

What Does It Mean to Be Design-led?

by Michael B. Beverland and Francis J. Farrelly

Firms in which design is embedded throughout the organization share four Equalities: a culture that values curiosity; cross-functional empathy; the designer as constant ethnographer; and the physical manifestation of the brand through design. Michael Beverland and Francis Farrelly elaborate on each of these points as facets of an effective corporate strategy, and highlight their implications for managers and designers.

How would customers know how to use an iPod if their only experiences were with CD players? If Apple had asked customers about an iPod prototype, customers would have wondered, "How do I load songs onto it? Where are my CD covers with the words on them? How will I know what songs are coming up?..." I would've been bamboozled by an iPod, but now we're all used to them.

Do business models, such as market orientation, account for the success of firms that drive the market through breakthrough design? We believe they don't. Simply put, models that require firms to focus solely on the stated needs of their customers (a point made by the imaginary designer quoted above) do not account for what it means to be design-led. Such practices may assist with evolutionary advances or incremental updating of styling and func-



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tion, but they do not help firms to develop the next iPod, Sony Walkman, Umpqua bank retail environment, or Dyson Cyclone vacuum cleaner. Still, we wonder: Are these leading products and services solely the result of designer intuition, or is there something underpinning the practices of those firms that create market-driving designs?

We propose that behind these great products and services are design-led firms in which design plays a pivotal role in the way the organisation manifests itself in the marketplace. Design-led firms believe (with a religion-like fervor) that design and design thinking is at the heart of value generation and sustainable competitive advantage. Such firms are characterized by a number of capabilities, which we discuss here with reference to specific case examples (developed through personal interviews and archival research).

Design-centric Dominant Logic (DDL)

All firms have a set of explicit and implicit values and rules known as a *dominant logic* ("the way in which managers [in a firm] conceptualize the business and make critical resource allocation decisions.")¹ This strategic orientation affects the value placed on different functions, including design. The designers we interviewed drew a contrast between design-led firms and those companies in which design was seen as an expensive add-on. This latter approach could be characterized as *styling*—an approach in which isolated "back-office" designers are handed products with a brief to make it "presentable to consumers." As one designer stated: "There are people who have great logos and marvelous graphics—so they have the cosmetics right—but for me, a design-led firm means you have a design-led culture that sees the idea of the aesthetic as the way in which the firm develops greater margins across all its products." Design-led firms are driven by design (though not necessarily by designers) and insist that design and design thinking be embedded throughout the organization. Following are two examples of firms that repositioned themselves through design and that illustrate a design-dominant logic.

Two design-led firms and their characteristics

The decision to move away from viewing design as adding a visual point of difference to viewing design as central to a high-end brand characterized by innovative technology and superior end-user experience saw New Zealand appliance manufacturer Fisher & Paykel remove a strict functional division between product, engineering, design, and marketing. As a result, Fisher & Paykel were able to generate a range of breakthrough products, including the Dish Drawer dishwasher (a dishwasher that doubles as a drawer, saving on space and energy because consumers can do one small wash at a time by using one drawer, or a large wash by using both—see Figure 1) and Smart Drive fridges and washing machines (breakthroughs in energy use and reliability). Prior to the development of these products, Fisher and Paykel viewed design as a back-

office styling function. Effectively, the job of design was to make small aesthetic changes to a standard product platform (usually an imitation of an existing product) to support a house of brands strategy (each brand line was based on the standard product platform). As part of a strategic restructure, design took a leadership role within the firm, and the firm brought all its "new-to-the-world" products under one corporate brand image (which was also design-centric in its desired positioning). The role of design was transformed from tactical afterthought to strategic imperative, highly influential in corporate and product-level branding, the presentation of corporate headquarters, and the production processes at the Auckland factory. The company's products also embody this design-centric look—moving away from copycat, functional-looking designs that made customers comfortable, toward brushed-metal, high-technology designs that at the time of launch looked radi-

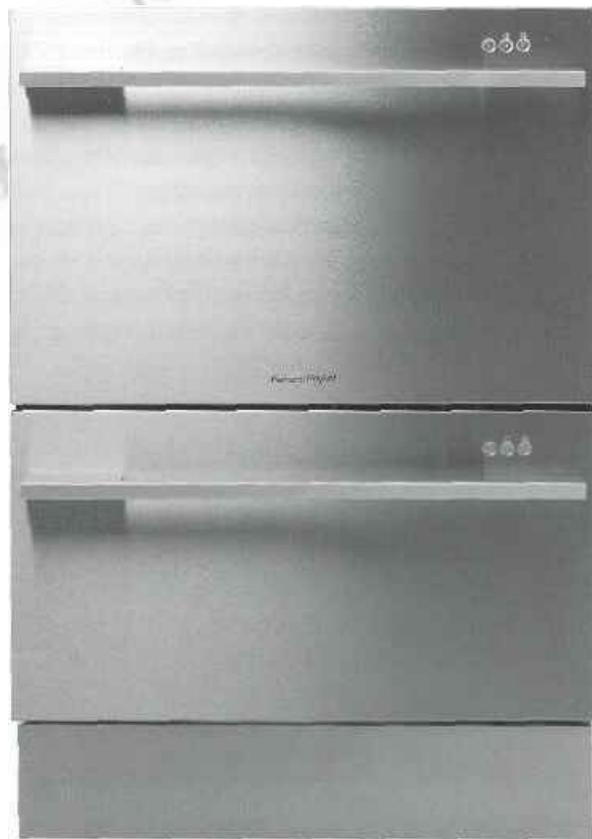


Figure 1. The Fisher and Paykel Dish Drawer dishwasher. Rather than a traditional front-loading dishwasher, the dish drawer is based on two separate compartments that allow for small or large washes. The product was initially adopted by the Jewish community because meat and dairy dishes could be washed simultaneously and separately.

1. R.A. Bertis and C.K. Prahalad "The dominant logic: retrospective and extension," *Strategic Management Journal*, no. 16, vol. 1 (1995), pp. 5-14.

cally different from other alternatives and from anything Fisher and Paykel had done previously.

National Australia Bank (NAB) also repositioned its brand following a foreign exchange scandal that saw customers and staff questioning the brand's integrity. Consistent with a values-based advertising campaign in which the CEO promised greater transparency and accountability, the firm commissioned a new award-winning headquarters with an open floor plan inside and an all-glass outer wall that made bank employees visible to customers, reinforcing the bank's commitment to openness and honesty (Figure 2). The firm involved staff in design decision-making to reinforce their commitment to the change and to win support for the new design-led culture. The bank also made a point of being open about "what a bank brand could be" and redesigned branches, web pages, advertisements, and its logo.

In both cases, a design-centric dominant logic represented a total strategic outlook for the firm, including the use of external design as a physical embodiment of its values. From our research, we were also able to establish four key capabilities critical to the implementation of design-led dominant logic within the firm.

1. A culture that values curiosity
2. Cross-functional empathy
3. Designer as constant ethnographer
4. Design as a physical manifestation of the brand



Figure 2. Dockland's headquarters for the National Australia Bank. Following a foreign exchange scandal, the bank decided to re-brand in a very public way. The building design reinforces the desired image of a fresh, modern, open and transparent bank.

A culture that values curiosity

"A design-led culture had to be a curious culture!"

—Brian Richards, *Brian Richards Design*

Design-led firms, such as Apple, Dyson, and Vitra, seek to lead customers by providing new-to-the-world products, services, and experiences. Brian Richards's quote exemplifies the type of curious culture that is vital to the lifeblood of a design-led firm. Working for New Zealand agribusinesses (not always known for their design savvy), Richards applies design principles across a range of top-shelf and traditional commodity products. He emphasizes the need for constant curiosity, including frequent questioning about how the entire range of products can be transformed by design to become high-margin offerings. As Richards says of his clients: "Their business models were all based on selling racks of lamb beautifully trimmed for high-end restaurants, but if they want to recover overheads, then all the B-grade meat and offal needs design, as well. When you are talking about a design-led company with something as simple as food, you have to start asking, 'Can we turn tripe into a designer product? Can we turn offal into a high-margin item?'" Richards managed to turn a conservative, commodity-focused firm into a design-centric one (positioning it from a meat to a food lifestyle company), developing an integrated program, including new brochures that emphasized contemporary recipes for offal, as well as the duality of care between the chef—the target customer—and the farmer. Exhibition



Figure 3. Incat's unique high-speed trimaran design for the US Navy. Underpinning design and product excellence is a customer-sensitive service culture.

installations, packaging, Web-based materials, and advertising were also part of the program.

Tasmania's Incat (a producer of fast ferries, industrial catamarans, and military shipping equipment) provides another example of constant curiosity leading to improved customer relations and margins (Figure 3). As a long-time supplier of US Naval ship-borne helicopter landing platforms, Incat noticed that the Navy was forced to regularly repaint each pad in order to avoid rust. Incat's experience with other ship designs and customers led it to investigate how different materials and designs could reduce the Navy's problem (consistent with a design-dominant logic, this was done of their own volition). Incat identified that a rougher metal finish would hold paint for longer, thus reducing repainting and saving the Navy hundreds of millions of dollars per year. The Navy adopted Incat's solution, and continues to prefer Incat as a lead supplier.

It is also the case that the curiosity at the core of a design-led culture results in different approaches to understanding customers. This leads to a rejection of traditional market research methods (such as focus groups) that suffer from the knowledge limitations and halo effect of group members (and result in me-too products), in favor of ethnographic techniques. In order to develop a product that could target generation Y, Ford Motor Company's design team traveled to a ski and snowboard show to identify the values

and interests of younger consumers. They also met with designers at Nike and Reebok—two firms known for actively and successfully targeting this segment. As a result, Ford's design team developed a range of storyboards representing different sub-segments within the generation Y market (such as Sports Chic and Techno Head). These storyboards provided engineers and marketers (who were often skeptical of designers' views) with a greater understanding of each segment's self-image and life style, and facilitated lively discussion about the development of cars to target the segment. Innovations and trends apparent in the apparel industry were utilized in the inclusion of new lightweight materials for the car interiors and new-to-market contemporary colors. Ultimately, this research informed the development of new SUV prototypes, new Lincoln and Mercury models, and the creation of the Ford Ka and its successful viral marketing campaign (see Figure 4).

Cross-functional empathy

Within the firm, designers must manage many competing interests to ensure that design ideas translate in the marketplace, reinforce brand image, and meet regulatory guidelines and budgetary requirements. We identified that design-led firms employed designers who constantly sought solutions to problems, improvements in existing product lines, and new sources of inspiration. Here the input from designers



Figure 4. The Ford Ka appeals to generation Y's desire for funky and fun shapes that are also practical. Derived from ethnographic lifestyle research, the Ka's design broke from Ford's traditional boxy functional designs.

Characteristic of designers within design-led firms was the constant search for solutions to problems generated by issues of cost, safety legislation, historic brand positioning, and manufacturing.

As well as gaining a greater understanding of these other functions, designers needed to be constantly on the lookout for new ideas emerging from customer trends, technological breakthroughs, new ideological views, and business practices. We identified this practice as "designer as constant ethnographer," ever seeking new inspiration from the wider environment. This differs from using ethnographic methods for particular projects, such as the Ford KA exam-

ple, because it requires a constant orientation to the wider world.

Designers acknowledged that inspiration for design projects often came from observations of the broader environment, including new material breakthroughs, fashion trends among young teens, ideas from pop culture, and ideas gathered while traveling. Designers within the Louis Vuitton stable, for instance, are encouraged to travel widely. As one designer interviewed stated, "It's pretty much the way we spend our lives. Sometimes, it's overt—I go to an art gallery for a particular exhibition. Sometimes, I go to a movie and see a visual treatment that sits in the back of my mind. I might observe things every day that one day might inspire me."

Certain insights may not be immediately relevant but can be filed away for future use. For example, Fisher and Paykel's Dish Drawer required an extremely small and flat motor so that the two-drawer design could work, and so that the entire product would fit in traditional dishwasher spaces in homes. One member of the design team recalled that he had seen a prototype motor developed by the engineering division, which was sitting unused on the shelf. This motor solved a significant design problem. James Dyson has always placed great importance on the power of observation, especially where it can help to produce new materials and technological advancements that are complementary to traditional ways of doing things. Indeed, Dyson combined traditional techniques for hand-washing with new technical advances and environmental concerns over water usage to develop the Contrarotator washing machine.

This approach also ties in with our view that design-led firms seek to drive the marketplace. A state of constant ethnography leads designers to pick up on ideas at the fringes of society, while also challenging the designers to wonder about new possibilities (such as marrying commerce with sustainability, or better performance through the use of lighter materials, or building a human-powered laptop that costs under US\$100). And such a nonconventional strategy has a further benefit—the firm can realize radical solutions that are market-inspired, while simultaneously projecting the fact that it "doesn't do marketing"—a powerful message

that reinforces the brand's authenticity.²

What was also most revealing across our cases was the approach to sorting and evaluating the considerable information drawn from being in the market and from the formal ethnographic research. One approach was to evaluate market information according to its usefulness for creating richly textured product design consumption scenarios that reflected the multiple influences affecting consumer evaluations of product value. This might include, for example, a detailed explanation of the influence of social role and expectations, time pressures, or relationships with important others such as partners, friends, family, or work colleagues. In effect market intelligence was assessed according to how meaningfully it revealed product usage scenarios and the merits of new product designs. These highly contextualized usage scenarios also served as a common language for staff in design and other functional departments, such as marketing, to collectively evaluate both the value of market information and prospective designs.



Figure 5. South Gin by 42 Below. The simple bottle design challenges conventional packaging in gin and reinforces the purity of the product and the place of origin.

The design-led firms we studied all noted that it was impossible to separate the brand from the design process.

2. MB. Beverland "Managing the design innovation/brand marketing interface: Resolving the tension between artistic creation and commercial imperatives," *Journal of Product Innovation Management*, vol. 22, no. 2 (2005), pp. 193-207.

Also from New Zealand, outdoor sports manufacturer Icebreaker (see Figure 6), which emphasizes a mix of nature, style, durability, and high performance in extreme environments, reflects the rugged nature of its homeland. Icebreaker's concept stores further reinforce the link between the brand and the raw materials with its rich wool carpets, use of natural colors, and nature-based props (such as models of merino sheep, rocky mountains, and rough terrain associated with Icebreaker's South Island heritage).

To achieve this design-brand integration, designers must integrate themselves in the organization, ensure that designs reinforce brand identity, and influence the way the firm is presented to its stakeholders (in other words, their job does not end with product design). This ensures two things: (1) that the consumer gets a consistent experience in all encounters with the firm, and (2) that designers get to influence functions that are central to delivering the brand promise—for example, by influencing hiring decisions, thus ensuring that firms seek out and hire creative and curious individuals.

Managerial implications

How do managers create and maintain a design-led firm? The four characteristics of a design-led firm suggest a number of important practices:

- Create an environment that values risk-taking and constant questioning in the pursuit of continuous improvement.
- Become advocates for creativity and design

in particular (that is, ensure designers have input into strategic planning).

Create right- and left-brain synergy at the firm level. Recognize the importance of intangibles to the firm's value-creating processes. Many of our designers reported that their firms had "seeded" the belief that creative solutions were vital for competitive advantage.

Ensure cross-functional integration through cross-disciplinary project teams and regular meetings between function heads and champions for design, even within non-design departments.

Commission nontraditional marketing research, including observational work, ethnographic research, and in-depth interviews. Encourage and support design staff (and others) to increase the diversity of their knowledge (and to share it with others). Invest in internal marketing efforts that celebrate design values and improve brand knowledge.

Invest resources in research and development that seeks to create new markets; set new standards and seek to actively replace existing product lines with new breakthroughs (to shape customer needs).

- Take leadership positions on important social issues, such as sustainable production techniques, recycling, and thoughtful consumption practices. Seek to improve consumers' lives with better solutions rather than produce more me-too offerings.



Figure 6. Against a backdrop of harsh conditions, Icebreaker's designs reinforce their position as a leading fashion brand that also delivers functional excellence.

Implications for designers

Although this article focuses on how firms can become more design-centric, design-led firms also require designers to change their behaviors. We have identified three ways designers can take proactive action to help firms to become design-led.

1. Build bridges between design and other functions. Seek to understand the nature of other functions and their concerns, and work vigorously to find mutually agreeable solutions.
2. Drop the ego. Many of our interviewees identified the need to get away from the star-designer syndrome. Although firms need the genius that comes with designer superstars, these designers need to view themselves as part of a larger team. BMW's Chris Bangle, for example, takes pains in public forums to point out that he is part of a larger team and a long line of contributors stretching back into the past. In effect, Bangle is saying he is a steward for the brand who wants to ensure he lives up to its reputation.
3. Tie design thinking to business outcomes. Many of our informants acknowledged that young designers often provide little justification for their design decisions. One informant noted that the days of saying, "It's black because I'm the designer and I say it should be black," are over. Given that designs in design-led firms must work within brand boundaries, design decisions must be tied to a wider picture or, as in the Ford example, located in the target consumers' world. Moreover, strengthening the relationship between design and performance metrics (such as market share, customer loyalty, margins, and brand positioning) is crucial for reinforcing the value of design to the firm.

Conclusion

Many managers are realizing design's potential to drive their competitive positioning. Well-designed products and services often reach iconic status, attract an almost-fanatical following, and gain much-needed free publicity. Yet firms must look beyond the surface features of design and explore the substantial contribution design and a design-led dominant logic (DDL) can contribute to a competitive advantage. Design-led firms adopt a DDL whereby design (though not always designers) takes a central role and influences policy and resource allocations within the firm. Being design-led requires firms to encourage curiosity, break down functional barriers, focus on solutions rather than problems, and use design to bring their brand to life.

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