The Innovative Organisation: Learning From Design Firms

By Manuel Sosa , INSEAD Associate Professor of Technology and Operations Management

The world's top design firms have innovation down to almost a science. For traditional incumbents looking to build innovative capabilities, design can be the ideal catalyst.

In 1993, Samsung Electronics chairman Lee Kun Hee made a humbling discovery in a Los Angeles electronics shop. He found his company's televisions relegated to a low, forgotten shelf in the back, while Sony and Panasonic models occupied the front window. To Lee, this spoke very badly for Samsung's global standing. Soon afterwards, he began a radical overhaul of the company's highly Confucian culture, with the goal of making Samsung one of the world's leading brands.

Lee ordered top management to refocus their efforts from cost-saving to creating unique, must-have products. In 1994, Samsung initiated collaboration with a few design firms including IDEO. The following year, Samsung established an in-house design school (in partnership with the Art Center College of Design, the leading design school based in Pasadena, California) whose curriculum included art and culture tours of New York,

Paris, Delhi, and many other creative hotspots. Perhaps most notably, Samsung was one of the few major companies in consumer electronics to create a position for a chief design officer. As times and technologies have changed, Samsung has gone from strength to strength: In the first quarter of 2014, the company shipped 85 million smartphones worldwide, more than its four leading rivals combined.

Design: Catalyst of Change

Design was pivotal to Samsung's turnaround, in more ways than were readily apparent to consumers. As its products acquired sleekness and elegance, Samsung was retooling its organisational culture behind the scenes in line with Chairman Lee's edict: "An enterprise's most vital assets lie in its design and other creative capabilities." In short, the company was teaching itself to be innovative, before that buzzword achieved techie ubiquity.

The story at Apple, Samsung's greatest competitor nowadays, shares certain similarities with Samsung's. In the late 80s, prior to establishing its industrial group led by Bob Brunner (the design mastermind behind Beats headphones), Apple used to have only a few designers who would do most of their design work through design firms such as IDEO. Brunner eventually hired Jony Ive, with whom Steve Jobs led the design revolution initiated with the first iMac.

Samsung and Apple traced out a path to 21st-century success admired and followed by other brands. But too many companies still stash their design in a silo, where it can have little to no overall organisational influence.

A silo approach fails to capitalise on everything designers bring to the table in addition to creativity. Top design firms such as IDEO, Continuum, and Eight, Inc. have not only a well-tooled process for converting innovation opportunities into real innovations, but also a set of organisational elements perfectly aligned with that process. If companies require an innovation role model, they need look no further than design firms.

The Three "I"s in Design Firms

Designers' most valuable capabilities have nothing to do with Photoshop, or any tool or technique for "designing". They are much more about setting a direction than executing directives, more about shaping creativity to practical needs than indulging flights of fancy. By observing how many

design firms work, I have identified three core organisational capabilities at which they particularly excel, which also comprise the rudiments of any innovation journey: user-centric **insighting**, deep and diverse **ideating**, and rapid and cheap **iterating**.

User-centric insighting: In order to create value in novel ways (the goal of innovating), you must first locate opportunities to do so. Where to start looking is easy to see—with the end-user—but it's far more difficult to detect and synthesise actionable information within the complexity of the user experience. Customer surveys and focus groups simplify the process, but are often removed from how people authentically respond in the marketplace. Designers, by contrast, prefer observation to interrogation, developing empathy to discern unarticulated, even unconscious, user needs. As Tim Kobe, CEO of design firm Eight, Inc. put it, "We represent the end-user in all the design decisions that take place in these innovation projects." And that's why building empathy with the target user is crucial, as Continuum did when working with Procter & Gamble to reinvigorate the Pampers brand. Observing mums and their babies, designers realised that the mothers' ultimate concern was their infant's development, not the diaper itself. With that in mind, they devised a line of premium diapers for different developmental stages (Swaddlers, Cruisers, etc.) rather than segmenting by age.

Deep and diverse ideating: Designers generate heaps of new ideas based on user insights. This phase is where they unleash their creativity, coming up with as many and as distinct potential solutions as possible before putting much thought into implementation. These preliminary solutions are the product of an organisational process that deliberately cultivates a broad range of perspectives. Far from avoiding eccentric and exceptional voices, design firms seek them out and encourage their contributions within an atmosphere of freedom of thought and playfulness. Playfulness is so important at IDEO that they have created a Toy Lab where designers conceive and test out some of their creations by playing with kids as young as 18 months.

Rapid and cheap iterating: Designers understand that the creative flurry of the ideation phase can take them only so far. They are quick to make ideas concrete and not shy to declare them failures when they don't live up to expectations. For designers, failures are not negative events but learning experiences. Producing fast and cheap dummy versions to test out concepts means that even when the experiments flop, it's still a win-win. Singapore-

based multidisciplinary design consultancy Awaken Group makes "low-resolution prototypes" of spaces using stacked cardboard boxes to represent walls. That way, alterations can be made to the design in a matter of moments as the client walks through the demo space.

Many firms developing new products or services carry out insighting, ideating, and iterating, so what sets design firms apart? It's the way they approach these three distinct phases: Aligning their process and organisational elements to encourage user-centricity when insighting, fostering the generation of many and distinct ideas during ideating, and celebrating the creation of rapid and cheap prototypes during iterating. The challenge for established organisations then is to coordinate every aspect of their business so that they can produce their own versions of insighting, ideating, and iterating in a way that does not disrupt their capability to operate efficiently.

If a second-tier Korean TV manufacturer could reinvent itself to become the world's biggest consumer electronics company, the transformative potential of design is limitless.

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