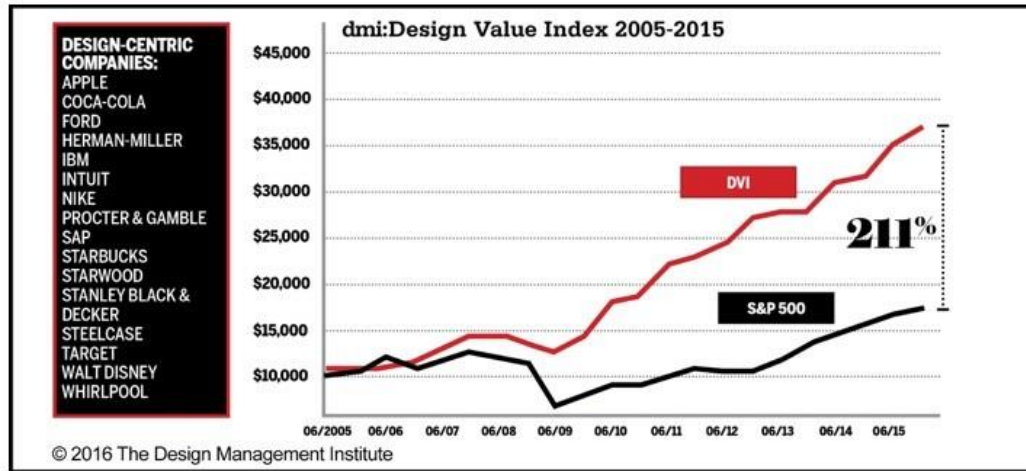


Design Led Companies ... Create Massive Value



Design Led Companies ... The Next BIG Wave in India ?

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1. Introduction

Design Led companies in the United States have done extremely well (please see graphic above) and have consistently outperformed the S & P 500 since the Design Management Institute and Motiv Strategies conducted their seminal study on measuring the impact of Design on Corporate performance.

It may interest readers to know that in 2015, the 16 Design Led Companies grouped into a DMI metric outperformed the S & P 500 index by an astounding **211 %**.

Whatsapp is one major example of a Design led start-up, where with just **55** employees, the company was valued at US \$ **19** Billion when facebook acquired them. The same can be said about retailers like **Amazon** where superior design and strategy enabled better user experiences and massive valuations.

Essentially ... better Design leads to vastly improved user experiences. Huge Valuations also come from superior Strategic Design, which is far above mere Product design and Services design in the Design hierarchy.

2. Exploring The " India " Angle ...

This note specifically explores how outcomes measured at companies ranging from Apple to Ford and Amazon to Lockheed Martin ... and the ideas coming out from those learnings might transform India's corporate landscape over the next 10 - 15 years.

While we initially will discuss Large organisations, we will also discuss why Govt. actions and other reforms in India over the last decade ... are likely to create huge opportunities for start-ups and to companies with no previous baggage.

Finally, we will go into SIX specific facets of design which impact corporate performance and depending on how these are implemented, could impact valuations steeply ... ranging from a few Hundreds of Millions of US dollars ... to several Billion.

3. Design Led Companies ... The Next BIG Wave in India

Leading Companies in India today face massive challenges going forward and it is important to define the challenge they face in simple terms.

As the Indian Economy Triples in size from a GDP of US \$ 2.7 Trillion in 2019 to US \$ 7.5 Trillion in 2032 ... all India's leading companies will need to Triple in size ... to stay in the same place.

Essentially, we are saying that all the Big business houses in India will need to Triple their revenues and profitability, in just **13** years to retain their current rankings and it is well nigh impossible to meet the asking rate required to achieve this ... Without good Design.

Achieving consistent high growth is a Massive challenge, given the Hierarchies and established structures that these companies have had

in place for the last 2 decades and even in such cases, good organisation Re-design can make things better.

4. Impact of Govt. reforms

Two Critical Factors have changed fundamentally in the last few years which will force Industry to adopt a Completely New Way of Looking at Business and growth :

- **The Banking Sector is getting cleaned up** ..., This will Transform bank lending policies with Governance and Transparency becoming critical for receiving financing
- **GST and other reforms** ... This is forcing companies to be honest as company managements have a " Binary Option " ... Either clean up your act or get out

This essentially means that No Company in India today can continue to do business like they have been doing in the past. In stock market terms, it means that some people who choose Midcap stocks wisely ... are likely to become very wealthy.

5. Start-ups ... With New Business & Operating Models

The Next wave of Corporate Growth in India is likely to be driven by Design Led Start-ups which will grow from nearly Nothing today ... to Fortune 500 levels over the Next 20 - 30 years.

X36 Falcon expects a New Design Led challenge to come from Start-ups in Banking, Real Estate, Construction and Engineering, Defence Manufacturing, Software and Retail businesses. These Design Led startups will challenge the much larger incumbents in a way similar to how Alexanders Armies took on and routed King Porus's much larger forces in 326 BC.

Some companies which are in the Midcap and Small category today and New Startups that will be born in the next few years who are more Nimble (with better quality people), are likely to challenge the incumbents in nearly every category ... on the strength of New Ideas and New Business and Operating Models ... and better DESIGN ... powered by Collaborative Work Cultures and the Internet.

The workforce is also likely to see Massive Change as Excellence Moves out of Large Corporates and into small consulting organisations.

This exodus of Talent from India's largest companies is real and the best people are voting with their feet, preferring to work with **5 - 6** different companies simultaneously ... or remotely over the internet ... from the comfort of their homes.

For traditional / large Indian Companies this is going to be a massive challenge ... as they will no longer be able to bank on in-house Experts, in critical areas like Strategy, Finance, Marketing, Project Management, Engineering and R & D.

As a result of all this ... New Ventures and even large construction projects in India will to a large extent be delivered in Joint venture mode by diverse Teams located in cities around the world and collaborating over the internet.

This is already happening right now ... and the trend will greatly intensify over the next few years.

6. Disruption has Already Arrived ... And it is not Just in Technology

Around the world most organisations are taking steps to Operate in a New world with Artificial Intelligence and Big Data.

But in India the challenges for large incumbents are far bigger ... AI and BIG data are challenges Yes ... but not the most serious.

Indian companies have massive bureaucracies and it is very difficult to start anything NEW in most of them. In some companies, while we have political challenges , a vast majority of the staff are simply not equipped to handle a situation where nearly everything in their business ecosystem is changing.

- The banking & financial sector is seeing huge changes ... Banks are likely to be far more independent and free from undue influence as rules get stricter
- The nature of work and the Workforce itself is changing ... with Excellence moving out of companies into small Design companies

where they will work with 5 - 6 different employers ... possibly over the internet

- Senior "retired" talent will command a premium ... as most Young people do not have the necessary knowledge and qualification to execute large complex projects
- Technology Velocity ... Technology is changing very rapidly both in magnitude (speed) and direction. It is getting very un-predictable and that is why we have used the term "Technology Velocity" (as it is a vector). This is especially true in the energy and software Industries which are getting disrupted in multiple ways.
- Global markets are changing very fast . Factor mobility is going to be hit due to a problems within the international trade system along with rising terror
- GST is forcing everyone to be honest ... You either get honest ... or get out
- The Indian Govt is becoming far more transparent ... reducing entry barriers for new entrants

7. New Opportunities For Startups ... On a Larger Scale

At a Macro level, all these changes except the possibility of global economic problems and rising terror trends are good for the Indian Economy and they will create new opportunities for companies that have the least amount of baggage.

In fact new companies and startups are going to prosper and this will create Huge Energy within the economy.

8. Ju JitSu Strategy

Ju JitSu is a fascinating Japanese martial art where you use your opponents strength against him. Start-ups need to realise that a large competitors perceived strength is actually his biggest weakness.

Therefore the attack needs to be designed according to Ju Jistu principles and executed to win against him.

As outlined in (6) above, the Indian business ecosystem is in the process of being hit by a series of tsunamis representing different kinds of change.

The sheer diversity of the sources of change outlined above and its velocity / momentum in each category requires robust Design decisions to be taken so that these changes act as wind in a startups sails knowing fully well that the for the Larger incumbent the same changes represent an existential threat.

Know this therefore, a Leadership position in Corporate India today will not guarantee leadership as close as **2032**.

Design has become a critical element of not just Competitive Advantage ... but Survival itself ... and it therefore needs to be deployed across the company. For larger organisations mere survival will require massive training.

9. The Role of Design in Leadership Decisions

Designers thrive when there are Constraints (constraints of capital / resources, regulatory constraints, technology constraints , geo-political constraints etc).

The more the constraints, the more better the design that emerges.

Of the different types of design relevant to companies, the following SIX in our view are likely to be critical going forward :

- **Strategic Design** ... This is not the ordinary strategy most people are familiar with
- **Concept Design**
- **Policy Design**
- **Project Design**
- **Negotiation Design**
- **Product design / service design and user experience design**

A lot of these strategic areas traditionally have been directly handled by first generation entrepreneurs and creative geniuses who set up these large companies.

Now Design has evolved to an entirely new level and specialist designers with several decades of experience in the above verticals can be hired by virtually anyone to get very high level inputs that were hitherto unavailable to a very vast majority of players and especially smaller players, in the business ecosystem.

10. Transforming to a " Design Led " Organization ... The Advisory Board Route

In most large companies the founders who were the creative geniuses and driving forces are long gone.

In the absence of these very special people, companies will need to bring in Strategic Design experts who can see the whole picture and provide executable plans. There appears to be no other way meet the challenges described above.

This Strategic Design Talent can most effectively be brought in by setting up an **Advisory board** and bringing in Designers to advise top management on a yearly or half yearly basis. Advisory boards are particularly useful as the company gets access to the best possible ideas at relatively low cost.

Using the Advisory Board route , Companies of all sizes can get Designers to review their growth plants and other critical decisions before these are executed.

It is the single most effective way to deal with many of the challenges described above. Since these meetings are essentially about brainstorming ideas, the Advisory board can also be a Virtual organisation with the Designer advising top management over a Video Conference.

This will allow Indian companies tap into world class strategic design skills overseas as these specialist skills are not present to the extent required in India today.

A confidentiality agreement can be signed to ensure that the information that is shared is secure.

Advisory board meetings are usually two day affairs and the ideas exchanged are amazing. Such meetings are high energy affairs and their cost could vary depending on the High Octane group that a company puts together.

Costs for specialist Design inputs can vary from US \$ **5,000** / Day ... to US \$ **15,000** / Day depending on the quality of the strategic advisors and designers brought in.

We have even seen senior experts who come in at US \$ **50,000** / day. These individuals however are very well known Global Industry leaders and policy makers (For instance former Central bank Governors and CEO's of some of the worlds largest companies). It is a treat to be sitting at the table when such deep thinkers are around.

Bringing in Designers however is useless if a company does not have the means or the will to execute on the ideas that Advisory board meetings generate. So before you set up such a Specialist Board, please examine the willingness within your senior team ... to accept and execute New Ideas that come in from outside.

11. Difference between Strategic Designers and Consultants

It is very important here to distinguish between a Traditional Consultant and a Strategic Designer.

11.1 Traditional Consultants

Traditional consultants and consulting teams from the usual well known consultants ... do studies.

They bring vast experience from their Global Networks to provide sectoral expertise in the form of reports and strategic insights. Traditional Consultants however do not think deeply about problems and provide Executable solutions.

Traditional consultants give you documents to read .

11.2 Strategic Designers

A Strategic Designer by contrast is like a Surgeon or a Sculptor who knows what to cut out ... to either save the patient or create a Lifelike form.

Designers can give you a product or a service that will help you sell more.

Designers can also give you a conceptual design of a project that will create a totally New Kind of business solution ... a one of a kind, unique idea that No one else thought about before.

It goes without saying that not all designers are of the same quality.

Companies therefore need to look carefully at a Designers Portfolio before hiring him / her. This is because while Good design can provide Huge returns, a Bad design can create BIG problems.

In fact the cost of a bad Strategic Design is heavier for large organisations because large organisations can make BIG mistakes ... not small ones.

As project sizes get bigger , Design Audits become critical so that mistakes can be identified before the Cash Burn rate becomes so massive that it starts doing damage to the organisation.

That said, putting together a Good Design Team or a Good Design Advisory Board can yield Outsized returns.

This is even more so in an economy like India which is slated to Triple in size between 2019 and 2032.

The Designer is therefore going to take on the role of a Marine Pilot leading a ship safely out of the harbour into the Open Sea.

– Concluded –