Design-Driven Transformation

Leadership for Innovating with Impact

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As business headlines report about disruption, investments in digital transformation skyrocket. In reality, at least 50% of these efforts stall. Strategies such as ambidexterity and methods like design thinking aim to increase the likelihood of innovation sparking transformation. However, in the digital era, innovation can come from anyone, and everyone expects to be involved in change. With the democratization of innovation and transformation the leader’s new dilemma is not ideation, but rather cooperation toward achieving convergence. In a world where creating new directions is expected to occur concurrently with changing existing structures, how to engage people in a sustainable movement is a significant challenge for leaders responsible for transforming in the digital age.

Based on case studies and recent action research with 7 global companies, the Center for Creative Leadership and the Politecnico di Milano propose a new model for leaders who must simultaneously innovate and change. Design-Driven Transformation (D2T) revives innovation with meaning, refocuses design on co-creating objects, and reinvigorates change management with collective leadership. The reframing of our traditional perspectives is informed by humanism: As opposed to idea-centric innovation models, innovation of meaning creates new shared directions for leaders responsible for change. While design thinking may result in many innovative ideas, when people actually co-create objects they realize both personal and collective meaning, necessary for everyone to actualize their commitment to transform. Humanism also takes us away from the linear models of change and aligns individuals into communities, essential to overcoming the hardest challenge of change, social integration.

At its core, D2T encourages leaders to simultaneously innovate and change in an ongoing Design-Driven Dialog (D3). By alternating incessant loops of individual learning & sharing with collective learning & sharing, leaders can co-create a shared direction, achieve alignment, and cultivate the commitment to transform collectively. D3 enables leaders to innovate meaning and design more meaningful experiences – for users, society, and, most importantly, for leaders themselves. D3 uses the art of critique to align across boundaries and implement the changes necessary for innovation. Engaging in a D3 with the right people, at the right time, for the right reasons, enables leaders to orchestrate transformation with positive return on investment (ROI). The cooperation and convergence of a D3 cultivates the commitment of communities for collective action, essential for systemic transformation.

With D3 at the heart of your D2T, we recommend that you adopt certain essential attitudes that will enhance your ability to lead innovation for impact in the digital era. If transforming yourself and others is on the agenda, then join us in the search for an approach to leadership that fosters transformational innovation and a collective consciousness of a more sustainable world.
The Transformer’s Challenges

Business headlines are all about disruption. Many leaders across industries respond to perceived threats by increasing spending on technologies to enable digital transformation. Forecasted to reach $2.3 trillion in 2023, this massive investment is commonly justified by the allure of new products, new customer experiences, new processes, and increased efficiency. However, what is transformed in reality falls far short of expectations. Forrester Research claims that many business leaders focused on DX learn that despite the effort, “more than 50% of digital transformation efforts stalled.” Since trillions of dollars will be spent on transformation, a critical question for leaders is how they will facilitate the changes required to achieve a return on investment (ROI).

Many leaders contend that innovation can drive business transformation. R&D spending, a metric of innovation, increased in 2018 to a record high of $782 billion, according to PwC’s study Global Innovation which analyzes the 1,000 publicly held companies that spend most on R&D. A common strategy to encourage innovation for transformation is ambidexterity – continuing core business activities while simultaneously sponsoring innovation to spark transformation. However, with the increasing number of failed innovation initiatives, as recently witnessed at Target, Alaska Airlines, Coca-Cola, the New York Times, and Chubb, leaders are frequently asking: Are we really getting the best return on our innovation spend?
According to Stanford researchers, breakthrough innovation is becoming more and more challenging. To increase the likelihood of disruptive ideas, many companies apply design thinking – a method that starts by empathizing with users to inspire ideas, which are then prototyped and tested with the intent of bringing innovation rapidly to market. This method was recently embraced by the CEO of a leading global personal care product company that was losing touch with customers. However, after 4 years of workshops with over 100 leaders and a lot of ideas, no significant innovation or transformation was achieved. Understandably, the R&D manager was frustrated: “we keep coming up with the same ideas, and we still miss that Big Idea!” While design thinking certainly increases the number of ideas, the debate continues over whether this method can deliver meaningful innovation, let alone facilitate the transformation required for business and human survival.

Innovating for transformation is a challenge in our digital era, regardless of the strategy or methods used. Today, innovation can come from anyone and anywhere, inside or outside the organization. Because of the ubiquity of digital channels, everyone can be, and many expect to be, involved in decisions that impact current practices and imply changing them. In this new situation, the silos created in an ambidextrous organization actually inhibit innovation and hinder transformation by sowing jealousy and even mistrust. When the transition from an innovation group to the business unit still “needs serious work,” it’s time to revisit the linear models of change that are not adapted to the fast and fluid digital lifestyle. More fundamentally, if we seek to accelerate transformation with sustainable impact in the 21st century, we should adopt an approach that embraces the leaders who need to impact business models and change the underlying processes and technologies required to realize an ROI with sustainable impact.
New Dilemmas, New Paradigms

The Innovator’s New Dilemmas

In a world overcrowded with ideas and with the democratization of innovation and change, leaders are confronted with a dilemma: should they create new opportunities or change existing ones? The difference is subtle, yet significant. By looking at the leaders themselves, we see each has a different imperative for the individual, with a unique disposition and toolset, as indicated in Figure 1. These often concurrent roles imply conflict between leaders, and often within the leaders themselves: innovation professionals, often residing within R&D and trained in either subject matter content or methods, innovate as their vocation. They are not prepared to manage the diffused and incessant innovation of today’s digital environment. On the other hand, leaders are not innovators by profession will be challenged to generate innovation, even with corporate-style training or a motivation for creative expression or community membership. This significantly reduces their commitment to implementing the changes required to realign processes and organizational design to a new direction. With differing levels of engagement and motivation, commitment to either innovate or change is a significant challenge to transforming in the digital age.

Figure 1: Design-Driven Transformation
Reclaiming Humanism

Counterintuitively, a human-centric view offers an opportunity to better understand this new situation for leaders tasked with transformation in the digital era. Humanism proposes humankind’s search for meaning as the primordial motivator. As opposed to the idea-centric models exemplified by design thinking, the key to creating a new paradigm for the digital era is innovation of meaning. Meaning is not only critical for customers and society, but also for the individuals engaged in the process themselves. Therefore, the act of sensemaking implies the need for every person to actively engage in shaping new situations. Achieving self-actualization in making and sharing representations of ideas becomes a fundamental difference with the trend for design thinking and reestablishes the discipline of design to create a better future. By cultivating shared meaning in a community of practitioners, innovators can overcome the hardest challenge of changing social integration. If bringing people together is successful, leaders can cultivate the collective consciousness towards creating a viable world.

While humanism opens new perspectives on the leader’s situation, it also reveals new challenges. Humanism takes us away from the linear models of change toward cultivating a community of aligned and committed individuals. A leader’s ability to facilitate the convergence of ideas is essential, not the capability to ideate. Innovation and the requisite transformation requires significant resilience, necessitating deep levels of personal awareness. Lastly, people engaged in a sustained way — a movement — is the significant opportunity (and challenge) of transforming in the digital age. In short, a new paradigm is required to develop new models that can assist leaders to cultivate the collective consciousness of a more viable world.
Design-Driven Transformation

An Emerging Approach

Applying humanism in our new scenario provides the potential for everyone to find meaning, converge on innovative directions, and align in a community of changemakers. Based on action-research conducted with 7 global companies, the Center for Creative Leadership and the Politecnico di Milano propose a new model for simultaneously innovating and leading change in the digital era.

We call it Design-Driven Transformation (D²T). As illustrated in Figure 2, D²T infuses design thinking with meaning and reinvigorates change management with engagement to effect systemic and sustainable transformation in products, processes, and organizations. By innovating meaning, co-creating change, and cultivating community, we create the direction, alignment, and commitment necessary for leadership to motivate people in organizations to partake in transformation and contribute to achieving an ROI with impact.

![Figure 2: Design-Driven Transformation](image-url)
Case Study 1: From Food & Beverage to Health & Wellness

D²T is inspired by a leading food and beverage company where we had the opportunity to shape, facilitate, and observe their transformation over a period of 7 years. The journey began with a series of workshops called “Digital Days.” Sponsored in collaboration with the VP of digital marketing and the VP for digital services, leaders of six functions and their teams were brought together in a design-informed experience to use digital to solve business challenges. The sessions began by inspiring participants with leading digital practices within and outside their functions. After being asked to identify strategic opportunities, the teams then created profiles of consumers to project meaningful directions for them in the near future. Collaborating with designers, they created low-tech prototypes of how digital could improve daily lives. To deliver the innovative ideas, they developed action plans to navigate the barriers to achieving impact. After 7 years, the company has achieved sustainable impact in 3 strategic areas:

1. **Innovation** is now an ongoing strategic activity. Immediately after Digital Days, an internal crowdsourced innovation program was launched in the IT supply chain function. Across the globe, employees submit ideas, seeking an opportunity to pitch them to a Shark Tank like panel of leaders for funding. The successes led to the establishment of an external crowdsourcing innovation platform and a Silicon Valley outpost to scout and support integrating start-ups. Most recently, the petcare business launched a series of innovation expeditions, sending over 100 leaders to markets across EMEA in search of potential start-ups. This resulted in 6 pilots with start-ups to develop a business case and stimulate a design-driven movement across the organization.

2. **Digital** now informs and enables personalized experiences. Following Digital Days, the global marketing function built a global listening post to collect data on consumer behavior and shape new products. In partnership with IT, they also built a digital marketing service center to support markets across the globe in collecting data to inform personalized consumer experiences. Digital has become the catalyst for all marketers, enabling them to act as a “concierge” to curate genuine consumer relationships.

3. **Design** is now the preferred skill for leaders, and a significant cultural influencer. Following Digital Days, the company renovated its executive learning center with design-based pedagogies and new technologies to enable leaders to actually use digital to solve business challenges. While the spaces were redesigned to enable creative activities, new programs now bring leaders to innovation ecosystems across the globe. Over 5,000 leaders have completed a bespoke design thinking program, contributing to transforming the company into a health and wellness organization.
The Design-Driven Dialog

Our action research on how companies facilitate D²T not only reinforced the importance of a humanistic perspective, but revealed that transformation is dependent on meaningful human-to-human interaction. Design is a timeless human act, defined by Herbert Simon as people changing existing situations into preferred ones. In framing our intended innovations as an object (for example: a strategy, a plan, a product), we design – engaging in cycles of learning and shaping of that object with others. We refer to the incessant cycles of collective action on a shared object as a Design-Driven Dialog (D³). Since “the consensual design world is … a product of the work of communicative inquiry,” leaders co-creating meaning in a social process increases the likelihood of impact.

As illustrated in Figure 3, D³ invites leaders to engage with others both individually and collectively to co-create meaning. The individual starts with activities of either learning or shaping, then moves to engaging others in collective learning or shaping activities. Participants use constructive critique to clash, remix, and fuse together interpretations, thereby overcoming cognitive biases to encourage reflection and innovation. As the design-driven dialog increases, the various interlocutors converge on a shared understanding of the innovation object. By seeking meaningful innovation within a community, alignment on the priorities for collective action occurs, establishing a foundation for the collective commitment to realize new shared value.
To explore how D³ within a D²T initiative acts to encourage co-creating meaning, the research team merged design science with action research to guide corporate partners in an iterative discovery of collaborative inquiry.\(^\text{25}\)

The journey of one global chemical shipping company was particularly insightful. Based on revenue projections, the leadership team realized that it was impossible to cut costs with incremental improvements or significant investments in technology. The team co-determined the objectives and methodology and co-designed the tools for data collection. Although a relatively short research intervention, by including external and internal researchers who are full members of the sociotechnical system,\(^\text{26}\) the team was able to glean insights into the design and initiation of a D²T journey.

Over a period of 6 months, a well-orchestrated action research approach to engage all 20 leaders used images to cultivate and converge on a meaningful innovation direction. One month later, to embed the new direction into the organization, an action research team supported the engagement of over 75 ships’ captains and crew members – essential for facilitating the transformation toward the new direction. With a set of curated images, captains and crew indicated which direction the organization must go to meet current business challenges and the possible changes that may be required to achieve those goals. By using Watson AI for visual sentiment analysis, the participants could see how far apart their meanings were. Participants could then make sense of the transformation on their own terms. The resulting personal and shared meaning demonstrated that design encourages convergence of the individual with the collective, an essential ingredient for transformative innovation.

From these cases, and other research, we have gained many insights into how D²T influences transformation. First, leadership as a social process that seeks a new shared meaning is more important than a new idea.\(^\text{27}\) The programs cultivated a community of collaborators with a shared direction, empowering leadership to align and commit to engaging other stakeholders. Second, co-creation provides participants the opportunity to reflect on and incorporate their own meanings, essential for the individual commitment to transform. To achieve this, it was also essential to use representations that, like sketches, could evolve and stimulate creativity, facilitate conversations, and encourage iterations.\(^\text{28}\) Third, the stories told at the end of the interventions indicated an experience that provided a shared common language. Even in a challenging environment such as global shipping, people’s perceptions of words and concepts changed, indicating a readiness for transformation. D²T contributed to making sense of the new direction, initially defined by top leadership and now part of a shared language across critical segments of the workforce.
Leading for Transformative Impact

Making Design-Driven Transformation Happen

Our research indicates that co-creating innovation inspires leadership to engage and motivate everyone to transform. We have observed that the impact of D2T is higher when those who join the journey are prepared to change, not just the product or process, but themselves as well. You can increase your ability to lead transformative innovation with a few essential attitudes:

1. **Innovate Meaning** – propose meaningful experiences for yourself first, then for your teams, customers, and even your community.

2. **Dialog Creatively** – designing requires making, so practice in a creative field you enjoy with any of the digital tools available today. Share your creations, and look forward to improving through honest critique.

3. **Cultivate Insights** – be open, listen attentively, stay curious, and always be open to potential insights in the emerging design. These sparks will inform and inspire the way your transformation takes shape.

4. **Orchestrate Engagement** – identify who needs to be engaged in the D2T journey and determine the right time to cultivate a community of sustainable co-creation.

5. **Maintain Buoyancy** – expect the unexpected, so prepare to maintain resilience and mindfulness during turbulent times.
Although D²T is not linear, mapping out the journey is essential for senior leaders who need to increase ROI on transformation projects. We, therefore, recommend introducing these D²T experiences to your transformation teams:

**Imagine – Forecast Your Future:** Dare to have your team innovate meaning by being inspired by the future. Imagine the directions your business challenges and opportunities could move toward. Together, the team of innovators will converge on potential solutions and simultaneously find themselves on a mutually agreed path to make the required changes happen.

**Design – Create Meaningful Experiences:** Use design-like thinking, speaking and acting to create representations that everyone can respond to. Empathize — first with yourself and then with your team and organization — to design meaningful experiences and simultaneously build engagement. Next, with a robust prototype of a product or service in hand, go out to customers as well as the community to get their feedback. Then go beyond traditional design thinking by engaging in the hard work of design, characterized by critique and convergence. This will grow your collaborators’ motivation, enhance everyone’s creative skills, and strengthen the team through co-creation.

**Lead – Orchestrate a Movement:** From the beginning of your transformation journey, reflect on who will be critical for buy-in and when they should be involved. By engaging the right people, at the right time, with the right design, the sense of individual and shared meaning will increase engagement and motivate everyone to implement the agreed-upon design. With responsibility shared among team members, the collective sense of commitment will also encourage individuals to transform themselves for the collective good.
Since D²T consists of simultaneous activities whose synergies, if scaled, can deliver systemic change, we recommend that, in order to prepare leaders and the organization for the journey, the following questions should be asked before embarking on a D²T:

**Direction** – Do we have a shared understanding of the innovation or transformation direction we need to aim for? If not, then we recommend engaging key leaders to imagine a meaningful future.

**Alignment** – Are we agreed on the ways of working, including the people and capabilities required, to successfully realize that shared direction? If not, then we recommend engaging key leaders to create meaningful experiences for themselves, the organization, and eventually for customers and the community.

**Commitment** – Do we have the mind-set, competence, and culture necessary to remain resilient in the face of an unpredictable and potentially protracted journey? If not, then we recommend engaging key leaders to start a movement.
Moving Forward

Our research and initial findings on Design-Driven Transformation seeks to open new perspectives on how leaders can simultaneously innovate and change existing situations into impactful ones. Many leaders tasked with transforming products, services, and organizations know that convergence between stakeholders on meaning is essential to establishing a foundation for transformation. In today’s complex and uncertain world, engagement and convergence is required to increase the successful implementation of transformation programs.

In the digital era, innovation is a necessary but not the only condition for achieving an ROI on transformation efforts. However, when participants co-create where to go and how to arrive at their destination together, they become a community of change makers. The resulting new direction, and inherent new meaning, can act as a catalyst for changing and committing oneself to a new shared direction. The resulting resilience to lead change is the bedrock of Design-Driven Transformation and the catalyst for successful transformation programs.

We also observed that the potential of a socially orchestrated co-creative search for meaning can contribute to transformative innovation. A step beyond sustaining and disruptive innovation, “Transformative innovation is not an innovation within the system, it is an innovation of the system.” This longer-term innovation process fundamentally changes culture and identity toward what Daniel Christian Wahl refers to a restorative culture. He continues by stating that “transformative innovation has the potential to drive the cultural evolution from our current industrial growth society of resource exploitation and social competition to a life-sustaining society of humanity.”

Further research on how leaders can spark transformative innovation – cultivating a collective conscious for a more viable world – is required. We encourage all companies to consider D2T as the next phase of achieving systemic and sustainable impact with personal meaning, collective leadership, and community. We intend to continue researching this emergent space with more rigor and breadth while sharing our insights along the journey (ideals.polimi.it). Join us in bringing transformation into the Digital Age, and we can collectively use innovation with design to transform ourselves, our teams, our organizations, and even society.
References


3. See blog post by Henk van Houten, Executive President & General Manager Philips Research.
9. Personal communication to the consulting team lead.
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About IDeaLs

In 2018, the Center for Creative Leadership and Politecnico di Milano established IDeaLs—an initiative to research innovation and design as leadership. Since its inception, 4 professors, 8 Ph.D. students and 20 leaders from 7 corporate partners have conducted action research with over 350 people seeking innovation and change. Although we have gleaned many insights in our first year, in our upcoming second year we intend to move beyond the preliminary nature of our cases to perform deeper action research with an enlarged sample. As we seek further empirical quantitative evidence of the potential of a person-centered perspective on innovation, design, and leadership, we hope to grow our understanding of how to empower personal, organizational, and societal transformation.

The authors would like to express their sincerest thanks to the IDeaLs research team for their insights and contributions:

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For more information about IDeaLs, please see our website at http://www.ideals.polimi.it
About CCL

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The Center for Creative Leadership (CCL®) is a top-ranked, global, nonprofit provider of leadership development. Over the past 50 years, we've worked with more than two-thirds of the world's Fortune 1000 companies. Our cutting-edge solutions are steeped in extensive research and our work with hundreds of thousands of leaders at all levels.