

ISSUE 76 AUTUMN 2014

# Reimagine Your Enterprise

Make human-centered design the heart of your digital agenda.

BY CHRISTOPHER A.H. VOLLMER,  
MATT EGOL, AND NASEEM SAYANI



# Reimagine Your Enterprise

Make human-centered design the heart of your digital agenda.

by Christopher A.H. Vollmer,  
Matt Egol, and Naseem Sayani

**W**hat does it mean to become a digital leader? Companies in every industry are looking for answers to this question. They are exploring new business models, developing new user experiences, and experimenting with new channels and platforms—all with the strategic goal of creating significant value in a digitally powered business environment. To get there, most of these companies are pursuing the same laundry list of initiatives. They are reengineering processes and products, investing in technology platforms, and launching efforts to achieve back-office efficiency. Many are recruiting digitally native talent, setting up internal venture funds, or crowdsourcing new digital business ideas to get a

jump start on this transformation.

For too many companies, these efforts have not translated into enough market impact and growth. They are stuck. Their results are too incremental; they merely move their brand recognition or increase sales a bit. But there is far more market-making, world-changing potential for them in digital businesses, products, and experiences, and more and more business leaders know it. Instead of reengineering their digital practices and processes, they need something bolder and more disruptive, but still very simple. They need reimagination.

Reimagination means reshaping your entire business around the customer or user experience. The best-known term for this is human-centered design (HCD). When companies practice HCD, they put the user (the customer, the audience

member, the person on the other end of the digital channel) at the center of every decision the company makes. This empathetic focus on user experience is an essential driver to creating simple yet disruptive solutions that are operationally feasible, economically viable, and, most important, desired by users.

You can see the difference that HCD makes when you look at a typical company that reimagines its business this way. It conveys a distinctive brand identity and creates a tangible emotional connection with customers. It reinforces that connection across many different channels: bricks-and-mortar retail stores, websites, mobile apps, connected devices such as wearable monitors, and forms of interaction still being conceived.

These companies use “big data” and analytics to gather insights in real time from what people do on each of these channels, and they deploy those insights in real time as well, providing products and services that respond instantly after sensing and analyzing what people need or expect. Their operations are set up to react and pivot on these insights with nimbleness and ease. They continually measure the impact of these products and services, and set a “test and learn” agenda that can react quickly and iteratively to feedback from anywhere. Perhaps most important, these companies position their digital investments not as costs, but as catalysts: They use these investments to build their capabilities, drive their culture, and accelerate their progress, creating a virtuous circle where behavior change fuels more digital innovation.

Human-centered design represents a new way of life for business. It cannot be easily achieved with

the embedded controls and constraints of a typical mature enterprise. In the digital world, time really is money. Companies no longer have the luxury of carefully developing new products and business models via a bureaucratic and waterfall-driven stage-gate process. Instead, successful companies evoke many of the attributes of a startup—creativity, speed, bias for action, flexibility with risk, and radical collaboration. People work fluidly across functions and business units and collaborate readily with outside vendors and business partners when specialized expertise is needed. These companies are less likely to force their talent, whether internal or external, to run the gauntlet of restrictive finance, IT, legal, and HR processes. Finally, the digital process is a viable contributor to the business, with significant revenue and profit growth rates.

### Five Basic Principles

To achieve this entrepreneurial vigor in your company, you may have to consciously break down long-established internal barriers. One way to do this is to put human-centered design at the center of what your company does. The details will vary from one company to the next. A leading musical instrument manufacturer is pushing the envelope by building highly immersive digital experiences for music enthusiasts and aspiring artists. This approach is understandably distinct from that of a global general industrial products manufacturer, which is seeking to drive customer stickiness through content, community, and commerce in partnership with retail. But though every company has its own distinctive situation, there are five basic principles of digital reimagination

that any company can follow: Embed human-centered design in everything you do, build brand value holistically, design for three years out (but build for today), stand up new structures and teams, and nurture your existing digital culture.

**1. Embed human-centered design in everything you do.** Focus first on designing and delivering great user experiences by learning and applying some basic practices of HCD. For example, in online surveys with an HCD orientation, you ask questions that develop robust behavioral insights by empathizing

tions while also providing greater utility and functional benefits.

These principles become even more powerful when connected to community. Building connections to your users is just a starting point. Your real digital value emerges when people engage, share, and build community with one another. This direct engagement—facilitated by your company—creates a venue for habitually capturing insights about what customers think of your products and services, what matters most to them, and what consistently irritates or enthralls them. These

## To achieve entrepreneurial vigor in your company, you may have to break down long-established internal barriers.

with users' needs, habits, and pain points. You use the answers to fuel high-impact digital value creation. You look for ways to engage with customers, and you mobilize rapidly to meet the most attractive opportunities revealed through that engagement. You also develop an agile, iterative prototype and launch process, which allows you to release-test many new products and services, starting with the “minimum viable product,” or MVP. An MVP is a product with the minimum number of features required for a holistic user solution. Your goal is not technological excellence per se, or even rapid time-to-market with a new offering, but emotional connections with your customers. In short, leveraging HCD in a holistic way from strategy through execution enables you to tap into customers' motiva-

insights can then feed your innovation practices across customer service, marketing, advertising, and promotions.

The musical instrument manufacturer is a compelling example of how this plays out every day. The core mission of its leadership team (including the private equity managers who had invested in the company) was to transform the brand from being product-focused (“we make the best instruments”) to being lifestyle-focused (“we serve music enthusiasts”). Anyone who uses this company's products today is seen as both an artist and an enthusiast—not just in the rock genre, but in almost all music categories. These musicians are actively engaged in forums and content about the features and maintenance of their instruments. They share music and

new sounds with their peers, and they collect instruments representative of their music heroes.

But what about those who do not currently play music? Or those who are trying to learn? The company used some basic practices of human-centered design to uncover some attributes of these potential enthusiasts that would provide a connection to their aspirations. The company gathered insights about the way these people listened to music, and the pain points they had experienced in trying to learn to play.

The company found, for example, that music was not an independent experience for these enthusiasts; they were part of an ecosystem of content, composed of a vast range of music sources. These included online stores for music downloads; traditional sources like the car radio; music-oriented social media where people exchange recommendations; subscription-based Internet radio services; music video sites; and live music. Many of the enthusiasts were also curators, interacting with other enthusiasts and with artists in a variety of forums, and buying their music in a variety of ways.

The company invested in building a unique online presence that helped simplify the process of sorting through these options, and that put enthusiasts and musicians more closely in touch with one another. That, in turn, gave them more reason to interact with the instrument maker. Reimagination, via HCD, delivered a ripe base of insights to drive forward the “lifestyle agenda”—powered by a test-and-learn mind-set that is helping the organization learn from the results every step of the way.

**2. Build brand value holistically.** The second basic principle of

digitization involves expanding the brand. Do not simply incorporate a logo and visual identity into your physical products. Instead, run your business so that every detail, from the design of your headquarters to the look and feel of your mobile app to your products’ placement on a store shelf, helps define the way users perceive and interact with you. For digitally oriented customers, all these factors matter. Thus, as you build out your digital capabilities, the brand must guide not just the message, but also the ambience, features, voice, and emotional impact of all your product touch points, whether in digital media or a redesigned physical experience.

Put the meaning and value of your brand at the center of your digital design. Look across your entire value chain—from R&D to product design to manufacturing to marketing and sales—for digitally powered opportunities to communicate your brand’s value proposition and promise. Don’t think narrowly about traditional ways to market and sell products. You no longer do interruptive advertising. Now you create immersive experiences that address a fundamental need, solve a user problem, and activate an emotional connection.

One leading digital innovator, a major airline company, reimagined an end-to-end user experience that combined digital channels with physical experience. The airline invests in interactive and personalized in-flight experiences that are tailored to different segments of travelers. A frequent traveler to Europe might get specialized content after take-off, such as local restaurant reviews, connecting train travel times, or access to concierge services at the hotel where he or she is staying. The

entertainment options and other aspects of the experience are also personalized with a user profile built up over time by tracking key touch points such as the passenger’s flight history and preferences in video selections consumed en route. This company has developed digital consumer engagement into a core aspect of its brand identity.

**3. Design for three years out.** Take the long view, even as you build for today. You can no longer succeed with a digital strategy based only on current technology. Nor is it enough to think about the future as an open-ended, unknowable state where anything might happen. You must take actions now that prepare you for the disruptive opportunities and evolving platforms of the next few years. Invest time and attention in envisioning forthcoming disruptions and the new norms for the industry landscape, and focus on how to reimagine the most attainable innovations for end-users.

By taking a “three years out” view of technology trends, consumer expectations, and industry-wide changes, you can develop some reasonable hypotheses about what users will expect, what technology will be available, how fast networks will move, and where disruption will emerge. Where will your industry be in the responsive use of data, digital fabrication (parts and devices made on the fly), cloud-based interoperability, or new forms of supply chain coordination? You don’t have to predict everything correctly; rather, get a clear idea of the general direction of the technologies important to your business. Then design your strategy to be robust, so that no matter what specific innovations emerge from your competitors, and no matter what channels your customers

gravitate to, you'll have the capabilities you need. Based on those capabilities, define the "must have" and "nice to have" dimensions of your future digital business, design a tactical road map for planning how to get there, and begin building for the future.

One large global manufacturer of innovative business and home products, operating in several industries, is already developing this sort of strategic road map as it seeks to evolve its world-class capabilities over the next several years. To unlock the greatest value from this company's investments in digital

for maximum impact.

**4. Stand up new structures and teams.** Becoming digital is not just a matter of rearranging the lines and boxes on your organization chart. It involves fostering a startup way of working, creating new structures and teams, and enhancing the incentives, rules, and decision rights of these roles and teams accordingly. You must adopt an organizational model based on multidisciplinary teaming and iterative interactions. In a truly digital enterprise, cross-functional, multidisciplinary teams are regularly formed to conceive and build successful digital customer

sus outside, and the nurturing of a vendor community.

One major health insurance company recently created a new business unit focused on reducing healthcare delivery costs. It offers insurance customers a comprehensive collection of health management and health IT solutions that raises the value of the insurance to customers while fostering efficiencies that decrease costs. For example, this new group is prototyping an application for parents of newborn infants that can help families bring their babies home from the hospital sooner, with support (including live video chat with nurses) that helps them feel confident in doing so. To develop solutions like this under one roof, the company has assembled a multidisciplinary team of strategists, consumer insight specialists, digital product managers, IT architects, and user experience and user interface designers. They are all equipped to make the most of one another's experience and to develop innovative new methodologies together across functional boundaries.

**5. Nurture your existing digital culture.** The toughest part of becoming digital is launching and harmonizing the digital behaviors and cultural norms that enable sustainable change, especially at very large companies. These behaviors often push people out of their comfort zones. If you are a senior leader in your company, you will need to demonstrate and reinforce the desired behaviors yourself. These might include paying attention to customer insights, working collaboratively, making decisions with fewer layers of approval, signing on to social media yourself, or talking explicitly about how the digital strategy relates to the overall com-

## Look across your entire value chain for digitally powered opportunities to communicate your brand's value proposition and promise.

innovation, its leaders articulated a view of the future. They described how content, mobile, social, analytic, and other technology-enabled solutions will come together to create rich end-user experiences.

Professional customers, for example, will engage online before they ever talk to a sales rep or find a distributor where they can buy the products or get ancillary services. The company then developed a systematic approach to building out its capabilities system: assembling the necessary talent and external vendor network, and enrolling key stakeholders within various business units and geographies. Having a clear road map that looks three years out but builds for today allows this company to gain scale globally while engaging its talent

experiences, working intensively together at the point of highest leverage and then dissolving when they are no longer needed. These teams bring together specialists in strategy, R&D, user experience design, industrial design, marketing and branding, sales, and IT who work collaboratively to solve business-based problems rather than function-based problems.

Just as important as these formal mechanisms are their informal counterparts—the personal networks, communities of interest, information flows, and behavioral norms—that link the people in your company together to build new digital capabilities. Becoming digital also requires a winning ecosystem of partners, based on decisions about what to do inside ver-

pany identity. You may be surprised to find that embedded within your existing legacy culture are a few behaviors that can foster the digital culture you are trying to create. Instead of trying to change your culture from the top, find and nurture the informal digital elements that you already have. That will be a far more effective way to make the changes you want.

Soon after a new chief executive took the helm of a major technological manufacturer, the company set out to build a high-performance culture. The new CEO soon discovered that there already was a long history of innovation and collegiality embedded in the company's culture; it had been denigrated by recent top leaders for being out of date. But the new chief executive revived it, using slogans from the past to do so. Even more important, the leadership team singled out five critical behaviors: those that would create the most positive cultural impact and drive early performance results at the same time, and that would make clear to everyone which cultural priorities were most essential. These behaviors were linked closely to local business units, meaningful to people in their daily business activities. Then the behaviors were spread across the organization through formal and informal mechanisms.

An example of this involved the customer experience and quality in one of the hardware devices. While putting in place a comprehensive process improvement program based on Japanese quality improvement practices, the company looked for respected managers who were most inclined to communicate and model the behaviors that mattered most. Thus, for example,

holding back a product to fix quality issues became an action to be proud of, not something for which to be blamed. And product managers loved it when their products were taken apart and examined—their work became a source of pride again. The bottom-line result was an 8 percent improvement in warranty cost in the first year of implementing the program, saving the company close to US\$100 million.

### Managing the Change Agenda

The ultimate goal of reimagining your business is to transform it into a user-focused organization with the capabilities to create significant value. Applying human-centered design to strategy development, innovation, and other capabilities is an essential step toward achieving this digital reimagination. As you incorporate the five principles of reimagination into your company's day-to-day life, you are managing a new change agenda and driving the digital point of view throughout the company. People will grow accustomed to thinking more creatively, with longer time frames in mind, and with more tolerance for working across boundaries and living with ambiguity.

Investing in digital in this way can catalyze cultural evolution at your company. Initial changes in behavior can drive even broader changes in your company's results. This is an exhilarating process once it begins in earnest. It brings together business and functional leaders, global and local managers, employees, customers, and users, uniting the formerly disparate practices of product development, creative ideation, and analytics.

Every management team today wants to play offense, not defense.

Every management team wants to capitalize on expanding digital opportunities for the business. And every management team fears that a disruptive digital competitor will threaten the company's positioning. Reimagining your business can help you navigate through all that. It is indeed a bold move. But reimagination through human-centered design has become the prerequisite for developing the businesses, products, and experiences that engage users and drive significant value creation. +

Reprint No. 00258

#### Christopher A.H. Vollmer

*christopher.vollmer@strategyand.pwc.com* is a partner with Strategy&, where he leads the global media and entertainment practice. He focuses on developing digital businesses and innovative user experiences for leading companies in media, technology, and consumer marketing. He was recognized by Forbes.com in 2013 as one of the 10 most influential consultants in marketing. He is the author of the 2008 *Wall Street Journal* bestseller *Always On: Advertising, Marketing, and Media in an Era of Consumer Control* (McGraw-Hill).

#### Matt Egol

*matthew.egol@strategyand.pwc.com* is a partner with Strategy&. He specializes in digital strategy and capability development for companies in consumer packaged goods, retail, marketing services, and media.

#### Naseem Sayani

*naseem.sayani@strategyand.pwc.com* is a principal with Strategy&. She specializes in "digital first" growth strategies and capability building, and has significant experience with building new business models and unlocking sources of innovation to meet future technology, market, and user needs.

Also contributing to this essay were Raisa Park, a creative director with Strategy&'s digital team, and Strategy& senior associate Micah Alpern.

**strategy+business** magazine  
is published by PwC Strategy& Inc.  
To subscribe, visit [strategy-business.com](http://strategy-business.com)  
or call 1-855-869-4862.

For more information about Strategy&,  
visit [www.strategyand.pwc.com](http://www.strategyand.pwc.com)

- [strategy-business.com](http://strategy-business.com)
  - [facebook.com/strategybusiness](https://facebook.com/strategybusiness)
  - <http://twitter.com/stratandbiz>
- 101 Park Ave., 18th Floor, New York, NY 10178



Articles published in *strategy+business* do not necessarily represent the views of PwC Strategy& Inc. or any other member firm of the PwC network. Reviews and mentions of publications, products, or services do not constitute endorsement or recommendation for purchase.

© 2014 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.