

Workplace Design Strategy: An Alternative View

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Dr. Olson's research has published in over 50 articles or conference proceeding and has been abstracted in the *Harvard Business Review* and the *Journal of Product Innovation Management*.

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DMI Design Management and Education Forum Proceedings (2008, 2002, 2000, 1999, 1996, 1995, 1994, 1993, 1992)

Google Advanced Scholar Search reveals that Dr. Olson's publications in the areas of new product development, marketing and competitive strategy, design management, and sports management have been cited over 550 times.

Workplace Design Strategy: An Alternative View

In the Spring 2007 issue of the *Design Management Review*, Arnold Craig Levin addressed the issue of workplace design strategies. In this article he argued that too often workplace designers have focused on form for ego or image gratification purposes rather than understanding the real needs of the business, which he identifies as being strategic in nature. The net result, according to Mr. Levin, is that workplace designers have failed to demonstrate either quantitative or perceptual value for their services thus rendering them to a position where jobs go to the lowest bidders.

In order to rectify this situation Mr. Levin asserts that workplace designers must become truly strategic in their thinking -- which by implication means that for designers to demonstrate their true market value they must possess an understanding of the fundamentals of strategic management. To Mr. Levin's credit he has elected to frame the issue by focusing on a couple of important topic areas within the discipline. Specifically, he presents a well-respected definition of strategy and then subsequently presents a well-recognized operational framework.

In this paper we will consider an alternative operational framework and the potential implications it might have for workplace designers. This will then be followed by an examination of how these models fit within the design function of two companies of dramatically different size but operating in a similar industry -- Nike, Inc. and Keen Footwear.

Strategy and Structure

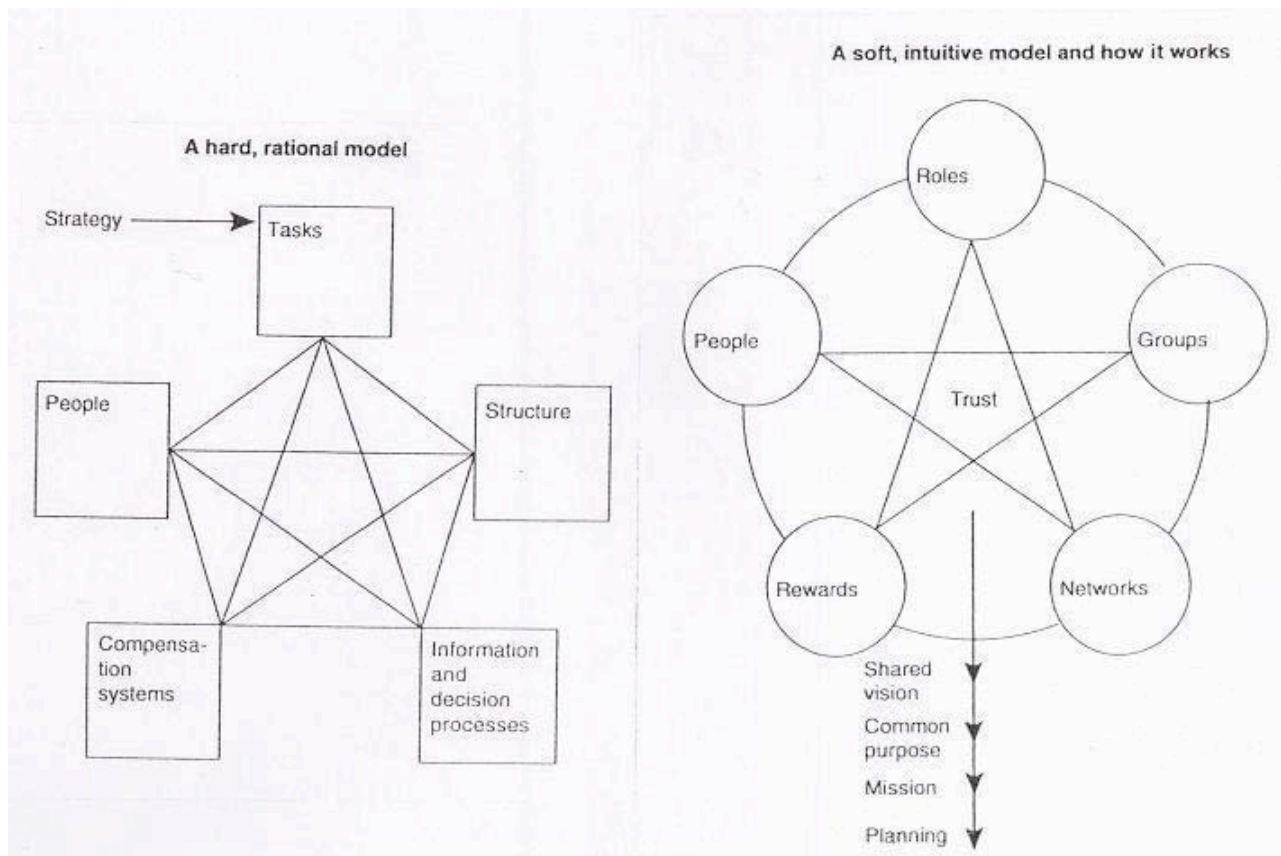
"A strategy is the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole. A well-formed strategy helps to marshal and allocate an organization's resources."

This definition by Henry Mintzberg and James Quinn provides a good basis for discussion. Strategies are basically long-term plans (i.e., traditionally extending out at least one year into the future) that have been developed based upon an assessment of internal resources and external opportunities. Strategies are useful in that they provide a common directive for all members of the organization

irrespective of differing responsibilities and/or functional skills. But strategies alone are insufficient to effect outcomes as they do not implement themselves. Consequently, any discussion on how to improve the perceived value of workplace designers must also incorporate issues of strategy implementation. This is where Mr. Levin presents Jay Galbraith's (1977) hard box STAR model of organizational design as the template upon which workplace designers should improve their status and standing.

Galbraith's Hard-Box Model

Hurst's Soft-Bubble Model



Hard Box vs. Soft Bubble Model of Organization Design

Galbraith's model of organizational design incorporates five component parts: Tasks, Structure, People, Compensation Systems, and Information and Decision Processes. As the illustration demonstrates, each of these component parts is directly linked to all other component parts and together they form a gestalt. It is worth noting that this model is strategy driven. In other words, in Galbraith's model a firm or business unit's adopted strategy drives the tasks that need to be accomplished which dictates the type of people (i.e., skill sets) the firm hires, how they will be organized into smaller functioning groups to facilitate the completion of these tasks, how they will be rewarded or compensated for their efforts, and the creation of a set of processes to determine how communication and decision making issues will be conducted.

This model has been reproduced in many strategic management text books and has wide acceptance in the marketplace. Indeed it is a rational model and as Levin notes, "The STAR model works well as the basis for analysis, but it also works as a tool to define the performance metrics that the proposed work-place strategy needs to match – an essential component of the business case."

While we do not disagree with this assessment, we believe that this hard rational model fails to incorporate a set of other valuable strategic tools, namely vision and mission statements. Levin argued that, "Another feature of this form (i.e., Galbraith's STAR model) is that, for the most part, it relies on an analysis of intangible organizational assets." Here we have to disagree. Galbraith's model focuses on what is measurable. In this model people are assigned titles, occupy specific boxes within a hierarchical organizational structure chart, are compensated on quantifiable performance metrics, communicate through prescribed channels, and assigned well-defined tasks. Indeed this model seems ideally suited to the routine operations that would be typical of a firm or business unit pursuing a low-cost defender strategy. But we would have to argue that such a model might not work nearly as well in a dynamic environment where change is occurring at a breakneck pace and new products or services are dependent upon emerging sciences or technologies.

To that end David Hurst (1984) developed an alternative to Galbraith's hard box model, which he dubbed the soft bubble model. Like Galbraith's STAR model, Hurst's model is comprised of five principle component parts. However, there are some distinct differences in these component parts and it is these differences that offer workplace designers potentially useful insights.

People vs. People: The one component part that is consistent in both the hard-box and soft-bubble models is people. In the hard-box model people are viewed as rational decision makers who work toward concrete goals. In marked contrast, in the soft-bubble model people are viewed as being predominantly social animals that are creative in nature. For the workplace designer this is an important distinction. While efficiency in workflow and production might be critically important aspect of the company and a measurable performance metric, the workplace is also an environment for social interaction. Creating environments where inter-organizational alliances are fostered and reinforced may be equally or more important to the strategic success of the firm than simply fostering an environment of efficiency.

Tasks vs. Roles: In a hard-box model work is defined in terms of tasks and tasks are defined as being static in nature and based upon a clear definition of responsibilities and parameters. In contrast, work in a soft-bubble model is thought of as roles where responsibilities change frequently depending on circumstances. In a soft-bubble model ambiguity is the defining characteristic of work. Indeed the only thing that may be routine in this environment is the continual emergence of new issues and ideas.

Structure vs. Groups: It is this ambiguity in work that renders those traditional structures typically found in hard-box models inadequate. Rather than honing one's allegiance to a department or a function, individuals within a soft-bubble model come to view themselves as members of a group. Unlike structures, which are based upon hierarchies and control mechanisms, groups are fluid, open, and based upon trust. Of course groups of like-minded thinkers may also be harder to control.

Information Processes vs. Networks: In a hard-box model information systems are put in place to control decision-making processes. These systems are developed to optimize outcomes and minimize mistakes. In environments where routine is the operational norm these processes help insure consistency. However, where variety and change is the norm these processes may create suboptimal conditions. In contrast, soft-

bubble models rely on networks to influence implementation rather than dictate decision-making. Of course networks are built on social interactions rather than developed in policy manuals.

Compensation Systems vs. Rewards: In order to motivate people to perform the necessary tasks, the hard-box model relies upon direct and objective performance measures and rewards. While this might be fairly easy in a straight sales commission environment, when it comes to issue of less tangible contributions such as the development of intellectual capital hard measures and performance rewards are harder to identify. Consequently, in a soft-bubble model rewards are often times subjective and developed in order to motivate rather than compensate.

Strategy vs. Mission: While not a formal component point in either model, it is important for workplace designers to understand the context in which each model has been developed – and the context that offers the prospect of superior performance. The hard-box model is strategy driven. In other words, senior managers determine the direction of the firm or business unit and then subsequently go about putting in place those people, processes, structures, reward systems, and information systems to facilitate the implementation of that strategy. In contrast, the soft-bubble model creates an environment where members can pursue a shared vision. Unlike the hard-box model which is largely top down driven, the soft-bubble model may well be driven by members from anywhere within the organization (e.g., bottom-up, middle-out). Rather than develop specific strategies, soft-bubble models focus on shared visions and missions. The idea being that when all parties in the organization are moving in a common direction – one established through the creation of and identification with shared values – then specific strategies may be less important.

Trust: Perhaps the biggest single difference between the two models is the element of trust that permeates the soft-bubble model and is demonstrably absent in the hard-box model. Where the hard-box model is held together by rules and regulations, the soft-bubble model is held together by mutual trust. The benefits of this type of bonding agent is that it is self-reinforcing, it reduces the work and angst required to put formal policies in place as well as the time and energy required to monitor and enforce policies. In

work environments where people trust each other there is little need for an extensive set of rules and regulations. But rules and regulations quickly emerge to fill the vacuum when trust is destroyed.

Role of the Workplace Designer

As an outsider, a designer hired to rearrange the workplace environment has the opportunity to influence how members of an organization interact. We will not pretend that a designer can single-handedly turn around a hostile work environment with something as simple as a new facility layout. However, a conscientious designer, (i.e., one that is aware of the different organizational models) might well be able to tap into the culture of the organization and either reinforce its strengths or minimize its weaknesses. Where Mr. Irwin calls for tying workplace design to strategic thinking in order to develop more concrete measures with which to better justify higher salaries or commissions, we would argue that there is another path to this same end. Rather than attempt to fit all projects to the hard-box model – though some situations will persist where this is the most viable model – a workplace designer can enhance his/her value to a company or prospective client through the recognition that different workplace environments exist and the demonstration of how soft-bubble environments provide benefits well beyond those inherent in the limitations of the hard-box model. Indeed the workplace designer may be in the best position to guide a company to establishing an environment where the potential benefits of a soft-bubble model can be enjoyed.

Examples:

While the soft-bubble model described above demonstrates an alternative approach to workplace design, the critical question that needs to be addressed is does it actually work in a real business setting? In order to address this question, two companies operating in the same industry but of distinctly different sizes were identified for study. These companies are Keen Footwear and Nike, Inc.

Nike:

With annual revenues in excess of \$16 billion and income of approximately \$1.5 billion, Nike is the world's largest manufacturer of sports shoes, equipment, and apparel as well as being one of the

world's most recognized brands. Being a large company presents several distinct challenges for Nike's managers and designers. In order to continue to boost stock values the company must aggressively pursue new products and new markets. (Nike Chief Executive Mark Parker has set a revenue target of \$23 billion for 2011.) This growth however also increased the firm's impact on the environment. By necessity, design is positioned to play a central role in determining how successful Nike can be at simultaneously increasing revenues and reducing product waste.

In June (2007) New England-based environmental entity Clean Air-Cool Planet released the results of a study of 56 leading producers of popular household products on how climate-friendly firm policies and practices are. Nike emerged as one of the top three firms. Nike has dubbed their broad-based program to reduce greenhouse gases and factory inefficiencies as the "Considered" program. Central to this program is the creation of cleaner and more sustainable designs within their own labs. And a key component in this push is developing products that do not require the use of toxic chemicals.

From an organization perspective this shift in production technologies has significant implications. Rather than lengthy assembly lines of facial mask wearing assemblers who pass product from one station to the next, Nike has experimented with a new lean manufacturing system. Under this model small teams are responsible for the entire product from start to finish. The initial objective of this program was to reduce slowdowns that periodically occur in assembly line operations. Nike estimates that the model has resulted in savings of 15 cents per shoe.

The goal of the firm is to produce 90% of its shoes in the small team format by 2011. While this process appears to be effective in reducing waste, by itself it doesn't eliminate toxic chemicals from the equation. Nike approached this concern by redesigning shoes with an eye towards reducing the use of chemical glues. However, this is easier said than done and created new concerns. The immediate concern was that new products offered by Nike still needed to be able to live up to the firm's quality standards for serious athletic performance. An environmentally friendly product that results in lower athletic performance simply wasn't an acceptable trade-off for a premium quality/price point product. The second

concern focused on actual production processes. If traditional glues were eliminated what production processes be required to maintain product integrity?

The first major product offering to be introduced under this new philosophy is the Air Jordan XX3. The Air Jordan line is one of Nike's most prominent brands with an estimated \$7 billion in revenues since its inception in 1985. The decision to use these new techniques on this model was not made in happenstance. The firm consciously selected a product that would receive significant media coverage upon its release at the 2008 NBA All-Star Game. In order to actually produce the product under the new environmental standards Nike designers configured the three principle elements of the shoe (i.e., outsole, mid-sole, uppers) to fit together like a jigsaw puzzle with the separate pieces reinforcing the overall integrity of the shoe when fitted together and then sewn. However, this process created new challenges. Where traditional construction methods called for sewing individual pieces together while lying flat, the new design required "3-D" stitching with shoes sitting upright.

While the Air Jordan XX3 makes for a good public relations piece, evidence suggests that Nike is serious about issues of environment and sustainability. A limited-edition model, known as the Nike Trash Talk, features uppers made from leather and synthetic waste salvaged from a Chinese factory using zig-zag stitching. The mid-sole uses scrap-ground foam from factory production. The outsole uses environmentally-preferred rubber that reduces toxics and incorporates Nike Grind (a shoe recycling program established in 1993) recycling materials from footwear outsole manufacturing waste. Shoelaces will be produced using environmentally-preferred materials. Finally the shoes will be packaged in a fully recycled cardboard shoe box.

Interview with Ginny Hopkirk, Design Studio Director: Nike

As an industry giant, Nike is able to support an internal design group. Historically functional groups within Nike (including design) have operated in silos. In recent years the firm has taken steps to replace this level of isolation with the implementation of a matrix structure. For members of the design group this means that while they formally reside within the design department, periodically they are assigned to specific product development teams. While a member of that team they report to the project

leader. When asked to read the following list of descriptors and identify which most closely reflected the business environment within Nike’s design department, Ms. Hopkirk provided the following responses.

(√ = identified response)

<u>Tasks</u>	1. JOBS	<u>Roles</u>	
•Static		•Fluid	√
•Clarity		•Ambiguity	√
•Content	√ (but moving towards→)	•Process	
•Fact		•Perception	√
•Science	(←Moving towards scientific understanding)	•Art	√

While design jobs change frequently, designers do not sit alone at Nike. They must work with others and so they are constantly seeking to clarity while recognizing the nature of the job will often times remain ambiguous. While much of the design work at Nike can be considered art, there is a steady push to better understand consumers and as such there is a movement toward a greater scientific component.

<u>Structure</u>	2. ORGANIZATION	<u>Groups</u>	
•Cool		•Warm	√
•Formal	√	•Informal	√
•Closed		•Open	√
•Obedience		•Trust	√
•Independence	? (Uncertain of the difference)	•Autonomy	?

Nike’s design group operated for a considerable portion of the firm’s history in a silo environment. Designers might have been sport specific, geographic specific, or both. Today Nike’s design group operates in a matrix structure. While part of the design function, individuals are tapped on a regular basis to serve on different consumer projects thus requiring them to report to product or project managers as well. There is no formal organization chart, but there is a degree of formality in the work as project managers will establish phase gates and due dates. There is a great deal of autonomy within the role, but the team establishes standards as well as the overall company. Communication mechanisms are established to both reach critical product decisions and to implement the actual production process.

<u>Information Systems</u>	3. COMMUNICATION	<u>Networks</u>	
•Hard		•Soft	√
•Written	√	•Oral	√
•Know	√	•Feel	√
•Control		•Influence	√
•Decision	?	•Implementation	?

Communication is largely verbal within the design group, but not necessarily direct within the company. Vice Presidents now are posting blogs in order to share information with larger groups of employees. Designers are heavily focused on attempting to determine what consumers are thinking and understanding the personalities of the athletes who endorse specific products. Consequently, communication within the Nike design group is about both knowing and feeling.

<u>People</u>	4. PEOPLE	<u>People</u>
•Rational	√	•Social
•Produce	√	•Create
•Think	√	•Imagine
•Tell	√	•Inspire
•Work	√	•Play

Both sets of descriptions with regard to people can be seen as accurate when considered within specific situations. Clearly there is a strong social element within the design group and the overall company. But these people are also rational business people who recognize the need to get high quality performance goods to market in a timely manner. The design group is highly creative, but they realize the ultimate goal is to produce something that is profitable. Inspiration is a hallmark of creative design, but a lot of thought goes into the process of reaching a final design.

<u>Compensation Systems</u>	5. PERFORMANCE	<u>Rewards</u>
•Direct		•Indirect √
•Objective	√	•Subjective
•Profit	√	•Fun
•Failure		•Mistake √
•Hygiene		•Motivator √
•Managing	√	•Caring

While it is difficult to identify objective measures of design performance due to the large number of variables that may or may not influence the overall success of a specific product, Nike does attempt to evaluate teams and individual designers on both subjective and objective performance standards. Finding objective standards is an important issue for Nike’s design group. There is wide recognition that mistakes are part of the process and that a mistake free environment would lead to a company that is too cautious. Caring is a hallmark of Nike’s culture, but the overarching objective is to develop a sense of shared responsibility. Consequently, managing their people is an integral part of the company’s philosophy.

STRATEGY

- Objectives √
- Policies √
- Forecasts √
- Clockworks ?
- Right ?
- Target √
- Precise ?
- Necessary ?

MISSION

- Values
- Norms
- Vision
- Frameworks
- Useful
- Direction
- Vague
- Sufficient

Clearly Nike as a corporation has adopted a strategy of being the market leader in sports shoes, clothing, and equipment. As a publicly traded company, Nike's managers have a fiduciary responsibility to protect and enhance the wealth of their investors. But neither that strategy nor those financial responsibilities inform employees how to go about their jobs in order to meet those ends. This is where the firm's values take over. What is immediately notable about the aforementioned examples (i.e., Trash Talk, Air Jordan XX3) is that these products were developed in an environment conducive to environmental responsibility. While this may be interpreted as a strategic imperative, evidence suggests that this focus on the environment would be more accurately defined as a value position of the firm. In other words, this focus on reducing the firm's environmental impact is more than just a public relations campaign, this is serious and sustained effort to improve the health of the planet while simultaneously generating sufficient profits to maintain the firm's market position with customer and investors alike.



Nike Air Jordan XX3 (2008)



Nike Trash Talk (2008)

Keen Footwear:

In retrospect, the invention of the first Keen sport sandal can be seen as the culmination of a design evolution that dates back to traditional Japanese woven or wooden soled sandals. It has been suggested that Japanese sandals were the inspiration for the rubber-soled flip-flops popular worldwide for decades for their versatility, low-cost, and low maintenance. Of course these benefits came with drawbacks as flip-flops offered very little foot or ankle support and extended use often led to blisters.

In the 1980's outdoor enthusiasts, especially those involved in water sports such as kayaking, took the basic flip-flop design and upgraded it by using more durable materials and a harness of webbing that stabilized the foot. Firms such as Teva saw sales soar and their offerings become fashion items.

While these designs were much improved over flip-flops, they still had shortcomings. In 2003, Keen's founder Rory Fuerst gathered together a group of designers and gave them the charge to develop a unique and improved sandal. From this think-tank session emerged a simple but powerful idea. Why not create a sandal that covered and thus protected the toes? Thus was born the rubber toe-capped design that has become a Keen trademark. Five years later Keen Footwear is a \$100,000,000+ company with product sold in over 2,000 retail outlets around the world.

While Keen is categorized as a shoe/sandal company, at its heart Keen is really an outdoors brand focused on providing high quality products for outdoor enthusiasts—which includes the company's employees. This direct link to product and use among managers and employees has led to the development of a company culture that is as much focused on lifestyle as profitability. The firm's overarching philosophy has been captured in the trademarked tag line, HybridLife.

The concept of HybridLife is that every individual has three essential life components that can be summed up in the words: Create-Play-Care. For sound mental and physical health people need to engage in all three aspects of life, which the firm describes thusly:

Create: Creatively express your vision of what is possible. Lead change and solve environmental or social issues in a new, creative way by actively engaging in the outdoors. Be motivated and awed by what is possible.

Play: Embrace the outdoors in its entirety through active participation. Re-image the outdoors as any place without a ceiling. Believe that the far edge of one place is really just the beginning of somewhere else.

Care: Engage with causes that make a positive difference around sustainability and the environment through the outdoor experience. Make each choice large and small a considered one.

With such a well-defined and strong cultural vision it is not surprising that these values are reflected in both the organization of the firm and in the specifics of the design process. As a comparatively young and small company it has been fairly easy for Keen to foster a team-oriented culture.

Interview with Kirk Richardson, CEO of Keen Footwear

As Keen is poised to enter just its sixth year of operation it is not sufficiently large enough to maintain its own internal design department. Consequently, Keen contracts its design work out to independent contractors. When asked to read the following list of descriptors and identify which most closely reflected the design environment for Keen, Mr. Richardson provided the following responses. (√ = identified response)

<u>Tasks</u>	1. JOBS	<u>Roles</u>	
•Static		•Fluid	√
•Clarity		•Ambiguity	√
•Content		•Process	√ (Definitely)
•Fact		•Perception	√
•Science	←	•Art	√

Because Keen is a young and growing company employees must be able to assume responsibility for accomplishing a wide variety of tasks. This is probably less true for designers as they are contracted by the project. However, due to the quick growth of the company, designers who receive contracts from Keen must be able to deal with quickly changing markets. Designers must rely upon the product briefs developed by product line managers for guidance. While insightful, these briefs are imprecise. Consequently, ambiguity is the norm for designers working for Keen. Nevertheless, Mr. Richardson expressed that the firm will need to move toward a more scientific approach as it continues to grow.

Structure

- Cool
- Formal √
- Closed
- Obedience
- Independence

2. ORGANIZATION

Groups

- Warm √
- Informal √
- Open √
- Trust √
- Autonomy √

Keen operates with an informal organization structure largely due to its comparative youth. However, it is also a conscious decision of the firm’s senior management that informality is consistent with the product lines they sell (i.e., active outdoor footwear). In comparison with Nike who employs 30,000 individuals, Keen has only a handful of full-time employees. Consequently, contact between employees and outside designers is predominantly informal and open in nature. And because new product design briefs are not absolute directives, the firm is forced to place a great deal of trust in the interpretations of the designers they contract with.

Information Systems

- Hard
- Written √
- Know
- Control
- Decision

3. COMMUNICATION

Networks

- Soft √
- Oral √
- Feel √
- Influence √
- Implementation √

Communication is largely informal and direct within Keen. There is little or no hierarchy to hinder communication between functions or individuals. But designers do receive written product briefs from product line managers who serve as the eyes and ears of the company. It should be noted that these briefs also contain considerable visual as well as written information.

People

- Rational
- Produce
- Think
- Tell
- Work √

4. PEOPLE

People

- Social √
- Create √
- Imagine √
- Inspire √
- Play √

While recognizing that Keen’s employees must be rational individuals able to contribute to the production of tangible products, they nevertheless are considered to be social (which includes socially responsible) and creative beings. In addition, while energy levels within Keen are high, employees (and contract designers) work long hours.

Compensation Systems

- Direct ✓
- Objective ✓
- Profit ✓
- Failure
- Hygiene
- Managing ✓

5. PERFORMANCE

- ✓
- ✓

Rewards

- Indirect
- Subjective
- Fun
- Mistake
- Motivator
- Caring

Perhaps somewhat surprising is the finding that performance measurement tends to be aligned with direct and objective standards. This is due to the firm not having a full-time internal design group. As product design work is contracted out, those designers who receive commissions and then create products that do well in the market are further rewarded with additional commissions. Of course it is recognized that there are influences beyond a designer’s control, which may impact individual product success. However, over time these factors tend to mitigate and it becomes fairly apparent which designers are best able to tap into market tastes.

STRATEGY

- Objectives
- Policies ←
- Forecasts ←
- Clockworks ←
- Right ←
- Target ←
- Precise ←
- Necessary ←

MISSION

- Values ✓
- Norms ✓
- Vision ✓
- Frameworks ✓
- Useful ✓
- Direction ✓
- Vague ✓
- Sufficient ✓

Over the first five years of life Keen has flourished in large part because of its strong commitment to a set of social values that includes product quality and innovation but also the social contract it has struck with employees and investors to make the world a better place. The notion that the firm was charitable before it grew big is deeply ingrained within the company. Keen supports over half a dozen major initiatives that range from clean water campaigns to medical help for impoverished children around the world. This commitment to doing good has helped the company foster a positive image in the minds of customers and employees alike. But top management recognizes that this focus on mission and values may not be sufficient to take the firm to the next level.

Conclusion

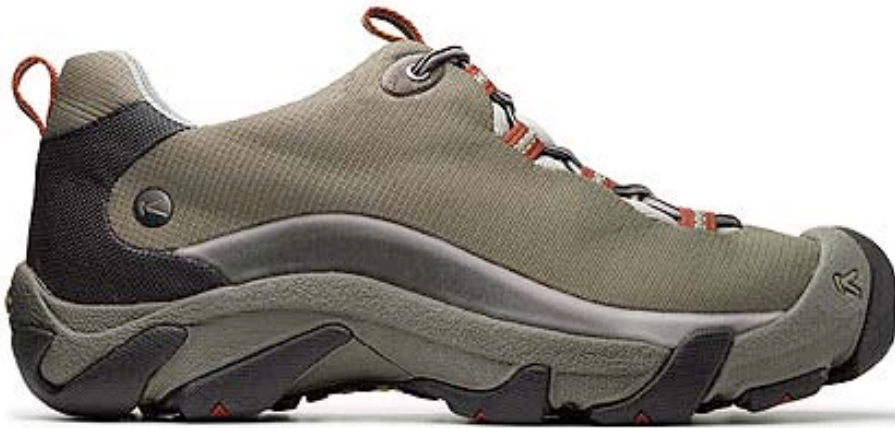
Although the sample size of this study was small and restricted to a single industry, senior managers at both Keen and Nike clearly indicated that internal operations within their respective companies features elements of the soft bubble model. Within Keen this might be seen as simply a characteristic of a young company going through growing pains. But the same cannot be said of Nike. Here, a mature company is attempting to move away from a silo mentality and back to a team structure with the design group playing a critical role. Ultimately managers in both companies have adopted elements of the soft bubble model in order to grow and improve profit margins by better understanding and serving their various market segments. These preliminary findings do not refute the original position taken by Mr. Levin. Rather, we would argue, they highlight the importance of the topic and suggest that more research in this area is warranted.



Teva Sandal (1980)



Keen Sandal (2003)



Keen Shoe (2007)



Keen Shoe (2007)

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