

SPECIAL ISSUE: OUR 3rd ANNUAL

Masters of Design

FAST COMPANY

OCTOBER 2006

One Smart Cat

Puma

Was on Its Last Legs Until a New CEO Tapped the Power of Design

PLUS THE MASTERS BEHIND:

GOOGLE'S NEW HQ

THOSE COOL SIRIUS RADIOS

THE LOOK OF CITIBANK AND TIFFANY



“DESIGN USUALLY STARTS WITH ‘THERE IS NO WAY,’ AND THEN WE SAY, ‘OKAY, HOW CAN WE MAKE THIS WORK?’”

—JOCHEN ZEITZ
CEO, Puma

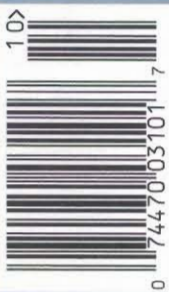
13 WIDGETS WE LOVE

COMFORT CLASS: VIRGIN RETHINKS COACH

ROGER MARTIN TELLS HOW TO MAKE DESIGN WORK FOR YOUR BUSINESS

PHILIPS THINKS BIG. TOO BIG?

FASTCOMPANY.COM



LETTER

FROM THE EDITOR



Design, by Design

It's official. We are present at the birth of a business fad. I mean the headlong and heedless embrace of design as a solution to everything that ails a company. There's hardly an organization that hasn't proclaimed itself "design driven," hardly a magazine that hasn't suddenly started applauding design.

So what's different about FAST COMPANY and our annual design issue? Well, we've been on this story for a while, and I believe our chops allow us to take the conversation further, to bring you insight you won't get from folks who've just tumbled onto the subject.

Here's the thinking you'll see suffusing this issue: Yes, design is powerful, and yes, it can have a profound impact. But it isn't magic, and it isn't easy. Harnessing design for business poses all kinds of management challenges and creates all sorts of internal conflicts.

In the opening essay by Roger Martin, a leading thinker on the subject, you'll read about the fundamentally different ways designers and businesspeople think. Elsewhere, you'll see how those differences actually play out—how graphic designer Paula Scher, for example, struggles to keep good work from being homogenized by bureaucrats. And in senior writer Jennifer Reingold's appraisal of Royal Philips Electronics, you'll learn how one design-driven company wrestles with making beautiful ideas pay off in the real world.

As the editor of this magazine, I have a firsthand appreciation of these tensions. Like the company leaders we write about, I've spent a lot of time thinking about managing our designers and how to balance creative license with discipline and focus. And like the companies that want to bring design into the first stages of product development, we've been trying to get art and edit to

work together continuously and collaboratively. At the same time, as we've devoted more space in the magazine to visuals, there has been some unhappiness among the writers, who see that shift coming at the expense of their words. In this respect (if no other), they're like engineers who push back at design's growing clout.

The fact is, though, that FAST COMPANY has always emphasized design, not only in our coverage but in our own pages. We do believe in the power of design, and in the possibility of a magazine whose beautiful pages reflect the dynamism and excitement of business.

In all of this, I am blessed to have at my side FAST COMPANY's hugely talented art director, Dean Markadakis, and his great team. They've had a busy few months. They were tasked at the beginning of the summer with refreshing the design of the magazine, creating a cleaner, more seamless look and accommodating some editorial improvements. It is no accident that we're unveiling the result in our design issue.

Here's Dean on what he aimed to achieve: "The challenge was to create something that worked from a design perspective, keeping in mind that this is, after all, a business magazine, and should be useful as well as entertaining and beautiful." You hold the result in your hands, and I think you'll agree with me that Dean and his crew have met his goals, and then some.

A handwritten signature in black ink, appearing to read 'Mark N. Vamos'.

Mark N. Vamos

* Business wants to love design, but it's often an awkward romance.

tough love

ROGER MARTIN,
dean of the Rotman
B-school, on the
three keys to
making it work

FORTY YEARS AGO, THOMAS WATSON JR., chairman and chief executive of IBM during its most explosive period of growth, famously proclaimed, "Good design is good business." Corporate America, however, barely looked up from its work. Except for a few mavericks such as IBM, Kodak, and Xerox, it would take years for design to move in from the fringes of business. But today, companies are creating products and services that delight customers with the grace of their fit and finish, and their exacting performance. Design, in short, is becoming an ever more important engine of corporate profit: It's no longer enough simply to outperform the competition; to thrive in a world of ceaseless and rapid change,

businesspeople have to outimagine the competition as well. They must begin to think—to become—more like designers.

Even as design gets its due, however, some business types wish the clock could be turned back to a time before all those designers were running around urging people to let their creative juices flow. And they resent that even as design is forced upon them or insinuated into their work, the designers themselves are often not held accountable for meeting firm revenue and profit targets—the primary form of business discipline.

This tension between business-as-usual and business-by-design is not new, of course. Many businesspeople have long





Businesses have to outimagine the competition, to think—to become—more like designers.

regarded designers as mere stylists. More than a few designers see businesspeople as Neanderthals all too willing to forfeit quality for the sake of profit. Their mutual pique springs from a fundamental difference in the way each side thinks about creating value: Corporate types, by and large, seek to fuel growth by building from bulletproof, reproducible systems; designers generally attempt to do so by imagining something new, different, better. That difference can be seen as a trust in reliability on the one hand and in validity on the other.

A reliable process—which tends to attract folks in finance, engineering, and operations—produces a predictable result time and again. This is business as algorithm: quantifiable, measurable, and provable. It hews to that old management adage, “What doesn’t get measured doesn’t get done.” Wal-Mart, Dell, McDonald’s—each started out with a novel idea, yet each went on to standardize every aspect of its operation and blow it out across the United States and then the world, creating billions of dollars of wealth along the way.

A valid process, on the other hand, flows from designers’ deep understanding of both user and context, and leads them to ideas they believe in but can’t prove. They work in a world of variables: the unpredictable, the visual, the experimental. Great designers worry less about replicating a successful process than about producing a spectacular solution. Design leaders like Panasonic, Timberland, and Bombardier have grown exponentially since their inception, yet each continues to put a premium on judgment, experience, and gut instinct.

Valid thinking demands an inspired leap of faith. Before John Mackey launched one of the country’s first supermarket-style natural-food stores, for example, nobody could prove that Whole Foods Market would succeed at all, let alone become the most profitable food retailer (in terms of profit per square foot) in the United States. But Mackey did it anyway. As the computer scientist Alan Kay put it so memorably, “The best way to predict

the future is to invent it.” And that is what design-centric organizations do: They peer into the needs and desires of their customers, identify patterns of behavior, refine ideas that tap into those behaviors, then push into the unknown—or at least the uncertain.

If an organization wants to reap the benefits of design, it must do more than just hire “hot” designers or declare itself to be “design oriented.” The challenge is to manage the chronic push and pull between a value system premised on what’s valid and one based on what’s reliable. As the man-

agement theorist James March has argued, by focusing on the intuitive and experiential, organizations *explore* new sources of competitive advantage. By looking to the provable and replicable, organizations better *exploit* the innovations they’ve brought to market. To prosper over the long run, a company needs to succeed at both. It must mesh the classical workings of a traditional organization with the prototypical features of a design shop, especially in three key areas: reckoning the future, organizing work, and establishing status and rewards.

1

RECKONING THE FUTURE: PROVE IT OR INVENT IT?

PERHAPS THE MOST GLARING difference between the worlds of business-as-usual and business-by-design is the way each side actually thinks. In traditional organizations, the dominant forms of logic are inductive (demonstrating through observation that something actually works) and deductive (reasoning from a set of existing principles to prove that something must be). For example, Costco might study the current cost structure of all of its outlets in order to set, inductively, future cost targets for the whole chain. Or Clorox might use a core operating principle—“build market share and profits will follow”—to deduce whether to launch a new kind of sanitizing spray. Corporate folks typically believe they can “prove” the future by applying

rigorous inductive and deductive logic to the present.

Designers use inductive and deductive reasoning as well, but they also rely on a third type: abductive reasoning, the logic of what might be. A.G. Lafley, the chief executive of Procter & Gamble, understands the need to braid all three forms of creative thinking. While he is a true data hound, Lafley also pores over anecdotal research and allows customer comments to influence him even if they are not rigorously collected or statistically significant. Lafley was relying on that kind of anecdotal evidence when he championed the conversion from big-box to compact detergents—one of P&G’s most important decisions over the past 15 years, and one that flew in the face of the available hard data. That decision opened a multibillion-dollar market for P&G and demonstrated that simply regressing the past isn’t enough to bust a daunting challenge. As Bernard Arnault, chairman of the French luxury-products group LVMH once put it, “It is not enough to have a talented designer; the management must be inspired too.”

2 THE WORLD OF WORK: PERMANENT TASKS OR TEMPORARY PROJECTS?

THOSE DIFFERENT SORTS OF LOGIC are also reflected in how work is typically organized in the business and design communities. Daily work at a tradition-bound firm consists of a series of permanent, ongoing tasks: Make the 30-day forecast, upgrade the core product, manage the next sales initiative. Each person's role is clearly staked out, and compensation is closely tied to the position's responsibilities, which vary little over time. In a design shop, however, everyone "lives in the projects," as the business-management strategist Tom Peters once said. All work is temporary and project-based, and people are judged by their ability to add value to it.

Both approaches to work are necessary, but insufficient. In the hurly-burly of day-to-day business, work is really a combination of ongoing activities and discrete, time-bound projects; the trick is to pick the style of work that best fits the problem. After all, company-defining products such as the iPod, the Razr, and the Mini didn't emerge from a fixed, standardized process—they were born in the projects.

And so, as a rough rule of thumb, when your challenge is to create value or seize an emerging opportunity, the solution is to perform like a design team: Work iteratively, build a prototype, elicit feedback, refine it, and repeat. Give yourself a chance to uncover problems and fix them in real time, as the process unfolds. On the other hand, running a supply chain, building a forecasting model, compiling the financials—these functions are best left to people who work in fixed roles with permanent tasks, people more adept at describing "my responsibilities" than "our responsibilities."

If that sounds like a schizophrenic way to run an organization—where one-half functions like an accounting firm and

the other collaborates like a design shop—well, perhaps it is. But that's the way Google does it. CEO Eric Schmidt has said that the part of Google that looks like a normal company (sales, marketing, operations) is run like a normal company, but the part that defines what the customer sees and experiences (software coding and engineering) feels more like a design shop free from top-down control. Call it schizophrenic, but the challenge for CEOs like Schmidt is to manage the paradox of freewheeling innovation and buttoned-down operational discipline. (For more on reconciling the two, see "Design Intervention," page 88.)

3 SOURCE OF STATUS: A LARGE STAFF OR AN OUTSIZE SUCCESS?

IN TRADITIONAL FIRMS, STATUS—the protein that nourishes the ambitious as they claw their way up the corporate org chart—is conferred on those who run brawny organizations with big-time budgets. The relationship between size and status is pretty straightforward: The larger the revenue and the bigger the staff, the higher one's station and the greater the reward. That's why most executives prefer the known to the unknown. It's a lot easier and safer to run a billion-dollar business than it is to invent one.

Among designers, however, the tinder that fuels the creative fire comes from solving wicked problems. The best designers are not necessarily known for the revenues they've generated, but for the challenges they've cracked. In the business world, for instance, Hartmut Esslinger is recognized as the founder and CEO of frog design, an international creative consultancy that counts Hewlett-Packard, Disney, and Nextel among its clients. But in the designer's universe, Esslinger will be forever famous for conceiving the look and feel of the Apple IIc,

now in the Whitney Museum of Art.

Companies like P&G have figured out that rank and title alone are less-than-stellar motivators. So, to keep its people priming the growth engine, P&G imported the designer's ethos to "do meaningful work." When the company created its Global Business Services unit in 1999, its new head, Filippo Passerini, moved to a business-by-design model when he essentially challenged his information-technology group to become problem solvers. Having outsourced the bulk of P&G's mundane, day-to-day IT operations to HP and IBM, Passerini freed half of his 2,300 staffers to become high-end matchmakers. As he told *CIO* magazine, "They match what's needed in the business with what's possible with technology." Today, his supergeeks are experimenting with virtual-reality technology and coding new applications to improve customer-relationship management systems.

By creating a problem-solving culture, Passerini has transformed a workforce of back-office drones into a tribe of intrapreneurs who are creating tremendous value for P&G. This past August, his IT managers won bonuses when the GBS unit met an unprecedented challenge following P&G's acquisition of Gillette: integrate 95% of Gillette's systems capabilities into P&G within 15 months. Marta Foster, a VP who oversees the IT team's business-solutions work, says the project, which required a workforce of 600 coders and engineers, was "incredibly energizing. It's far more meaningful when our work is tightly aligned with the company's strategy. Our people talk about their projects like they're running their own businesses."

MANAGING THE YIN and yang of business-as-usual and business-by-design means striking a balance between any number of countervailing impulses: Give people the freedom to follow their nose, but hold them accountable for their performance. Set a high bar, but recognize that failure is an unavoidable consequence of pushing into new territory. Do everything possible not just to thrill your customers but also to wring costs and efficiencies out of vendors and suppliers. The biggest challenge for all of us, designers and businesspeople alike, is to become equally adept at quantifying the now and intuiting what's next. There's simply no other way to win. ■