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THE GLOBAL ECONOMY

By Bruce Nussbaum

## Getting Schooled in Innovation

**Smart execs now know this is a key to success in today's world. And they're turning to design firms -- yes, design -- to learn the ropes**

Allow me to make my one and only New Year's prediction for 2005: The emergence of China and India will force every single major corporation in America, Europe, and Japan to choose one of two competitive strategies. They'll have to attract customers by offering either low-cost, low-value goods and services, or innovate and create new high-cost, high-value products and services.

That's the simple choice all companies will have to make. It's clear what chief executives must do if they take the first option. If you want to play in the low-cost game, you must have a China/India strategy. Dell Computer (**Dell**) aside, virtually every low-cost strategy includes manufacturing in Asia.

But what do you do if you choose the high-value, high-cost innovation option? Executing that choice is much less clear. How do you generate profitable innovation? Business schools and executive education programs have been hard at work for decades churning out numbers-oriented, metric-measuring, linear-focused executives who are much better at managing costs than managing imagination. They're more comfortable teaching people with backgrounds in engineering than anthropology, math than psychology.

**BACK TO CLASS.** Yet innovation by its very nature requires leaps of faith, attempts to do what hasn't been tried before, and perhaps most important of all, an understanding of consumer culture. B-schools, while making headway in recent years, still for the most part don't get the notion of innovation and don't teach it very much or very well. Ditto for exec-ed programs.

So where should CEOs and middle managers go to learn how to turn themselves and their companies into great innovators? A growing number are going to design schools or design consultancies.

**The Institute of Design**, one of the seven schools of the Illinois Institute of Technology, has been teaching design thinking and strategy for years. Supported by many of the largest corporations in the U.S., it offers both masters and PhD programs in graduate design education. Corporate America has been sending its designers to the Institute of Design in Chicago to learn research methodology for a long time, but recently nondesigners have begun showing greater interest in learning more about a field so closely associated with innovation.

**"INNOVATION GAP."** The Institute of Design recently introduced a nine-month Master of Design Methods (MDM) degree for management, engineering, and other professionals who want to be innovation leaders. The MDM will provide a background in design methods in user observation and research, prototyping of new services and products, creating systems of innovation, visualizing alternative futures, and linking user innovation to organizational strategy.

If this sounds very "future-y," that's because it is. Industrial design has evolved into a new field -- design innovation. Designing consumer experiences -- information, interaction, and service -- requires innovation.

The Institute of Design says it can help managers close what it sees as an "innovation gap" between the increased ability to create just about anything -- thanks to the combination of sophisticated technology and overseas manufacturing -- and the decreased understanding of quickly changing consumer cultures and ways of life. This is the heart of innovation -- and very interesting stuff for managers.

**THE DESIGN DECADE.** Indeed, a growing number of companies are installing chief creative officers, or CCOs, in their

hierarchy, joining chief operations officers and chief information officers. Samsung has one. J. Mays, group vice-president of design at Ford ( **F** ), has added the title "Chief Creative Officer." Headhunter RitaSue Siegel of RitaSue Siegel Resources tells me that many companies are borrowing the title from the advertising industry to reinforce institutionally the importance of design innovation in their corporate organizations.

Executives can also educate themselves about design innovation by directly hiring design consultancies to customize programs for them. This quickly growing field is still a bit under the radar. IDEO, the Palo Alto (Calif.) design firm I wrote about in May (see BW, 5/17/04, "**The Power of Design**"), has customized innovation programs for Proctor & Gamble ( **PG** ) as well as Samsung and others. ZIBA Design in Portland, Ore., offers the service as well, as do a handful of other design firms around the country.

If you're a manager at a company that's going to compete globally by playing the innovation game, you're going to have to learn how to innovate. Don't kid yourself about learning all you need to know about innovation in B-school. You didn't. When people talked about innovation in the '90s, they really meant technology. When people talk about innovation in this decade, they really mean design.

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