

Design Capability: How to Integrate It for Competitive Advantage



Bindu Kulkarni
& Renuka Kamath

Problem of Practice:

Several companies that have adopted Design Thinking have witnessed the power of creative and human-centered problem-solving and tangible bottom-line benefits. Many companies have experimented with this approach using consultants and specialists in limited project settings. While such companies have captured some value from focused design interventions, there is much more value to be had by embedding design as a practice into the organization. To be able to move from design intervention to design integration within organizations. Not sure how to start or strengthen the use of design as a capability? In this essay, we build on research by Julie Sahakian and Sihem BenMahmoud Jouini to show how to embed Design Thinking into your organization in an integrated manner

¹ Julie Sahakian and Sihem BenMahmoud Jouini, "Building Design as a Dynamic Capability: A Model for Design Integration," *Journal of Product Innovation Management* n/a, no. n/a (June 6, 2023), <https://doi.org/10.1111/jpim.12674>.

Power and Potential

An early exemplar of Design Thinking was Apple co-founder Steve Jobs. By focusing on granular aspects of the user experience, [Jobs and his designers](#) were able to know what customers wanted before the customers themselves did.¹ The company developed products that felt ‘just right’ to consumers. Jobs also ensured that Apple’s [product teams](#) were selected and encouraged to share this vision of building products that made a difference.² This is no coincidence: The research by Sahakian and Jouini suggests that deep and unwavering commitment from top management is a critical success factor in integrating design as a capability.

Design Thinking (DT) has been gaining ground not only in finding solutions to product and service challenges but also for re-drawing strategy, re-thinking the business ecosystem and re-aligning culture. The practice of design is building bonds within organizations, establishing strong ties with customers and impacting the business bottom line. In 2015, a stock index of publicly-traded companies committed to design as an integral part of their strategy showed a 211% return over the [S&P 500](#).³ Clearly, design matters. But how does DT evolve from an experiment to a dynamic capability?

The Way forward

So, how can companies make Design Thinking an innate part of their culture and not just use it opportunistically? Besides top management commitment, aka strategic orientation, the research identifies seven components (listed below) that are essential drivers of embedding design as a capability.

Human resources must hire and contact designers and increase employee training to build internal design capabilities. In large firms, human resources also need to play a role in distributing the designers into teams working on different projects to increase awareness and acceptability of design interventions across the organization. A mature human resource function will help select design managers who are not only functional experts in design but can also develop the team’s design capability.

An example of strategic orientation towards design, aligned with human resources is Pepsico, the food and beverage giant. Under then-CEO Indra Nooyi, [PepsiCo decided to hire Mauro Porcini](#), a design specialist and evangelist, to scale up the role of design in the company.⁴ Recalling the mandate, Porcini said, “We didn’t talk about designing good products; we talked about designing culture and changing the culture of the organization.” From those conversations emerged a strategic roadmap that widened the range of

design capabilities with industrial, strategic, brand, and experience designers. Subsequently, the innovation team at Pepsi accounted for 300 creative people across 40 brands and 16 offices.

Deployment of the design approach – when and how – is a second element of capability building. In a hyper-competitive environment, the deployment might be continuous or periodic. An example is the food delivery business UberEATS, which attributes its success to DT principles such as deep immersion, rapid iteration, and formal processes to empathize with customers. A key element of deep immersion is the company’s [Walkabout Program](#), where designers observe a city’s food culture, logistical infrastructure, and delivery process and interview key stakeholders.⁵ These deep immersions have resulted in a customized driver app that reduces the pain of finding parking in densely populated urban areas, ensuring smoother pickups. Instead of continuous deployment, one of the companies studied in the research – a European insurance company – enabled project leaders or sponsors to assess whether a formal design approach was needed, and if so, design specialists – either in-house or outsourced, would be allotted.

Activities are the heart of design – Observation, understanding the users, problem framing, ideation, prototyping, visualization and experimentation. An integrated approach toward design implies an activity system framed by guidelines, flexible in enactment but consistent in principles across the organization. An example of a systematic set of design activities is the electronics giant Samsung. Around 2003, [Samsung deployed a design team](#) to improve the aesthetics of their TVs.⁶ The design team used ethnographic research (an observational technique) to reveal that TVs are off far longer than they are on. This research led to reframing the TV set as a “visually stunning piece of furniture”. Next, the team ideated and prototyped a design that moved the TV speakers from their usual location on the sides of the set to a less visible position at the bottom. Viewed as a deeply controversial move, Samsung decided to experiment by selling the new TV in the European market, which proved to be a big hit. The rest is history, and a global deployment for the new design followed. This innovation bore fruit as Samsung accepted the playbook of design activities and was able to achieve the cultural shift within the organization by investing in different training programs in design since 1997.

Tangible results of design can provide the organization with a clear visualization of how deep innovation has advanced the organization’s mission. The research suggests such outputs can be of many types – physical prototypes, recommendations, operational measures such as customer

What is design thinking?

- As per McKinsey, Design Thinking is a systemic, intuitive, customer-focused problem-solving approach that organizations can use to respond to rapidly changing environments and to create maximum impact
- It is a methodology used to solve complex problems, and a way of using systemic reasoning and intuition to explore ideal future states

How to build a design-driven culture?

As per McKinsey there are four steps

- Understand your audience
- Bring design to the executive table
- Design in real time
- Act quickly to adopt and adapt as needs change

retention, improved efficiency, customer satisfaction, and financial metrics such as an increase in revenue. At Pepsico, Nooyi pointed to ‘hero’ products such as [Mountain Dew Kickstart](#), which generated more than \$200 million in two years.⁷ Kickstart had innovative design embedded into multiple aspects, such as packaging, product components, and sourcing. Tracking such products, services, and metrics helps the whole organization rally around design as an approach.

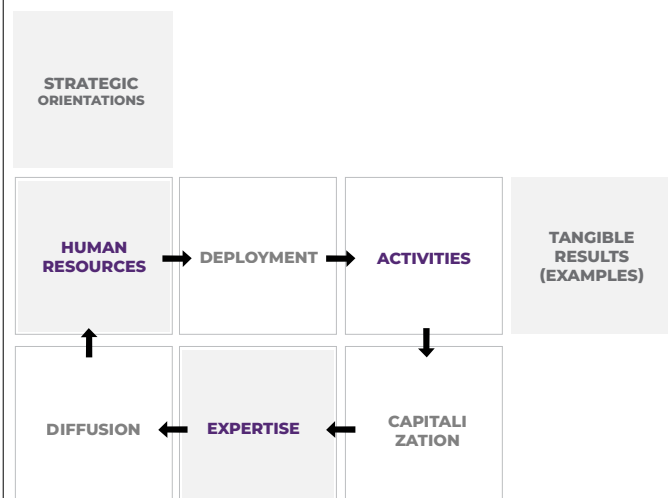
Capitalization is another element of design-as-capability. In the research study, capitalization was found to be a sum of several processes: project documentation, demos, project reviews, and a shared repository of tools, methodology, and templates. These processes help different design teams learn from one another, both from pitfalls and successes. Hence, the diffusion of experiences is crucial to design a regenerative capability within an organization that has the power of renewal when needed. At [McKinsey](#), a global consultancy, innovative solutions are documented in an internal network called the PDNet (Practice Development Network).⁸ To encourage a renewal of this repository, McKinsey has instituted an annual internal competition for innovative and impactful solutions. At every level of the competition, the top solutions are highlighted and added to the PDNet.

Expertise goes hand-in-hand with capitalization, as it is a way of developing a community of practice to facilitate the development of design expertise and skills. While a repository of tools, templates, and best practice documents is essential, expertise can also be built upon senior designers’ events, such as masterclasses and keynote presentations. An example comes from the accounting

software firm Intuit, which designates ‘[Innovation Catalysts](#)’ as those individuals who act as design thinking coaches.⁹ Intuit boasts more than 1,500 such coaches, each of which has taken three, five or 14 days of DT leadership training, all done internally. Interestingly, these catalysts are not necessarily what you would associate with a creative role – many are accountants. The critical insight here is that these catalysts are passionate about design thinking and can work with product managers to drive innovation by being collaborative, creative, participative, and empathetic.

Diffusion is the final element of integrating design into the organization’s DNA. Not all employees can or want to be active designers. But what is essential is to build awareness and an appreciation of the power of the DT approach across the organization. This can take the form of formal training sessions or informal forums. Intuit has organized a series of ‘Design For Delight’ forums, where employees heard success stories, listened to experts talk about DT, and were encouraged to think about how design could improve their jobs. Each forum saw attendance of over 1,000 employees.

Figure 1: Eight elements for integrating design capability



Source:

Based on the research by Julie Sahakian and Sihem BenMahmoud Jouini. “Building Design as a Dynamic Capability: A Model for Design Integration.” *Journal of Product Innovation Management*. (June 6, 2023). <https://doi.org/10.1111/jpim.12674>.

As per a report by Precisionreports.co, the global Design Thinking market size was valued at US\$6900 million in 2021 and is expected to reach US\$ 10500 million by 2027

While incorporating all eight of these practices (see Figure 1) at once may seem daunting and costly, the research suggests that most organizations have followed a phased approach to integrating design as an organizational capability. It starts with a strategic orientation or top management defining the need for such a capability, whether it be Samsung's chairman or Intuit's founders. In all cases, a phased approach starts with executive leadership calling for design as an integral part of company strategy. As a mindset, DT also embraces the idea of learning from failure. The same is true when building DT as a capability. Relying heavily on tangible monetary results can hurt capability building. Apple, for instance, is celebrated for its successes but has also learned from its several [product failures](#), ranging from the Newton tablet to Apple Maps.¹⁰ Consequently, a company that wishes to develop a design culture should consider such setbacks to be the cost of change.



Bindu Kulkarni is an Associate Professor for Strategy and the Director of Central Admissions at SPJIMR. You can reach out to her at binduk@spjimr.org

Renuka Kamath is the Professor for Marketing and Associate Dean of Full-time Programmes at SPJIMR. You can reach out to her at rkamath@spjimr.org

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[**mpi@spjimr.org**](mailto:mpi@spjimr.org)

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