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# **Innovation by Design – a Case Study of a Leisure Furniture Company from Santa Catarina**

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**Abstract**—Innovation has been a goal to be pursued in the business world. The culture of design thinking as a tool to achieve it, however, finds it difficult to settle in more traditional business sectors. This article brings an example of how was the process of inserting Design in an ultra-centenarian furniture industry, referencing concepts already established in the areas of design management, design thinking and business management in order to analyse and validate the process developed.

**Index Terms**—Branding, Place Branding, Innovation, SWOT Analysis, TVU Branding.

## **I. INTRODUCTION**

In the scenario of accelerated changes in which contemporary world is inserted, the increasingly product offerings and global expansion of the knowledge industry leverage the difficulties for the businesses to remain competitive. Thus, the innovativeness becomes an advantage and a premise of survival, where finding new market opportunities, proposing solutions to better meet consumer's needs and transforming ideas into innovative business strategies significantly increase the chances of success of organizations [1]. However, it is essential that, in addition to being attentive to the constant market changes, they build an internal culture in order to encourage innovative practices.

Through the analysis of facts related to innovation by design and consolidated theories on innovation, design management and design thinking, this paper investigates the integration of design in an ultra-centenarian leisure furniture industry, based in a small town in the state of Santa Catarina, in southern Brazil. Therefore, research procedures were adopted consisting in literature review followed by semi-structured interviews and case study. The literature review was done through reference books, articles and periodicals in the field of design, design

management, design thinking and innovation. The interviews were done with the four main managers from the industry (president, sales director, marketing manager and industrial manager), from August, 23<sup>rd</sup> to August, 30<sup>th</sup> 2013.

The case study was conducted by gathering information through interviews with the company managers directly connected to the process, and the reporting of the facts observed during the initial phase of the adoption process of design actions in the company.

## **II. LITERATURE REVIEW**

According to the Oslo Manual, innovation refers to the introduction of a good or service new or significantly improved with respect to its characteristics or intended uses [2] which includes significant improvements in technical specifications, components and materials, incorporated software, user use or other functional features. The brazilian innovation law [3] defines innovation as the introduction of new or improvement in productive or social environment that results in new products, processes or services. It involves processes of collective decision making and results in responses that satisfy the problems previously identified [1]. Thus, engaging in a unique combination of activities that leverage the company's resources so peculiar, difficult to be copied by others, is paramount to the continued success and is what gives businesses sustainable advantage over competitors. It is the strategy's essence - defined by a distinctive system of activities and resources - that enables an entrepreneurial company to win in the market, gives it advantage over the competition and provides the best return on investment [4].

Investigations in the field of innovation suggest creative thinking in the area of design as a method suitable for the development of innovation in products and services [4]-[7]. Innovation arises, then, as an opportunity to create competitive advantage while the Design Management facilitates the completion of creativity by efficient learning processes in order to find new solutions.

The duties of design are not restricted to its product. Not even restricted to being a result of a process. Before, and in addition, design is the method, the process, a model of structured actions and thoughts that run through a certain path to the desired pre-established outcome, innovating in several key areas that affect the competitiveness of products and companies (fig.1)[8]. This result is an object, a service or a value, although this outcome is not always predictable or planned.



Fig. 1 – The contributions of design management for business

A current approach, which aims to corroborate the idea that design management at a strategic level is essential for innovation inside organizations, is the concept of design thinking. This approach proposes the inclusion of problem solving and ideas generation practices from the field of design in order to identifying new opportunities to better satisfy customer needs, generate more innovative solutions for them and translate those ideas into business strategies focused and achievable which increase the chances of success of the organization on innovation [4]. The proposal is to create value for the organization through three fundamental aspects: empathy and deep and thorough understanding of the customers and their needs; the provision of distinct experiential offers that meet those needs exclusively; and the involvement in a unique combination of activities that leverage the company’s peculiarly difficult to be copied by others.

### III. BUTZKE LEISURE FURNITURE

The object of this study refers to the process of introducing design management aspects in a company with a long history of adjustments, adaptations and strategic realignments.

#### A. HISTORY

Founded by Wilhem Butzke in 1899, initially as a sawmill and joinery, Butzke Gebrüder was created as an answer to the growing demand for housing and storage building production inside Blumenau Colony, located in Vale do Itajaí, state of Santa Catarina. In the 20s, following up on the regional economic scenario, the company began to produce animal-drawn vehicles, which was followed by the production of wooden bodies for cargo vehicles years later.

In 1983, under new equity control, the company starts to invest in research and development of new raw materials, aiming at the replacement of Araucaria - native plant already endangered - by Eucalyptus. Based on these studies the company deepened their knowledge about the use of exotic woods, developing new production processes that aroused the interest of the international furniture market, especially in Europe, already deeply concerned about the deforestation of native forests. In 1985 Butzke begins the production of wooden furniture for European countries and the United States and in 1994 enters definitively in the furniture sector, leaving the automotive sector.

In 1998, Butzke Importação e Exportação Ltda. conquists the FSC - Forest Stewardship Council® - certification. This was a fact of great importance in consolidating Butzke among international furniture sector, since it was the first company in Latin America, and one of the first in the world to manufacture final products with the FSC® tag. With the increase in exports and the opening of new markets in countries from Europe, North, Central and South America, Middle East and Oceania, in 2002 the company invests in expanding its production capacity by building a new industrial park with more than 10 square meters of area. During this time, 90% of its production was targeted for the international market, and Butzke had products, mostly designed externally by contractors, and working internally only in adjustments for the system of production of those projects. The rest of the production, around 10%, was destined for the domestic market, almost entirely distributed in pool stores, landscaping products to retail and DIY. Only a few products were designed by the company.

## ***B. BUTZKE AND DESIGN***

In 2002, while the company did great investment in the expansion and modernization of its manufacturing facilities, an economic scenario of increasing appreciation of brazilian currency against euro and the U.S. dollar starts to grow. Particularly the fall in the price of the U.S. dollar significantly interferes in the business relations of the company, which is heavily geared to the export market. In 2004, with no prospect of recovery in exports, the company began to redirect its strategy of trading actions for the internal market. The company's business structure, until then focused on exports, is reorganized, allocating professionals in regional markets care and the designating new functions related to the management of market, initially with a tactical and operational profile. It is under the responsibility of this new role, hitherto nonexistent within the company, which are adopted the first commercial repositioning actions. In order to

operationalize the implementation of these actions, Butzke adopted the strategy of outsourced services for both the adoption of spokesperson, as advertising and visual communication actions.

One of the first actions taken - in the first quarter of 2005 - was the redesign of the company's visual identity (fig. 2). Managers had the perception that the visual brand should aesthetically and conceptually approach to the visual language of furniture and decorative objects segments. The replacement of the typology and the original colors sought to provide the new brand a more smooth and contemporary look. Furthermore, the adoption of a pictorial element, from the stylized figure of a leaf, aimed to bring the iconic representation of the company's association with aspects of environmental protection, enhanced by the adoption of a slogan that sought to highlight the niche market in which the company already operated and intended to focus: "furniture for leisure". A new brand positioning began to take shape, with the use of visuals that aimed to convey and reinforce the brand's relationship with concepts related to leisure, nature and environmental preservation. These values were already heavily identified with the ideology and practice of the company, but not reported and exploited in their image and selling points of the commercial area until then.



Fig. 2 – Redesign of Butzke's visual identity

With the redesign of the visual identity completed, the company considered timely the development of materials to support the sales area, from the creation, programming and publishing of a institutional website and an online store. By that moment, the target market were the swimming pool supply stores, garden centers and chain stores specialized in DIY and building materials that traditionally marketed for outdoor furniture and garden accessories. There was, however, not enough and necessary investment capacity to promote the brand, its products and its own online store, whether through traditional or digital media.

At the same time, actions were taken to the press office, to promote the brand and its



products with the editors of publications specializing in interior decoration. It was noticed, however, the need to elect up a product that would be in line with the design trends of the moment and attuned to the interests of editorial publications. Without enough time and capacity to invest in the development of a new product, it was proposed by the communications company repositioning a product created in the 1980s to serve as a toast to the clients of the automotive sector, produced by the company: a retractable stool, named 'Bankotte', which was then out of print for some years now. Released in the first quarter of 2007, this product is assigned a new matte lacquer finish in various colors, inspired by the trend of inserting elements of color in home decoration, called 'Color Block', presented at that year's edition of the Milan Furniture Fair. The launch of the new version of 'Bankotte' aroused the interest of the editorial staff of major magazines about architecture and interior design and newspapers in the country, who promoted it as a "wildcard part in the decoration", highlighting its functional and aesthetic aspects. From there, the product became part of a series of interior design projects, especially in business environments and architecture and decoration events.

In 2008 the brand Butzke then reaches important conceptual space in the brazilian furniture and decoration market. The tradition of working with wood combined with environmental responsibility and the 'look' for the design trends put the brand as a reference in furniture for outdoor and leisure places. This positioning and visibility begins a new stage of evolution of design integration in the business, resulting in partnerships with some of the most important brazilian designers, such as Carlos Motta. Series of launches of new furniture lines connected to strong national design personalities begins, strengthening the company's position in the scenario of furniture design both nationally and internationally.

## **CONCLUSION**

The semi-structured interviews allowed drawing a timeline of the company and its approach to design. The results show that there is a significant similarity of the intuitive internal processes of the company to the theoretical foundations of design thinking, collaborating to the creation of a database on the subject and to draw preliminary conclusions that contribute to future studies about the design thinking and design management insertion in innovation focused processes.

The analysis and the synthesis of the material collected through fieldwork indicate at first

that the concepts of design management and design thinking are unclear or even unknown to the interviewees. This occurs despite the strong ability of the company to reinvent itself, and even getting that resilience following design principles.

It was observed that the understanding of the team about design comes down basically in creating and projecting product and graphic design and digital. At this particular point, the perception is that the graphic / digital aspects are more related to communication, advertising. There is no understanding of the scope of design in all aspects of application, even less understanding about the idea of what means “design management”. Design management, today, is part of the marketing and product management and the commercial area. The research and development sector is only involved in the adaptation of design projects outsourced. However, the perception of design application, although occasional, is positive. The interviewees considered design as a key element of differentiation, positioning and adding value to the brand and product line.

The interviews show that regarding the management of design and design thinking the group researched have the perception of design only as symbolic/aesthetic/ conceptual and functional/practical aspects, directly influencing the perception of design as a methodology/process/thought. Thus, knowledge about design thinking is vague, acquired from some approximation through articles published in business magazines. The notion of design management is still small, since the function is divided among the areas sales, marketing, product and production areas. Design fits mostly through outsourced services, especially through signed projects. The management of these providers is in charge of marketing and products managers. From the point of view of the application of design in business, it can be said that it is seen as tactical and operational. However, there is a certain sense and openness to their application in a more strategic context, given the positive results obtained from its application on specific actions.

This study allowed to obtain an overview of the integration of design within the company researched. The results will form the scope for a work plan for the gradual integration of design management in the company in gradual and oriented approach in order to help promoting a continuous innovative process and positioning.

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