

# 1



## design-driven strategy staking a claim in the creative economy

*“To be is to do.”*

—IMMANUEL KANT

It's a big leap for a creative consulting company to grow from its roots in a tiny garage in Germany's Black Forest to a position of influence with esteemed global franchises, but I see the story of that transition as just one example of the incredible power of the business/design alliance. Today, there's much talk about the “new” power of this alliance, but the power of design-driven business strategy isn't a new idea at all. It's the idea that spurred me to start my own design firm in 1969, and it's what drove Steve Jobs to hire my firm to join him in building such a strategy for his own company. What's new is the rapidly growing recognition of this power and the need for cultivating it. A first step toward achieving that goal is a firm understanding of the vital role of design in shaping an innovation-driven business model.

When I founded my design firm, my goals were simple, yet powerful: to redefine design as a strategic profession, and to continually promote its relevance to industry and business. I wanted to create technical

products that consumers could love for their beauty and their usefulness. And I wanted all designers, including myself, to be masters of our own destiny, not just hired hands brought in to put a shining new face on the same, tired old ideas. I was determined to bring my ideas to the world—and I felt as though every moment of my life had been spent in preparation for that opportunity.

Because I grew up in war-torn Germany, a country still coming to grips with the atrocities of the Third Reich, my aesthetic and my ideologies could not help but be informed by the changing world around me. I was born on June 5, 1944, in Beuren, a tiny village buried deep in Germany's Black Forest. The only adult men under the age of sixty in my village were French soldiers who had occupied the area—all of our fathers and older brothers had died in the war or were being held in POW camps. Too young to really understand the concept of war, we children always tried to listen to adults when they spoke in hushed tones about “the bombings” and “Stalingrad,” but none of it made much sense to us. No one spoke of the Nazi terror or the Third Reich—not even my extended family, which, as I learned many years later, had lost seven of its own members to the concentration camps.

When our men eventually did come home from the camps—my father, Johannes Heinrich Esslinger, among them—they were strangers to us. These silent, brooding men spoke little about the war or their experiences in it, but their bursts of rage and violence could be triggered by the merest childhood prank and often ended in beatings for us children. Sometimes, we guiltily found ourselves envying friends who had lost their fathers and were treated that much better by their grieving mothers. Years later, a group of American officers came to my school and showed us students a documentary film about the war, some of the footage shot by the Nazis themselves and some taken by the Allies as they liberated the concentration camps. As I grasped the reality of what had unfolded in my country during the war, I was enveloped in shame, sadness, and fury, and a new understanding of the bitter forces that had shaped my father and his fellow soldiers. “Never again, Fascism!” I thought to myself. Better to be a rebellious outcast than a blindly obedient servant.

Yet even in these dark, uncertain early years, my youth was influenced by beauty as well as war. As Germany began to rebuild its industrial infrastructure after the war, my parents started a small business in textiles and, on my tenth birthday, we moved to the small town of Altensteig. There my parents bought a live-in commercial space downtown, where they opened a clothing store. That move brought aesthetics into my life on a daily basis. I was surrounded by nice clothes, the latest fashion magazines, and visiting fashion shows, not to mention an ever-changing parade of attractive and exotic fashion models.

By the time I entered high school, my creative drive had emerged. Whenever I saw a car—still an oddity in my small village—I drew it, and eventually filled countless notebooks with sketches of cars, motorcycles, and ships, all of my own design. My mother, seeing the drawings as a waste of time and a warning sign of future social decline, burned my sketchbooks, declaring “All artists end up in the gutter,” as I watched the bright pages of my notebooks curl up and turn to ash in the family hearth. After high school, I joined the German army and then entered school to train as an engineer, but even my commanders and professors understood that my creative energies and interests were driving me toward a different future than their training could provide. Eventually, I was forced to choose between my parents’ goals for my life and my own. I chose to pursue a life in design.

I entered the College of Design in Schwäbisch Gmünd, Germany (today one of the world’s top-ten design schools), and there, on a summer night in 1968, my life changed. I had gathered that evening with my fellow students to compete in a design contest sponsored by the Kienzle Clock Company. My entry was a proposal for a radio watch capable of displaying the radio signal from the atomic clock in Braunschweig, and I had great hopes of winning the first-place prize money. But the jurors—including Kienzle’s chief designer—viciously criticized all of the student designs as being “unrealistic” and refused to grant the first-place prize to any of us. One of the jurors even picked up some of the models, shook them in the air, then threw the pieces on the ground. (Today, of course, radio watches are an industry standard. My “unrealistic” concept became a product for

the German watchmaker Junghans; the watch is still considered to be the most accurate commercially available clock in the world.)

This short-sighted, quick rejection offered me a much greater incentive to succeed as a designer than any trophy or prize money would have done. On the drive home that night, I swore that I would change the world of design by transforming its stuffy, hierarchical limits into something more dynamic, where anything is possible. I determined that the only way to liberate myself from the unimaginative and outmoded design model imposed by the “Kienzle Clock Companies” of the world was to start my own business. It was the most optimistic and radical step I could ever take.

- the business of design

And so, in 1969, while still a student, I started “esslinger design”—the firm that would become frog. The first goal I set for myself was to achieve economic success. I refused to accept the role of the starving artist. Besides, I was certain that the design process was too important to be ignored by companies looking to gain a strong competitive advantage, and I knew there were business leaders out there who would value the profession as much as I did. The rest of the plan was simple but ambitious, and I wrote it down in six steps:

1. Look for “hungry” clients who want to go to the top;
2. Be business-minded and do great work for my clients, not for myself;
3. Get famous—not as an egotistic artist, but as a visionary;
4. Use that fame as working capital to build the company;
5. Build the best global design company ever; and
6. Always look for the best people—as employees, partners, and clients.

After two years, Andreas Haug and Georg Spreng joined me as my first partners. One day we were sitting around our coffee table, and Andreas asked, “What are our plans for the future?” “To have an

esslinger-designed product in each of the major shopping centers on earth,” I shot back. Everybody laughed, but seven years later my seemingly grandiose plan had become a reality.

My first step toward that goal came soon. I had always been interested in electronics—as an amateur jazz and rock musician I had built my own amplifiers from mail-order components. I also was very fond of a small consumer electronics brand called Wega, a company that had been founded in the 1920s. When my first diploma semester came up in 1968, my project of choice was to design a portable radio with speakers that folded in for compact storage, but provided true stereo sound when opened out. While working on this design, I heard rumors that Wega’s owner and CEO, Dieter Motte, was looking for a new signature designer. So I called him and asked for an interview. He was an extremely nice man, and a total design fanatic, with the strategic goal of positioning Wega as a design brand with an appeal that extended beyond the “elitists.” He liked my work and admired my engineering background, and so he offered me an internship. But that wasn’t what I was shooting for.

Shortly after our meeting, I read that the German federal government had announced the first “Bundespreis Gute Form” (Federal Design Award), to be awarded in 1969. With an updated version of my diploma project, I won the student award, a huge coup for any young designer. The ceremony was held in Berlin as part of the German Industrial Fair, and I was presented my award by Germany’s Secretary of Finance and Trade Karl Schiller. As it happened, Dieter Motte also was in the audience, and after the ceremony he came to me and simply said “. . . sorry that I underestimated you, but we have to work together!” These words launched a great relationship, and my professional career.

Working out of the garage of a rented house, I came up with the concept for our first big initiative—Wega’s System 3000, which combined a television set with high-end stereo components. Taking advantage of innovations in plastics manufacturing, our design pioneered the use of plastic-bodied stereo components with foam-encased electronic elements. The results were far more aesthetically pleasing, functional, modern, and pounds lighter than the traditional wood and plywood-encased

stereos that dominated the market at that time. I designed the System 3000 like a sculpture, so that it looked great from every angle (its surface texture of graduated, embossed dots served as the inspiration for this book's cover design).

We introduced our prototype at the Consumer Electronics Show in Berlin in 1971. After the show, the System 3000 took off and I was flooded with new work from Wega and from other clients, both large and small. In 1973, Dieter Motte's family began looking for a buyer, and so I accepted an offer from Sony in November of that year. Then, in January of 1974, Sony bought the Wega company, and I was on my way to Japan—the consultant of a massive, global corporation. The frog was flying.

Just after the sale of Wega to Sony, I met Hans-Otto Doering, the co-owner of *FORM* magazine, which at the time was the most popular design magazine in Germany. We were finally successful enough to afford a bit of advertising, and Hans-Otto and I met in front of my garage shop to talk about ad possibilities in his magazine. He tried to sell me some space on an inside page, but I asked for the “prime real estate” of the back cover. He looked at me skeptically, and asked if I was sure that our tiny garage-based operation could afford to carry such an expensive ad placement for a guaranteed time. “Yes,” I said. “Why not?” Hans-Otto shook his head in disbelief, but we signed a contract on the top of a trash can—and cemented a relationship that would last thirty-three years.

With the back cover of *FORM*, our tiny company began to take shape in the public eye. We bought a Brazilian tree frog, photographed it in an outrageously funny jumping session, and published it in our back page ad. Not long after that we adopted a green frog as our logo—we felt it was a fitting image, given the vast numbers of frogs that inhabited our native Black Forest, and that the word “frog” itself is hidden in our country's name—the (F)ederal (R)epublic (O)f (G)ermany (“frog design” is always printed in lower-case, a rebellion against German grammatical rules that, forty years later, other companies are beginning to adopt). As the company grew, we refined our ads to be as seductive, attention-getting, and innovative as possible. We saw our firm as an alternative to the big and boring names that dominated the industry at that time, and we wanted to position ourselves as such. Taking those back covers forced us to define

our message and to create a strategy of self-promotion around it. We ambitiously declared ourselves “the new face of German-Global design.”

Today, frog helps its clients create defendable, multi-billion-dollar yearly revenues, and frog-designed products, media solutions, and experiences are everywhere. “With a little help from our friends,” partners, peers, and clients, my wife Patricia and I built frog design into a strategic agency jewel with over 450 employees and nine offices located in cities around the world. The company represents the permanent vanguard in the arena of strategic design and business innovation.

Naturally, any reasonable person may wonder why such major global giants as Disney, Microsoft, General Electric, and Motorola turn to an agency such as frog for advice and solutions when they have all the resources on earth at their disposal. Our long-term colleague Steven Skov-Holt answered this question eloquently many years ago: *“Our clients and client companies come to creative agencies because they need . . . radical solutions that they can’t get through their own internal groups [and]. . . because tender, fresh new ideas have trouble surviving the toxicity of most corporate settings.”*

But we never take our eyes off of the business goals that have driven our success. We—and our clients—understand that design is an integral part of any successful business strategy, and not an artistic “boutique” profession. A temperamental clutch of self-absorbed artists won’t form a solid foundation for a sustainable business model. Business design the “frog way” involves attracting the best people to the table, and then providing the environment and leadership necessary to allow everyone to work better by working together. That idea is the secret to frog’s success, and the secret to most strategic professional alliances. It’s also the central focus of innovative business leaders who are seeking to establish a foothold in an ever-evolving world economy.

- strategic creativity and sustainable success

When I started working for Apple in 1982, Steve Jobs’ ambitious plan to make Apple into the greatest global consumer technology brand on the planet seemed crazy to some. Computers were just beginning to make

inroads into professional offices, and home computers were little more than a dream. But that dream was a reality for Steve. He spoke often and confidently about the “consumer market,” and soon everyone in the company shared his strategic vision of the future of computers. In a relatively short time, Steve’s vision became the world’s reality, and it transformed Apple into the design-driven market leader it is today.

I first met Steve Jobs in 1982. I was visiting California, and I attended a party thrown by one of frog’s ex-interns, Jack Hokanson. About thirty designers showed up, and Rob Gemmell—a designer at Apple—was among them. He spoke highly about Steve Jobs, saying he had committed Apple to pursuing technical excellence and world-class design. When Apple initiated a global design search, Rob brought my ideas to Steve’s attention. Steve and I met in person (his T-shirt beat mine that day in the “old and worn” competition) and the ball started to roll.

Jerry Manock and Rob narrowed the competition to just two studios—one of which was frog. While our competitor represented a very European design focus, I tried to reposition Apple as a California-global brand—Hollywood and music, a bit of rebellion, and natural sex appeal. frog built about forty models to demonstrate our concepts and we arranged them in a meeting room at Apple’s headquarters, creating a virtual showroom of the company’s future. When Steve and the board members entered the room, they smiled and said, “Yes, this is it!” frog’s radical design language became known as “Snow White” and it provided the born-in-America gene for Apple’s DNA. A dramatic departure from the clunky, olive-drab look that dominated computer technologies at that time, our design language evolved from these strategic decisions:

- Apple computers would be small, clean, and white.
- All graphics and typestyles had to express cleanliness and order.
- Final forms would offer smart, high-tech shapes, created with the most advanced tooling.
- All product designs would adhere to an environmentally friendly “No paint—less cost” rule, based on treating ABS plastic and all other materials with care.

Steve Jobs and I also agreed on one guiding principle: “Do it right the first time.” Steve offered me a long-term contract on the condition that I move to California and duplicate our Altensteig facility close by Apple. We shook hands, and that handshake launched one of the most decisive collaborations in the history of industrial design. frog’s investment in this nine-month competition had cost us more than the \$200,000, but we were richly rewarded with an annual retainer ten times that. In return, we made good on our promise to set up shop in the San Francisco Bay area (which, twenty-seven years later, remains the home of frog’s headquarters).

Although the Snow White design language was an important part of my work at Apple, my real challenge was to help launch and build the company’s true American-Global cultural brand statement. Our goal was to use a young and dynamic design language to change the way the world viewed Apple, its products, and the very act of owning and using computer technology. The Apple IIc was one result of our collaboration, and it was a huge success—over 50,000 units sold during the first week following its release. The Apple IIc was named *Time* magazine’s 1984 “Design of the Year,” and now rests in the Whitney Museum of Art’s permanent collection. Apple’s revenues climbed from \$700 million in 1982 to \$4 billion in 1986.

More importantly, our collaboration set the stage for Apple’s design-driven approach to business. Today, no other company in Apple’s space has its kind of flawless and disciplined brand, product, and consumer-experience strategy. Steve and his team have infused the Apple brand with design. Every product promotes an identity and a clear idea of the customer experience it provides as part of the bigger Apple “ecosystem.” When consumers buy a product that has been “Designed in California,” as the Apple label proudly proclaims, they are buying into a way of life. Design has rooted Apple in its own cultural context and extended its influence into the global marketplace.

The global success of Apple’s creative strategy—and that of numerous other clients we have had the privilege to work with over the years—illustrates that, contrary to what many business leaders think, the world is

not flat. It is a round and roiling tangle of complex cultures, each separated from the others by its unique needs and expectations. We, the people who occupy this corrugated landscape, are defined by our history. Our traditions, politics, and religions inform our lives and influence our decisions—from whom we marry to what we buy. In a flat-world marketplace, one size fits all, but fitting a business to the intricate contours of the real world is a far more challenging prospect. That's what makes design such an important part of any creative business strategy, and it's also what has placed it in the driver's seat of the new creative economy.

Today, the business world is engaged in a global battle between individualism and collectivism or “Culture versus Commodity,” as I call it. As companies dive for the lowest costs, they abandon highly qualified local workers and place their bets with low-cost labor overseas—all under the “Flat-World” banner of cost-efficiency. As we've now seen, strategies that boost the bottom line in the short term often result in unsupportable losses down the road. Businesses that sacrifice their unique strengths for the safety of shared efficiency make losers of us all. They rob us of meaningful jobs, even as they diminish the economic and cultural value of once viable and innovative brands.

In fact, the old Flat-World economy couldn't be “won,” and now it can't even be defended. Yes, by cutting cost and driving scale, businesses have helped to make high-tech products and digital services like computers and cell phones affordable beyond the most optimistic projections of even ten years ago. But the dirty by-product of these stunning technological advances is a world dominated by products that lack any semblance of human or cultural context. These mass-produced, mass-marketed objects don't provide any type of inspiring consumer experiences. And, in markets divided into high-end luxury and value-driven cheapness, competitive strategy becomes murky. How can a company add true value or even just visually differentiate its low-cost cell phone from those of its competitors, when all of them are designed and manufactured in just five or six Asian factories?

Creative strategy offers clear benefits over the traditional supply-chain-dominated approach to business. It results in human-adaptive

solutions and not in commodity-like products for which nobody is willing to pay full price—especially when the offerings outnumber the buyers. Strategies based on creativity, insight, and cultural awareness are more environmentally responsible and sustainable than the age-old approach of winning through maximizing your use of resources, money, and people. It is a cold fact that both manufacturing and service industries are hitting the ceiling of efficiency and scale. Only strategies that explore and take risks—those that are willing to surprise and inspire on a human scale—can hope to win in our evolving economy. Adopting a creative strategy, in other words, boils down to a fundamental and momentous shift in how one thinks about business.

Today, frog design, along with strategists, designers, and their business partners around the world, are faced with a new opportunity, as businesses seek answers to the dwindling prices, profits, and identity offered by markets clogged with “me too,” mass-produced consumer products. Creativity is the new major driver and a multi-billion-dollar segment of the new economic order. And design is the means by which companies can apply creativity strategically to their business purpose. Great leaders understand that truth and embrace the power of creativity and innovation as they drive their organizations toward a more prosperous and sustainable future.

