.

The decision-making framework driven by design thinking addresses these issues. It replaces silo mentalities with a fresh emphasis on the organizational network. An open approach to innovation facilitates collaboration that transcends corporate boundaries. Thanks to input from an assortment of different stakeholders, it is possible to create solutions, products and services that go beyond the company's traditional competencies. Fresh decision-making makes the corporate culture less rigid – less arrogant about its own capabilities too, in some cases – and more creative. Feedback, iterative learning, teamwork and trust become the new parameters of collaboration. Interdisciplinary teamwork enhances creativity, causing innovation to flourish and prosper.

12 THINK ACT

Design thinking on every level?

ENABLER 2: AGILE PROCESSES

The decision-making framework based on design thinking can bring an agile and lean working methodology to the company. This shortens new product development cycles and accelerates the speed of innovation. It allows even incumbent players to apply start-up tactics and try out many ideas in parallel. Some of these fail, but they do so quickly, leaving the company free to focus on the right ideas. This combination of experimentation and rapid iteration beats traditional approaches for both speed and cost. Moreover, an emphasis on experimentation facilitates iterative learning; and having at least one professional designer on board helps translate customer feedback into product features and experience to safeguard the quality of products and solutions. "Beta" products in the form of prototypes can be tested on the market, allowing customers' feedback to be incorporated, products to be tailored to validated customer needs – and development to be completed on time. Again, the fresh approach to decision-making emphasizes lean and agile processes.

ENABLER 3: NEW SKILL SETS

Companies have huge amounts of data at their disposal but are not yet using it to its full potential. Smart data that uncovers trends, identifies the needs of users and supports fully informed decisions is the way forward. Entrepreneurial skills must be paired with in-depth analysis, enabling the company to develop new products and services based on data. This increases the success rate and at the same time reduces the risks inherent in innovations.

Example: Netflix uses data-driven algorithms to build and market highly emotional entertainment products. It uses algorithms to create recommendations for its users and personalize each profile. Companies need to identify the right skill sets they will need and then hire talents who possess such skills.

ENABLER 4: INSPIRING ENVIRONMENTS

Another very powerful enabler is an infrastructure that provides the necessary space and the right setting for successful innovation. The environment has a huge impact on people's ability to think outside the box, to be creative and to innovate. Co-working spaces, collaborative kitchen areas and open-plan offices are all physical expressions of this concept that can help employ-

ees to mingle, discuss issues, brainstorm and generally be creative. In addition, innovation hubs open up collaboration with external partners and start-ups that can yield valuable new (outside) perspectives on the business and the environment.

Example: Roland Berger has opened an innovation hub in cooperation with VISA in Berlin. The revamped former postal administration building now provides expansive spaces, breakout rooms, options to rearrange the furnishings and all kinds of craft stuff to help staff visualize and communicate their ideas.

STRATEGIC AMBITION

To be ready for the future, traditional businesses must return to a focus on innovation and growth. But first they must get their business into shape if they even want to be part of the game in the future. When decision-making is based on design thinking, companies aim to generate business ideas that will increase shareholder value by a factor of more like 10 than 1.5. That is the goal. Design thinking helps to identify these ideas thanks to a clear and well-communicated strategic intent that unleashes fresh decision processes. It takes a major shift in thinking and brave new decisions to understand the possible digital endgame scenarios, identify future pockets of value in your own industry and adjacent sectors, and reposition your company accordingly. And brave strategic decisions demand bold leadership. Our managers must thus become leaders who guide and coach employees, allowing them to unfold their potential, build fruitful networks and work collaboratively inside and outside of the own company.

Companies that successfully engage in such transformations define a program with a clear objective. They plot a roadmap showing how the transformation is to proceed. And they actively involve their people in developing each of these four enablers.

Let incumbents become start-ups! Be fast, open and interactive. Try new ideas, fail fast and learn.

The framework we have described works for all types of businesses, regardless of their size and industry. The values, principles and processes of design thinking are deeply ingrained in start-ups' organizational structures almost by default. It is often large companies that find it a bit more difficult. Their processes and systems are normally focused on efficiency, existing cash flows and a stable organizational culture that limits risk. Yet for them, too, the lasting benefits of design thinking – systematically deployed throughout the organization – certainly outweigh the costs of changing the legacy system.

Design thinking is vital to manage the tensions that arise from ambidexterity and enable firms to innovate. In essence, it is an empathy-driven approach: The underlying logic is simple: If you want to develop solutions that scratch where customers itch, you must first know where they itch. Yet design thinking is also a hypothesis-driven approach whose lifeblood is experimentation, feedback, iterative learning and rapid prototyping. It targets the creation of new insights and knowledge (the principle of "abductive reasoning", as

opposed to deductive and inductive thinking) and is related to creative problem-solving – the very core of the design process.

This approach can only sensibly be practiced in an interdisciplinary team. People with different experiences,

INSURANCE: PROACTIVE RESPONSE TO THE THREAT OF DISRUPTION

We applied design thinking to strategy development for a leading insurance company. Presentations by start-up entrepreneurs with disruptive business models inspired new ways of thinking and showed how customer needs could potentially change in a different setup. Multiple analogies from other industries sparked fresh ideas for transformational moves. These ideas were quickly tested in an iterative process, leading to a radical shift of strategic direction.

D

STRATEGIC DESIGN THINKING

Embedding design thinking in a company's strategic processes can add significant value

- Highly successful creative method
- Customer-centric
- Applied to develop ideas, products and services
- Multiple workshop-based activities

DESIGN THINKING TODAY

Source: Roland Berger

**Value
added to the
company**

STRATEGIC DESIGN THINKING

- Systematic integration of design thinking activities throughout the organization
- Institutional links to the organizational enablers described
- Redesign of the business model
- Fresh decision making on all levels

viewpoints and methods must be involved if you want to arrive at a variety of fresh ideas. What is known as the "T" profile is a useful tool to factor in this diversity. The horizontal line in the T stands for people from different knowledge areas, while the vertical line stands for people from different hierarchic levels. For the individual team members, personal attributes such as a willingness to cooperate, openness to experimentation, empathy, joined-up thinking and optimism are essential attributes. Give these people a conducive environment and the chances of success are even higher. → D

The good thing about design thinking is that you don't necessarily have to be a designer to think like one – even though it is strongly advisable to have at least one professional designer on board to complement the predominantly analytical mindset that business graduates typically bring with them. Design thinking is a method of problem-solving that is completely customer-centric. Whether you are working to improve software, an industrial part, a consumer good or a stream-

lined production system, design thinking always helps you solve problems from the customer's eye-view. Design-driven strategy mapping places the emphasis on the customer. That makes end products more competitive, which in turn boosts revenues and margins. According to a 2015 study by the Design Management Institute, design-led companies such as Apple, Coca-Cola, IBM, Nike, Procter&Gamble and Whirlpool have outperformed the S&P 500 by 219% over the past ten years.

Provided your company is open to change and serious about implementing the principles of design thinking on a broad basis, this approach will inevitably yield benefits that are urgently needed in today's crazy world. There can never be a guarantee that this or that innovation will be achieved. That said, embedding design thinking in the company's strategic processes vastly improves the chances of delivering innovation and genuinely adds significant and lasting value.

DESIGN THINKING ON A STRATEGIC BASIS HAS PROFOUND IMPACT

Recommendations for action

- 01 **Renewing old** structures and **building new** knowledge is vital to stay competitive. Start now – don't waste time!
- 02 There is no "one-size-fits-all" concept. You will need **different methods and approaches**.
- 03 Be aware that, once design thinking is implemented on a strategic basis, it will **disrupt** your entire company.
- 04 Don't see design thinking as just a workshop. Embrace it as a **holistic mindset**.
- 05 Understand and apply design thinking as an **end-to-end** process that spans the entire ecosystem.
- 06 Make design thinking a **strategic priority** and embed it in a transformational enterprise-wide project.

VOICES AND OPINIONS

"Digital business model and shared economy trends are putting massive pressure on existing business models. Design thinking helps bring the right people together to develop innovative solutions."

Tobias Gollwitzer, SAP

"Design thinking leads to more openness. Traditional companies often have tanker mentalities that are slow and lack agility. Over time, other firms will overtake the business models of the traditional companies if they don't change."

Doris Krüger, Lufthansa Group

"THE SCALABILITY OF BUSINESS MODELS IS ONE OF THE KEY SUCCESS FACTORS FOR START-UPS AND INFLUENCES INVESTMENT DECISIONS. BUT WHY JUST START-UPS? I THINK CORPORATES TOO NEED TO THINK ON A LARGE SCALE."

Oliver Csendes, Pioneers

"People can place orders on Amazon with a few clicks. They want the same experience when they go to work and use the enterprise software. What we see is a shift away from functions and toward experience, and this is the challenge for future IT systems."

Andreas Hauser, SAP

"In the highly dynamic start-up context, the design thinking approach has proven to be a valuable inspiration. Indeed, in everything from listening closely to our customers [...] to rapid prototyping and constant validation, eagr and many other successful start-ups are built on the core principles of design thinking."

Markus Raunig & Matthias Blazanovic, eagr

"Rapid prototyping and feedback help us to develop exactly the products our customers demand. Speed is a competitive advantage."

Maximilian Waldmann, Conichi

"Interdisciplinary cooperation between different groups with varying perceptions is a very effective way to develop good and large-scale common solutions. Large corporations in particular benefit from this approach, because they seldom have access to intensive dialogue between different stakeholders."

Sven Karstensen, Neue Labs AB Sweden

"Design thinking is highly relevant at the moment because companies also want to be able to bring digital products, services and business models to market quickly and efficiently. But with their traditional organizational structures and methods they simply can't, because they are too slow and inflexible."

Thomas Baumgärtner, IBM

"Innovation in organizations today should be driven by the design thinking approach that lets them focus on people and their needs while shaping mindset and modifying structures that bring tangible results."

Moriella Kowalski, H-Farm

"Henry Ford famously said: 'If I had asked people what they wanted, they would have said faster horses [instead of cars].' That, precisely, sums up the essence of design thinking. You understand much more than the voice of the customer. You understand the environment and the pain points. And if you solve the pain points, you're sure to win"

Alice de Casanove, Airbus Defence and Space

"Design thinking can help us to become more innovative. It could transform our culture towards being more innovative, more open and less hierarchical. Through interdisciplinary teams we could break up silos and develop products that are really based on the needs of the customer."

Sara Ilic, Munich RE

The choice isn't yours! You have to act before your competition does.

Okay, stop and take a deep breath. Does it still sound so crazy? Maybe so. But has the world got any less crazy since you started reading? Has the performance gap between design-led companies and traditional organizations that we saw on page 14 grown any narrower? One more question, then you can read on: What alternatives do you have? Introducing design thinking in the way described above is a lot of work. It presupposes a willingness to change and the determination to foster a new mindset. We have seen the many and varied benefits it yields when a company takes it seriously. One thing we have not yet said, however, is this: Design thinking must be understood as a must-have discipline. It is not a nice-to-have option. It must be seen as a strategic priority; and that brings us to the critical issue of top management commitment.

Top management ultimately decides whether a company runs with design thinking or doesn't. If the bosses are not fully convinced, all efforts are doomed to fail. And if they are convinced? Even then, design thinking will have a holistic impact only if it is implemented on a broad scale throughout the organization as described in our framework → **C**. If only this or that department uses the method and internalizes the principles, how can they permeate the entire company? Applied consistently, though, the impact will be tremendous.

That impact will also mean disruption, on every level. The difference is that you get to be the disruptor, instead of being hit full on by the train of disruption that is heading your way anyway. If you want to see design

thinking in action, why not stop by at the Spielfeld Digital Hub we and VISA recently launched as a strategic partnership with innovation agency Future Candy? At this advanced tech laboratory, we give clients a hands-on experience of all relevant future technologies, letting them find out for themselves the opportunities that these innovations present to their business. People come here and do crazy things like testing wearables, smart glasses, motion controllers, face detection, virtual reality glasses and virtual keyboards. But there's method in the madness ... Care to join us? ♦

MANUFACTURING: INNOVATION PROGRAM MAKES WAVES IN INDUSTRY

We used strategic design thinking to turn an established aluminum composite manufacturer whose competitiveness was increasingly under threat into an innovation leader. An intensive search for unmet customer needs combined with insights into potentially disruptive forces to prompt a holistic innovation program including new products and services, as well as solutions involving various sets of internal and external partners. The client's initial aversion to major changes gave way to a huge success story that drew industry-wide accolades.

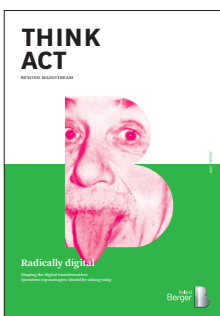
ABOUT US

Roland Berger, founded in 1967, is the only leading global consultancy of German heritage and European origin. With 2,400 employees working from 36 countries, we have successful operations in all major international markets. Our 50 offices are located in the key global business hubs. The consultancy is an independent partnership owned exclusively by 220 Partners.

Spielfeld Digital Hub is the digital innovation hub for corporates, start-ups and consulting experts across all industries.

Established as a cooperative venture between Roland Berger and VISA Europe, Spielfeld Digital Hub enables its players to join up all the building blocks and win the game of digital transformation.

FURTHER READING



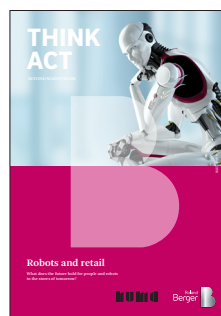
RADICALLY DIGITAL Shaping the Transformation – Find your path to the digital summit

This publication offers a guide to a radically digital approach: map out your ideal future scenario exclusively from the perspective of the customer.



HOW TO REALIZE DIGITAL VISION Can European start-ups crack the code?

European start-ups have become far more visible: This has to do with spectacular exits and the fact that the new heroes of the digital economy are also the new icons of the business world.



ROBOTS AND RETAIL What does the future hold for people and robots?

Customers are far from being indifferent to the arrival of in-store robots. This study analyzes the options and tries to define the right degree and field of application for robots in retail.

Links & likes

ORDER AND DOWNLOAD
www.rolandberger.com

STAY TUNED

www.twitter.com/RolandBerger

LINKS AND LIKES

www.facebook.com/RolandBergerStrategyConsultants

www.youtube.com/user/StrategyConsultants

www.spiefeld.com

Publisher

ROLAND BERGER GMBH

Sederanger 1
80538 Munich
Germany

ROLAND BERGER GMBH

Freyung 3/2/10
1010 Vienna
Austria

www.rolandberger.com

WE WELCOME YOUR QUESTIONS, COMMENTS AND SUGGESTIONS

DR. VLADIMIR PREVEDEN

Partner
+43 1 53602-201
vladimir.preveden@rolandberger.com

KATRIN KAISER

Consultant
+43 1 53602-301
katrin.kaiser@rolandberger.com

PROF. DR. BJÖRN BLOCHING

Senior Partner
+49 40 37631-4446
Bjoern.Bloching@rolandberger.com

PHILIPP LEUTIGER

Partner
+49 89 9230-8904
philipp.leutiger@rolandberger.com

DR. STEFFEN GACKSTATTER

Partner
+49 711 3275-7337
steffen.gackstatter@rolandberger.com

DR. VERENA REICHL

Senior Expert
+49 160 744-8274
verena.reichl@rolandberger.com

KRISTINA DENGLER

Senior Expert
+49 89 9230-8513
kristina.dengler@rolandberger.com

This publication has been prepared for general guidance only. The reader should not act according to any information provided in this publication without receiving specific professional advice. Roland Berger GmbH shall not be liable for any damages resulting from any use of the information contained in the publication.