

Design-Driven Management

Study Group on Competitiveness and Design

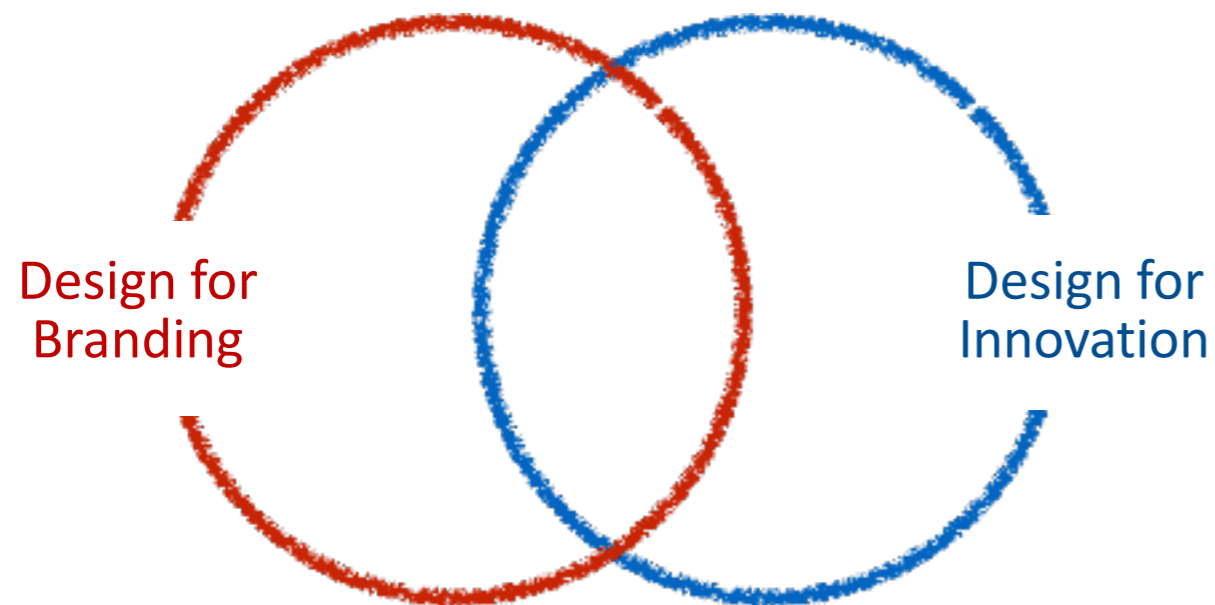
Japan Patent Office

Ministry of Economy, Trade and Industry

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1. Design-Driven Management

Design-Driven Management is a management approach whereby a company leverages design as a primary driver of competitiveness through greater brand power and innovation capability.



While Japan is faced with the challenge of a declining population and labor force, the fourth industrial revolution is creating opportunities for major transformation in all industries.

We suggest the pursuit of “Design-Driven Management” whereby a company leverages design as a primary driver of competitiveness.

Design-Driven Management plays two primary roles in boosting a company’s competitiveness.

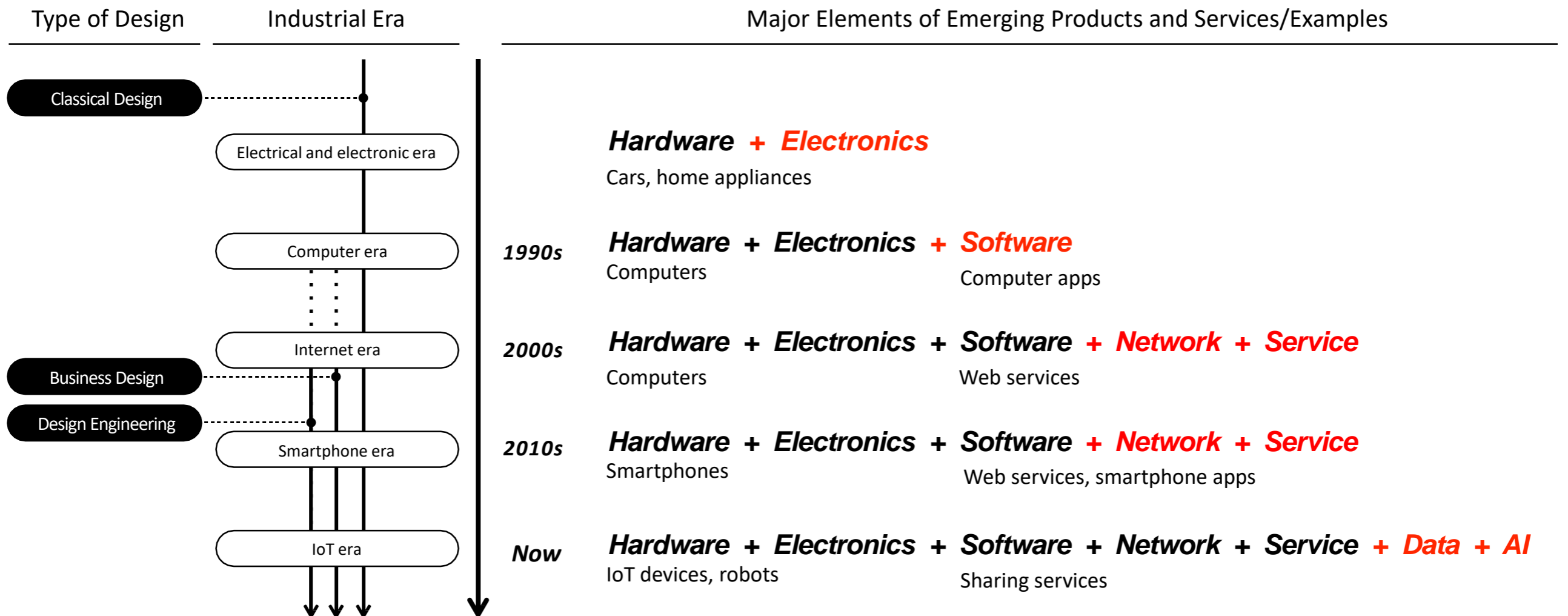
One role is branding. Far more than just creating an attractive appearance for individual products, design communicates those values and intentions as a consistent message in every interaction between the customer and the company, creating brand value that makes customers believe that no other company can provide an alternative.

The other role is driving innovation by identifying previously untapped needs and turning them into business. Design helps a company put aside fixed ideas and simply observe what is there. This enables the company to think out of the box and develop new products and services without being bound by existing business formats.

2. Expanding the Scope of Design

In the era of the fourth industrial revolution, Internet-connected products and services comprising software, networks, services, data and AI take center stage in global competition. The quality of the customer experience has a major impact on business success.

As a result, those companies with a strong focus on customer experience design are doing extremely well. In other words, design now has a greater role in and stronger impact on industrial competitiveness.

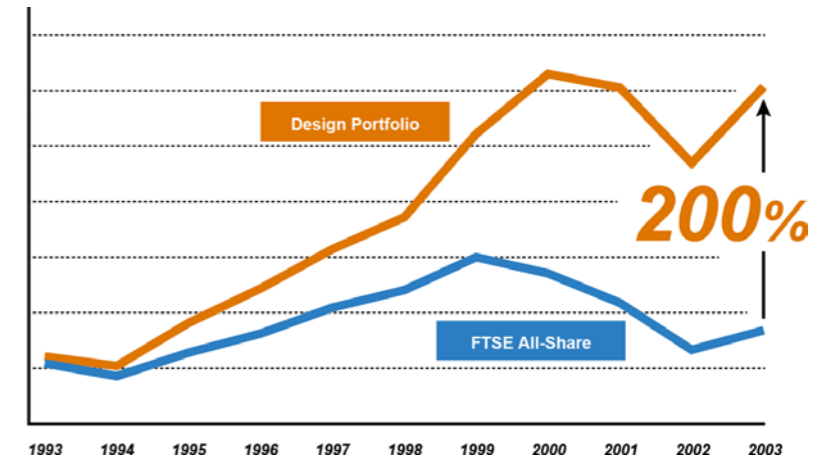
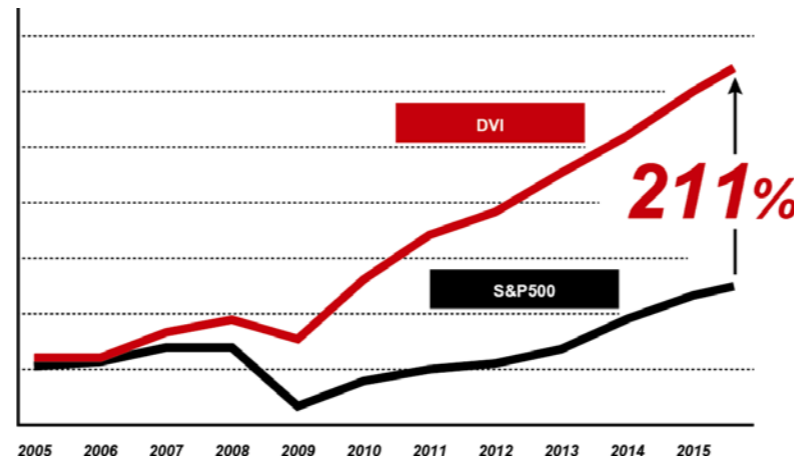


3. Return on Investment in Design

A number of studies have confirmed the strong payoff from design investment, but Japanese companies are still lagging in their investment.

£1
Design investment

- +£4**
Design leads to profit
For every £1 invested in design, businesses can expect over £4 increases in net operating profit.
- +£20**
Design increases turnover
For every £1 invested in design, businesses can expect over £20 in increased revenues.
- +£5**
Design boosts exports
For every £1 invested in design, businesses can expect a return of over £5 in increased exports.



4 times more profit

Every £1 invested in design generates a £4 increase in operating profit, £20 in sales, and £5 in exports.

Source: British Design Council (2012), *Design Delivers for Business Report*

2.1 times more growth

The stock index of firms that prioritize design grew 2.1 times more than the S&P 500 index over 10 years.

Source: Design Management Institute, "What business needs now is design. What design needs now is making it about business."

2.0 times more growth

The stock index of 166 firms that frequently receive design awards grew approximately 2.0 times more than the FTSE index.

Source: British Design Council (2004), *The Impact of Design on Stock Market Performance: An Analysis of UK Quoted Companies 1994-2003*

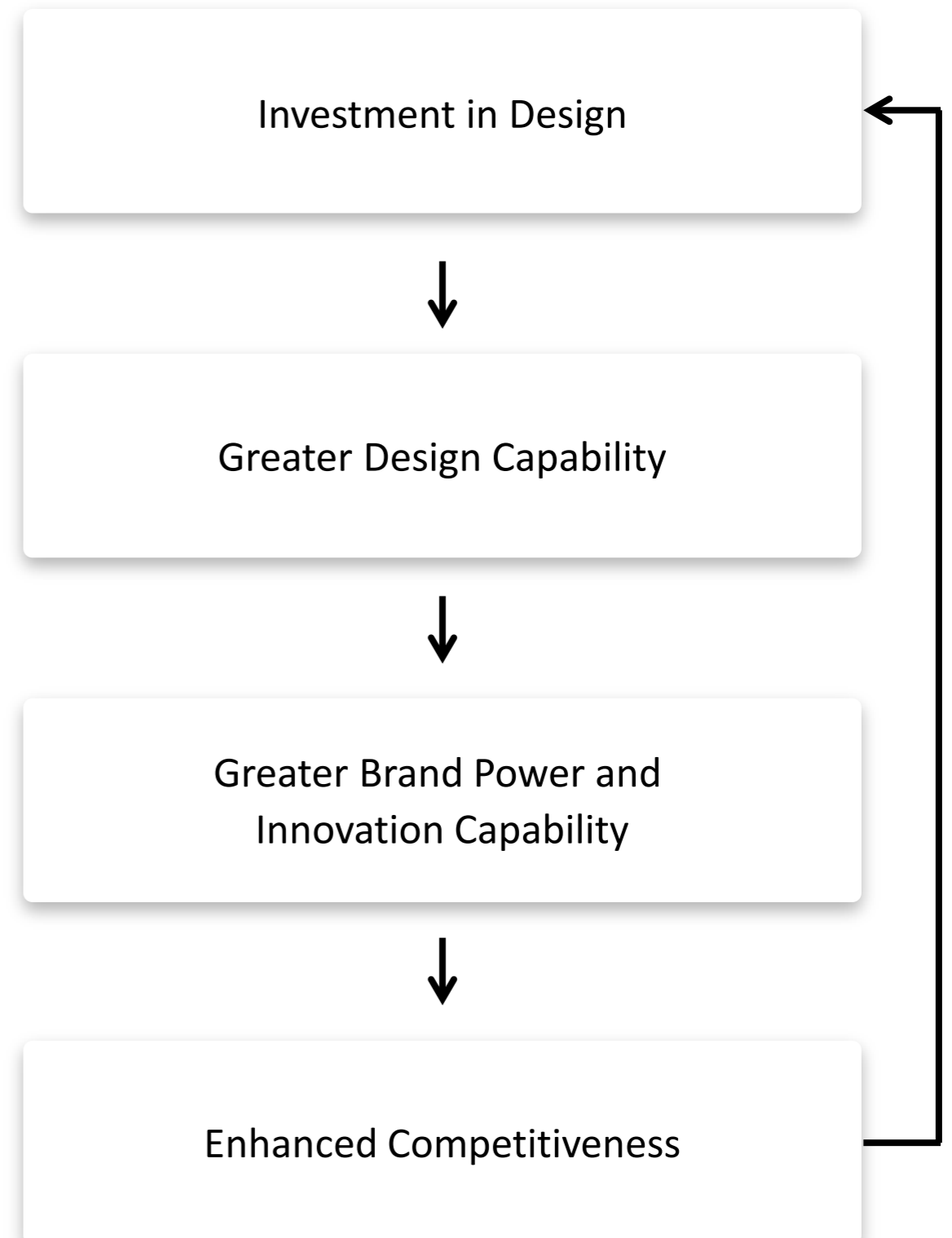
4. Definition of Design-Driven Management

Design-Driven Management is a management approach whereby a company leverages design as a primary driver of competitiveness through greater brand power and innovation capability.

The key requirements for Design-Driven Management are:

1. Installing a Chief Design Officer; and
2. Involving design from the beginning of the business strategy planning process

The Chief Design Officer must be able to determine whether a product, service or business has been conceived from a customer's perspective and whether or not it will contribute to brand development. He/she must also be able to specify the necessary changes to business processes.



5. Design-Driven Management in Practice

Design-Driven Management works best when a company takes a holistic approach to the management of processes, organization, and talent.

- (1) Install a Chief Design Officer
- (2) Designers participate in the business strategy planning process and upstream in the product/service development process
- (3) Establish an organization to promote Design-Driven Management
- (4) Using design thinking, closely observe customers and explore their potential needs
- (5) Adopt an agile development process
- (6) Prioritize the hiring of design personnel
- (7) Equip business planners and engineers with a design mindset and capability
- (8) Devise appropriate KPIs for design-related processes

6. Policy Recommendations

The Study Group has compiled a number of specific policy recommendations for measures and initiatives that the government should pursue to promote Design-Driven Management and enhance Japan's industrial competitiveness.

Category	Recommended Actions	Expected Outcomes
Research and Education	<ol style="list-style-type: none"> 1. Conduct policy research and develop recommendations 2. Promote Design-Driven Management 	Increased awareness among corporate executives Introduction of Design-Driven Management in companies and government agencies
Intellectual Property	<ol style="list-style-type: none"> 1. Amend the Design Act 	More effective protection of design rights Improved procedures for design rights acquisition
Human Resources	<ol style="list-style-type: none"> 1. Develop highly-skilled design talent 2. Attract design talent from abroad 	Greater supply of highly-skilled design talent to meet companies' needs Tokyo to become a global hub for creative industries
Financial Incentives	<ol style="list-style-type: none"> 1. Enhance subsidy programs and/or introduce tax incentives for design-related investment 	Companies more motivated to adopt Design-Driven Management
Government Service Improvements	<ol style="list-style-type: none"> 1. Introduce digital government programs 2. The JPO to pilot the adoption of Design-Driven Management 	Better-quality government services

6. Policy Recommendations

Research and Education

1. Conduct policy research and develop recommendations
2. Promote Design-Driven Management

Increased awareness among corporate executives
Introduction of Design-Driven Management in companies and government agencies

1. Conduct policy research and develop recommendations

Monitor and analyze technology and market trends on a ongoing basis to stay abreast of changes relating to design and management.

Set up an organization comprising experts from the private, public and academic sectors that can develop design-related policy recommendations.

2. Promote Design-Driven Management

Aggressively promote Design-Driven Management over the next five years through joint efforts by the private sector and the government:

- Hold symposiums and events for corporate executives and design professionals
- Share best practices among companies
- The JPO to give Intellectual Property Achievement Awards to exceptional designers and companies which effectively implement Design-Driven Management
- Companies to work to educate consumers so that they appreciate good design

6. Policy Recommendations

Intellectual
Property

1. Amend the Design Act

More effective protection of design rights
Better procedures for design rights acquisition

1. Amend the Design Act

Make major amendments to the Design Act to broaden the scope of protection to, for example, design for product ranges based on a consistent concept, as well as to help simplify procedures.

6. Policy Recommendations

Human resources

1. Develop highly-skilled design talent
2. Attract design talent from abroad

Greater supply of highly-skilled design talent to meet companies' needs
Tokyo to become a global hub for creative industries

1. Develop highly-skilled design talent

Consider enhancing subsidy programs (e.g., include service industries) and introducing tax incentives for design-related investment once the effectiveness of subsidy programs has been confirmed.

2. Attract design talent from abroad

To attract design talent from abroad, (1) relax visa conditions for highly-skilled personnel; (2) establish a two-year post-study work visa for students who have graduated from design colleges and graduate schools in Japan; (3) establish a professional visa to allow foreign designers to set up businesses in Japan (D-visa); (4) give points to highly-skilled design personnel under the world's fastest green card system; and (5) aggressively promote Japan's visa and green card systems overseas.

6. Policy Recommendations

Financial Incentives

Enhance subsidy programs and/or introduce tax incentives for design-related investment

Companies more motivated to adopt Design-Driven Management

1. Enhance subsidy programs and/or introduce tax incentives for design-related investments

Companies to institute training programs on design thinking for business and technology personnel and on business and technology literacy for design personnel, and to conduct projects and workshops where cross-functional teams develop creative solutions to problems.

Business and engineering colleges to introduce design thinking courses and collaborative projects with art colleges, and art colleges to introduce business and technology introductory courses and collaborative projects with industry.

6. Policy Recommendations

Government
Service
Improvements

1. Introduce digital government programs
2. The JPO to pilot the adoption of Design-Driven Management

Better-quality government services

1. Introduce digital government programs

Introduce a design-driven approach to government agencies, in conjunction with the Digital Government Action Plan to improve government services from a user perspective.

2. The JPO to pilot the adoption of Design-Driven Management

The JPO to adopt a design-driven approach to significantly improve the effectiveness of its core processes.