Design Thinking: Innovation Catalyst for Digital Transformation

Digital Services
Market Report – July 2017 – Preview Deck

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- This full report is included in the following subscription(s)
  - **Digital Services**
- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
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Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

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* Banking, financial services, and insurance

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Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

- Market thought leadership
- Actionable and insightful research
- Syndicated and custom research deliverables

1 Robust definitions and frameworks
(F&A pyramid, multi-process FAO definition, Total Value Equation (TVE), PEAK Matrix, market maturity)

2 Primary sources of information
(Annual contractual and operational RFIs, service provider briefings and buyer interviews, web-based surveys)

3 Diverse set of market touchpoints
(Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership)

4 Fact-based research
(Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and service providers)

- Annual RFI process and interaction with leading digital service providers
- Dedicated team for digital services adoption trends
- Over 20 years of experience in advising clients on global services decisions
- Executive-level relationships with buyers, service providers, technology providers, and industry associations

Source: Everest Group (2017)

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Background for research

Need for innovation to enhance customer experience
Digital transformation is now the key agenda of both B2C and B2B enterprises. With startups investing in building innovative solutions and enhanced customer experience, enterprises also have to shift their strategic focus to remain relevant.

Design thinking is the answer
The principles of design thinking, when applied to strategy, have shown to drastically improve innovation and organization success. Design-led companies have reported over 200% higher returns than their counterparts, thus indicating a high correlation between design thinking and successful business execution.

Rapid adoption for digital transformation
With increasing demand for digital services, IT service providers and consulting companies are building design thinking capabilities to support their clients with more design-oriented solutions. A large number of award-winning creative agencies and design startups have been acquired by them. Most of the acquisitions are focused on growing their digital services portfolio.

Besides acquisitions, service providers are also making investments to develop a design-driven culture that is customer-centric, lean, and agile, thus, giving more importance to design thinking and including it as part of their long-term strategy of service delivery.

Source: Everest Group (2017)

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

Source: Everest Group (2017)

Summary | Design thinking in digital services

Design thinking overview

- Design thinking is a solution-focused approach that solves complex problems through collaboration, ideation, and iteration
- Organizations that leverage design thinking are found to have 200% more returns vis-à-vis others. Moreover this methodology helps in improving operational efficiencies and filling communication gaps
- Design thinking can be applied for existing services, processes, strategies, scenario development, project road mapping sessions as well. It can be used wherever there is a need to find innovative solutions

Investments in design

- Service providers and leading management consulting companies increasingly face challenge of integrating design acquisitions with their existing capabilities. They can reap higher efficiencies by integrating these organizations rather than working in silos
- These firms should work toward establishing a design driven culture in the organization. It is important to instill customer empathy across the organization from the technical staff to the executive leadership
- Establishing design studios is only first step toward becoming design-oriented. Service providers should coach client representatives on design methodology and their expected involvement to conceive, design, and develop solutions
- Service providers should adopt an integrated strategy to reskill and train existing talent, hire designers and creatives from startups and design agencies, and replace functional silos with agile cross-functional teams
- Service providers should develop design methods based on organization structure, talent and services provided by the organization
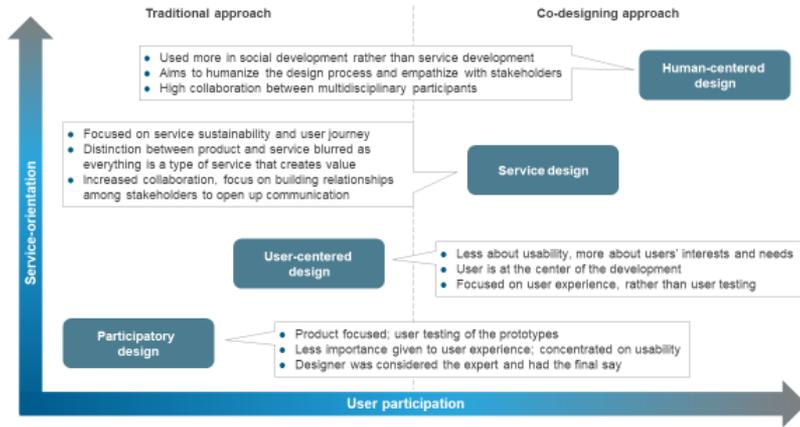
Source: Everest Group (2017)

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Summary | Design thinking in digital services

Looking ahead

- Currently most of the enterprises are in early phases of design maturity and require huge investments to achieve higher maturity levels
- Design can get a more prominent role by being included in the corporate agenda
- CDO role can be instrumental in driving design initiatives in the organization by working closely with CTO and CEO to drive customer experience
- Design thinking is being adopted to develop and deliver new products and services. It can be further used to redesign internal operations and define long-term organizational strategy
- Enterprises should adopt new metrics to measure impact of design thinking in achieving business objectives
- Enterprise should focus on what does not work currently and how can design thinking be leveraged, instead of revamping the whole system at once

Source: Everest Group (2017)

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Everest Group assessment on evolution of design thinking, service provider initiatives, and recommendations included in the report
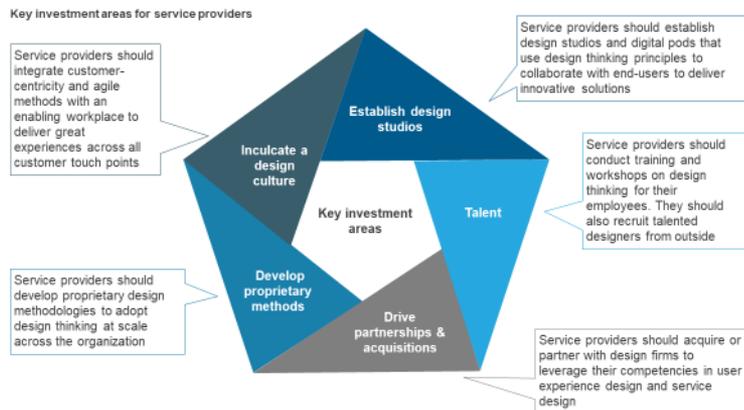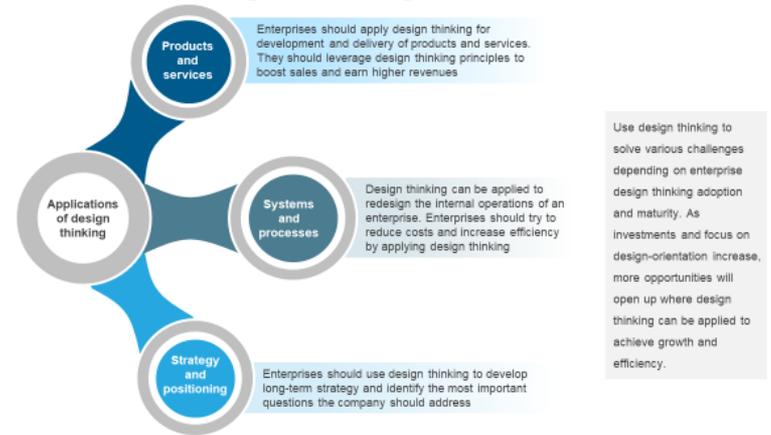
Evolution of design thinking

Creative agencies acquisition
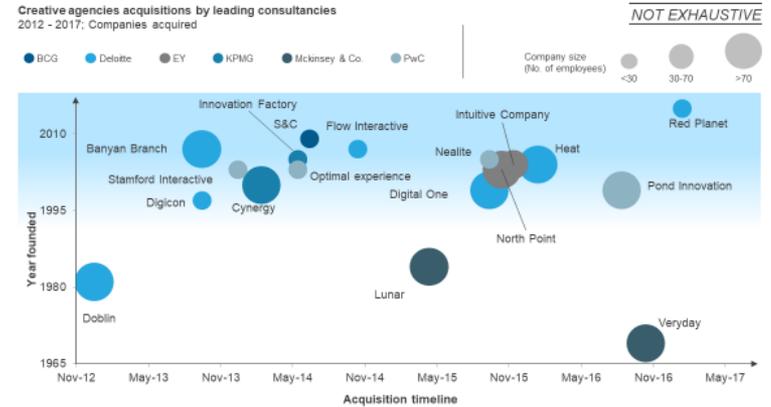
Key investment areas for service providers

Applications of design thinking

Source: Everest Group (2017)

Digital services research calendar

Topic	Release date
Digital Services – PEAK Matrix™ Assessment and Market Trends: "Is Digital the New Normal?"	September 2016
Internet of Things Services – PEAK Matrix™ Assessment and Market Trends – IoT: Bigger than the Hype	December 2016
Being Aware of Customer Needs – Three Myths About Customer Experience Management	December 2016
Customer (Dis)Satisfaction: Why Are Enterprises Unhappy with Their Service Providers?	January 2017
Internet of Things (IoT) in Medical Devices	March 2017
Beware of the Digital Dip	March 2017
Top 20 IOT Trailblazers: Startups Crossing the Chasm	May 2017
Betting Big: Amazon Leveraging Digital to Transform the Grocery Industry	June 2017
Design Thinking: Innovation Catalyst for Digital Transformation – Market Report 2017	July 2017
Digital Services – PEAK Matrix™ Assessment, Profile compendium, and Market Update	Q3 2017
Digital services – Annual Report	Q3 2017
Digital Innovation Index	Q3 2017
Digital Marketing Services – PEAK Matrix™ Assessment, Profile compendium, and Market Update	Q4 2017

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

1. **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

For more information on this and other research published by Everest Group, please contact us:

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