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# THE INFLUENCE AND IMPACT OF TOP EXECUTIVES ON INNOVATIVE PERFORMANCE

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## ABSTRACT

As more and more top business leaders deemed the enhancement of product design innovations at higher and higher priority on their agenda, their ways of leadership and support to innovative efforts are certainly becoming important ingredients that surely deserve more attentions than before.

This research had studied six Taiwanese companies with superior achievements in product design innovations, which were defined by the number of iF Gold Awards of product design they won in five years. The research aim was to reveal the effective ways of influence and impact from top executives on innovative performance in product design.

Using document analysis and in-depth interviews for these investigations, two research questions were addressed: Did top executives of these innovative companies usually have some unique ways of leadership to enhance their performance in product design innovations? And, what kind of leadership behaviours did they adopted for this purpose?

The results had shown positive answers to the first question, and many important examples were found for the second. Finally, seven effective ways of enhancing product design innovations from top executives was concluded from these examples for reference of other executives in Taiwan.

**Keywords:** enhancing product design innovations, leadership and support from top executives, influence and impact from top executives.

## 1. INTRODUCTION

The fierce business competition had forced top business leaders all-over the world to put the enhancement of performance in product design

innovations higher and higher on the list of priority on their agenda. Although there are various efforts that can effectively enhance product design innovations in business organizations, however, the leadership and supports from top business leaders are the most important ingredients that can have powerful impact and influence both in terms of morale and resource allocations (Barsh, Capozzi, & Davidson, 2008). Steve Jobs is the most well-known example among CEOs who took the lead of product innovations as one of his major challenges.

The aim of this research was to summarize “effective ways of enhancing product design innovations from top executives” in our chosen successful examples, for those other top executives in Taiwan who are striving for similar achievements to take as references. Therefore, this study was set out to investigate the leadership behaviours of top executives of companies with outstanding design innovations, as to their degree of involvement in enhancing innovations, and their unique ways in influencing product design innovations.

As the causal effect of leadership behaviour is very dependent on cultural differences (Li, 2009), thus our investigations will be focused on the six companies that are all based in Taiwan and exhibited their innovative design achievements outstandingly, including ASUS, BenQ, Giant, Pacific Cycles, Nova Design, and Gixia Group. The criterion of choosing “companies with outstanding design innovations” was defined by the number of “iF Gold Awards of Product Design” that they won in recent five years from 2006–2010, since the winning of iF Gold Awards of product design had been generally accepted as one of the most important indicator of design and innovation excellence, known as the “Design Oscar” according to Wikipedia (<http://en.wikipedia.org>).

At the beginning, the method of document analysis (Rapley, 2008) was conducted to investigate what the executives of these innovative companies said about their philosophy and vision on managing innovation, using various information sources such as corporate website, brochures, and various form of publications. Then in-depth interviews were conducted with the executive themselves, or some of their managers and designers according to their individual availability, in order to acquire more insider knowledge of what these top executives actually do in their daily management. Finally, document analyses were conducted again to acquire more insights on the information gathered earlier.

The research results revealed from our six successful examples clearly demonstrated that their top executives indeed are all very “capable and enthusiastic” in enhancing product design innovations with their own unique ways of leadership such as shaping long-term strategies that are favourable for innovations, or taking actions to build capabilities and conditions that are favourable for the effective implementation of those strategies (Wheelwright and Clark, 1995, 1-21).

In the end, seven major undertakings that the top executives of our six innovative companies had done to pave the road for outstanding performance in product design innovations were concluded for reference of other top executives in Taiwan.

## 2. LITERATURE REVIEW

### 2.1 THE TOP EXECUTIVES’

#### **LEADERSHIP IMPERATIVES FOR INNOVATIONS**

In a research conducted by Barsh (*ibid.*) and her colleagues, the result showed that most executives rated innovation as one of the top three drivers of growth for their companies in the near future. Their research also demonstrated that top executives can effectively foster a culture of innovations in their organizations which will generate fruitful creative results, as long as they want to do so and did it right. In a report of annual survey published by Boston Consulting Group (BCG), they reflected the insights of nearly 1600 executives in 2010 which echoed the survey result mentioned earlier. The BCG report indicated 72 per cent of their respondents rated innovation as one of their company’s top-three

strategic priorities, up significantly from the 64 per cent figure in 2009. In addition, 84 per cent of respondents said they consider innovation as important or extremely important for positioning their company to benefit from an economic recovery. Moreover, the above result is reasonable because investments in innovation indeed paid off. Since a strong correlation between bravery innovations and business success can also be found in this report (Andrew, *et. al.* 2010). However, it is still rather surprisingly to find that even Jack Welch, the former CEO of GE who was famous for pushing Six Sigma improvements strongly in GE almost within his entire tenure (Hahn, *et. al.*, 1999), also said that “Creativity and imagination applied in a business context is innovation!” Therefore, there was no surprise when we heard Jeffrey R. Immelt, the successor of Jack Welch saying “We are measuring GE’s top leaders on how imaginative they are.” (Nussbaum, 2005, 7)

Deschamps (2008, 9) additionally echoed a very close view of Immelt from GE by pointing out six innovation imperatives for business leaders: (1) the urge to do “new things”, (2) an obsession with redefining customer value, (3) the courage to take risk, (4) an ability to manage risk, (5) speed in spotting opportunities and in project execution, (6) a shift in focus and mindset from business optimization to business creation. Therefore, there could be no doubt that top executives are obligated to take leadership on promoting innovations for the benefit of the organisation that they are in charge.

### 2.2 THE ROLE OF DESIGN IN INNOVATIONS

In the striking special report “Get Creative!” (Nussbaum, *ibid.*) of BusinessWeek issued in August 2005, the author claimed that the Knowledge Economy is being eclipsed by something new – the “Creativity Economy”. Moreover, Nussbaum went on to point out that design strategy is probably the “Next Big Thing” after Six Sigma! In addition, several stories of successful product innovations from “top 20 innovative companies in the world” were also presented in this special report to validate his view. Even though business leaders may be influenced by Nussbaum, however, they still have to understand the right way of leveraging the capabilities of their design team and stimulate their creativity effectively.

Thus top executives may need to know about what are the new roles designers can play in enhancing innovations in their organisation. In this regard, Borja (2006) suggested “Four Powers of Design” to leverage the value of design management in promoting innovations from the aspect of design team leaders: (1) design as differentiator: playing the role as a source of competitive advantage for the company; (2) design as integrator: taking charge of coordination among new product development functions in order to enhance consensus building and speed up the time to market by making good use of visualisation skills; (3) design as transformer: becoming a resource for creating new business opportunities; (4) design as good business: being a source of increased sales, better margin, more brand value, and greater market share, etc.

The design team leader indeed can play a much more significant role in their company, by leveraging their four powers mentioned above.

Furthermore, the CEO of IDEO – Tim Brown (2008) echoed the view of new role for designers to play in business by pointing out that “Design Thinking” can transform not only product itself, but also services, processes, and even business strategy! He also published a popular best seller later to promote the same vision and made more widespread influence than the former paper (Brown, 2009). As a result of these intensive advocacies, business all-over developed and developing countries are rushing to jump on this bandwagon of design. Even not only individual business organizations are following this trend, but also the European Commission had launched “the European Design Innovation Initiative (EDII)” in early 2011. Its goals were to raise the awareness of design as a driver of innovations in Europe, and to enhance the role of design as a key discipline to bring about creative ideas of user-friendly and appealing products in the EU (European Commission, 2011).

### 3. RESEARCH METHODS

#### 3.1 RESEARCH QUESTIONS AND HYPOTHESES

As the aim of this research was to investigate the leadership behaviours of top executives of companies with outstanding product design innovations, our studies were set out to investigate two research

questions: Firstly, did top executives of these innovative companies usually get themselves involved in enhancing the innovative performance of their design teams? Secondly, if the answer for the former question was positive, then what kind of unique leadership behaviours did they adopted for this purpose? The hypothesis for the first research question was that the top executives are heavily involved in the enhancement of performance in product design innovations, since they can see the significant implications of successful innovations to the overall performance of their business (Barsh, Capozzi, & Davidson, *ibid.*). The hypothesis for the second research question was that each of them should all have some unique leadership behaviour for enhancing performance in product design innovations. Since the top executives who can see innovation as a major issue in their management are usually innovative person themselves; also, innovations can only be nurtured to the most extent through innovative ways inherently (McDermott and Sexton, 2004).

#### 3.2 THE SELECTION OF CASES FOR STUDY

As Glaser and Strauss (1967) pointed out, sticking firmly with empirical evidences in the real world of practice is always vital in acquiring any reliable and valid conclusions for the purpose of inducing relevant and practical suggestions for reference. Therefore, the real experiences gathered from successful practices done in our chosen innovative companies must be treated as important basis of this study.

Accordingly, The number of “iF Gold Awards of Product Design” that a company won from 2006 to 2010 was taken as the criterion of choosing “companies with outstanding innovations”, since it had been generally accepted as one of the most important indicator of excellence in design and innovation, known as the “Design Oscar” according to Wikipedia (<http://en.wikipedia.org>). In addition, As the causal effect of leadership behaviour is very dependent on cultural differences (Li, *ibid.*), our selection of successful cases was restricted to companies that are based in Taiwan, as the conclusions are aimed at providing reference for other business leaders in Taiwan. According to the requirements mentioned above, the six companies including ASUS, BenQ, Giant, Pacific Cycles, Nova

Design, and Gixia Group were chosen as research cases for this study.

### **3.3 BUILDING INITIAL CASE UNDERSTANDINGS**

At the initial stage of this study, information on what the top executives of these innovative companies described about their philosophy and vision on managing innovation were gathered from various sources such as corporate website, brochures, and various other forms of publications. The method of document analysis was adopted here to investigate the contents of the gathered information to acquire a better understanding towards the company in question, and to establish the basis of themes to explore in the following in-depth interviews.

### **3.4 IN-DEPTH INTERVIEW WITH INDIVIDUAL CASES**

After initial basis of understanding was established for the company in question, then in-depth interviews were conducted with the top executive themselves, or some of their managers and designers according to their individual availability, in order to acquire better insider knowledge on what the top executive is doing in daily management actually.

The in-depth interviews were conducted in a semi-structured manner. Based on the understanding established earlier, questions were prepared for interviews. However, these questions were prepared for reference only. The actual questions asked in interviews were adjusted very flexibly according to the answers and expressions given by the interviewee, with the research theme being kept in the interviewer's mind. This flexibility was adopted for keeping the direction of conversations while accommodations could be made to suit the area and subject of the interviewee's best interest, since such kind of adjustments were helpful to maintain the interviewee in high enthusiasm on the on-going topic, in order to arouse their deeper thought and solicit more straightforward expressions, and thus more insider information could be obtained (Boyce and Neale, 2006). During these interviews, not only recordings were made, but also field notes were taken concerning the observations made on the interviewee's nonverbal expressions as well as the connotations that were felt in their descriptions.

### **3.5 FINAL SUMMARIZATION FOR INDIVIDUAL CASES**

In this stage, we went on to synthesize the three main sources of information. Firstly, the initial

understandings we acquired from various forms of publicized materials of the chosen innovative company about the top executive's philosophy and vision of managing product innovations. Secondly, the information in the recorded contents on what they said in the in-depth interviews. And thirdly, the field notes that we took in the in-depth interviews. With cross investigations among the above three main sources of information, a better holistic understanding can be obtained on the innovative company in question (Glaser and Strauss, *ibid.*). In this way, conclusions on the main reasons of the outstanding performance in product design innovations of the company under study can be summarized.

## **4. RESULTS OF INDIVIDUAL CASE SUMMARY**

Based on the research methods described above, the information gathered for the six outstanding companies in product design innovations were each analysed for the main reasons behind their superior performance. Although we indeed found many ways of influencing innovations done by each top executive of these innovative companies, however, only the most prominent features of leadership behaviour in each of the six companies will be listed in our conclusions here for the sake of keeping an appropriate length of this paper.

### **4.1 ASUS – 0204 DIRECT LINK**

ASUS (ASUSTeK Computer Inc. <http://www.asus.com>) is one of the most important manufacturers of laptop and desktop PCs as well as various 3C products in Taiwan. It was the establishment of "0204 Direct Link" between the Chairman – Mr Jonney Shih and ASUS designers, which can be deemed as the most unique feature of leadership behaviour of the senior executives of this company. This policy indeed nurtured vital ingredient to the active innovations of this company effectively, since designers see it as a clear indication of support from the top, as they all highly appreciated this in our in-depth interviews.

#### **4.1.1 The Tuesday-presentations**

The term "0204" stands for Tuesday and Thursday respectively. On every Tuesday afternoon, any designer can make appointment for a presentation to the Director and the Chief Designer of the ASUS Industrial Design Centre to raise any kind of

initiatives or proposals, both in an autonomic team-based form or individually. Here the term “any kind of initiatives” truly means that any kind of new product ideas, concepts, or intention of pursuing all kinds of endeavours, even those ideas which presented no direct relationship with their officially assigned responsibilities can also be included. After Tuesday presentations, the Director and the Chief Designer will discuss thoroughly with the designers until a consensus was reached on whether they should pass the proposal as it is, or make certain modifications before going on. The designers we interviewed indeed said that as far as what they can remember, they had never seen any proposal turned down at this stage immediately. For those proposals that were required with some modifications, a further Tuesday-presentation will be scheduled right away; whereas for those proposals that were passed as it is, then an appointment of Thursday-presentation will be made right away.

#### 4.1.2 The Thursday-presentations

The Thursday-presentations was found to be the most impressive part for the researchers and also highly appreciated by the interviewed designers, that in spite of his extremely tight schedule, the Chairman – Mr Shih had reserved every Thursday afternoon for any designer to make an appointment for a direct presentation on the proposals that were passed in former Tuesday-presentations. The only exceptions were times when Mr Shih was doing his business trips abroad or having any activities that were out of the control of ASUS. Also, Mr Shih is very enthusiastic in giving appreciations to any innovative proposals and initiatives, both in terms of verbal expressions and resource commitments. For instance, even the initiative such as asking the company for official sponsorship as well as allowance of personal participation for designers in an exhibition of contemporary creative arts was also accepted happily by Mr Shih. Therefore, the researchers think that this is truly unique and effective leadership behaviour for the purpose of enhancing performance of product design innovations in the company.

For the convenience of the 0204 arrangement, Mr Shih also initiated the decision in early 2010 to move the Industrial Design Centre from a nearby factory into a higher level of the Headquarter Building closer to Mr Shih’s office, where average employees were

not accessible. The interviewed designers said that this decision was also seen as a clear sign of esteem for them.

The ASUS designers all deemed the supports from the Chairman as indispensable for the pursuit of various highly innovative initiatives, as those innovative initiatives were mostly violated the corporate norms or regulations in one way or another, which will usually be turned down by executives in other companies immediately. Especially all ASUS designers see the 0204 arrangement as a highly effective stimulus for the morale in ASUS Industrial Design Centre, and thus their designers are all very strongly motivated to put any kind of innovative ideas forward, without anything to worry or hesitate about. Therefore, Mr Shih is indeed doing what he said in the Chairman’s message

– Inspiring Innovation • Persistent Perfection –  
that was shown in the ASUS homepage

#### 4.2 BENQ – THE APPOINTMENT OF A “MFA AS CDO”

BenQ (BenQ Corporation, <http://www.benq.com>) is another most important manufacturer of various 3C products in Taiwan. Before the bestselling business author Daniel Pink (2004) had his famous statement “The MFA is the New MBA” became one of the “Breakthrough Ideas for 2004” in Harvard Business Review, Mr Kuen-Yao Lee – Chairman of BenQ – had already pioneered in this regard actually. Since Mr Lee had appointed Mr Manfred Wang, a very prominent MFA in Taiwan, as one of very few earliest “CDOs” in the world, and certainly the first in Taiwan as early as 2002.

With the position of VP (Vice President) and CDO (Chief Design Officer) of Benq Group, Mr Wang was assigned to lead Benq’s Lifestyle Design Centre, therefore, “MFA as CDO” can be deemed as the most impressive leadership behaviour of Mr Lee of BenQ that had been enhanced the power of innovations in this company very effectively.

##### 4.2.1 The CDO in the core team of executives

The appointment of a “MFA as CDO” did not mean merely by giving a better attractive name to the position of their design team leader, it was truly accompanied by a full-scale delegation of administrative responsibilities as well as an allowance of full access for the CDO in the core team of BenQ executives. In other words, this first CDO in

Taiwan is also the first designer who participated in the core team of corporate management but still remained his original status as the leader of corporate design centre.

This status is worthwhile of taking serious attentions by the design community, since it is quite different from several design leaders who had given up their original status as design team leaders and adapted themselves to a new role as administrative or business leaders at the time when they were further promoted from the position of design leaders above the position of Vice President in the past.

#### 4.2.2 The new design-oriented business operations

Being appointed as VP and CDO of BenQ Group, Mr Manfred Wang did not limit his own role as the design team leader only. As an active member in the core team of corporate executives, he was delegated with full power of decision-making and was also permitted for setting out to play a whole new role in the area of strategic business operations.

With another brand name under the BenQ Group – Qisda (Qisda Corporation, <http://qisda.com>), Mr Wang started the operation of a design-oriented new business for the group. Leveraging the design power of the Corporate Design Centre as an initial engine, as well as the existing LED lighting technology of BenQ Group for further supports, they began to shift the company away from BenQ and Qisda's traditional business model of OEM/ODM that was characterised with very low profit margin, and undertook the strategic move towards the new business orientation of high-end brand image, and most importantly, the OBM business model of much higher profit margin!

Since the global economic downturn in 2008, Qisda had begun a bold move to create a series of delicate life style products of designer LED lighting products with high sense and high touch design, which had won several prominent design awards in 2011, including one Red Dot's Best of the Best Award and two iF's Golden Award. Besides, Qisda had entered the new business arena of high-end designer lighting devices, with an initial success among high priced, very picky lighting channels in European market, according to Mr Wang. The researchers defined this kind of bold move as a new role of strategic business operations of design executives, and we called it "design-oriented business" which had long existed in

fashion industries. However, it was only a new beginning in 3C industries, and it indeed exhibited a pretty good prospect in the future!

#### 4.3 GIANT – THE CHAIRMAN'S CAMPAIGN FOR A FORMIDABLE BICYCLE INDUSTRY OF TAIWAN

Giant (Giant Manufacturing Co. Ltd.

<http://www.giant-bicycles.com/en-IN>) is one of the most important and world renowned manufacturer of bicycles based in Taiwan. By the time of 2000, Giant was still remained in the OEM model of business. Being faced with the severe challenge from low cost manufacturers in China, the golden era of 1990s when Taiwan exported 10 million bicycles annually ended so quickly that the number dropped to merely 3.88 million by the end of 2003. There was no doubt that Giant was the one who suffered the most. Instead of striving for taking orders back from its competitor, the vision of Giant's Chairman – Mr King Liu – was to shift away from this hard OEM business of low profit margin with unstable orders, and to establish a more formidable bicycle industry of Taiwan (Brookfield, Liu, and MacDuffie, 2008).

To realize this vision, Mr Liu saw opportunities from both the supply-side and demand-side of bicycle industry. On the "supply-side", he began an effort to advocate the strategic alliance among Taiwanese bicycle manufacturers as well as their suppliers of materials and parts – the A-Team. This alliance had laid the cornerstone for bicycle innovations in technological area successfully. On the "demand side", Mr Liu had also started an effort for the campaign of "The Green World on Wheels", that paved the way to the recent market booming for high-end bicycles right after the time of global economic downturn in 2008; which made the whole bicycles industry in Taiwan earned both a pretty good turnover and profit, in sharp contrast with most of other industries during the same period. Above all, a more formidable bicycle industry was established!

##### 4.3.1 The efforts on the supply-side – the "A-Team"

In the vision of Mr Liu, the first effort that was required for swapping away from this hard OEM business of low profit margin and unstable orders was on the supply-side of the industry, in other words, the technological upgrade both in manufacturing and R&D of materials, parts, and end

products. Knowing that it was impossible to do it alone, therefore, Mr Liu persuaded the Industrial Development Board (IDB) of Taiwan government to support his initiative in organizing a strategic alliance among Taiwanese bicycle manufacturers. As a result of this effort, there were 11 members (currently increased to 21) join the alliance initially, and the “A-Team” was established in early 2003. Three goals were put forward for this venture: (1) lean production, (2) co-innovation, and (3) co-marketing (Brookfield, Liu, and MacDuffie, *ibid.*).

Among this strategic alliance, many resources including technological and management know-how were shared open-mindedly between members, even between rivals – Giant and Merida! The individual specialization of technological excellence was also developed in each member of the team systematically from materials to parts and end products. Also Kuozui Motor Company (Toyota Taiwan) was persuaded by both the IDB of Taiwan government and Mr Liu of Giant to support this alliance by transferring their world renowned know-how of “Toyota Production System (TPS)” to its members (Wei, Fang, and Chen, 2008).

This alliance was so successful that the technological ability of the whole industry and entire value chain of bicycle manufacturing was upgraded significantly. By 2005, the average inventory at several members’ plants has decreased over 50 per cent. For the A-Team’s two assembly plants – Giant and Merida, both inventories and time-to-market have declined over 60 per cent too. Thus the capabilities of flexible and small batch production were established, and this means that the cornerstone for the production of more sophisticated, higher priced innovative bicycles had been laid in technological area of this industry (Brookfield, Liu, and MacDuffie, *ibid.*).

Source: Taiwan Bicycle Exporters’ Association (TBEA)

Year	Average Unit Price	Annual Exports	
		Amount	Revenue
2002	\$124	4.22 million	\$523 million
2005	\$199.9	4.59 million	\$918 million
2010	\$289	5.05 million	\$1450 million

Table 1. The Rising Product Value of Taiwan’s Exported Bicycles

According to statistics provided by Taiwan Bicycle Exporters’ Association (TBEA), the product value was rising much faster than quantity from 2002 to 2010, as shown in Table 1 above (<http://www.tbea.org>),

which strongly demonstrated the significant achievements of the A-Team endeavour.

#### 4.3.2 The efforts on the demand-side – the campaign for “Green World on Wheels”

In Mr King Liu’s vision, one more effort that was also indispensable if Giant wants to shift away from the hardship of OEM business will be on the demand-side of the market. In other words, the creation of strong user needs for high-end bicycles in the market, and such kind of user needs can only be created through the promotion of positive virtues of cycling lifestyle.

Therefore, Mr Liu established a foundation in order to sponsor various cycling activities, cycling competitions, cycling teams, and professional cyclists globally. Besides, a company-wide campaign for joining in various cycling activities in person was started also. Mr Liu has a very enthusiastic passion for cycling; he insisted that only when his employees can participate and experience cycling activities themselves, then they can truly put the Giant’s brand values into action. Under this campaign, a series of “Green World on Wheels” tours were organised, including an eight-day, 900-kilometer cycling tour around the island of Taiwan that was called the “Formosa 900”. Mr Liu did not just require Giant employees to join in these activities only, but also led the cycling himself. At the age of 73 in 2007, he began to lead his employees to go for the “Formosa 900” around Taiwan. Since then, Mr King Liu had also ridden through China from Beijing to Shanghai and in Netherlands, in an effort to spark dialog on the benefits of cycling in the world.

After these efforts, cycling had become more and more popular worldwide, and a fashion of riding more and more high-priced bicycles had also become popular along the years gradually. At the time when most industries were heavily suffered from the recession triggered by the global financial meltdown in 2008, a market boom of high-end bicycles was right heated both by the strong social awareness of carbon-emission reduction and the eager personal awareness of fitness-keeping. As a result of these two social trends in so many countries, the bicycle industry in Taiwan had enjoyed a period of hot sales and high profits, which was pretty enviable for most of other industries in such a harsh period.

#### **4.4 PACIFIC CYCLES – THE OPERATIONAL MODEL OF “FITNESS PRODUCTION” AND THE BUSINESS MODEL OF “CO-BRANDING”**

Pacific Cycles (<http://www.pacific-cycles.com>) is another important and world renowned manufacturer of bicycles in Taiwan. During 1990s, they had also suffered from OEM business model. However, the Pacific Cycle’s Chairman – Mr George Lin – had his own way to get out of this hard business of OEM with low profit margin. Mr Lin’s vision was “to turn his bicycle factory into an international designers’ workshop”. His strategy of pursuing this vision was to throw the business model of mass production away and shifting the company into niche market with the operational model of “fitness production”. In addition, he also created a new business model called “Co-Branding”, which successfully attracted highly creative talents of bicycle innovations from all-over the world, to collaborate with the Pacific Cycles in developing various highly innovative and high priced bicycles.

##### **4.4.1 The operational model of “Fitness Production”**

In early 1990s, Pacific Cycles had also suffered from unstable orders and low profit margin of its OEM business. This suffering urged Mr Lin to make up his mind to take a strategic move that throw away the OEM business totally, and replaced it with the operational model of “Fitness Production”. This model stands for the focus solely on uniquely designed high-end bicycles of “no more than the amount that fits for productions of highest quality”. The main feature of “fitness production” is a total obsolete of production lines; instead, they were replaced with “production units” that were organized with small number of highly specialized workers according to their expertise; this character is especially in favour of flexible production and strict quality control, which were required for producing high quality, high-end bicycles with sophisticated variety.

##### **4.4.2 The business model of “Co-Branding”**

Since highly innovative design is an indispensable character of attraction for every high-end bicycle they produced, Mr Lin knew very well that there is an imperative to come up with some way that is capable of ensuring this attraction sustainably.

With this imperative in mind, when Mr Lin first met Markus Riese and Heiko Müller in Germany at a 1993 bicycle show, he immediately identified the mock-up presented by these two young students as having very good potential. Mr Lin told them that if they come to see him in Taiwan, his company will invest in the production and marketing of this new design.

As the two young men really couldn’t find any European company to collaborate with, they indeed came to Taiwan later to talk to Mr Lin for their design and their business plan. Mr Lin decided to collaborate with them both in further development and marketing. The terms for their collaboration was that these young men can keep their right of sales in Europe, Turkey, and Soviet Union; while Pacific Cycles invested in both product development and the living cost of the two young men in Taiwan until this product development was finished, with the right of production and sales in all other markets held by Mr Lin. Also, both sides will share the same brand name, with a royalty paid to these young men on a quantity basis. Pacific Cycles also kept the right to put a label of “Manufactured by Pacific Cycles Lab” on every bicycle they produced, which is proven to be a basis needed for promoting the name of Pacific Cycles. This case was their first trial of innovative product development that finally brought about the birth of a highly successful product named “Birdy”, as well as the business model of “Co-Branding”, according to Mr Michael Lin, the current CEO.

With the great success won by both sides under this business model, Mr Lin went on to promote his vision of building an “international bicycle designer’s workshop”. He established accommodation facilities on top floor of their headquarters, which is called “Pacific Hotel” and now it has become a meeting spot for customers and designers of high-end bicycle from all-over the world. It is a place where they can pursuit their latest ideas and dreams during their collaboration with Pacific Cycles. After so many years of great success, the business model of “Co-Branding” had created tens of innovative products, all with individually created brand name; also the label of “Manufactured by Pacific Cycles Lab” they put on every bike had become a famous brand itself. Pacific Cycling had started the establishment of five brands of its own under the reputation of this label. In addition, the name of Pacific Cycling is also



attracting more and more talented young designers of bicycle here. Mr Michael Lin said that they can be very choosy among applicants now, not only about the design itself, but also their business plans. He said that “Business plans make great difference between real dreamers and daydreamers, and only the former ones are worthwhile to collaborate with”.

#### **4.5 NOVA DESIGN – A SPIN-OFF OF IN-HOUSE DESIGN DEPARTMENT AS AN INDEPENDENT DESIGN FIRM AND A PLATFORM OF PROJECT MANAGEMENT**

Nova Design (<http://www.e-novadesign.com>) had developed to become the biggest design firm among China and Southeast Asian countries. Actually, before its establishment in 1988, Nova was the in-house design department of Sanyang Motorcycles (<http://www.sym.com.tw/eng>), a Taiwan based motorcycle manufacturer. Mr Chen Wen-long – the CEO of Nova Design – was the director of this in-house design department before its independence. He had a very far-sighted vision since mid-1980s that the design capability and development of Nova will be very much limited as long as it remained the in-house status as it was. Therefore, he successfully persuaded the CEO of Sanyang Motorcycles to invest in the independence of Nova Design. This creative and strategic initiative had laid an indispensable cornerstone for the future success of Nova Design. In addition, he had also made an extremely advanced decision in the early 1990s to invest heavily in the establishment of an intranet-based “Platform of Project Management”, which remaining as a powerful competitive tool for a “knowledge business” like Nova Design even today.

##### **4.5.1 A spin-off of in-house design department as an independent design firm**

At the time when Nova Design was still an in-house design department in mid-1980s, Mr Chen already had a very far-sighted vision. He told us that “The enhancement of design capability and the capacity of future development will be very much restricted, as long as it remained the in-house status as it was.” Therefore, he successfully persuaded the CEO of Sanyang Motorcycles to invest in the independence of this in-house department, and created Nova Design. This creative and strategic initiative had proven to lay an indispensable cornerstone for the success of Nova Design more than twenty years ago.

Mr Chen had more than enough persuasive reasons to get the CEO of Sanyang Motorcycles nodded for his creative and far-sighted vision. Firstly and above all, the design projects given by Sanyang Motorcycles will certainly remain as the first priority among their serving projects, since Sanyang Motorcycles will still be the actual boss behind Nova Design. Secondly, the projects given by Sanyang Motorcycles will get even better service since they are not only the actual boss behind, but also the most important customer of this new-born design firm. Nova will have to adopt a very different attitude towards those former colleagues of the mother company, even better services will be offered after its independence in order to keep these customers happy. Thirdly, the design capability of Nova Design will be developed much faster than before; since Nova Design will now be allowed to take projects from any other customers as long as the projects given by the mother company certainly still ranked at the highest priority. Although projects from direct competitors of the mother company will absolutely not allowed to take, however, this had already gave Nova with enough opportunities to serve the projects awarded by customers in other industries, and it means that plenty of chances will be there for Nova Design to get in touch with various materials, technologies, as well as other knowledge which won't be available for an in-house design department as it was. Fourthly, the limit on capacity in future development of Nova Design will largely be released for the positive cycle triggered by both the substantial financial support and the steady source of projects given by the mother company. Finally, the third reason and the fourth reason will have an effect of mutual strengthening as time goes by, and the profit for the mother company will be fruitful following the growth of this design firm.

Mr Chen is no doubt a pioneer in the adoption of this business model for a design firm in Taiwan. For more than twenty years of operation to this day, it has been proven that his vision was far-sighted enough through the great success demonstrated by the successful expansion of Nova Design.

##### **4.5.2 The establishment of a “Platform of Project Management”**

In addition to the pioneering of successful business model in the independence of an in-house design department, Mr Chen had also made an extremely

advanced decision in the early 1990s to invest heavily in the establishment of an intranet-based “Platform of Project Management”, at the time when networking technology of computers was only in its early infancy. This platform was later developed for use in Knowledge Management.

Under the reasons stated earlier, Nova Design expanded very fast after its independence in 1988. By the time of early 1990s, a size of tens of designers had already been established. Therefore, the issue of project management emerged much earlier than other design firms in the same period. Under the need of improving efficiency of communications among such a large size of design team, Mr Chen sensed this need and figured out the proposal for its effective solutions very quickly. It was happened to be a period when Taiwanese government also realized that the development of design firms is a required nutrition for both the development in industrial sector and service sector; in addition, design firms are part of service sector themselves. Therefore, when Nova Design put their proposal forward to apply for subsidies from the government for building the platform, it was quickly approved by the Industrial Development Board and thus a lot of investment was saved while many forms of support including consultancies were provided by the government in the purpose of creating a model for other design firms to learn and follow.

Under such a substantial support from both the government and its mother company, this intranet system was established very quickly and successfully. On this platform of project management, not only design managers can control paralleled projects of a large number very effectively, but also their designers can draw upon any project contents developed up to the date when they feel the need for taking reference of their own projects. Therefore, both the efficiency of time management and quality of design were improved significantly. Also, the databank of design knowledge in various areas was accumulated very fast, so it was not so difficult to develop into a knowledge platform later.

Today, when Nova Design had expanded so much internationally with 6 locations consisting of team members from 12 different nationalities and totally more than 200 people, designers spread across

countries such as United States, Canada, UK, Germany and Italy can work and communicate with much more conveniences and efficiency under this platform. Therefore, Nova Design relies on this internal network even more heavily among different locations of their branch offices and clients, which still remaining as a powerful competitive tool for enhancing innovations in a “knowledge business” such as Nova Design today and even in the future. It was actually also started from a very far-sighted vision of Mr Chen twenty years ago!

#### **4.6 GIXIA GROUP**

##### **– THE BOLD BUSINESS MODELS OF “DESIGN FEES AS INVESTMENTS” TO THEIR CLIENTS AND “DESIGNERS AS SHAREHOLDERS”**

It was a surprise that the well-known International Design Award-winner, also the founder and Chief Designer of DuckImage (DuckImage Design Studio <http://www.duckimage.com.tw>) – Mr Duck Hsieh had resigned just shortly before the researchers interviewed him in mid-2010. He said that it was for the creation of an even larger design firm – Gixia (Gixia Group <http://www.gixia-group.com>); and it was a move for the pursuit of an even bolder vision than the one he held in creating the DuckImage.

This time, the vision behind the surprising move which Mr Hsieh took to leave DuckImage was for the purpose of undertaking the lead in creating the even bolder business models such as “Design Fees as Investments” to their clients, and “Designers as Shareholders”. These leadership undertakings not only seem to be highly innovative themselves, but also can be invaluable new hopes and direction of future development for design firms.

##### **4.6.1 “Design Fees as Investments” to their clients**

One of the most frequent complaints which we heard from design firms was that “Charging design fees is much more difficult than doing design itself”, also the “value of design” is the most debated issue between design firms and their clients, especially for those clients who belong to the category of SMEs. As they mostly are running under a very small amount of capital, that may make them very keen to save every bit of spending, particularly when they feel not so satisfied with the service. On the other side, since design firms mostly are also very short of operational funding, they are especially vulnerable if

they cannot receive design fees from their clients smoothly and timely enough. Therefore, this problem had frequently been a source of disputes between these two sides.

Here the policy of “turning design fees into Investments to their clients” means that Gixia will not make charge of design fees directly after their design services were finished. Instead, they make a contract with the client before the design service commenced, in which Gixia will reach a consensus with the client that the design fees will be charged according to the profit that was made through the product that was designed. In addition, it will not be charged in terms of cash but transferred into shares of the client as an investment from Gixia. In other words, there will be no charge if no profit was earned from the design that was done! Such a policy will solve most of the problems since the client will have no justified reason for not paying the design fees after they earned enough profit from the design service. As a matter of fact, they may actually be very happy to pay the fees under such a condition, or to give respective amount of shares according to the contract they made earlier; since they will expect to take more design services from this design firm! On the contrary, if the design service was so unsatisfying that it could not make any profit, or even can be blamed for a loss on the client, then there clearly should be no right for the design firm to claim for any payment for their service! Therefore, it will be pretty fair for both sides and there seems will be no more reason for any disputes!

Although this seems to be very much a fair trade, after all, even though the design firm may be confident enough for their own design to stand the test, its financial condition must be sound enough to withstand a considerable period of time without incomes before the design firm can be daring to say so or accept such a term!

#### 4.6.2 The policy of “Designers as Shareholders”

Another frequent complaint which we heard from design firms was that “Designers are so volatile and unable to keep them long enough”, when the “value of design” this time is referred to the other side of debate towards designers instead of the clients! Especially for those design firms that are holding but a very small amount of running capital, it may make

them unwilling or even unable to pay a particular high level of salaries. On the side of the designers, they may always think that their boss was just too stingy to offer better salaries to them, and the only way to solve this problem is that they may have to look for other jobs with higher pay. Similarly, this problem had also frequently become a source of disputes between these two sides.

Here the new policy offered by Mr Hsieh is that although the designers may get a basic salary which is barely enough for their living cost only, however, as long as they can offer higher design quality to the clients and thus enable more shares and more dividends distributed to Gixia. In turn, Gixia will also give the designers with more shares and more dividends, which means more income to them.

Now that the line between clients, design firm owners, and designers become blurred by these new solutions created by Mr Hsieh, and there should be no more disputes between these three sides since it is pretty fair for each side of them. Everyone in this game will be able to get what they deserved, thus there will only be true cooperation in between!

## 5. CONCLUSIONS

Based on the result of document analyses described above, the researchers will be able to reach the following seven conclusions on what top executives can do, if they wish to have outstanding performance in product design innovations for their organizations:

- Successful top executives indeed are all proven to be very “capable and enthusiastic” in enhancing innovations through their own unique ways of leadership, and they must do so to be successful!
- Strong supports should be exhibited right from the top executives throughout the organization, and right down to innovative designers deliberately. Just like the ways that the executives of ASUS are doing.
- The top design leaders should be delegated with substantial chances and power to participate in the top level decision makings and strategic formulations of the company. Just like what the Chairman of BenQ – Mr Lee had done for Mr Manfred Wang.

- Top executives should and must be able to put more efforts on the top level of social impacts and influences at more holistic issues of infrastructural establishments that will pave the way for further product innovations, such as Mr King Liu of Giant have done.
- Top executives must take charge of leading the strategic direction toward product innovations for their organizations. Just like the example set by Mr George Lin of Pacific Cycles.
- Top executives should be far-sighted enough to offer visions on long-term developments that can enhance future innovations effectively, such as what Mr Chen of Nova Design have done.
- Top executives should and must be capable of setting “rules of the game” which bring about real benefits to every player fair enough, just like what Mr Hsieh is doing for Gixia.

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