

DESIGN; A BUSINESS CASE

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THE DESIGN MANAGEMENT SERIES - ARTICLE # 1 / 7

What is design management ?

While some things change gradually and almost inconspicuously over time, other things change abruptly and often and with big waves, uncertainty and disbelief following in its wake. Design belongs to both categories. On one hand its role has changed gradually, responding to the continuous changes in economics and society at large. As only a few examples, the raise of service industries gradually brought about the concept of service design, as did austerity in the public sector. The raise of the digital economy brought with it UX design and interaction design, and the quest for new mechanisms to deal with increased complexity across sectors paved the way for the rise of design thinking.

On the other hand, however often disconnected from current design practice, design has captured the interest of business media and political agendas, new design disciplines have emerged, new evidence has disrupted the discourse and new case studies of what has come out of design processes have been published, tending to progress the way that design is perceived and talked about in leaps and lapses.

One strand of design still comes from the applied arts, applying free creativity to explore and make tangible how the world could be. This “research“ practice of design is often seen in luxury, fashion and home decoration sponsored by design editors. Then there is mainstream design, answering business brief – and there are the critics of such practise, often encountered in design education and theory. Thus, design follows the waves, but also contests and fights them by offering alternatives concept to mainstream perceptions of meaning and value.

Now, when the wicked problems of society change, the scope of design changes accordingly. But design has too often been referred to merely as an embodiment of an artefact or environment conceived in someone’s creative mind. One of the front-runners in re-articulating the role of design was Victor Papanek, who wrote already thirty years ago that, “*Design must become an innovative, highly creative, cross-disciplinary tool*

*responsive to the true needs of men.”- and - “The ultimate job of design is to transform man’s environment and tools and, by extension, man himself.”*¹

Despite some pioneer directors of companies, or even heads of state, that understood the role of design in business like the Duke of Weimar, who as early as 1902 employed the architect Henry van de Velde to drive the region’s crafts and industries through design, or pioneers in GB arts & crafts movement and directors of companies like Wedgwood or W. Morris and later AEG with Peter Behrens, design started taking on different meanings and uses decade by decade up through the second half of the twentieth century, and even more rapidly since then. These were some of the first examples of design strategy.

Anna Valtonen² captured this development in a very structured and accessible manner though focused on in-house design activities in Finland, but the overall picture painted easily translates to a more general picture of the perception of design in the industrialized parts of the world

While design existed long before the fifties – Bauhaus more than justifies that claim – designer as a professional role and identity emerged in the late forties and was consolidated in the fifties. Back then, design focused on taking the decorative arts, crafts and industrial traditions one step further by adding new aesthetic trends and languages, new material innovations and physical representations of national identity to furniture and other home products primarily.

In the sixties, design moved from the wood shops and creative studios of what we today know as design icons to the development environments in other industries; from typewriters to telephones and measuring devices and pumps, while still being applied to physical products and to a certain extent also visual identities, marketing collaterals and packaging.

First phase of design and design management; 1975 -1993

In the seventies, design research emerged, also often referred to as design studies. These studies of design issues scrutinised the impact that design had on industrial value creation as well as the perceived values of the users of designed objects, as opposed to objects that had not undergone an actual design process, as measured both by ergonomic as well as emotional experiences. Parallel with research gaining momentum, governments introduced various forms of design promotion and design support policies and initiatives. So, the economic impacts of design were slowly recorded and documented – pioneered by the design management movement in the US (DMI – Design Management Institute), and its sister movements in

¹ Papanek (1984): *Design for the Real World – Human Ecology and Social Change* – Thames & Hudson, London

² Valtonen (2005): *Six decades - and six different roles for the industrial designer* - Nordes Conference In the Making. 30-31 May, 2005, Copenhagen.

Europe. Design management slowly emerged as key to managing the relationship between a design consultancy and its client ³, and as a more robust platform for discussing design as a significant factor for growth and competitiveness.

Then, in the eighties, design management captured the attention of larger companies in particular, acknowledging the reflections of Philip Kotler in his article from 1984; “*design: A powerful but neglected tool*”, where he asserts that “*Each company has to decide on how to incorporate design into the marketing planning process.*” ⁴ A key factor was the growing corporate focus on competitive advantage through brand management, which also resonated well with the brand orientation of design management.

Second phase of design and design management; 1993-2005

This period sees the start of academic research on design management (DMI) and the launch worldwide of master programmes and syllabus on design management. This new, more comprehensive and encompassing role of design, supported by a previously unmatched academic interest in design and design management changed not only the way in which design was perceived, but also where in the organisation its value was recognised.

This climb up through the hierarchies continued in the nineties, where design as a differentiator – as a brand carrier – dominated the design discourse, while it slowly gathered momentum also among policy makers in the 00’s – as its focus on innovation suddenly converged with on-going discussions on how to improve competitiveness and resilience in an increasingly globalized and competitive marketplace.

The economic effect of design was tested and evidenced, such as in the Danish Design Centre’s surveys from 2003, repeated and validated in 2008 ⁵, measuring design activity versus company performance in more than a thousand companies. But also developing the idea of a learning curve of design management through the “Design Ladder” model introduced by Danish Design Centre ⁶, of statistics of design integration in companies according to their level of understanding: design as style, as a process, as culture.

³ Farr (1966): *Design Management* – Hodder and Stoughton

⁴ Kotler and Rath (1984): *Design: A Powerful but Neglected Strategic Tool*, Journal of Business Strategy, Vol. 5 Issue: 2, pp.16-21

⁵ National Agency for Enterprise and Housing (2003/2008): *The Economic Effects of Design, Design skaber værdi – udbredelse og effekter af design (Design Creates Value – spread and effects of design)*. Copenhagen

⁶ Danish Design Centre (2001)

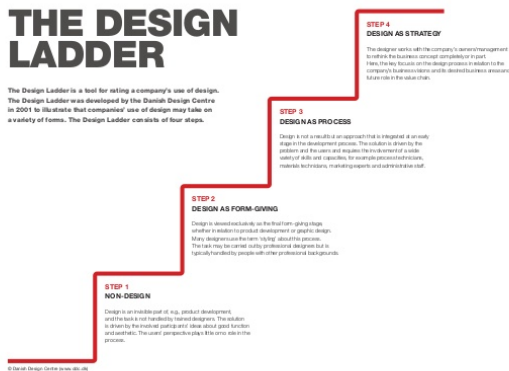


Fig 1: Danish Design Centre (2001): The Design Ladder

This was the first time a research was done with CEO's of design oriented European SME's, asking their opinion about design value, using 20 variables from previous documented design research. This research was built using Michael Porter's value chain⁷ as a framework. The results were eye opening, as there was no single vision of design management and design value, while the replies clustered in three groups. In her European research published in 2002 and 2006, one of the authors of this series of articles, Brigitte Borja de Mozota – proposes a model Designence™ that gives a strategic view of design value. This model was further turned into an operational tool for designers and designer managers using the Balanced Scorecard model, "The four powers of design"⁸.

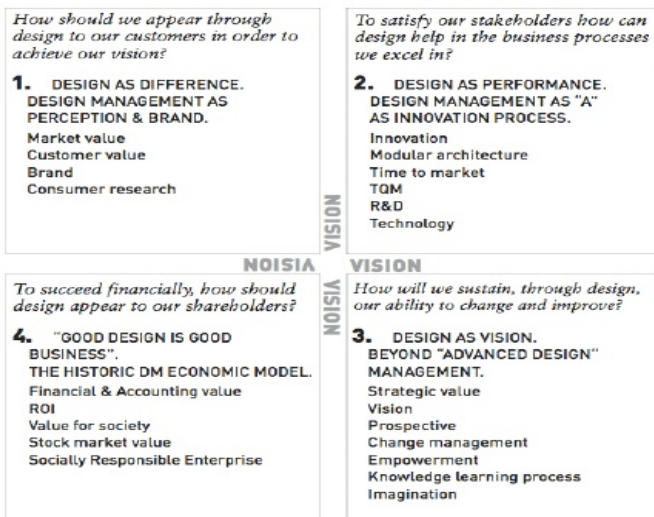


Fig 2: The Designence Model™ - "The Four Powers of Design – A Value Model in Design Management"

⁷ Porter (1985): *Competitive Advantage*, Ch. 1, pp 11-15. The Free Press. New York

⁸ Borja de Mozota: (2002 – reprint in 2006) *The Four Powers of Design – A Value Model in Design Management*, Design Management Review Vol. 17 No. 2, 2006 - Reprint 2011 Handbook on Design Management Research (Berg) after 2006

Third phase of design and design management; from 2005 and until today

A game changer in the perception of design value was Hertenstein, Platt and Veryzer's article on design management 2005.⁹ This was the first time that the role of design – not only as a brand asset, but also as an evidenced source of user centred innovation capacity, was scientifically demonstrated.

Development of design management awards in Europe and in USA started showing how good design management works out in competitive real-life contexts, emphasizing how improvement processes were approached through design driven innovation. Slowly, another layer was added, as testimonials of the capability of design to influence strategically on corporate culture emerged.

As present times are all about reinventing organisations and institutions towards more human ways of doing business, the importance of giving more power and initiative to designers in order to foster transformation currently defines the design management discourse; possibly because it has proven to be as valid for entrepreneurs and digital “start-ups” as for traditional industries.

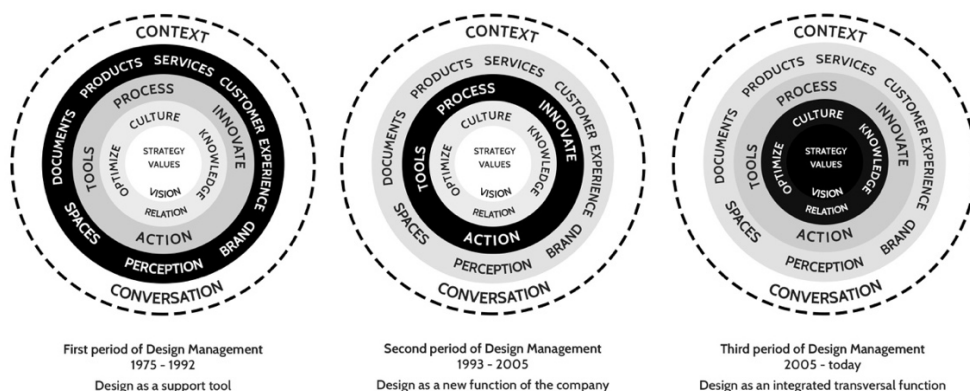


Fig. 3: Brigitte Borja de Mozota, "Quarante ans de recherche en design management : une revue de littérature et des pistes pour l'avenir", *Sciences du Design* 2018/1 (n° 7), p. 28-45. Publication in progress in english.

As for the more hands-on approach to design management, recent research supports the assumption that the return on investment from design conceived, applied and managed professionally is significantly higher than that of organisations that employ it randomly and without strategic intent; “*Companies that manage design effectively and efficiently attain better product innovation performance than those that do not.*”¹⁰ These

⁹ Hertenstein, Platt and Veryzer (2005): The Impact of Industrial Design Effectiveness on Corporate Financial Performance, *Journal of Product Innovation Management*, 22:3–21

¹⁰ Fernández-Mesa, Alegre-, Chiva-Gómez & Gutiérrez-Gracia (2012): *Design Management Capability: Its mediating Role between Organizational Learning Capability and Innovation Performance in SMEs*

assumptions have also been supported by other sources, such as in the Tom Inns' contribution to the report "The Value of Design" from 2014 ¹¹.

A more recent work of research was carried out by Forrester for IBM. Projects undertaken with the IBM's Design Thinking Practice, showed a return on investment over three years of 301%, besides amongst others slashing the time required for initial design and alignment by 75%, reducing development and testing time by 33%, cutting design defects by 50%, improving product outcomes, reducing the risk of costly failures and increasing portfolio profitability. ¹²

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)

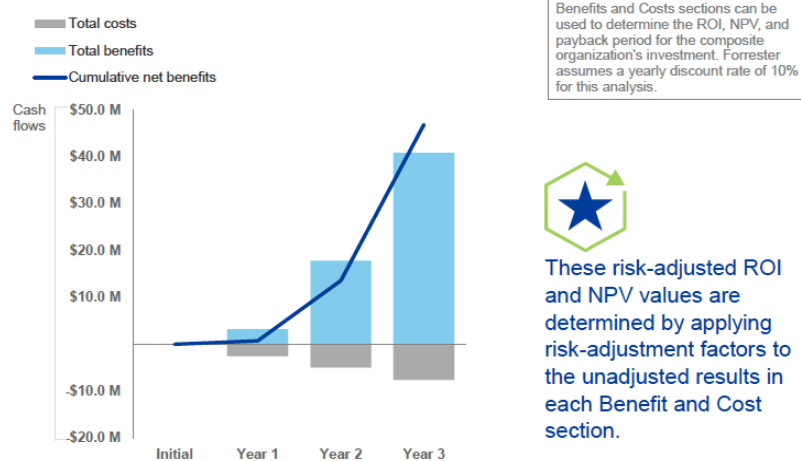


Fig 4: Forrester Consulting (2018) - The Total Economic Impact™ of IBM's Design Thinking Practice

Thus, the case of design as a methodology and approach that has the potential to significantly enhance the competitiveness of commercial suppliers of products and services as well as communication, services and environments delivered by public service providers, has finally been thoroughly and scientifically underpinned.

In order to develop the skills that are needed for the 21st century: human skills such as empathy, team work, innovation and problem-solving skills, companies are turning towards design thinking methods, introducing them to empathy and user driven engagement techniques, experimentation and prototyping – proven

¹¹ Arts and Humanities Research Council, AHRC (2014): *Expert Workshop Report*, Glasgow

¹² Forrester Consulting (2018): *The Total Economic Impact™ of IBM's Design Thinking Practice; How IBM Drives Client Value And Measurable Outcomes With Its Design Thinking Framework*

valuable, whether for products or services development as well as for government policies, healthcare and public service innovation.

What is more interesting, however, is the realisation, that design in itself has become an instrument to build resilient business cases and resilient organizations. Several recent books deal with the relationship between resilience and stakeholder engagement, prototyping and exploration – between resilience and design;

*Resilient organizations are able to address pivotal events that effect their business because they are alert to, and anticipate both internal and environmental changes – opportunities as well as challenges – and effectively respond to those changes using available resources in a timely, flexible, affordable and relevant manner.*¹³

and

*The most powerful lever for enhancing resilience is design, in the broadest possible sense. The scope of design must expand from products and processes to the enterprise as a whole, exploring how changing external conditions might influence business success. Our recommended approach to “design for resilience” considers the health and viability of important external systems, including stakeholders, communities, infrastructure, supply chains and natural resources.*¹⁴

During this journey, in some companies, design became increasingly integrated into corporate strategies and dependent on close collaboration between those who trained to become designers and others, who played increasingly important roles in the design process. This increased complexity called for a certain mode of management and design management organically grew into a professional metier in its own right. Since its emergence in the 1960s, design management grew and matured into a globally recognised industry. It started out as a process and methodology for managing creative projects through an organization – most often a linear process following standard project management taxonomies.

However, while design management was used as a means of managing creative processes from its inception, a more recent approach to design management is to consider it as a means of enhancing the ability of an organization to take up new knowledge and embrace creativity on a strategic level and as an integrated element of organizational or corporate culture, revealing its commonalities with concepts like design thinking and the emerging discipline of organizational design.

¹³ Holbeche (2015): *The Agile Organization: How to Build an Innovative, Sustainable and Resilient Business* – Kogan Page, London

¹⁴ Fiksel (2015): *Resilient by Design: Creating Businesses That Adapt and Flourish in a Changing World* – Island Press, Washington D.C.

And yet – however established design research and the measurement of design effectiveness has become as an academic discipline and domain, after four decades of struggling to be embraced by the business community, it still surprises us again and again how many executives with R&D, services or business development responsibility who are utterly unfamiliar with the concept. A more recent report published by Lancaster University states that,

Despite the recognition of the value of design and its importance for innovation, companies found very difficult to measure the return of investments made on design. This difficulty of putting a monetary value to the impact produced by design is partly due to conceptual and practical problem of separating design from other activities contributing to innovation. ¹⁵

An untapped potential, however, lies in bridging design – as a skill, a mind-set and a methodology – to the most dominant agendas of business literature and business thinking; innovation & resilience, organizational change and experience, strategic direction and management. This potential can only be exploited by linking the changes in the contexts, environments and challenges of the 21st century to designers' capabilities, design and design value.

In response to that, some of the leading representative bodies of design and designers quite recently issued a joint declaration of what design is;

Design is the application of intent: the process through which we create the material, spatial, visual and experiential environments in a world made ever more malleable by advances in technology and materials, and increasingly vulnerable to the effects of unleashed global development. ¹⁶

Exploring this new approach to design as an integrated business case instrument – rather than further exploring the business case of using design as such – is driven by an ambition to demonstrate how design thinking and design management = design excellence – enhance the most cited management gurus' thinking by adding a layer of framing problems, enhancing ideation and adding a tangible dimension to strategic development, innovation and organizational change.

Thus, our objective is neither to challenge nor to profiteer on the existing, valuable and firmly entrenched insights to which most companies and organisations around the world – directly or indirectly and knowingly or unknowingly – could probably and rightly attribute their success.

Next Week: The Design Management Series, Article # 2/7: Why design management *now*

¹⁵ Lancaster University (2016): *Design Value – The role of Innovation in Design*

¹⁶ *Montréal Design Declaration* – issued at the 2017 World Design Summit