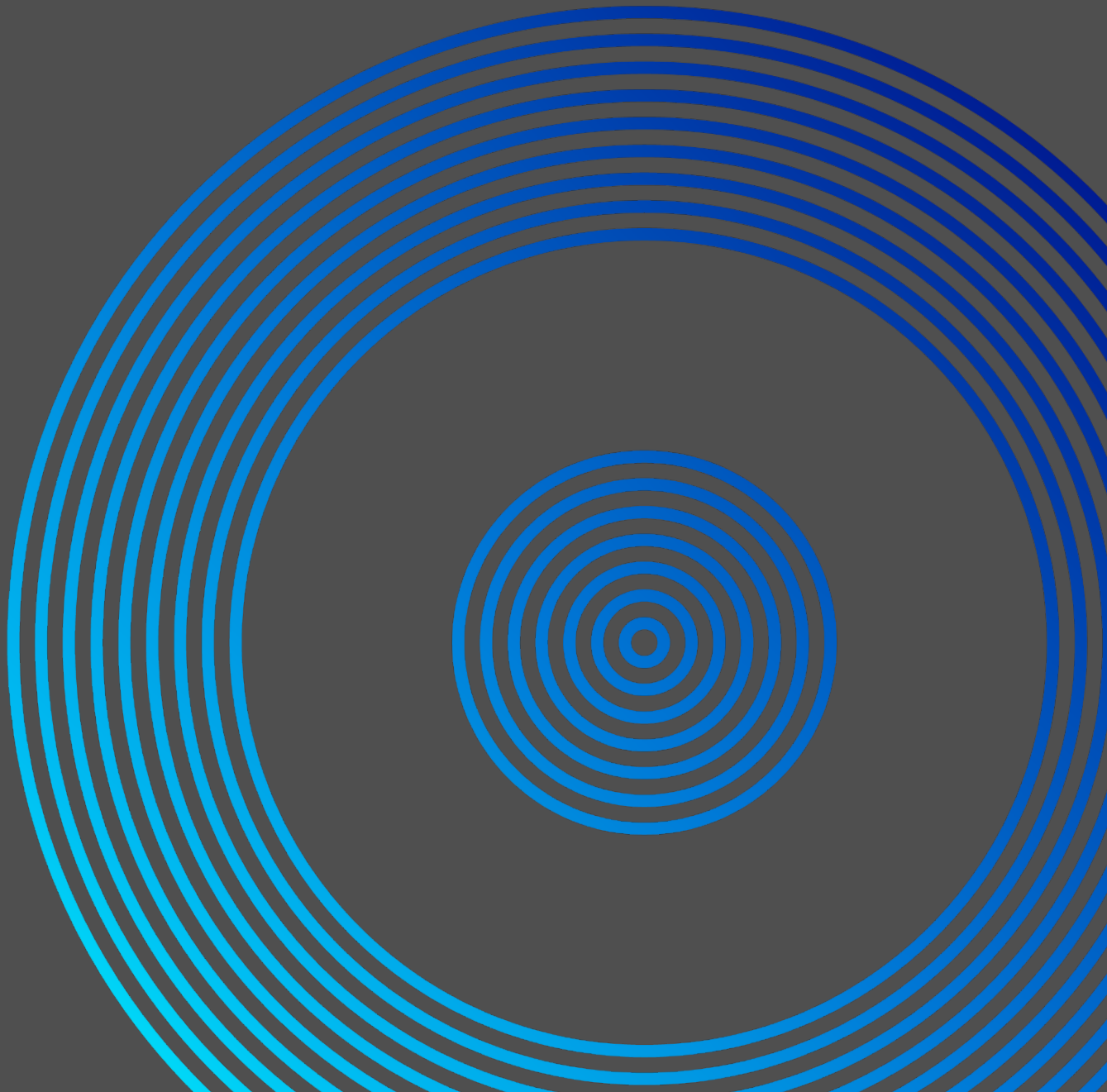# 02

Delivering design-led innovation

Microsoft

Ultimately, we are deluding ourselves if we think that the products that we design are the 'things' that we sell, rather than the individual, social, and cultural experiences that they engender and the value and impact that they have. Design that ignores this is not worthy of the name.

Bill Buxton
Microsoft Research

Every day, innovation accelerates as technology blurs the borders between physical products and virtual experiences. Society is increasingly mediated by technology. Never before has there been such impetus to be everywhere and do everything all at once. The design process can reconcile technology's practical function and its influence upon society, helping us to imagine the art of the possible.

The ambitious outsiders

The outsiders and mavericks make innovation happen. They successfully disrupt the world around them. They are mission–driven, creative and critical thinkers, who are activators who make progressive change happen.

Frank Lloyd Wright's Fallingwater house, designed in 1935, remains one of the most visited houses in the world. Before ever setting pencil to paper, Wright got to know his clients, internalizing their deepest inspirations and motivations. His clients expected a house that would give them a view of a waterfall. By bringing his abilities to his clients' vision, Wright designed a home from which they could see, hear, and become part of the waterfall. His functional, beautiful design, including radical cantilevered structures, is timeless. He synthesized his clients' needs, the natural context, the material's potential, and the commercial budget to deliver a vision that continues to compel us nearly a century later.

Design is often considered subjective to personal taste, however great designers tend to share common values that inspire innovation and creativity and result in enduring people-centric solutions. Great design focuses intensely on the human experience and incorporates creativity, boldness, divergent perspectives, and collaboration.

The poles of innovation

Incremental innovation ensures that the development and planning process does not systematically throw out investments in features that are necessary to maintain long-term leadership. Incremental innovation tends to be a functional extension of a current product, service, or process improvement, and it uses largely known technology. Mature businesses tend to innovate incrementally because they know their customers well, know how to reach them, and want to build on their current products and services.

Most large organizations are biased towards incremental innovation, which has narrower objectives, quantitative goals, and takes advantage of market research, focus groups, and prototyping. These organizations focus on details instead of the big picture, work toward defined milestones, rely on money as a reward, and use bonding (internal sources of information) to fill knowledge gaps.

Radical innovation attempts to overthrow current investments, is rarely a functional extension of a current product or service, and often involves a new technology. Radical innovation presents higher risks but offers higher returns than incremental innovation. Radical innovation requires taking risks, a willingness to fail repeatedly, and the ability to envision what will work in a market that's new to a business or to the world. Radical innovation targets new markets and new customers and often relies on new business models and new technologies.

Most startups are heavily biased toward radical innovation. Companies that innovate radically tend to have broadly inspirational objectives, qualitative goals, a focus on the bigger picture, and a willingness to experiment and rethink plans. They often rely on recognition as a reward, and they use bridging (external sources of information) to fill knowledge gaps.

Few businesses survive by exclusive reliance on either radical or incremental innovation. Though people may not see incremental change while disruptive change can often be provocative and impactful, incremental innovation is not inferior to radical innovation by any means.

Every successful business must innovate continuously or it will cease to exist over the longer term. By maintaining a balance between the two poles of innovation, a business can continue to grow and change.
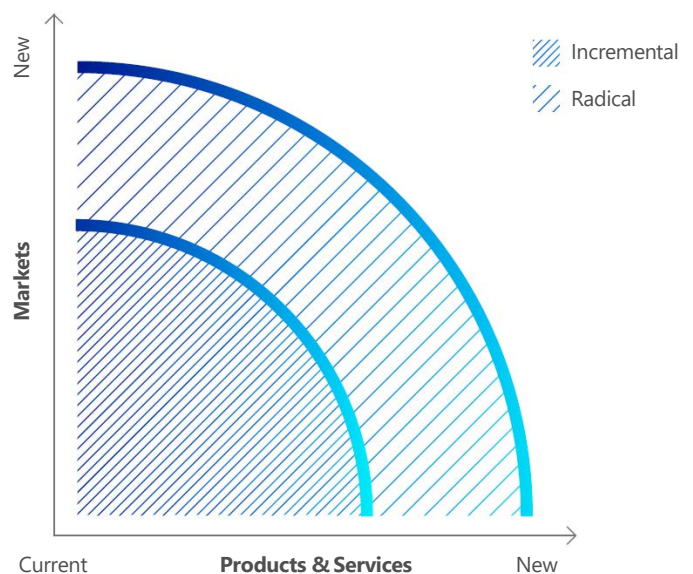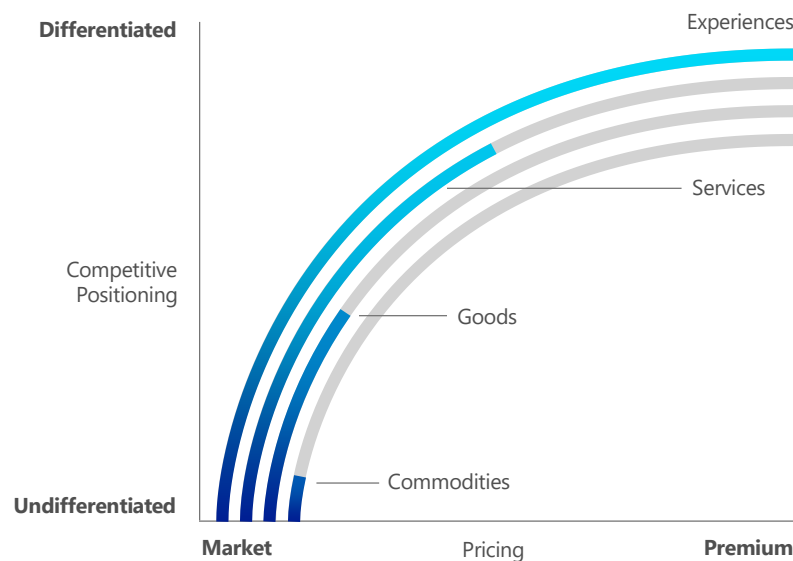
Why adopt a design–led approach?

As the global economy looks towards new growth and prosperity, many industry players remain cautious amid current stagnation despite experiencing great pressure to innovate and change.

The "re-imagining of everything" (Meeker, 2015) continues at pace, and the imperative for digital transformation has never been greater. Alongside the day-to-day business challenges, industry players are experiencing many new regulations and policies as part of a broader campaign to improve corporate governance and guarantee future.

transparency across markets. To satisfy rising customer expectations, businesses must differentiate through service, efficient operation, effective outcome delivery, and end-to-end experience. Expectations today are for anticipatory services and personalized resonant experiences.

Differentiated

Experiences

Services

Competitive Positioning

Goods

Commodities

Undifferentiated

Market   Pricing   Premium

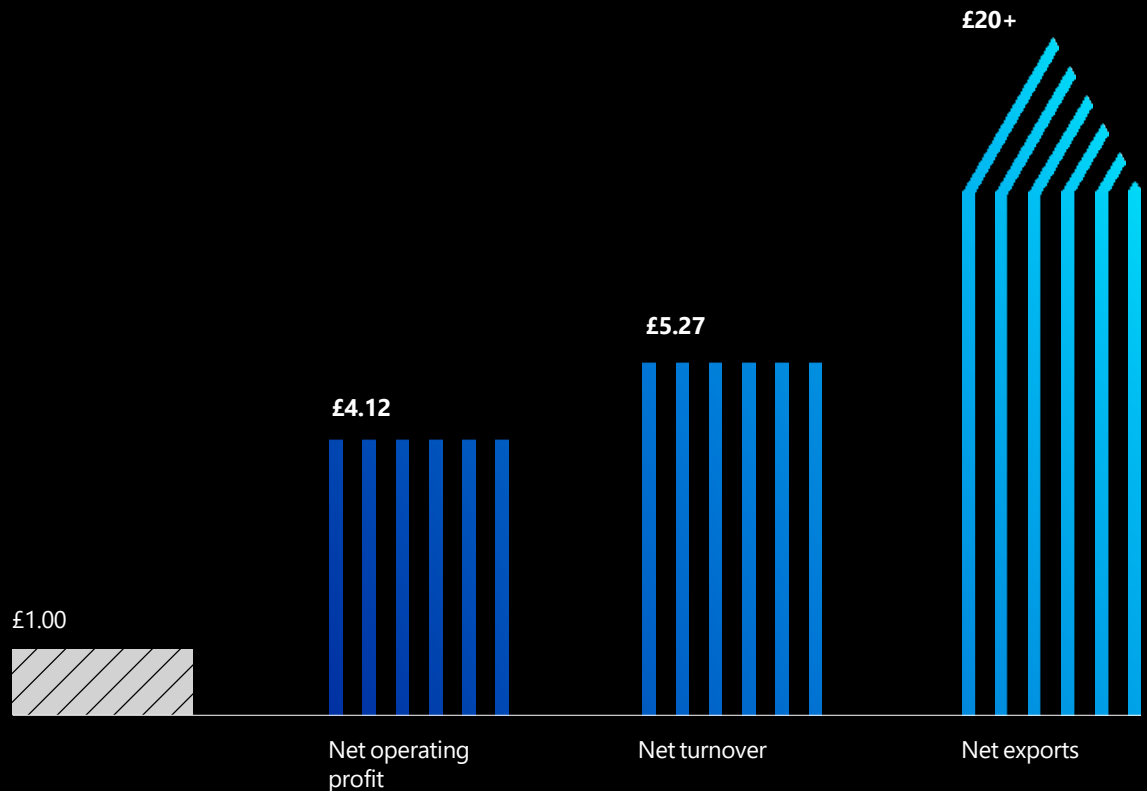| Wanting to lead or redefine their market | Want to establish a future vision for a sustainable transformation | Concerned with market share not delivering growth and returns | Competitors and new market entrants taking market share | Marketplace is being commoditized | Technology shifts creating new business models and spawning competitive threats | Customer satisfaction is adversely affecting business performance |

Accelerating business performance

For every £1 invested in design you can expect returns like these...

£20+

£5.27

£4.12

£1.00

Net operating profit

Net turnover

Net exports

In a 2013 study commissioned by the UK Design Council, great design can radically transform the way a business thinks and works, translating to significant results. Design has helped businesses open new markets, improve, differentiate, diversify, and communicate value with conviction.

Designing and executing services from a customer or employee perspective—from need to fulfillment—is foundational in business and for successful transformation. Enabling employees to orchestrate services quickly, intentionally, and efficiently is critical to the success of the organization.

Effective design can make a measurable impact by helping organizations:
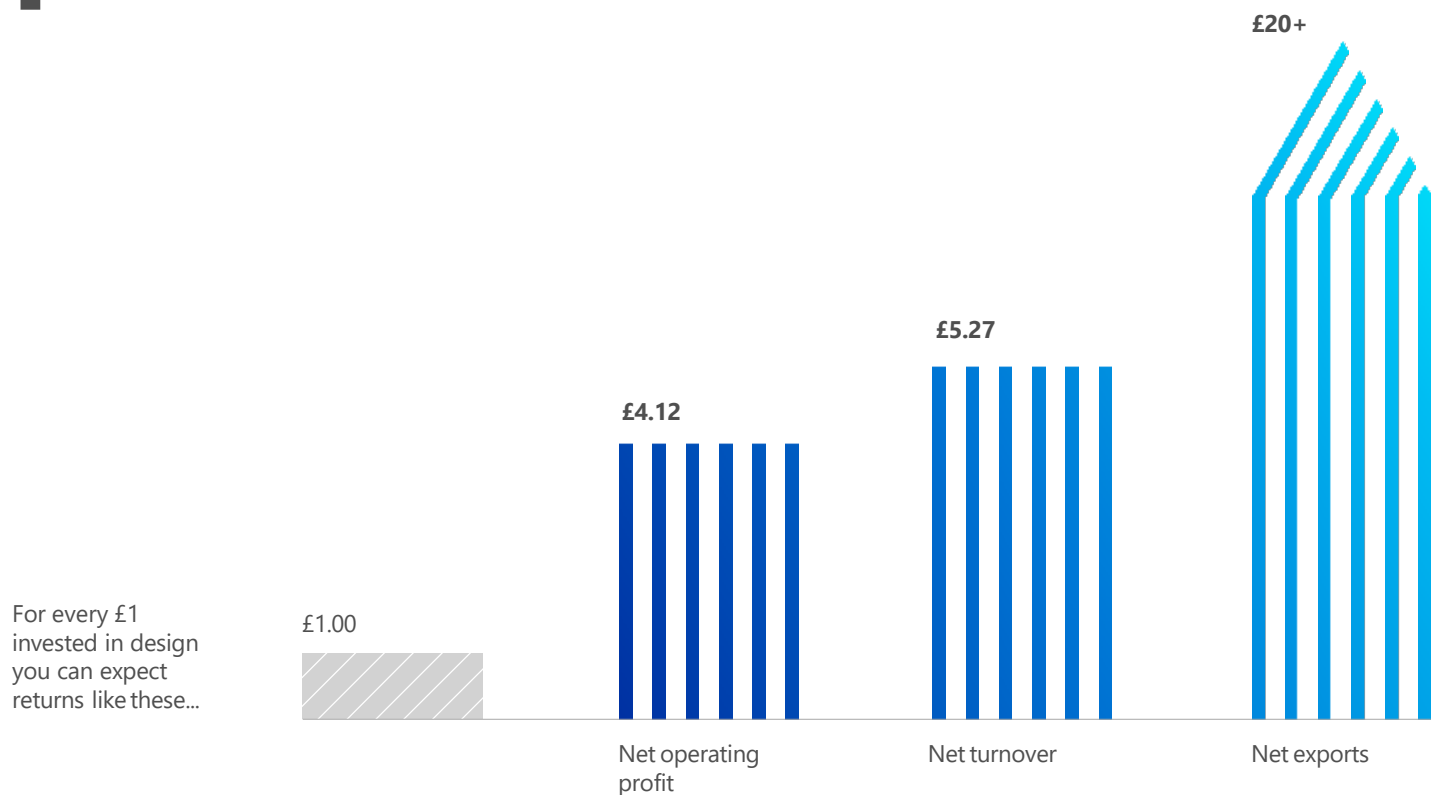
Engage customers by accelerating time to market with new or improved customer experiences that differentiate.

Empower employees by fostering innovation and collaboration across the organization to optimize productivity.

Optimize operations by driving agile and effective operational processes while mitigating business risk.

Transform products by imagining the art of the possible through innovative business models, services, and products that differentiate.

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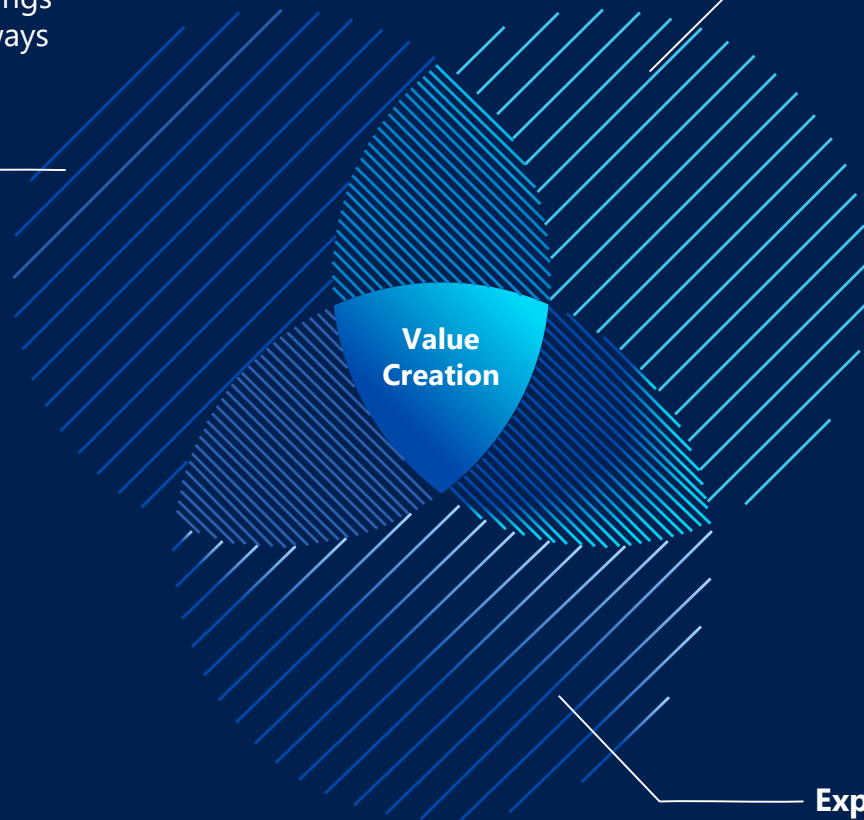
Strategic dimensions

Business
Making money & being successful doing things better and in new ways

Technology
How technology works and enables the business process & experience

Value Creation

Experience
Researching, synthesizing and creating unique & compelling insights & user experiences that competitively differentiate

Optimal impact happens at the intersection of these competencies

Apply a people-centric design to innovation using this three-step approach to suit your organization, whether your goal is to better engage customers, empower employees, optimize operations, or transform products.

1. Research

Perform quantitative research and analysis using techniques such as anonymous studies, heuristics, scenario planning, and environmental analysis to understand your organization, employees, industry, and your customers.

Document what your organization has done so far and in what ideas and processes they are currently investing.

Consider every situation from all angles: who the people are, what they want to become, what stories they are telling today, and what they want to be saying in the future.

Engage employees, customers, and partners in multidisciplinary research.

Evaluate what the competition is doing. Analyze the marketplace.

Determine relevant trends.

Identify key pain points and value drivers.

Use relevant strategic models, where appropriate, to frame the context, potential tactics, and alternatives.

2. Envision

Envision the potential, generating ideas by asking questions such as "Imagine If...", What if...?", "How could we...?", and "Wouldn't it be incredible if...?"

Apply scenario-planning techniques to help build the target state and identify events that are likely to have an impact on your organization, and desired outcomes.

Identify underlying assumptions to develop potential solutions to business problems or unlock new business opportunities.

Determine priorities that align to each scenario and key performance indicator (KPI).

Validate and compare the your capabilities with industry-proven practices. Identify people, process, and technology improvements and anticipated business benefits.

Uncover new opportunities for immediate, near-term, or longer-term value creation.

3. Design

Design the service, solution or product from business, technology, and experience perspectives in parallel.

Designing from all three of these perspectives simultaneously can help the customer realize sustainable breakthroughs.

Formulate strategic direction by determining the right performance levers and key tactics.

Set strategic vision and direction based on your business goals and success factors.

Develop the building blocks to get to the desired state: the key people, process, and technology capability changes that are required to achieve the target vision.

Create a structured plan outlining the required activities to execute the strategy, including business-justified investments, key tactics required to implement the improvements, recommendations, and a roadmap.

How to deliver design–led innovation

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Tools & techniques

Situational leadership

Service design

Competitive analysis

Ethnographic studies

Scenario planning

Applied anthropology

Observational analysis

Ideation management

An example

Big idea: Get more customers enrolled into loyalty programs to acquire new and retain existing customers.

Customer enrolls in loyalty program across multiple channels

Pain point
Lack of awareness from customers and employees about loyalty program.

Pain point
Ordering process cumbersome.

Pain point
Registration process has "high friction."

Pain point
Customers must navigate to app store, resulting in poached experience and negative customer and employee experience.

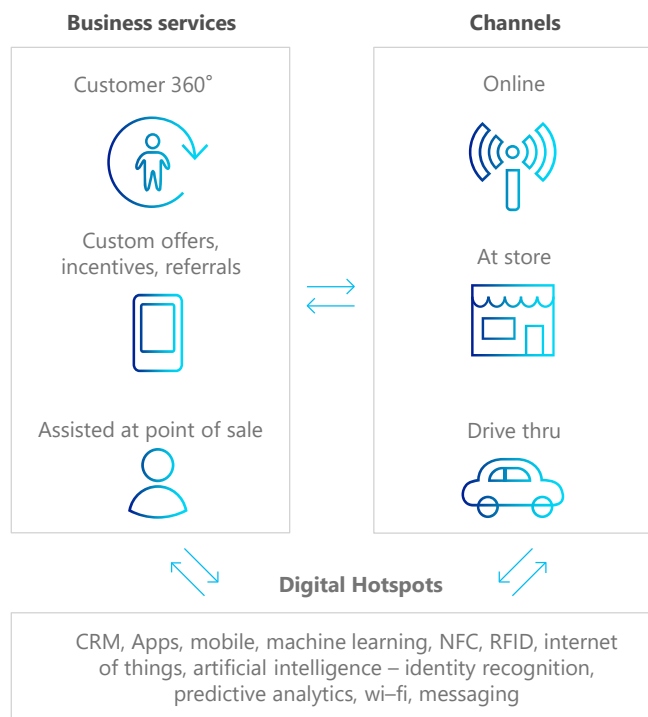## Target, attract and provide customers with simple one–step process to enroll across multiple channels

Need
Quick and convenient way to enroll in loyalty program.

Need
Ability to target and attract individuals not currently enrolled.

Need
Aggregation of customer information obtained through multiple channels and predictive analytics to provide a customized experience.

Business services

Customer 360°

Custom offers, incentives, referrals

Assisted at point of sale

Channels

Online

At store

Drive thru

Digital Hotspots

CRM, Apps, mobile, machine learning, NFC, RFID, internet of things, artificial intelligence – identity recognition, predictive analytics, wi–fi, messaging

Improved customer loyalty and retention

Convenience
Consistency
Relevance
Productivity Agility

Current state

Lack of awareness of and friction within the enrollment process for customer loyalty program negatively affects ability to grow and retain customers and impacts employee productivity.

Desired State

Happier customers and productive employees focused on customer experience. Business receives improved insights and incentive solutions to grow and retain customers.

Customer: "That was easy and worth it!"

Perform customer and market intelligence analysis.

Develop and manage social media channels and deliver omni–channel engagements.

Engage customers with tailored digital experience based on their purchase patterns.

Employee: "That was painless!"

Optimize employee productivity and minimize time to enroll customers.

Improve the customer experience when interacting with a sales associate.

Win and retain employees by providing enriched experience.

Evaluating your potential

Using deductive reasoning to explore a problem can be time consuming and lead to false positives. You can explore complex problems with abductive reasoning, beginning with an incomplete set of observations and proceeding to the likeliest possible explanation.

The first part of design-led innovation should focus on initial secondary research to help us understand the potential challenges an organization faces or seeks to solve. The usefulness of the propositions is directly dependent on the quality of your research.

By using this initial research to understand the organization, you can define meaningful questions. As the process moves forward, you can continue to apply different lenses and propositions to explore the problem. This approach helps you define the research methods you will employ to explore a particular problem.

Investigating the problem from multiple angles helps you explore the challenge and uncover new potential. Heuristics helps consider the problem and challenge your own preconceptions. "What if we did X?" "Why couldn't we do Y?" These questions mark the start of the iterations: research envision, and design.

Find your north star

Organizations often understand historical precedents and recognize emerging trends that can help them envision a guiding light, or north star, for their future.

By using their core competencies and unique characteristics to reach that north star, they can distinguish themselves from their competitors—an essential first step for any design-led innovative initiative.

By identifying and assessing trends, you can stay current with the world around you. This helps you stay in touch with people, their lifestyles, the communities they live in, and the cultural shifts they are experiencing. In a world that is constantly changing, monitoring trends helps you to not only comprehend change, but also to mitigate potential competitive, market, and operational risks.

By systematically analysing trends and aligning them to intentional scenario plans, you can prioritize and focus primary research efforts and quickly reveal insights to provide immediate competitive advantage. In and of itself, research will not yield the insight required to deliver real market disruption; it merely supports competition within already defined parameters.

Understanding the needs of your employees and customers is a core organizational competency. To uncover real insight, however, the task is "not so much to see what no one yet has seen, but to think what nobody yet has thought about that which everybody sees," (Arthur Schopenhauer). Visual designers and artists often describe this as looking for the negative space; impresario and designer Malcolm McLaren referred to it as "teaching people to look left when everyone looks right."

Phenomenology

Observation is one of the most powerful research methods.

Having team members from different disciplines carry out observational work always yields incredible insights. Observation analysis is an invaluable research method that is regularly employed in retail organizations, but often as a quality and service check or with a narrowed scope.

The method provides a phenomenological way to explore the customer product and service experience, empathizing with your customers and understanding the flow of their lives, but it should be undertaken as an exploration rather than as a procedure.

Through observation and direct experience, you can explore a customer's journey and gather rich information about the products and services an organization provides beyond digital and physical touchpoints.

To ensure its effectiveness, observation analysis requires a common framework for evaluation, especially when evaluating competitive organizations.

Evaluations can be both quantitative and qualitative. Quantitative evaluation deals with the number of customers in queues, speed through queues, placement of products, speed of response to inquiries, and so on. Qualitative evaluation deals with cleanliness of the location, courtesy of company representatives, how customers feel, clarity of communications, tone of voice, smell, physical environment, and so on.

Research into personality

Personas provide an invaluable way to help capture the product of your research, synthesize it, and understand who your customers and potential customers are.

They also help you understand who you are and with whom you work. Personas are created from primary research to provide a representative profile of people you need to consider.

They also provide an excellent way to help you communicate an individual's background, experience, needs, wants, desires, and aspirations within our organizations; to understand their context and environment. Personas help provide context: the noise and richness that quantitative methods do not necessarily provide; it consists of a truly rich understanding and an unrivaled perspective.

As a part of profiling people, you understand how they experience businesses today. By mapping the flow of their lives and the journeys they experience, you can focus on how to remove barriers and offer new value creation.

Chaos to culture

The purpose of organizational development is to provide leading-edge thought practice and programs.

Organizations that can see through the yes of their customers and deliver products, services, and experiences from their perspective will be well–equipped to address the complexity of delivering iterative and rapid increments of business value and outcomes.

To foster continuous creativity and innovation, remember the following:

Think like your customers and design from their perspective. What would you like to experience, buy, or use?

Don't be scared of ridicule. Creativity is the ability to look at exactly the same thing as everyone else but see something different. It's a sure sign that what you do is bold and innovative if you're walking to your own drum beat.

Don't be another brick in the wall. Conformity is regression, not progress. Instinct is everything. Be true to yourself and do your own thing at your own pace and style. If you have something authentically different to offer, you'll excite, inspire, and ultimately thrive.

Keep true to the dreams of your youth and learn without frontiers. Those instincts are almost always right, even decades later.

Provocative actions change minds. People, society, and businesses are rarely impacted by incremental innovation as much as by radical innovation that changes thinking, tastes, perceptions, and behavior for the better. Look left when everyone else is looking right.

About the authors

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Empower organizations to do more by accelerating the value imagined and realized from their digital experiences.

Imagine.
Realize.
Experience.

microsoft.com/digitaltransformation