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"It used to be product managers who would talk about user experience. Today, it's **CEOs and board of directors.**"

How do we create positive experiences? Design and development in a complex world.

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Photo: Johner AB

When consultancies acquire design agencies: Fjord and Veryday

In recent years management and technology consultancies that have not traditionally focused on design have made high-profile purchases of design agencies. What lies behind these acquisitions, how do you integrate design agencies into a global consultancy, and, not least, what does the future look like?

By Jon Engström

IN 2013 ACCENTURE, ONE OF THE WORLD'S LARGEST CONSULTANCIES with 400,000 employees, acquired the design agency Fjord. Fjord was then a British company with studios in various parts of the world, including one in Stockholm with nine employees. In 2015 the management consultancy McKinsey acquired the American design agency Lunar, and at the end of last year it bought the Swedish company Veryday. These acquisitions are part of a bigger trend of global corporations making major investments to strengthen their design expertise. In this article we meet with Fjord and Accenture, and Veryday and McKinsey, in order to understand what lies behind these acquisitions, what those involved have learned during the integration of their companies, and how they see the future of the design market.

Fjord och Accenture

I interviewed Daniel Freeman, Group Director for Fjord Stockholm, and Mattias Boman, Managing Director of Accenture Interactive Nordics, at Fjord's studio in central Stockholm. The studio has a clear designer touch – it is an open, creative and colourful environment.

New digital channels created new needs

My two hosts explain that the acquisitions of recent years stem from changes in the market that began 10 to 15 years ago. New digital channels for interacting with customers have been created. The leading companies have created customer experiences that have driven expectations in the market.

“Managing to deliver positive customer experiences in all channels has become an incredible challenge for companies,” Boman says.

Interest in customer centricity has moved higher up the companies' hierarchies and has led to more extensive design commissions.

“When we were independent at Fjord, before Accenture, we noticed we were gradually talking with more and more senior representatives of our customers,” Freeman explains. “They asked us to help them with customer centricity and increasingly complex problems. This led to some frustration for us – we could design an experience but it was hard to get our design implemented on a large scale.”

Likewise, customer experience was also becoming more and more important to Accenture's clients. Accenture had the technological platforms and strategic expertise but its clients often did not sufficiently understand what customer centricity involves or the value of design.

“We needed to be able to explain the value of design and we needed to integrate design into the delivery process ourselves,” Boman says.

Technological advances have created a complex reality for design agencies. There are advantages to being part of, or working with, companies possessing a higher level of technological focus and expertise.

“It's a matter of being able to deal with all the new developments – such as virtual reality, augmented reality and artificial intelligence. You can be lucky and invest in the right technology but that's not sustainable,” he adds.

Design is decisive in creating services with great appeal.

“Many companies understand more and more that this is of central importance yet still need help in successfully incorporating customer centricity with business and technology needs”, Freeman explains.

The need to integrate more skill sets into the development

process has also increased. For example, marketing and communication could previously be done separately from product development. Now they are built into the service, and the skill sets must therefore be integrated into the development work. Daniel Freeman gives an example of how design can be used to integrate technology, communication and marketing:

“Together with designers we were able to humanise the process of using artificial intelligence. When we developed a chatbot for a customer, we didn't just ensure it was user friendly but also that it communicated in a way that expressed the company's image.”

At the same time as complexity has grown, the rate of innovation has also markedly accelerated.

“Companies need to be able to develop and launch a new product or service within a hundred days. That's difficult if your company is divided into different departments whereby maybe one group works with design, another with technology, and others with marketing and strategy. Then a partner is needed who can manage to tie everything together.”

Fjord and Accenture celebrate their fourth



Daniel Freeman, Group Director for Fjord Stockholm, and Mattias Boman, Managing Director of Accenture Interactive Nordics, in Fjord's studio in Stockholm.

anniversary

This summer was the fourth year since Fjord and Accenture joined forces.

“The journey has not always been easy, especially since there were no clear models for how it should happen,” Freeman says. “This was the first global acquisition of this kind.”

Fjord and Accenture drew up a list of the basic principles of the merger. It encompassed everything from the employees being allowed to keep their Mac computers to the retention of the studio structure, culture and rituals.

“We've worked to retain our identity and the way we work,” Freeman says.

At the time of acquisition, Fjord's Stockholm section had nine employees. Today there are fifty.

1 Accenture Interactive is part of Accenture, whose business activities include service design, marketing strategy, marketing, and customer experience.

“Such strong growth creates a lot of stress on the culture and identity,” Freeman says.

“When you’re under pressure dealing with many commissions there’s a risk that you start to take shortcuts,” Mattias Boman explains. “One of the biggest challenges we’ve had is to explain both to our clients and internally within Accenture how to sell design and also to allow people who are different [i.e. designers – author’s note] to give presentations to important clients.”

Another challenge has been to find a compromise between the designer’s desire to create the ultimate design and the consultant’s focus on delivery.

“As a designer it’s hard to accept compromises because the task is to push the limits,” Freeman says. “Then it can be painful to first design, then deliver, and then gradually improve. That’s something we’ve definitely had to learn in the past few years.”

“Designers and consultants use different languages and that’s something that takes time to mature. The strength lies in the combination,” says Boman. “We’ve now done this for four years and we’ve come quite far. We’ve focused on creating the cooperation from the bottom up – that people get to know each other and can build confidence in each other.”

For Accenture, the acquisition of Fjord has also meant a change towards a more customer-oriented form of business development throughout the company, whose previous focus had often been on processes, strategies and technology.

“Through the purchase of Fjord our offering has become significantly more modern. We can start from the end customer – where value is created – and then understand how the organisation should deliver the experience. This is clearly a much better way of driving business development.”

An ongoing golden age

Daniel Freeman and Mattias Boman believe this is a golden age for design, with strong demand and insufficient supply. This creates opportunities for various types of player.

“Some want to hire the services of a designer, some want to have a niche designer, others want to have other types of collaboration. The broader the design concept and the more diversity that exists, the better.”

At the same time, Boman believes the market is facing a consolidation in certain areas.

“For the more comprehensive and transformative commissions there will be a more limited number of players who can participate.”

He also predicts the relationship between different players will change:

“We have to be humble and say that we can’t solve everything. We must open ourselves up to society in general – to startups and the whole ecosystem. We’ll be seeing more of this in the future.”

Veryday and McKinsey

I met Peter Andén, partner at McKinsey and CEO of Veryday, and

Anna Bäck, COO of Veryday, in the company’s characteristic premises – a rebuilt mission church in the Bromma district of Stockholm. Visitors encounter many awards for good design – everything from SAS’s classic coffeepots to IKEA’s new “Sladda” bicycle.

Convergent design made the difference

Just as with Accenture/Fjord, Bäck and Andén see the development of digital technology as an important driver of the acquisitions in the design market. New technology has created the foundation for masses of innovations and has made customer centricity increasingly important. Today customers can easily share their experiences and compare different products.

“The development of digital technology created a boom for user-centred design that has been driven by a number of players. With the help of user-friendly products, they have been able to knock their competitors off their feet,” Bäck explains. “The key is to deliver something extra that customers themselves haven’t realised they want – then the customer experience has greater strategic importance.”

McKinsey’s investment in design began with the purchase of Lunar, one of the leading design agencies in the US, but McKinsey has also grown organically via McKinsey Digital Labs with more than 100 designers.

“McKinsey has been a traditional management consultancy but over quite a long time we have been adding specialist functions in design, digital services and advanced data analysis,” Andén says. “Especially in the past five years we have expanded in the digital services sector, and globally we now have 800 developers and over 300 designers. This is one stage of a long-term strategy.”

Veryday saw the advantages of having a partner who is used to speaking with the highest management at the customer level.

“The whole field of design and customer experience is now coming far higher up the agenda,” Bäck says. “Before it might have been a product manager talking about customer experience but today the topic is being discussed by the CEO and management board. So then it’s good that we have McKinsey with us.”

That McKinsey’s choice fell on Veryday in particular was due largely to the latter’s already strong position in what is called “convergent design” – when physical products, the digital aspects, and services are linked (read more about this in the articles on servitization, p. 26).

“Many companies are skilled at product design but when you have to combine the physical aspects with digital design and service design, this is a unique area where Veryday was the leader. Often it is here that clients’ challenges are to be found.”

United by a passion for the customer

When McKinsey bought Veryday, the experiences from the Lunar acquisition came in useful. So far the collaboration has gone unexpectedly well, with one key factor being a shared focus on the customer.

“We share a passion for the customer – both the end customer, that is, the user, and the client, our direct customer. McKinsey and Veryday have differences in their methods but the vision is the same so it all still works out,” Bäck says.

There is no desire for any total integration.

“The aim is to build the most preeminent design agency, not to satisfy internal needs,” Peter Andén says. “We’re looking at how we can turbocharge Veryday and create the most spectacular design company.”

Retaining the company’s identity is important.

“We want to keep the culture and the premises, which contain a lot of passion and soul. We believe that’s important for creating good design.”

Even though McKinsey’s acquisition of Veryday occurred just over six months ago, the two companies have already worked on many shared projects. These combine skills from Veryday and McKinsey, such as design with strategy and advanced data analysis.

“This combination is very powerful,” Andén says. “We’ve got results that neither Veryday nor McKinsey could have achieved by themselves.”

He gives the example of a customer segmentation project to develop a product in the health-care sector. McKinsey implemented a quantitative segmentation with the aid of various data sources. Veryday did a qualitative study with in-depth interviews and customer journey mapping. Veryday’s designers could quickly create 3D prototypes and test them on users. Meanwhile, McKinsey focused on aspects of the product development, such as what various components would cost. Together they were able to develop a user-friendly and cost-effective product.

“The sets of problems are the same but are based on totally different approaches,” says Andén. “We get a richer picture of the entire customer experience and can add several dimensions of value for our client.”

They both believe that the merger has enabled different forms of expertise to come together. This has resulted in many useful lessons.

“I believe that many of my colleagues are inspired by adding more dimensions to the projects we’re doing,” Bäck adds. “It’s possible to get up to a higher strategic level and influence which products are made. Previously we got to do this sometimes but not always.”

Andén highlights Veryday’s focus on details as particularly instructive.

“Going into such depth is impressive. For example, I’m thinking of the SAS coffeepot and all the prototypes. Understanding the angles. Understanding the hand. Or Veryday’s work

with Gillette – really understanding the shaving habits in various countries. The superb work and the depth fascinate me.”

For the employees, the merger creates opportunities for exchanges between McKinsey and Veryday, but also between Veryday and Lunar, for example.

“Many people think it would be exciting to work for a while in San Francisco,” says Andén.

Further consolidation will come

Bäck and Andén perceive major opportunities in the design market in the future as well as further consolidation.

“Veryday is being contacted more and more about business strategy issues, and clients are asking for increasingly advanced and complex services,” Andén says. “This is a sign that the design consultancy market is becoming ever more sophisticated and it’s a matter of combining the physical and digital aspects with services. I believe there’s a huge amount for design agencies to do”. He also predicts a continued trend of acquisitions and consolidation.



Anna Bäck, COO Veryday, and Peter Andén, Partner at McKinsey and CEO of Veryday, in front of Veryday’s studio in Bromma, Stockholm.

“We’re working a lot to help transform companies. Other consultants might focus more on things like supplying a specific IT solution, but we develop new products and services that drive a company’s transformation. Together McKinsey and Veryday are very strong in this field.”

They both emphasise the importance of creating an understanding for the significance of design.

“We want more people to understand the scope of design. A design approach can be applied to many, many issues a company has,” Andén says. “Today global companies are coming to us and asking: ‘We’re facing a major transformation in the entire way we work and how we meet our customers. How can you help us to implement design in our various work practices?’

“We believe in design as a work method, and together we have the capacity to deliver something totally fantastic to our clients!” ■