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# The Designful Company

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**Building Brands at the Intersection of Design and Business Strategy**

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# The Designful Company

by Marty Neumeier

*In a challenging business environment, there is no substitute for having an innovative and distinctive brand expressed in “experiences that rivet minds and run away with hearts.” Marty Neumeier identifies how design drives this reality, embracing not only products and services but also processes, systems, and organizations. To succeed, companies must be agile, nurture inventiveness, and have an enterprise-wide appetite for radical ideas.*



Marty Neumeier, President,  
Neutron

Industrial Age thinking has delivered some dazzling capabilities, including the power to churn out high-quality products at affordable prices. Yet it has also trapped us in a tangle labeled by Berkeley professor Horst Rittel as “wicked problems”—problems so persistent, pervasive, and slippery that they seem insoluble. Unlike the relatively tame problems found in mathematics, chess, and cost accounting, wicked problems tend to shift disconcertingly with every attempt to solve them. Moreover, the solutions are never right or wrong, just better or worse.

The world’s wicked problems crowd us like piranha. You know the list: pollution, overpopulation, dwindling natural resources, global warming, technological warfare, and a lopsided distribution of power that has failed to address massive ignorance and Third-World hunger. In the world of business, managers face a subset of these problems: breackneck

change, ultra-savvy customers, balkanized markets, rapacious shareholders, traitorous employees, regulatory headlocks, and price pressure from desperate global competitors with little to lose and everything to gain.

In a 2008 survey sponsored by my consulting firm, Neutron, and Stanford University, 1,500 top American executives were asked to identify the wickedest problems plaguing their companies today. While the top 10 included the usual suspects of profits and growth, they also revealed concerns that hadn’t shown up on corporate radar screens until now: aligning strategy and customer experience, addressing eco-sustainability, collaborating across silos, and embracing social responsibility. The number-one wicked problem cited by corporate leaders was the conflict between long-term goals and short-term demands.

Clearly, these were not the concerns

of twentieth-century managers. The last management obsession of that century was Six Sigma, the total-quality movement inspired by Dr. W. Edwards Deming and his postwar work with the Japanese. Six Sigma has been so successful that quality has virtually become a commodity. Customers now expect every product and service to be reliable, affording no single company a competitive advantage.

Unfortunately, the more progressive elements of Deming's philosophy were all but ignored by a business mindset that preferred the measurable over the meaningful.

### 2008 Survey of Wicked Problems\*

(Sponsored by Neutron and Stanford University)

1. Balancing long-term goals with short-term demands
2. Predicting returns on innovative concepts
3. Innovating at the increasing speed of change
4. Winning the war for world-class talent
5. Combining profitability with social responsibility
6. Protecting margins in a commoditizing industry
7. Multiplying success by collaborating across silos
8. Finding unclaimed yet profitable market space
9. Addressing the challenge of eco-sustainability
10. Aligning strategy with customer experience

*\*A wicked problem is a puzzle so persistent, pervasive, and slippery that it can seem insoluble.*

When we look around and see today's companies and brands beset by distrustful customers, disengaged employees, and suspicious communities, we can link these problems to a legacy management style that lacks any real human dimension. The model for twentieth-century management was not the warm humanism of the Renaissance, but the cold mechanics

of the assembly line, the laser-like focus of Newtonian science applied to the manufacture of wealth. The assembly line was intentionally blind to morality, emotions, and human aspiration—all the better to make your competitors and customers lose, so you can win.

Yet business at bottom is not mechanical but human. Today, we find that innovation without emotion is uninteresting. Products without aesthetics are not compelling. Brands without meaning are undesirable. And business without ethics is unsustainable. The management model that got us here is underpowered to move us forward. To succeed, the new model must replace the win-lose nature of the assembly line with the win-win nature of the network.

In 2006, when Ford Motor Co. announced plans to close 14 factories and cut 34,000 jobs, Bill Ford made a revealing statement: "We can no longer play the game the old way," he said. "From now on, our vehicles will be designed to satisfy the customer, not just fill a factory." Too little, too late, Bill. While Ford was figuring this out, Toyota had already been satisfying customers for years.

We've spent the last century filling factories and making minor tweaks to the same basic idea of efficiency. The high-water mark in the quest for continuous improvement was Six Sigma—yet the *Wall Street Journal* cited a 2006 Qualpro study showing that of 58 large companies that announced Six Sigma programs, 91 percent trailed the S&P 500.<sup>1</sup> We've been getting better and better at a management model that's getting wronger and wronger.

In an era of Six Sigma parity, it's no longer enough to get better. We have to get different. Not just different, but *really* different. In my book, *Zag*, I proposed a 17-step process to create the radical differentiation necessary for companies, products, and brands to stand out from a

*1,500 top American executives were asked to identify the wickedest problems plaguing their companies today.*

1. K. Richardson, "The Six Sigma Factor for Home Depot," *Wall Street Journal*, Jan. 4, 2007.

marketplace of increasing clutter. Thanks to unprecedented market clutter, differentiation is becoming the most powerful strategy in business and the primary beneficiary of innovation.

So if innovation drives differentiation, what drives innovation? The answer, hidden in plain sight, is design. Design contains the skills to identify possible futures, invent exciting products, build bridges to customers, crack wicked problems, and more. The fact is, if you wanna innovate, you gotta design.

Imagine a crazy Wonderland where most of what you learned in business school is either

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upside down or backward—where customers control the company, jobs are avenues of self-expression, the barriers to competition are out of your control, strangers design your products, fewer features are better, advertising drives customers away, demographics are beside the point, whatever you sell you take back, and best practices are obsolete at birth; where meaning talks,

money walks, and stability is fantasy; where talent trumps obedience, imagination beats knowledge, and empathy trounces logic.

If you've been paying close enough attention, you don't have to imagine this Alice-in-Wonderland scenario. You see it forming all around you. The only question is whether you can change your business, your brand, and your thinking fast enough to take full advantage of it.

The management innovation destined to kick Six Sigma off its throne is design thinking. It will take over your marketing department, move into your R&D labs, transform your processes, and ignite your culture. It will create a whip action that will bring finance into alignment with creativity, and eventually reach deep into Wall Street to change the rules of investing.

### **Designing the way forward**

The discipline of design has been waiting patiently in the wings for nearly a century, rele-

gated to supporting roles and stand-in parts. Until now, companies have used design as a beauty station for identities and communications, or as the last stop in a product launch. Never has it been used for its potential to create rule-bending innovation across the board. Meanwhile, the public is developing a healthy appetite for all things design.

One survey by Kelton Research for Autodesk found that when 7 in 10 Americans recalled the last time they saw a product they just had to have, it was because of design.<sup>2</sup> They found that with younger people (18 to 29), the influence of design was even more pronounced. More than one out of four Americans was disappointed in the level of design in America, saying, for example, that cars were better designed 25 years ago.

In Great Britain, a recent survey by the Design Council found that 16 percent of British businesses say that design tops their list of key success factors. Among "rapidly growing" businesses, a whopping 47 percent rank it first.<sup>3</sup>

The ballooning demand for design is shaped by a profound shift in how the First World makes its living. Creativity in its various forms has become the number-one engine of economic growth. The *creative class*, in the words of Toronto University professor Richard Florida, now comprises 38 million members, or more than 30 percent of the American workforce. McKinsey authors Lowell Bryan and Claudia Joyce put the figure only slightly below, at 25 percent. They cite creative professionals in financial services, healthcare, high-tech, pharmaceuticals, and media and entertainment who act as agents of change, producers of intangible assets, and creators of new value for their companies.

When you hear the phrase *innovative design*, what picture comes to mind? An iPhone? A Nintendo Wii? A Prius? Most people visualize some kind of technology product. Yet products—technological or otherwise—are not the

2. 2007 Autodesk "Design for Living" survey, conducted by Kelton Research between March 23 and March 28, 2007 ([http://images.autodesk.com/apac\\_grtrchina\\_main/files/design\\_for\\_living\\_highlights\\_final.pdf](http://images.autodesk.com/apac_grtrchina_main/files/design_for_living_highlights_final.pdf)).

3. The Design Council, "The Value of Design Factfinder Report," 2007, originally published in *Design in Britain* (<http://195.157.47.227:8080/designcouncil/pdf/TheValueOfDesignFactfinder.pdf>).

only possibilities for design. Design is rapidly moving from posters and toasters to include processes, systems, and organizations.

Dr. Deming, the mid-century business guru who inspired Six Sigma, had some far-reaching ideas beyond quality control. You'd expect his thinking to be stuck in the rusty past, but it remains remarkably progressive by modern standards. His trademark 1982 System of Profound Knowledge was an attempt to get managers to think outside the system they work in. It featured a list of "deadly diseases," including a lack of purpose, the mobility of executives, and emphasis on short-term profits (sound familiar?). Among the diseases was an over-reliance on technology to solve problems.

The sure cure for Deming's diseases, as well as for the top 10 wicked problems, is design. It's the accelerator for the company car, the power-train for sustainable profits. Design drives innovation, innovation powers brand, brand builds loyalty, and loyalty sustains profits. If you want long-term profits, don't start with technology—start with design.

### **Brand and deliver**

There are really only two main components for business success: brands and their delivery. All other activities—operations, finance, manufacturing, marketing, sales, communications, human relations, investor relations—are sub-components.

In my earlier book, *The Brand Gap*, I defined a brand as a person's gut feeling about a product, service, or company. I showed how brands derive their financial value, drawing a distinction between me-too brands and charismatic brands. Charismatic brands support higher profit margins because their customers believe there's no substitute for them; they form unbreachable barriers to competition in an era of cut-throat pricing.

A former editor of *Windows* magazine, Mike Elgan, illustrated the difference between ordinary brands and charismatic brands in two succinct sentences: "Microsoft CEO Steve Ballmer is famous for a crazy video in which he yells, I—LOVE—THIS—COMPANY. With Apple, it's the customers who shout that." This may explain why *BusinessWeek's* top-100 survey placed Microsoft's

brand value at only 17 percent of its market cap, and Apple's at an impressive 66 percent.

The well-documented connection between customer loyalty and profit margins has encouraged many companies to launch so-called loyalty programs, using incentives or contracts to lock in customers. Trouble is, customers don't like to be locked in. It makes them disloyal. Not only that, loyalty programs are expensive to manage and easy to copy. They're nothing more than Band-aids on a much deeper problem—offerings so un compelling that customers prefer to keep their options open.

In the previous century, a little brand loyalty went a long way. Often, what passed for loyalty was merely ignorance. If customers didn't know what their options were, they would simply stick with the devil they knew.

Today's Microsoft, with its low brand score, may be one of the last major companies to profit this way. In the new century, customer ignorance won't be enough to keep competitors at bay.

To build a brand that fosters voluntary loyalty, it's better to do what Google does—use design to create differentiated products and services that delight customers. If you can deliver customer delight, you can dispense with the high cost and relationship-straining effects of loyalty programs. Organic loyalty beats artificial loyalty every time.

The central problem of brand-building is getting a complex organization to execute a bold idea. It's as simple and as vexing as that. First, you have to identify and articulate the right idea. Next, you have to get hundreds or even thousands of people to act on it—in unison. Then you have to update, augment, or replace the idea as the market dictates.

Stacked against this challenge are two prevailing headwinds: the extreme clutter of the marketplace and the relentless speed of change. The antidote to clutter is a radically differentiated brand. The antidote to change is organizational agility. Although agility was not a burning issue

*There are really only two main components for business success: brands and their delivery.*

when business moved at a more leisurely pace, in 2008 it showed up as wicked problem number three. Companies now need to be as fast and adaptable as they are innovative.

### **Agility beats ownership**

Today, there's no safe ground in business. The old barriers to competition—ownership of factories, access to capital, technology patents, regulatory protection, distribution chokeholds, customer ignorance—are rapidly collapsing. In our Darwinian era of perpetual innovation, we're either commoditizing or revolutionizing.

A visible victim of change was Kodak at the turn of the new century, when its ownership of the patents, distribution channels, and dominant

market share protecting its film and camera businesses became irrelevant against the steady advance of digital photography. Though Kodak could see the revolution coming a mile off, it couldn't extricate itself from its own culture—a culture based on squeezing profits from a commoditizing film business. By 2004, its share of the camera market was

down to 17 percent, despite being the first on the scene with a digital camera 15 years earlier.

Why does change always have to be crisis-driven? Is it possible to change ahead of the curve? What keeps companies from the continuous transformation needed to keep up with the speed of the market?

A company can't will itself to be agile. Agility is an emergent property that appears when an organization has the right mindset, the right skills, and the ability to multiply those skills through collaboration. To count agility as a core competence, you have to embed it into the culture. You have to encourage an enterprise-wide appetite for radical ideas. You have to keep the company in a constant state of inventiveness. It's one thing to inject a company *with* inventiveness. It's another thing to build a company *on* inventiveness.

To organize for agility, your company needs to develop a "designful mind." A designful mind confers the ability to invent the widest range of

solutions for the wicked problems now facing your company, your industry, your world.

"He that will not apply new remedies must expect new evils," warned Sir Francis Bacon 500 years ago, "for time is the greatest innovator."

### **Next, eco-everything**

Necessity may well be the mother of invention. But if we continue to manufacture mountains of toxic stuff, invention may soon become the mother of necessity. Our natural resources will disappear and our planet made uninhabitable. On the top-10 list of wicked problems, eco-sustainability is number 9 with a bullet. My hunch is that it will move up rapidly until it settles in at the top three.

The problem with consumerism isn't that it creates desire, but that it fails to fully satisfy it. Desire is a basic human drive. But part of what we desire is to feel good about the things we buy. We yearn for *guilt-free affluence*, to use the words of Worldchanging's Alex Steffen.

As a thought experiment, imagine a future in which all companies were compelled to take back every product they made. How would that change their behavior? For starters, they would make their products with parts they could salvage and reuse at the end of their lifecycles. This, in turn, would spawn whole industries dedicated to the design of reusable materials. As companies struggled to afford the full cost of manufacturing, the prices of products and services would rise. To keep prices under control, companies would localize their operations to save on transportation costs. Localizing businesses would change the nature of communities, creating a network of quasi-independent economies more akin to the Agricultural Age than to the Industrial Age.

As you can see, the domino effect caused by a focus on waste reduction would alter our commercial landscape beyond recognition, creating more wicked problems, but also more opportunities for innovation.

In France, where the Agricultural Age is still in evidence, the large-scale Boisset Winery is currently rediscovering the value of the old ways. It's replacing heavy, diesel-burning tractors with horse-drawn plows and grass-munching sheep to restore the compacted, depleted topsoil. It's also discovering value in new technologies,

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bucking the French tradition of corks and glass bottles by shipping its wine in recyclable Tetra Pak containers that reduce oxidation and cut transportation costs.

In Germany, Volkswagen is demonstrating that corporate responsibility doesn't end at the loading dock. The company is already selling cars that are 85 percent recyclable and 95 percent reusable, and it's building a zero-emissions car that operates on a fuel cell, 12 batteries, and a solar panel instead of fossil fuels.

The European Union has announced a "20/20 vision." It wants to get 20 percent of its energy from renewable sources by the year 2020. If this were to come from sun power, it would require 25 times the current annual production of solar panels to meet the need. In Silicon Valley, Applied Materials has a complimentary vision—to have its equipment used for making three-quarters of the world's solar panels by the year 2011.

American furniture manufacturer Steelcase is currently attacking the waste stream with its Think chair, which is nearly 100 percent fixable and recyclable. The company has also set up three factories around the world to lower transportation costs and support local economies.

Industrial giant General Electric once found itself in the penalty box for dumping toxic chemicals into the Hudson River. Today it spends nearly \$1 billion a year on research into eco-friendly technologies to improve energy efficiency, desalinate water sources, and reduce dependence on fossil fuels. The motive? Profit. As CEO Jeffery Immelt says, "Green is green."

While eco-sustainability isn't yet top-of-mind for most CEOs, when the tide finally turns, it'll turn fast. There's already a significant migration of talented executives from traditional technology to green technology. As venture capitalist Adam Grosser put it, "They have had their consciousness energized, and they believe there is a lot of money to be made."

### **Business is design blind**

Until a decade or so ago, the public's taste for design had been stunted by the limitations of mass production. Now people have more buying choices, so they're choosing in favor of beauty, simplicity, and the "tribal identity" of their favorite brands.

Yet if design is such a powerful tool, why aren't there more practitioners working in corporations? If economic value increasingly derives from intangibles like knowledge, inspiration, and creativity, why don't we hear the language of design echoing down the corridors?

Unfortunately, most business managers are deaf, dumb, and blind when it comes to the creative process. They learned their chops by rote, through a bounded tradition of spreadsheet-based theory. As one MBA joked, in his world, the language of design is a sound only dogs can hear.

This is illustrated by a story about railroad baron Collis P. Huntington, who visited the Eiffel Tower just after its completion. When an interviewer for a Paris newspaper asked him for a critique, he said: "Your Eiffel Tower is all very well, but where's the money in it?"

It's not that spreadsheet thinking is wrong. It's just that it's inadequate. A designer might have offered a completely different critique of the tower: "What a stirring symbol of progress! From now on, people will never forget their visit to Paris." According to one estimate, more than \$120 billion worth of Eiffel Tower souvenirs has been sold since 1897. The trinket business alone has been worth the investment.

The lesson of Paris has not been lost on cities like London, with its majestic London Eye, or Bilbao, with its shimmering Guggenheim Museum. Frank Gehry's design has not only captivated the world's imagination, it has catalyzed an economic turnaround for the whole region.

For businesses to bottle the kind of experiences that rivet minds and run away with hearts, not just one time but over and over, they'll need to do more than hire designers. They'll need to be designers. They'll need to think like designers, feel like designers, work like designers. The narrow-gauge mindset of the past is insufficient for today's wicked problems. We can no longer play the music as written. Instead, we have to invent a whole new scale. ■

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