

## Why Invest in Design? Insights from Industry Leaders

Design is playing an increasingly vital role in innovation, competitiveness and the determination of economic value. However, assessing the impact of design or isolating the design factor can be a challenge for a number of reasons. Design is an enabling discipline, and designers working with professionals from other disciplines add value to the process and to the end result. Design is also a crucial factor in many activities that successful organizations do well, from innovation and new product development, to operations and human resource management, to communications and branding. And like most serious organizational strategies, design is not a quick fix. It requires investment over time and commitment from organizational leaders in order to deliver significant returns.

To find out how successful organizations have managed design investment and how their leaders think about innovation and design, the Design Industry Advisory Committee, working with the Martin Prosperity Institute at the Rotman School of Management, University of Toronto, conducted a series of videotaped interviews with industry leaders. Funding for this research was provided by Industry Canada, with additional support from the City of Toronto. The case study organizations are working at the cutting edge of innovation, and they are all internationally recognized in their industry sectors. The over-arching indicator of successful investment in design identified in this research is a long-term perspective on innovation. The interview subjects talked about the importance of investing for the long term and continuing to invest in design even in recessionary times. This long-term perspective enables other important activities to take place.

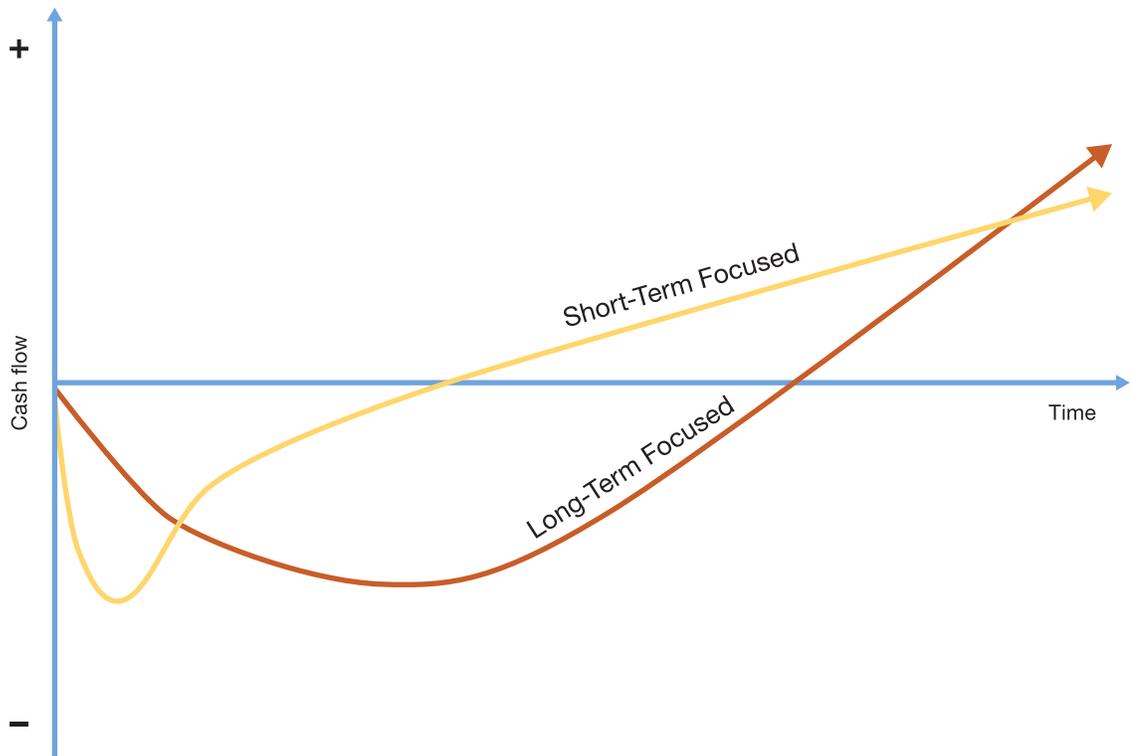
**Exhibit 1** below shows the implications of the difference between investment patterns that are focused on the short-term versus the long-term. The figure is designed to be only representative but shows the difference over time of investment and the return on that investment. This figure was developed as a result of the discussions held with the various industry leaders. Specific examples as provided during the interviews are discussed in the research report.

The primary difference between the two approaches, not surprisingly, is in the timing. While the total amount invested may be the same, a short-term focus brings with it an expectation of not only faster returns but also a shorter more intense period for the initial investment. The long-term focus generally means a slower more gradual increase in the investment; but this allows for a more strategic approach to the innovation cycle, with designers and other experts integrated into the process at every stage. We learned from our industry leaders that their organizations continuously take the time to engage with users and respond to and anticipate their needs. They invest in early stage prototyping and testing, consider alternatives and refocus options along the way. They take the time to thoroughly investigate new technologies and materials.

The other advantage of taking a long-term focus as revealed in the interviews was that, while it might take longer for the return on the investment to develop, those returns would be larger and more sustainable. Of course, this is all highly context sensitive – taking a longer-term approach to something could be a matter of years instead of months, or months instead of weeks. The interviewees also talked about the importance of being focused and timely. The time taken is a trade-off that must be balanced. As the focus of this study was on understanding the business value of design, a longer-term perspective seems almost automatic. However, it came across so strongly in the interviews it is worth repeating.

Short-Term versus Long-Term Investment and Return

Exhibit 1



Jeff Bayley, President and CEO, Canplas

*“The paybacks at the start are slow, you make the most mistakes at the start. The product development process has a very, very long gestation period from inception of an idea to actually having it accepted in the marketplace. In our business it can be 10 years.”*



**Dr. Joseph Cafazzo, Executive Director,  
Healthcare Human Factors, University Health Network**

*“[U]nfortunately what I’m observing in the Canadian market is very small start-ups and even larger companies that just don’t have the time or money to spend on this... But I am sympathetic to the fact that the use of Human Factors and our design process is a bit all-encompassing, so in some instances we wish we could work with more Canadian companies but most of our clients are multi-nationals out of Europe and the U.S.”*



**David Labistour, President and CEO, MEC**

*“So what differentiates us is that we’re not putting the profit into shareholders pockets, so we can think long-term, we can plan [out] 5 and 10 years, we can take a much longer net-present value view of [thinking] of investments, and our customer is our owner and our shareholder. So we are not beholden to different masters.”*



**David Feldberg, President and CEO, Teknion**

*“We’re very flexible, lean, owner-operated, so we can have a long-term view of life without a quarter-to-quarter distraction like some of our competitors have.”*



**Les Mandelbaum, President and Co-Founder, Umbra**

*“You can’t build a brand and develop a product on quarterly results. It makes you do things that are [for] short term profit, not necessarily long term. It doesn’t work for this kind of business model. It’s ok for other business models.”*

**Paul Rowan, Vice President Inspiration and Co-Founder, Umbra**

*“Design is at the centre of our business model. It can be the driver for every innovation in every different department.”*

The full report is available at <http://martinprosperity.org/2014/06/16/why-invest-in-design/> and a short video of selected comments from the Industry Leaders can be found at <https://vimeo.com/97677579>.

*The Martin Prosperity Institute at the University of Toronto’s Rotman School of Management is the world’s leading think-tank on the role of sub-national factors—location, place and city-regions—in global economic prosperity. We take an integrated view of prosperity, looking beyond economic measures to include the importance of quality of place and the development of people’s creative potential.*