

Design Thinking and Beyond

Strategies for Innovation

Great design improves product quality, increases customer satisfaction, and creates more cost-effective processes. Great design can also drive outsized profitability and investor returns. As a result, the concept of “design” has evolved from initially addressing the visual aspects of a product—physical or digital—to revolutionizing companies in transformative and strategic ways. These dynamics are best articulated within Design Thinking, an approach codified by IDEO and further shared at the Stanford d.School, as well as at many other design-oriented schools.

Human-centered design thinking has evolved into a broad set of problem-solving approaches that are having a positive impact on technology, retail, health care, education and virtually all sectors of our economy.

Our view is that companies employing design thinking are likely to be leaders in their industry and are developing an ardent ecosystem of customers, vendors and stakeholders.

At its core, design thinking starts with a focus on the user or customer; hence, "human-centered design." Companies with a design focus develop solutions in a streamlined, expeditious and convenient manner—often incorporating stylish packaging and/or new types of product interfaces. While many early adopters of design-thinking strategies include companies in the consumer electronics, hardware and consumer banking areas; today, the new frontier of design thinking has expanded into enterprise software, cloud computing, health care, retail, telecommunications and other industries in need of improving product delivery, customer experience and supply chain logistics.

Driven by prior successes, design thinking continues to evolve, and its application and scope are becoming more holistic, multi-disciplinary and environmentally-aware. As users desire products tailored to individual biological and ecological needs, companies are driving towards sustainable solutions to address these goals. These approaches can improve all parts of a product life-cycle while addressing various local and global considerations sought by many consumers.

In this note, the third in our Smarter Living series, we share views and guidance from leading innovators at firms, such as **Amazon**, **Apple**, **BBVA**, **IDEO** and **Salesforce**, who are all using design as a strategic customer-centric tool.

We also present how design-thinking strategies drive innovation at:



Airbnb—Where everything they do is design-driven.



BigML—To make machine learning beautifully simple for everyone.



OpenGov—To help governments become more effective and accountable.



Outdoorsy—To provide a marketplace for outdoor accommodations and experiences.



Outsystems—To help customers innovate faster & change how enterprise software is developed.



Slack—To offer a collaboration hub for all forms of work—and information.

Rules for Global Innovation— It's about Design ...

Industry leaders are applying design thinking because its holistic approach creates innovative and disruptive solutions. This human-centered design methodology continues to adapt and expand across many levels: individual/company, society/country as well as across global ecosystems.

To increase our understanding of design thinking and the need for design-driven customer/human-centric approaches, consider the following views from industry participants of the past and present.

*“It’s not ‘us versus them’ or even ‘us on behalf of them.’ For a design thinker it has to be ‘us with them’”
“Whenever we do something to improve the state of the world, we’re designing ... Design is everywhere, inevitably everyone is a designer.”*

Tim Brown, CEO and President, IDEO

“All employees, regardless of their role, should begin to see themselves as a designer that contributes to improving the customer experience.”

Rob Brown, Global CMO and Head of Marketing, Design and Responsible Business, BBVA

“Design is not just what it looks and feels like. Design is how it works.”

Steve Jobs, Founder, Apple

“What is design thinking, you ask? It’s a way of approaching selling that brings together a set of tools and mindsets to help you truly understand your customers and what their customers care about ... Design thinking is centered around earning trust, developing deep relationships, and delivering solutions that exceed your customer’s expectations.”

Design Thinking for Sales, Salesforce.com

.... Interest is Increasing, with Positive Trends

Design thinking is helping to improve legacy processes and drive the development of innovative solutions. Incorporating this approach, while leveraging new technologies and new data sources, businesses can create unprecedented changes to our lifestyle and our environment. As chart 1 presents, interest in "Design Thinking" is global and continues to expand.

Chart 1: "Design Thinking" Interest Continues to Increase (Worldwide 2004 - present)



Source: Google Trends

It is notable that companies around the world are adding design talent to their inhouse staff. Since 2004, over 100 design-related companies have been acquired. Table 1 below presents acquisitions over the past 12 months. The list of companies extends across industries from digital agencies adding design capabilities, consulting firms adding a new discipline to their strategic capabilities, to all types of companies, from telecom (**Verizon**) to technology (**DXC Technology**), adding design talent.

Table 1: Digital Design-related Acquisitions (past 12 months)

TARGET	DESCRIPTION	ACQUIRER
Adaptive Labs	Digital design studio	Capgemini
Argo Design	Product design consultancy	DXC Technology
Brandfirst	Interactive marketing agency	Deloitte
CHIEF	Marketing and design agency	ByteCubed
Citizen	Strategic digital design firm	Ernst & Young
Designaffairs	Strategic design consultancy	Accenture
Designation	Design education school	WeWork
FRWD	Digital agency	Bain & Co.
General Assembly	Specializing in digital skills training for businesses	Adecco Group
Kolle Rebbe	Digital-first creative agency	Accenture
Map Project Office	Industrial design consultancy	AKQA
Moment	Design and strategy firm	Verizon
Periscope	Full-service agency	Quad/Graphic
Sayspring	Technology to design voice applications without coding	Adobe
Tonic Design Co.	Digital design agency	Printfly
Universal Design Studio	Architecture and interior design practice	AKQA
W12 Studios	Digital design studio	Tata Consulting Services
Wake	Design collaboration app built for teams	InVision
We are Vista	Creative communications agency	ICF

Source: Various

For decades, it was the case that most successful and famous startup companies were founded by either engineers or business people. Today, many leading technology companies are founded and run by design thinkers. Designers are not only transforming products we use on a daily basis but also directing corporate strategy with major roles within the C Suite. Companies founded by design executives include **AirBnB**, **Paypal**, **Instagram**, **KickStarter**, **Etsy** and **Pinterest**.

Industry Leaders & their Design-driven Successes

The insights below, from industry leaders, can help us understand how design thinking is driving success in today's competitive business environment—it is having a positive impact on the customer experience, helping to scale businesses and creating communities.



The **Airbnb** story started in 2007, when the founders moved from New York to San Francisco. Today, the firm is a global on-line marketplace where people list and book accommodations and experiences (rooms, apartments, castles, sailboats, etc.). The platform supports over 4.5 million listings in 191 countries.

Reflecting on their early efforts and lessons-learned, **Joe Gebbia, Airbnb co-founder and Chief Product Officer** said, *"We had this Silicon Valley mentality that you had to solve problems in a scalable way because that's the beauty of code. Right? You can write one line of code that can solve a problem for one customer, 10,000 or 10 million. **For the first year of the business, we sat behind our computer screens trying to code our way through problems.** We believed this was the dogma of how you're supposed to solve problems in Silicon Valley ... **la trip to NYC to meet customers** changed the trajectory of the business."*

According to **Brian Chesky, Airbnb Co-founder and CEO**: *"Today **we're very much a design driven company.** Everything we do is design driven, not just the product we make or how we design them. Every decision, from the board meetings we run, through how we hire people, to our office design."*



Redwood, City, CA-based **OpenGov** was founded in 2012. The firm is a leader in cloud-based solutions for government. They provide an integrated cloud solution for budgeting, performance, communications and reporting. This multi-tenant Software-as-a-Service solution connects stakeholders to the budget process, engages them for real-time feedback, accurately forecasts personnel costs, and integrates with key government systems, resulting in improved outcomes, enhanced internal efficiencies, and more time for strategic planning. Over 2,000 public agencies use OpenGov.

OpenGov CEO Zac Bookman: *"We are here to make the lives of government executives easier ... **Our products are so customer-driven** that it's very important for us to gather all of our customers here in one place and get their feedback. We take that feedback and use it to shape our product roadmap."*



Oregon-based **BigML**, Inc. was founded in 2011. The firm's "Machine Learning as a Service" platform helps organizations make highly automated, data-driven decisions. The platform streamlines the creation and deployment of smart applications powered by state-of-the-art predictive models. Pursuing their motto "**Machine Learning made beautifully simple for everyone**", BigML helps organizations such as Bidu, Claro, Dun & Bradstreet, Fidelity, Mazda, Pfizer, Santander and Seagate.

BigML's CEO Francisco Martín: *"We realized that the abundance of data resulting from digitization and the low cost of computers, as well as their high computing capacity, made it possible to use Machine Learning techniques that had been invented decades ago ...*

*"The existing tools had been developed by scientists for the scientists themselves, they were very complex and, in addition, they ignored many problems of the real world; so **we saw that it was the opportune moment to democratize the Machine Learning or Automatic Learning, creating a service very easy to use and accessible to everyone.**"*

Outdoorsy

Austin, TX-based **Outdoorsy** was founded in 2013. The firm provides an on-demand marketplace for outdoor accommodations and experiences, from finding a house-on-wheels to adventure-equipment-you-can-sleep-in, to SUVs with roof tents and all the equipment needed during the trip.

Outdoorsy CEO Jeff Cavins: *"We wanted to do something profound yet simple to understand and fun. And we wanted it to be great for users. We wanted to do something that fit Jim Collins' tenant: 'the essence of profound insight is simplicity.' It had to serve our passionate interest in outdoor experiences."*

Outdoorsy co-founder and Chief Marketing Officer Jennifer Young: *"Over the last few years there has been a resurgence of people looking to reconnect with nature and detach from the constant connectedness of everyday life ... We aren't just looking to create the next big thing in the sharing economy, **we want to create a community** of passionate outdoor enthusiasts who are looking to connect and share their experiences with others."*



Founded in Portugal in 2001, **Outsystems** helps customers innovate faster to fundamentally change how enterprise software is developed. The firm focuses on low-code development—a process where user-design can streamline application development. The firm's clients include Logitech, EMC, Banco Popular, BBVA, Zurich Insurance, Charles River and Georgia Tech.

David Holland (Product Design, Visual Design, User Experience): *"Design is not a commodity. Turning ideas into products with personality requires a mix of imagination, artistry, and thoughtfulness. Moreover, you must always keep in mind that **moments of user delight are often hidden in the details** that most likely were not thought of in the overall big picture."*



San Francisco, CA-based **Slack** was founded in 2009 as a collaboration hub for work, no matter what work you do. The firm's platform provides a place where conversations happen, decisions are made, and information is always at your fingertips.

Slack CEO Stewart Butterfield: *"it's very difficult to design something well if you don't have any **empathy for the people who are using it**. In fact, empathy is probably the most important skill that a designer can have. Because if you can't step back from your own emotions and your own ego about how the thing should be and your idea versus somebody else on the team's idea and really put yourself in the shoes of human being who is going to be using the software, then it's—I don't know. Your chances of success are coin flips. Another one was curiosity. And another one was diligence."*

*"Financial services now have these design groups: Capital One has put massive effort into the design of everything from its online payment portals to its mailers. I think it's likely that design will increasingly have a seat in the C-suite. **Anything where design can make a difference and other entrepreneurs aren't yet thinking about it—that's where the opportunity lies.**"*

Closing Thoughts

At La Honda Advisors, we believe design-thinking approaches are critical in achieving and maintaining a competitive edge. The opportunities are broad-based in many fields, including ecommerce, software, health care, industrial—and these business opportunities are growing at an accelerated pace. Innovation driven by design thinking will need to address this pace as well as the myriad needs—for consumers, companies, countries and our planet.

As we pursue design thinking-driven opportunities, consider the following from **Thomas J. Watson—Former Chairman/CEO IBM**:

“Design must reflect the practical and aesthetic in business but above all... good design must primarily serve people.”

We look forward to working with you and helping you with your design-driven journey.

About La Honda Advisors

La Honda Advisors is an investment banking boutique focused on achieving exceptional M&A and financing outcomes for our clients. Our clients are the innovators and technology leaders who build great companies and seek more creative, nimble approaches. While based in Silicon Valley, our reach is global.

For more information on La Honda Advisors, please visit our website at www.lahondaadvisors.com or contact our Partners.

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