

# NIGHTLINE

STORY SLUG: **THE DEEP DIVE ONE COMPANY S SECRET WEAPON FOR INNOVATION**

PRODUCER: .....**ABC NEWS**

INTERVIEWER: ..... **TED KOPPEL**

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TAPE: 1[WARNING: THIS IS AN UNCORRECTED COPY.][NO FINAL VERSION WAS MADE AVAILABLE BY ABC NEWS.]ANNOUNCER

February 9, 1999.

TED KOPPEL, ABC NEWS

[VO] It used to be that you deferred to the boss.

DAVE KELLY

Is it the boss that's always going to have the best ideas? Not likely.

TED KOPPEL

[VO] And it used to be, in most companies, that chaos was discouraged.

DAVE KELLY

This is where the crazies live. This is where we do our work. It's different.

TED KOPPEL

[VO] Used to be you were supposed to climb the corporate ladder.

DAVE KELLY

Status is who comes up with the best ideas not who's the oldest, not who's been with the company longest, not who has that biggest title. If you go into a culture and there's a bunch of stiffs going around, I can guarantee they're not likely to invent anything.

1ST TEAM MEMBER

You could stack this up big, just as big as you want.

PETER SKILLMAN

That's great. Thanks a lot. And we had a great time today.

TED KOPPEL

[VO] Well, forget the way it used to be. Tonight, the deep dive, one company's secret weapon for innovation.

ANNOUNCER

From ABC News, this is Nightline. Reporting from Washington, Ted Koppel.

TED KOPPEL

A lot further along in this broadcast, near the end, as a matter of fact, you will hear one of the central characters suggest that we look around. The only thing that's not designed by anybody, he will say, is nature. Actually, you could say the same thing by observing that the only designs that don't require constant modification are the ones we find in nature. But the point is well taken. From the buildings in which we live and work to the cars we drive or the knives and forks with which we eat, everything we use was designed to create some sort of marriage between form and function. Does it work and can we make it look interesting or attractive? There's an interesting distinction between design and invention. Whoever came up with the idea of dental floss, for example, was an inventor. But the man or woman who put it inside that clever little plastic box that lets you tear off just the right length, that was a designer. How does the process of designing a better product work? To show you, we went to the largest and perhaps the most innovative industrial product design firm in the world and gave them the toughest problem we could think of. Take something old and familiar like, say, the shopping cart and completely redesign it in just five days. Here's ABC News Correspondent Jack Smith.

JACK SMITH, ABC NEWS

[VO] Nine in the morning, day one and these people have a deadline to meet.

DAVE KELLY

So welcome to the kickoff of the shopping cart project.

JACK SMITH

[VO] This is Palo Alto, California, in the heart of Silicon Valley and these are designers at IDEO, probably the most influential product development firm in the world. Designers are the reason TVs have square screens, chairs four legs and toothbrushes nowadays those squishy handles. In fact, it was IDEO that designed those squishy handles. IDEO has designed everything from high tech medical equipment to the 25 foot mechanical whale in the movie Free Willy and the first computer mouse for Apple. Smith ski goggles, Nike sunglasses, NEC computer screens, hundreds of products we take for granted.

DAVE KELLY

This is called the neat squeeze toothpaste tube which ...

JACK SMITH

[VO] The man who runs IDEO is Dave Kelly, a Stanford engineering professor with a Groucho Marx mustache, a dab of genius and an approach to innovation that usually works.

DAVE KELLY

Oh, thank you Fred.

JACK SMITH

[VO] But not always.

DAVE KELLY

I can show you some products that failed. We came up with this idea called monster shoes where you take these little monsters and lace them into your shoes like this. And we built a bunch of 'em and they didn't want those either.

JACK SMITH

[VO] Mostly what IDEO designs, though, does work, and it works very well. Dave and his design teams create about 90 new products every year.

DAVE KELLY

The point is that we're not actually experts at any given area. You know, we're kind of experts on the process of how you design stuff. So we don't care if you give us a toothbrush, a toothpaste tube, a tractor, a space shuttle, you know, a chair. It's all the same to us. We like want to figure out how to innovate and by using our process applying it.

JACK SMITH

[VO] And so for the next five days, the team will apply that process to bringing the supermarket shopping cart into the 21st century.

PETER SKILLMAN

I think first we should maybe all acknowledge that it's kind of insane to do an entire project in a week.

JACK SMITH

[VO] Project leader is Peter Skillman, a 35 - year - old Stanford engineer, project leader because he's good with groups, not because of seniority. He's only been at IDEO for six years. The rest of the team is eclectic, but that's typical here. Whitney Mortimer, Harvard MBA, Peter Coughlin, linguist, Tom Kelly, Dave's brother, marketing expert, Jane Fulton Surrey, psychologist, Alex Cassacks, 26, a biology major who's turned down medical school three times because he's having too much fun at IDEO.

PETER SKILLMAN

It's climbing up and doing this.

JACK SMITH

[VO] Safety emerges early as an important issue.

JANE FULTON SURREY

Twenty - two thousand child injuries a year, which is, so they're hospitalized injuries. I mean there are many others.

ALEX CASSACKS

Not those reported in the store. That's you actually have to go to the emergency room?

JANE FULTON SURREY

No, no, no, that's hospitalized. Right.

JACK SMITH

[VO] And theft. It turns out a lot of carts are stolen.

2ND TEAM MEMBER

You know, what is the average life of a cart? Does it last two years, five years, 10 years, and how big is this theft thing?

JACK SMITH

[VO] 10:00 am, as the team works, it becomes clear there are no titles here, no permanent assignments.

DAVE KELLY

And the other side says, gives us a lot of help. It says be safe.

JACK SMITH

[VO] Everyone appears to be equal and they love to mock corporate America.

DAVE KELLY

I'll give you status. I'll give you a big red ball on a post and that says you're a big guy. If you've got a ball you're a senior vice president. You know, what do I care? Or the desk, red ball, it's all the same. In a very innovative culture you can't have a kind of hierarchy of here's the boss and the next person down and the next person down and the next person down because it's impossible that the boss is the one who's had the insightful experience with shopping carts. It's just not possible.

JACK SMITH

[VO] According to Kelly, even employees who merely listen to the boss don't add that much, either.

DAVE KELLY

So you've got to hire people who don't listen to you and that, I don't think corporate America wants to hear that right yet.

PETER SKILLMAN

And I think we ought to start making those lists about the kinds of questions that we're going to ask.

JACK SMITH

[VO] The team spreads into groups to find out firsthand what the people who use, make and repair shopping carts really think.

PETER SKILLMAN

OK, go.

1ST STORE EMPLOYEE

The problem with the plastic cart is the wind catches it and these things have been clocked at 35 across the parking lot.

ALEX CASSACKS

Oh, man, that's actually a pretty good point.

DAVE KELLY

The trick is to find these real experts so that you can learn much more quickly than you could by just kind of doing it in the normal way and trying to learn about it yourself.

PETER SKILLMAN

From everything I read these things aren't that safe either, you know? So, probably the seat itself is going to have to be redesigned.

DAVE KELLY

What you're seeing here is the kind of social science like anthropologists, you know, like you go and study tribes? What is it that they do that we can learn from that will help us design a better cart?

JANE FULTON SURREY

One of the interesting things for me is looking at how people really don't like to let go of the cart, except for the professional shopper, whose strategy is to leave the cart at various places.

DAVE KELLY

In corporate America, many bosses like measure whether their people are, you know, the good people or the people who are performing are the ones that they see at their desk all the time. That couldn't be further from the truth. The people who are really getting the information are out here talking to the Buzzes of the world, going to meet other experts, much more useful than sitting at your desk.

JACK SMITH

[VO] Three thirty in the afternoon and the group is back at IDEO. There is no let up.

PETER SKILLMAN

Each team is going to demonstrate and communicate and share everything that they've learned today. People went off to the four corners of the earth and are coming back with the golden keys to the innovation.

ALEX CASSACKS

A shopping cart has been clocked at 35 miles an hour traveling through a parking lot in the wind.

PETER SKILLMAN

We were in the store, what, two hours and it was truly frightening just to see the kind of stuff going on.

DAVE KELLY

You ought to designate some people to make damn sure that the store owner's point of view is represented.

JACK SMITH

[VO] After nine straight hours, the team is tired. They call it a day.

DAVE KELLY

Is everybody cool?

PETER SKILLMAN

Well, that's great. Thanks a lot. And we had a great time today. [Commercial Break]

PETER SKILLMAN

We want to get together and start here.

JACK SMITH

[VO] Day two at the start of IDEO's unique brand of brainstorming. They call it a deep dive, a sort of total immersion in the problem at hand. It's the secret to IDEO's success designing products for clients as diverse as Nike, Apple and Procter & Gamble. IDEO's mantra for innovation is written everywhere, one conversation at a time, stay focused, encourage wild ideas, defer judgment, build on the ideas of others.

PETER SKILLMAN

That's the hardest thing for people to do is to restrain themselves from criticizing an idea. So if anybody starts to nail an idea, they get the bell.

JACK SMITH

[VO] The deep dive begins and for the next few hours the ideas pour out and are posted on the walls.

PETER SKILLMAN

Oh, the blind, the privacy blind. Like when you're buying six cases of condoms and you don't want them to see. Nesting, it sort of has to nest. If it doesn't nest, we don't have a solution.

3RD TEAM MEMBER

Velcro pads and, or Velcro seats for the kids and you just drop 'em down on there.

JACK SMITH

Velcro seats? Velcro pants for kids?

DAVE KELLY

Yeah, see you have to have some wild ideas. Then you build on those wild ideas and they end up being better ideas than if you said, if you, if everybody only came up with sane things, you know, kind of appropriate things you'd never like have any points to take off to build a really innovative idea. So you really encourage that kind of craziness cause sometimes it leads to the right things.

JACK SMITH

It's organized chaos.

DAVE KELLY

It's not organized. What it is is it's focused chaos.

JACK SMITH

[VO] By 11:00 am the group begins narrowing down the hundreds of ideas written or drawn on the walls. How? By voting for them.

PETER SKILLMAN

Vote with your Post - It not with an idea that's cool, but with an idea that's cool and buildable. If it's too far out there and it can't be built in a day then I don't think we should vote on it.

JACK SMITH

Why not have you be the judge? You're the boss.

PETER SKILLMAN

Because I'm, well, I'm going to be wrong. It's the team that's able to really judge what the best idea is.

JACK SMITH

Otherwise ideas wouldn't come out?

PETER SKILLMAN

That's right. Enlightened trial and error succeeds over the planning of the lone genius.

JACK SMITH

[VO] Enlightened trial and error succeeds over the planning of the lone genius. If anything sums up IDEO's approach, that is it. That and the focused chaos that seems to go with it.

TOM KELLY

I take a point of view. I call it the sport utility vehicle cart.

JACK SMITH

[VO] It is noon. Worried that the team is drifting, what can only be called a group of self - appointed adults under Dave Kelly holds an informal side session.

PETER SKILLMAN

And we don't want to tell 'em what to build or else we take away the benefit of the whole thing, right?

DAVE KELLY

No, we've got to tell them what needs should they optimize their solution to.

PETER SKILLMAN

Yes.

JACK SMITH

[VO] The purpose is to refocus the deep dive.

PETER SKILLMAN

Maybe we arbitrarily say three to five teams, four or five teaMs.

DAVE KELLY

Four, four or five.

PETER SKILLMAN

Four or five teaMs. And we give each team a need area. Hey, can we grab everybody over to the wall here? There has to be a command decision. It becomes very autocratic for a short period of time in defining what things people are going to work on.

JACK SMITH

[VO] Like it or not, the team is told it will split into groups to build mockups covering four areas of concern that have been identified -- shopping, safety, checkout and finding what you're looking for. [on camera] I noticed that toward the end of the process the adults took over.

DAVE KELLY

Yeah, that's because we have no choice but to stop that cycle. I mean there's, if you don't work under time constraints you could never get anything done because it's a messy process that can go on forever.

JACK SMITH

[VO] While the team starts building prototypes, Dave Kelly takes me on a tour of the rest of IDEO.

DAVE KELLY

What's happening in here is that's a client meeting. That's a first client meeting. That's the first time we've met with the client so we haven't trained them yet. If we took them straight from there into a room where the music was blaring and everybody was throwing nerf darts at each other, that would be a little hard to take. You know, so we're warming 'em up. But this is, this is where the crazies live. This is where we do our work. It's different. You can tell what a place is playful in about the first 15 minutes as you walk down the hall.

Being playful is of huge importance for being innovative. I mean if you go into a culture and there's a bunch of stiffs going around, they're not, I can guarantee you they're not likely to invent anything.

JACK SMITH

[VO] Invent anything, like this futuristic looking instrument for kids. [interviewing] So no matter what you do with that thing, you always sound ...

DAVE KELLY

You sound great.

JACK SMITH

You always sound good.

DAVE KELLY

You have to make it so that this can happen.

JACK SMITH

Whoa, it didn't break.

DAVE KELLY

No, it didn't break.

JACK SMITH

[VO] There's a whole department at IDEO devoted to toys. It turns out to be one of its most profitable areas. Fun, too.

DAVE KELLY

So we've got these little wings and no matter what you do, if I get in trouble here, it's always a spiral.

JACK SMITH

[VO] At IDEO, they found that fresh ideas come faster in a fun place. Not only is the furniture on wheels to suit the needs of the moment, the people are encouraged actually to build their own work areas.

DAVE KELLY

They were designing the space and they said to me, you know, we'd like to have, you know, \$4,000 extra in our budget for a DC3 wing. And I said a DC3, you have to have that? And they said yeah, they have to have it so that's that.

JACK SMITH

That's a DC3 wing?

DAVE KELLY

A piece of a DC3 wing, yeah.

JACK SMITH

And that's just decor?

DAVE KELLY

That's decor. That's ambiance. You know, that says we're weird and we're proud of it.

JACK SMITH

[VO] Umbrellas on the ceiling to shade computer screens from direct sunlight. And bicycles on ropes to prevent clutter.

DAVE KELLY

The first guy who hung a bike up on a thing, he didn't come to me and ask me. He didn't ask some facilities person if it was OK. He tried it and then like he waited and see if anybody complained. If nobody complained another guy hung a bike up. And pretty soon everybody's got their bikes up and nobody's complained, right? So it's that whole thing of trying stuff and ask forgiveness instead of asking permission. It's the way that people come up with new ideas.

JACK SMITH

[VO] IDEO has such a reputation for innovation that client companies are increasingly asking Dave not just for new products, but also to remake their corporate cultures. You may be looking at the workplace of the future here.

DAVE KELLY

It's one thing to be able to do a product once in a while but if you can build a culture and a process where you routinely come up with great ideas, that's what the companies really want.

4TH TEAM MEMBER

Peter, we're done.

JACK SMITH

[VO] Back at the shop it is six o'clock. The four mockups are ready for showing.

TOM KELLY

Baskets also can be, if you think you will have more volume, baskets can be put in.

JACK SMITH

[VO] A modular shopping cart you pile hard baskets onto. A high tech cart that gets you through the traffic jam at check out.

5TH TEAM MEMBER

You could mount a scanner on the shopping cart so that you as the customer, as you pull it off the shelf, would scan each item.

JACK SMITH

[VO] One that's built around child safety and another that lets shoppers talk to the supermarket staff remotely. But the adults again decide more work needs to be done before the mockups can be combined into one last prototype.

PETER SKILLMAN

Why don't we have all the carts come up here for a second?

DAVE KELLY

I think you take a piece of each one of these ideas and kind of back it off a little bit and then put it in the design.

JACK SMITH

[VO] The design is still not there. But there's another motto at IDEO, fail often in order to succeed sooner and some of the team will be up half the night trying to put together a design that does work. [Commercial Break]

JACK SMITH

[VO] It is day five and Dave Kelly has no idea what the final cart looks like. Only the team does.

DAVE KELLY

If they've kind of got their heads down they don't look at me, I'm nervous, you know? If they say wait till you see it, then I know we're in good shape. So I'm getting wait until you see it. I think that it'll be good.

PETER SKILLMAN

So we took the best elements out of each prototype, designed this entire cart in a day and then this cart was fabricated in a day with an amazing team of people in our machine shop pulling this off, working in shifts throughout the night.

JACK SMITH

Well, I'm impressed.

PETER SKILLMAN

So are we.

JACK SMITH

[VO] The cart, which is designed to cost about the same as today's carts, is different in every other way. Hand baskets that stack in a metal frame and major improvements for all.

PETER SKILLMAN

You just lift the handle up, you drop the, you put the children in and then you can close the handle right over them and they instantly have some little bit of a work surface that you can play with.

JACK SMITH

What do you think?

DAVE KELLY

Well, I'm very proud of the team. I think it's great.

JACK SMITH

This, does this work for you?

DAVE KELLY

It works for me great. It's also beautiful. I mean, let's, you know, take it over to a local supermarket and see what they say.

JACK SMITH

[VO] The cart's wheels turn 90 degrees so it can move sideways. No more lifting up the rear in a tight spot. And you shop in a totally different way.

3RD TEAM MEMBER

Rather than taking your cart everywhere you go in the store, through a crowded store like this, much more efficient to take a small basket, rush around to where the particular shelves are and come back and ...

JACK SMITH

Put them back.

3RD TEAM MEMBER

Put them here and treat this as like a center for your shopping.

JACK SMITH

[VO] And, with a high tech scanner so that in the future you skip the checkout traffic jam.

PETER SKILLMAN

Here's how you would scan an item. You reach over and pick up anything like this salad dressing and I would scan it and if I want to accept that item I would just press plus and then drop it in my basket.

JACK SMITH

[VO] Because stores don't yet have those high tech scanners the team designed, checking out today means doing it the old - fashioned way. But the bags are hung on hooks on the cart's frame. Remember, there is no basket here. [interviewing] Why get rid of the big basket?

PETER SKILLMAN

The basket is tyranny. The basket is tyranny because it's not really needed. If all your stuff ends up in bags, why need the basket in the first place.

JACK SMITH

Talk to me about theft.

PETER SKILLMAN

There is no value in this cart without the basket because you can't carry anything in it. It's useless to anybody. You can't use it as a barbecue.

JACK SMITH

So it's not going to get stolen?

PETER SKILLMAN

That's right.

JACK SMITH

So this is going to appeal to the store owners, then?

PETER SKILLMAN

Yes.

2ND STORE EMPLOYEE

I love it. I think it looks great.

3RD STORE EMPLOYEE

Yeah. At first I was a little shocked, but I think it's, you have some fantastic ideas here. It needs a little refining but I think that it's great. I mean we would want them.

PETER SKILLMAN

It makes her feel great. And she also gave us some really good comments about how we can make this thing better.

DAVE KELLY

Just wherever you are, look around. The only thing that's not designed by somebody like is nature. So the trees are not designed by us. But everything you see, everything you see, every light fitting, every flower vase, every scale, everything that's designed has to go through this kind of process. And you can do a better or a worse job of innovating or improving but everything is designed. It has to go through this process.

JACK SMITH

It wasn't this effortless oh my god, so that's how it works thing that I saw there. It was actually hard work.

DAVE KELLY

It's a lot of hard work. We all love it. So it doesn't look like it's hard work, but it's a lot of hours.

JACK SMITH

[VO] A lot of hours. Also, an open mind, a boss who demands fresh ideas be quirky and clash with his, a belief that chaos can be constructive and teamwork, a great deal of teamwork. And these are the recipe for how innovation takes place. This is Jack Smith for Nightline in Palo Alto, California.

TED KOPPEL

And I'll be back in just a moment. [Commercial Break]

TED KOPPEL

And that's our report for tonight. I'm Ted Koppel in Washington. For all of us here at ABC News, good night.

[END OF TAPE]