

# A RISING TIDE LIFTS ALL BOATS: THE ORIGINS OF INSTITUTIONALIZED AESTHETIC INNOVATION

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## ABSTRACT

*This paper highlights that the strategic use of design, a competitive pattern typically associated with creative industries, those creating and trading meanings, also characterizes industries that produce functional or utilitarian goods not typically considered creative. The paper explores the origins of this phenomenon in the context of three industry settings: cars, speciality coffee and personal computers. The analysis theorizes three distinct strategic paths that explain how design may become an institutionalized aspect of competition in industries that are not creative. We explain how firms link their products to the identities of their users, how design is linked to stakeholders' emotions and visceral reactions to products and how intermediaries are relevant to enhancing attention to design. Illuminating these strategic paths allows harnessing some of the well-established understandings about competition in creative industries towards understanding competition in noncreative industries.*

**Keywords:** Aesthetic innovation; strategic; pathways; design; case; analysis

Attention to aesthetic design as a significant dimension of competition is increasing. Many firms and industries strategically develop their use of design attributes, such as colour and shape, henceforth termed aesthetic innovation (Cautela, Simoni, & Zurlo, 2018; Eisenman, 2013). They do so in the context of understanding that consumers search for new styles and designs across a broad

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range of products as a vehicle for expressing their identities and as a means towards satisfying their needs for new sensations and stimulations (Featherstone, 1987; Postrel, 2003; Verganti, 2009). Thus, firms use design to suggest that products are more than utilitarian items that fulfil a function. Furthermore, scholars are beginning to understand the importance of design to competition. This importance pertains to the ability of tangible design attributes, which are typically visible, to communicate information about what products do and how they should be used, to convey symbolic meanings and associations and to elicit sensory reactions such as affect. And, this importance pertains to the ability of design to increase sales (c.f., Eisenman, 2013; Ravasi & Stigliani, 2012).

The study of aesthetic innovation is typically dichotomized. Namely, an industry-level approach views aesthetic innovation as an institutionalized aspect of competition in industries labelled 'cultural' or 'creative' – those industries that trade meanings which are produced creatively and which carry greater symbolic than material value (Caves, 2000; Hirsch, 1972, 2000, henceforth termed creative industries). In these contexts, aesthetic innovation is an activity common to all industry firms rather than representing a particular strategic decision. It, therefore, leads to questions about how we should understand design as a way to generate meanings that are cultural, artistic or creative (e.g., Cappetta, Cillo, & Ponti, 2006; Jones, Maoret, Massa, & Svejenova, 2012; Rindova, Dalpiaz, & Ravasi, 2011; Stigliani & Ravasi, 2012; Verganti, 2009). The study of aesthetic innovation in the context of firms that operate in industries we do not perceive as creative tends to focus on the firm level and on aesthetic design as a means of differentiation. This approach suggests that it is a strategic firm-level capability that should be understood in the context of firm-level analyses (Ravasi & Lojacono, 2005). And, indeed, there are examples of studies that explore how firms use aesthetic innovation strategically (Djelic & Ainamo, 2005 (Nokia); Karjalainen & Snelders, 2010 (Nokia and Volvo); Ravasi & Lojacono, 2005 (Bang & Olufsen); Rindova et al., 2011 (Alessi); Talke, Salomo, Wieringa, & Lutz, 2009 (Dyson)).

This dichotomy is potentially problematic in that it limits the understanding of aesthetic innovation to the pursuit of a firm-level differentiation strategy in settings that primarily produce utilitarian, functional or technological products (that is, settings that are not traditionally creative). Put differently, it suggests that the strategic use of design as an institutionalized competitive strategy across industry firms occurs only in creative industries, such as fashion or architecture, but that it is a particular firm-level capability in other settings. Therefore, we need to explore why there are settings that, although not creative, have institutionalized aesthetic innovation as a fundamental aspect of competing within the industry. Especially so given that aesthetic innovation is, in fact, an institutionalized aspect of competition in several significant industries with billion-dollar revenues such as cars, speciality coffee and personal computers. The magnitude of these industries and the observable centrality of design to their competitive landscape necessitate studying aesthetic innovation at the industry level in noncreative settings and doing so will allow bridging the aforementioned dichotomy.

At present, research in this area is fairly nascent. The mechanisms that would lead to the evolution and adoption of design as a significant dimension of competition in industries that cannot be characterized as creative are poorly understood. This paper addresses this question by exploring the origins of aesthetic innovation in three case studies. The analyses allow us to theorize three distinct explanations, neither exhaustive nor mutually exclusive, that suggest pathways explaining how, in noncreative industries, a single firm's strategic focus on aesthetic innovation might evolve into design becoming an industry-wide institutionalized aspect of competition.

More specifically, the paper reviews three cases. The first is the case of General Motors (GM) and its strategic understanding that by introducing aesthetically driven product differentiation into the car industry's competitive landscape, it would be able to take market share from its main competitor and market leader, Ford. This case demonstrates what we term 'strategic aesthetic innovation'. It suggests that an immensely successful strategy of aesthetic innovation by one firm impacts competition across all firms when that strategy can harness the inherent attributes of design, in this case, the usefulness of design for allowing consumers to link products to their identities. The second case examines Starbucks as an innovative force that formed an industry in which the consumption of coffee, a mere commodity, was tied to an overpowering multisensory and multimodal rhetoric. This case demonstrates what we term 'seminal aesthetic innovation', as Starbucks' success in setting a new industry and centralizing it on design, as a basis of emotional and sensory attachment to products, defined the industry and forced competitors to define themselves in the context of these choices. The third case examines the relationship between Steve Jobs and the media. This case demonstrates what we term 'evangelical aesthetic innovation'. Jobs was an eccentric and charismatic CEO who was personally passionate about design. Jobs' persona and the interest he elicited from the media increased the attention of the firm's stakeholders to design. The case highlights how the combination of Jobs' persona alongside the inherent attractiveness of design, as a relatable and stimulating aspect of products, propels industry intermediaries to exalt the merits of design in a way that institutionalizes aesthetic innovation as a competitive dimension.

In exposing these distinct patterns, the paper offers a sharper and more formalized understanding of the competitive relevance of aesthetic innovation in three influential industries. Moreover, it allows us to understand the distinct ways in which inherent aspects of design affect competition and as such integrates insights from the large body of work on creative industries and its focus on design into our understanding of strategy. More specifically, in our analysis of the car industry, we demonstrate how the potential of aesthetic product attributes, such as shape or colour, was intentionally harnessed to link the consumption of the car to fundamental social dynamics. In this way, we explain that the car industry, in addition to being a highly technological one, also manifests competitive patterns akin to those of fashion industries, such as the identification of trends and the induction of frequent product replacement. In our analysis of the speciality coffee industry, we highlight how the emotional and visceral resonance of aesthetic innovation is linked to consumption. In this way, we underscore how design has

the potential to stimulate consumption not only through the inducement of fashion-like consumption patterns but also by promoting deeper personal connections to products. Furthermore, we highlight the potential of applying a multimodal lens for understanding the broader impact of design (Bell & Davison, 2013). Lastly, our analysis of the personal computer industry highlights the relevance of industry intermediaries in the context of aesthetic innovation. This relevance is linked to the accessibility of design as content to which journalists respond. To date, we have not explicitly linked the analysis of the design to the impact of various intermediaries, although their centrality to the selection of products in creative industries is well recognized (e.g., Caves, 2000; Hirsch, 1972; Wijnberg & Gemser, 2000). These expositions go beyond the typical understandings of design as a tool for product differentiation. In this way, the paper challenges the schism between creative and noncreative industries and explains that some of the insights deemed unique to competition in creative industries are applicable more broadly. Beyond the theoretical benefits of this exposition, a deeper understanding of aesthetic innovation is increasingly important as the competitive prevalence of design is continuously increasing (Ravasi & Rindova, 2008).

The paper proceeds in the following way. We begin by briefly discussing our methodological approach. We then present sections on each of the cases in the following order: cars, speciality coffee and personal computers. Following the case expositions, we discuss the overall theoretical and managerial implications of our findings. We highlight how this study advances the comprehension of the relationship between aesthetic innovation and competitive dynamics.

## METHODOLOGICAL APPROACH

This paper is phenomenon-driven. It begins with identifying settings in which aesthetic innovation is a prevalent competitive strategy and investigating the precursors to this phenomenon. It does so by identifying a key actor that competitively uses design and analyzing why this actor's adoption of aesthetic innovation affected other firms in its industry.

Methodologically, this is a theoretically driven case study. This design fills a conceptual category by posing 'how' and 'why' questions in a novel context (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). The three cases are theoretically sampled and focus on industries in which the strategic use of design as a competitive tool is prominent and highly visible. At the same time, we chose cases that appeared sufficiently distinct to unravel a variety of underlying dynamics affecting noncreative settings for which aesthetic innovation is an institutionalized aspect of competition. These cases are particularly revelatory in that they are extreme exemplars and, as such, hold the potential for illuminating the relationships of interest (Yin, 1994).

Data are archival in the form of research articles, biographies and autobiographies which expose the competitive dynamics characterizing the three cases. Reaching theoretical saturation ended the data collection. The archival data are complemented by our casual observations as consumers as well as by our

accumulated expertise in studying the industries and the competitive dynamics relevant to the cases. This method is appropriate as it leads to anecdotal evidence and richer descriptions that are central to theory building in the context of new phenomena (Eisenhardt, 1989).

Analytically, we iterate between the archival case data and the organizational literature to raise the theoretical level of the analysis and increase its internal validity (Eisenhardt, 1989). This iterative process sharpens the constructs and, in this case, ultimately offered three paths theorizing the institutionalization of aesthetic innovation that are distinct. Furthermore, using one another to challenge our conclusions increased the internal validity of the theorization.

As a broad theoretical base guiding the analysis we draw on the work examining the potential strategic impact of design. Actors recognize that design has competitive potential. Design attributes enable firms to suggest that their models are new and improved, and firms can use this to drive product replacement cycles when the technological base of their new product introductions is based on incremental changes (c.f., Eisenman, 2013). Moreover, design-related attributes work to increase the affect a product elicits, and in many cases, positive affect increases sales (Bloch, 1995; Rindova & Petkova, 2007). Beyond these benefits, aesthetic innovation enhances products' symbolic attributes and in this way extends their value as consumers can incorporate products into the set of artifacts they use to communicate information about their social identities to their peers (c.f., Eisenman, 2013).

While examining the diffusion of practices related to aesthetic innovation is beyond the scope of this paper, we rely on the established knowledge base about these processes as expressed in extant literature. That is, industry firms share beliefs about the dynamics driving competition within their industries (Porac, Thomas, Wilson, Paton, & Kanfer, 1995) as well as monitor the visible choices of their competitors and align with them (DiMaggio & Powell, 1983; White, 1981). Additionally, firms are embedded in similar networks of suppliers and distributors who facilitate the spread of knowledge about the various strategic choices of each firm (Abrahamson & Fombrun, 1994). Thus, choices that one firm initiates and which appear to have merit are quickly adopted by firms within the same competitive set. This paper investigates the strategic motivations of firms that initiated the pursuit of aesthetic innovation and assumes the abovementioned processes are triggered to the extent that the original choice to pursue aesthetic innovation had strategic merit.

## **CASE 1: GENERAL MOTORS AND THE SUBSTANCE OF STYLING – STRATEGIC AESTHETIC INNOVATION**

The origins of the automobile industry date to the last decade of the nineteenth century. Cars were individually produced for wealthy owners. Interestingly, in these early years, a dominant design did not yet emerge and design-based

changes were frequent (Menge, 1962). By 1908, the industry was already characterized by efficient production of a stable technology with a clear dominant design, geographical clusters and developed networks of suppliers (Langlois & Robertson, 1989). The industry leader in the second decade of the twentieth century was Ford, known for effectively executing Fordism – synonymous with mass production – and with offering the market the Ford Model T., an efficient and affordable basic car for ‘everyman’. The rise of Fordism eroded any interest in the strategic relevance of design and shifted competitive interests towards efficient mass production. The third decade of the twentieth century was markedly different. Firms pursued novel designs and both fuelled and responded to the market’s desires for annual model changes. The annual model change strategy is credited with enabling car producers to survive the great depression (Langlois & Robertson, 1989).

Q1 More specifically, GM, with the foresight of Alfred Sloan, then its CEO, realized that by introducing aesthetic innovation to the competitive landscape of the industry, it could capture market share from Ford. Ford was the industry leader at the time (Sloan, 1963; Tedlow, 1988) with a market share (in 1921) of 55.67% vs GM’s 12.73%. Ford’s strategy of mass production hinged on producing a small range of models with little variation; this allowed the firm to benefit from economies of scale. Subsequently, Ford’s offerings were affordable, and thus its market share sizeable. Ford staunchly believed cars should provide no more than basic transportation and saw no motivation for product changes or any kind of advertising (Tedlow, 1988).

In facing such an efficient firm, GM realized that it needed to develop a different strategic approach. Sloan, termed by Tedlow (1988) as ‘perhaps the greatest master of marketing in American business history’, had two important insights. First, he understood that the market was segmented and differentiated, so he created an organizational structure to serve these differentiated segments (Tedlow, 1988). Second, Sloan understood that cars’ technological features were taken for granted. This led him to realize that the purchase of cars should be driven by their appearance rather than by their technological merits (Sloan, 1941). Furthermore, Sloan was able to integrate these insights by creating an organizational structure that allowed GM to merge design-based changes to the appearance of cars with efficient mass production.

Sloan (1963) understood that because the car is a means of transportation, owners would be seen with their cars in a variety of social settings (e.g., by their neighbours, co-workers, etc.). Car owners could thus use cars to signal their social status and communicate their identities. Sloan reasoned that these social dynamics would benefit from creating a market in which multiple car models could match a variety of social strata and in which frequently replacing cars would be an efficient way for consumers to signal aspects of their identities such as their level of income or sense of fashion. Given these perceptions, Sloan reasoned that rather than trying to compete with Ford based on efficiency, GM needed to pursue a strategy based on developing multiple car models and making frequent, and easily identifiable, changes to them.

Therefore, Sloan (1963) established a policy of producing a varied product line that included cars at various price points. He understood that the price gaps should not be very wide because this pricing scheme would prompt people to use the car as a means of signalling their income levels and their upward mobility vis-à-vis these income levels. Furthermore, Sloan instituted the concept of annual model changes and realized the significance of annual changes to stimulating sales. These changes were meant to offer new models that seemed fresh and progressive. But, these changes could not be too drastic because economically they hinged on the ability to offer consumers' trade-in deals that would ensure frequent replacements. Having new models appear radically different than previous ones would drive down trade-in prices and undermine the strategy.

Importantly, these strategic choices were not obvious at the time because commitment to annual model changes was detrimental to reaping the benefits of scale and in contrast to the choices of Ford. Subsequently, Sloan's ideas met with resistance (Gartman, 1994; Tedlow, 1988). Nonetheless, these ideas put forth a strategy that allowed GM to compete with Ford in a manner that was not 'head-on'. Ultimately, these strategic choices led to a fundamental shift in the industry. Sloan understood that setting a competitive landscape based on annual model changes would drive smaller firms out of the industry. Indeed, from an industry with 88 firms in 1921, the market shifted to a setting with 20 competitors in 1929 (Tedlow, 1988). Ford's market share fell to 15% by 1927 (Gartman, 1994).

Further and more relevant to our interests here, Sloan understood that the best way to convince consumers that the cars they presently own were obsolete was to claim that previous models were no longer fashionable (Sloan, 1963; Tedlow, 1988). Amusingly, Gartman (1994) cites jokes popular during the heyday of Ford's Model T: 'You can go anywhere in a Model T, except in society' and 'Why is a Model T like a mistress? Because you hate to be seen in public with one'. So, aesthetic innovation, indeed, proved to be a useful method for differentiating among successive product models (Eisenman, 2013; Karjalainen & Snelders, 2010; Robinson, 1958). In addition to putting these dynamics in motion, Sloan introduced the idea of financing the purchase of cars. In this way, he kept the dynamics of using the car as a way to signal identity and social status in perpetual motion (Clarke, 1999; Sloan, 1963).

Beyond understanding the potential of linking cars to aesthetic innovation, Sloan needed to realize this strategy. He did so by hiring and supporting a prominent industrial designer that shared his vision, Harley Earl (Gartman, 1994).<sup>1</sup> Sloan granted increasing organizational authority to the designer and supported him in unavoidable conflicts with production-oriented engineers. He

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<sup>1</sup>The work by Gartman (1994) extensively details the strategic incorporation of aesthetic innovation at GM. Here we use the article to highlight key ideas about Sloan and Earl's joint work as relevant to our case and we refer the reader to the full article for more information.



charged Earl with giving cars, which were then mass-produced commodities, the appearance of variety and innovation. Doing so, Sloan reasoned, would strategically prompt the association suggesting that better-looking cars are better quality cars. Thus, it enabled GM to compete not by overinvesting in technological developments but by selling cars of acceptable quality. Sloan (1963) wrote in a report to the Finance Committee:

People like different things...it is perfectly possible, from the engineering and manufacturing standpoints to make two cars at not a great difference in price and weight, but considerably different in appearance and, to some extent, different in technological features, both, in degree, built with the same fundamental tools and equipment.

The partnership between Sloan and Earl allowed GM to introduce La Salle, a mass-produced car that had the appearance of a handcrafted car and that replicated the looks of European luxury sports cars (Gartman, 1994). La Salle was very successful. The main emphases of La Salle were not technological. Rather, they were on accessories that had a customized look: dual side mounts, wire wheels, folding windshields and original colour combinations as well as having a longer and lower body and a moulding that accentuated its horizontal lines and replaced the mechanical look of rectilinear lines with more organic and curvilinear shapes. In so doing, GM linked the design of a car to its meanings. It produced a car that could suggest that its owners were 'European' and that they had the cultural capital required to appreciate 'luxury'.

Viewing the La Salle's success as a 'proof of concept', Sloan and Earl developed an organizational styling division which was charged with advising the other divisions on car appearance and which had the personal support of Sloan (Gartman, 1994). And although Earl was met with a great deal of resistance from traditional production line engineers, his innate understanding of how to use visual styling to link cars to consumers' dreams allowed him to design cars that did well in the market. Moreover, aesthetic innovation became institutionalized within GM: Earl was appointed a vice president of the corporation, and the subsequent heads of the styling division all held this corporate rank, which allowed them to be part of the most powerful corporate committees. Furthermore, the work within the styling division increasingly becomes more rule-governed, routinized and hierarchical: Earl developed a set of rules about car aesthetics and established his training program for designers.

Earl also had a strong strategic sense which allowed him to guide his creative team towards making centralized aesthetic decisions (Gartman, 1994). These decisions facilitated sharing car parts among divisions by conforming to basic dimensions. These shared car parts had a related and recognizable similarity to promote an overall visual appearance of the GM brand while at the same time maintaining differentiation among the overall body of models and justifying their different price points. Importantly, this concept of shared parts allowed GM to maximize the potential benefits of aesthetic innovation without losing those of running a large, bureaucratic organization attempting to maintain economies of scale.



Sloan and Earl were also prescient in the context of annual design changes. Radical design changes required new body shells, which could undermine the large volumes required to reduce production costs (Gartman, 1994). Thus, Earl focussed on three-year design cycles and applied more radical changes to body shells (e.g., new fenders or hoods) only once in three years while engaging in more minor aesthetic changes, such as affecting radiator grills, taillights and bumpers, in the following year. Additionally, GM staggered these three-year cycles among the models such that they were able to introduce completely redesigned models in some of their lines each year. At the same time, GM did not alter the major mechanical components, sometimes for decades, allowing the firm to maintain its economies of scale.

Sloan's analysis of the potential of stimulating car consumption by aligning with social dynamics such as conspicuous consumption and fashion-based differentiation (Simmel, 1957; Veblen, 1953) was quite accurate. Subsequently, GM was able to not only take market share from Ford and move to hold the lion share of the market but also to force Ford to attend to aesthetic innovation (Dobers & Strannegard, 2005). Ford began introducing additional models and using aesthetic innovation to differentiate among them and by the mid-1930s, had their design department (Clarke, 1999). Furthermore, other car manufacturers, such as Chrysler and Hudson, followed suit as did smaller firms that eventually did not survive, such as the Auburn Automobile Company (Clarke, 1999).

More generally, all manufacturers began to realize that design was linked to market success. In this way, aesthetic innovation, here manifesting as using design to create superficial disguises for mass-produced machines in a way that associates them with personal dreams and social identities, became a key strategy in the industry, one that is pursued by all firms and one that cannot be ignored by any of them (Gartman, 1994; Karjalainen & Snelders, 2010; Person, Snelders, & Schoormans, 2012). Other scholars measured the relationship between design-based changes and sales. For example, economists agree that aesthetic innovation is a major determinant of sales within the automobile industry finding that design changes are a highly significant determinant of demand (Hoffer & Reilly, 1984) and that aesthetic innovation is positively associated with increasing the firm's sales and with decreasing the sales of rivals (Kwoka, 1993). The significance of design extends to industrial markets as well, as manifested by the emphasis on design in Caterpillar's vehicles (Person et al., 2012).

We term the process revealed in this case 'strategic aesthetic innovation' because the spread of aesthetic innovation emerged from the strategic choices of one firm but its competitive impact affected the entire industry. Thus, firms do not choose whether to develop capabilities related to aesthetic innovation such that some differentiate themselves via design while others focus on cost reduction and mass production. Rather, all firms must attend to the design of their products and the meanings they expect will emanate from these designs. Because all firms are engaged in competitively using design to convey meanings, the industry manifests characteristics similar to those we find in creative industries – creative work that has great symbolic substance.

## **CASE 2: STARBUCKS AND A FRESH NEW BREW – SEMINAL AESTHETIC INNOVATION**

In the Post-War United States, large coffee roasters such as Proctor & Gamble (Folgers), Nestle (Nescafe) and General Foods (Maxwell House) produced most of the coffee consumed (Koehn, 2004). Starting in the 1970s, independent speciality roasters began to appear and coffee connoisseurship emerged on a very small scale. Howard Schultz recognized the potential of this connoisseurship segment. In 1987, he bought Starbucks, an existing coffee company focussed on roasting and selling coffee beans from Seattle and transformed it to a new industry form – a speciality, or gourmet, coffee shop, serving a variety of coffee drinks as well as selling beans, food and other merchandise. Starbucks was immensely successful and in the first half of the 1990s increased its revenues to \$700 million. Much of this growth was achieved by rapid expansion throughout the United States and beyond and the establishment of a strong brand (Schultz & Jones, 1997).

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In this context, Schultz is a prototypical entrepreneur, identifying a potential market opportunity and using his skills and talent to develop it. Schultz had no particular passion for coffee and was not a gourmet coffee aficionado. Rather he had an entrepreneurial vision of how Starbucks, then a local Seattle roaster, could be turned into a nationwide brand and joined the firm as its director of operations and marketing (Schultz & Jones, 1997). Schultz studied the industry and on a trip to Milan was exposed to the Italian espresso bar culture and the social centrality of these bars in that they offered a broader sense of community and comfort. Schultz's exposure to the Italian espresso bars led to another entrepreneurial realization about the establishment of a coffee bar culture in the United States. This idea was based on combining a high-level product – carefully selected and roasted coffee beans – with a comfortable and appealing store experience and to expand these into a chain across the United States. To do this, Schultz pursued operational excellence on multiple fronts that pertained to having high-quality coffee, hiring and training employees, offering excellent service and intelligent selling techniques, among others (Koehn, 2004).

Schultz's capabilities and vision in terms of understanding the link between the chain's success and its ability to foster a sense of community as well as to increase the appreciation for gourmet coffee led to the establishment of a new industry form in the US market. A key strategic issue for Starbucks' management was to build a market for this new form. They understood that this would require rapid geographic expansion to establish a visible preference (Schultz & Jones, 1997). To do so, Starbucks hired veterans of food-related chains, such as Taco Bell and Wendy's (Koehn, 2004). In this sense, the firm's focus was operational and financial.

Furthermore, Schultz understood that successful rapid growth was vital, so the firm invested in an in-house team of real estate managers, architects, designers and construction managers and invested in selecting optimal retail sites with high exposure and in opening new stores within 16 weeks (Moon & Quelch, 2006). Like Sloan, Schultz hired a designer, an architect – Arthur Rubinfeld, who had

the business savvy to strategically use design in a way that enhanced the firm's economies of scale. Specifically, Rubinfeld devised a 'Kit of Parts' store design model that was based on easily customizable colours, furniture, light fixtures, murals and artwork. This 'kit' allowed Starbucks to quickly set up stores that were both aesthetically consistent and customizable to the different locales, thus creating seemingly distinctive looks that were both responsive and consistent (Aiello & Dickinson, 2014). Importantly, although Schultz realized that a key part of the company's success was based on educating American consumers on the understanding of coffee and on linking coffee consumption to the concept of community, he was not a thinker oriented design and its expansion strategy did not emerge from a passionate connection to the sensory aspects based on Starbucks' design but was mainly operational.

Having said that, the design was fundamental to achieve Schultz's growth objectives because the social and community meaning of his imagined coffee chain was to attract consumers as a 'third space', a space that is neither work nor home and which provides a contemplative refuge from both, leveraging on the long European tradition of coffee shops (Lyons, 2005). The design of the stores reflected this objective and artifacts in the store were props meant to construct this desired experience (Gulati, Huffman, & Neilson, 2002). The stores were consistently clean, had a design that was perceived as 'upscale' and had a distinctive ambiance (Ruzich, 2008; Schultz & Jones, 1997). Furthermore, Starbucks' cafes had a distinct visual mark and its brand was associated with an experience that communicated quality coffee, exceptional service and a strong sense of community as well as a potential co-working space where people could have meetings or work alongside one another. The brand was also strongly associated with the city of Seattle and the ethos of the Pacific Northwest.

Moreover, the experience in the store was communicated through multiple modes that elicited sensory reactions related to visual, olfactory, audial, gustatory and tactile modalities (Aiello & Dickinson, 2014; Dickinson, 2002). Specifically, the interior design aimed to convey a 'chic and breezy "urban life" that fitted closely with Seattle's reputation as a livable, progressive, and stylish city' (Lyons, 2005, p. 16). In this context, the décor evoked a perception of 'earthy' and 'natural' with a stark green logo and a colour palette of green and brown, stained wood, unfinished-like metal and brass trims, glass, textured tiles and curvilinear shapes – design elements that echo natural colours and lines. These were intended to connote authenticity and quality, attributes associated with the overall ethos of the 'Pacific Northwest' and with a strong connection to nature (Dickinson, 2002; c.f., Lyons, 2005). Furthermore, the design used glass displays and showcased the beans, at various stages between raw and roasted. In this way, the store communicated a sense of authenticity, making aspects of the coffee production process transparent to users (Dickinson, 2002). The elicitation of scents was another powerful element of the design: the strong smell of ground coffee dominates the café. The smell is released from the onsite grounding of the roasted coffee beans and communicates that all served coffee is very fresh and, in this sense, also very natural (Dickinson, 2002). Consumers also receive auditory stimuli through the sound of the grinding coffee as well as through the musical

selections that consist of music that is not overly populist, but that creates an ambiance of accessible sophistication (Thompson & Arsel, 2004). This too works to establish the 'naturalness' of the experience because the consumer is brought into the material aspects of transforming the beans into a drinkable cup of coffee. The elicitations are also gustatory of course, as the coffee is tasted and its taste is unique and dominant, particularly relative to traditional coffee served in North American cafés. Finally, and very interestingly, the café advances tactile and haptic stimuli as consumers hold on to a hot cup of coffee, sensing its warmth and gradual change in temperature and also responding to the stimulatory properties of caffeine. In this way, Starbucks put forth a complex rhetoric of 'naturalness' in its design that is conveyed through multiple modalities (Dickinson, 2002).

Also, Starbucks makes cognitive demands on its users as the setting prompts them to acquire cultural capital via their mastery of coffee connoisseurship. Starbucks offers beans and blends of beans and communicates information about their origin and how they express characteristics of the earth in which they grew (Dickinson, 2002). In highlighting this information, consumers are subtly guided to learn about coffee beans and coffee roasting. This is enhanced by requiring consumers to learn the Italian-based labels for the drinks served at Starbucks, again setting a path for demonstrating connoisseurship and a form of cultural capital that users can display. Moreover, this use of Italian is another multimodal aspect of the naturalness of the Starbucks café as it embeds the consumer within a long and esteemed tradition of the European café, a café that is a cornerstone of intellectual public life. In this way, Starbucks suggests to its consumers that they are part of a prominent historical tradition (Dickinson, 2002).

Starbucks' expansion was immensely successful. By the early 1990s, the firm had a vast geographic presence and its brand was strong (c.f., Lyons, 2005). This success, in part and alongside the growing awareness to speciality coffee, brought additional firms, such as Gloria Jean's, The Coffee Bean and Tea Leaf or Caribou, to the fray. By the early 1990s, sales of ready-to-drink coffee (e.g., lattes or cappuccinos) skyrocketed to almost 3,000%, and the market size was estimated to be \$1.2 billion. In 1993, there were more than 4,500 speciality coffee outlets – a sixfold increase from 1979 (c.f., Koehn, 2004). By 2006, there were 24,000 outlets, most of them independent, alongside several branded chains (c.f., Koehn, McNamara, Khan, & Legris, 2014). As the leader of this powerful retail trend, Starbucks was immensely influential. Its choices formed an overall understanding of competition in the industry.

Starbucks' competitors, other speciality coffee chains, could not achieve the geographic scale of Starbucks and were regionally concentrated. Furthermore, industries, by definition, limit the range of potential variation (Anderson & Tushman, 1990). Thus, a café and a speciality coffee chain, regardless of ownership, are likely to be quite similar in their material appearance. As Thompson and Arsel (2004, p. 634) explain:

Metropolitan coffee shops are organized around several readily discernible global structures of common difference that dialectically link Starbucks to its local competitors. These structures include prominent displays of visual art; background music that can be classified as either

sophisticated (in the high culture sense), hip, or in some way countercultural, but certainly not Top 40 mainstream; and a hedonically rich menu featuring oversized gourmet muffins, oversized cookies, focaccias, bagels, and epicurean sandwiches. The interior décor should convey a sense of warmth coupled with a distinctive aesthetic flair. Coffee shops have also been historically linked to intellectual engagement and cultural enrichment (Sherry 1995). Accordingly, a selection of arts-oriented media and newspapers, including prestigious dailies such as the *New York Times*, are standard coffee shop accoutrements. These edifying reading materials connect coffee shop patrons to the broader worlds of art, politics, and community events and hence can stimulate third-place conversations. A sense of worldliness is also conveyed through signifiers of the international coffee trade—such as maps of the major coffee-growing regions, images of indigenous coffee farmers, and bulk coffee displays, often in archaic burlap bags.

As this description suggests, cafés, particularly their North American form, take a multimodal approach to communicate their offerings. Their designs are based on evoking all senses and on eliciting cognitive associations as well.

Nonetheless, Starbucks' chain and franchised competitors had to differentiate themselves from the industry leader. They did so by working within the framework established by Starbucks and designing a café that would be a 'third space' and which worked to offer a holistic experience based on multisensory stimulation. Within this framework, they chose particular axes that could potentially convey their distinction. For example, Caribou Coffee designed its outlets to look like Alaskan lodges rather than imitate Starbucks' Seattle- and European-oriented upscale design. Others, such as 'Seattle City Blend', 'Seattle Bean' or 'Seattle's Best Coffee', chose to explicitly echo and reinforce aspects of Starbucks, such as the association with Seattle (Lyons, 2005). But overall, there was a little distinction among the chains as all offered premium coffee and relaxed in-store experience. Thus, they were not particularly differentiated from the customers' point of view beyond Starbucks being ubiquitous in terms of its presence and accessibility (Moon & Quelch, 2006).

Other competitors were independent speciality coffee outlets. These too worked within the multisensory paradigm Starbucks set forth. They too have a distinct aesthetic design that appeals to multiple senses, but rather than imitate the design elements of Starbucks, often associated with American corporatism, they aspire to convey a counterculture otherness (Manzo, 2010; Thompson & Arsel, 2004; Thompson, Rindfleisch, & Arsel, 2006). They achieve this otherness through their designs, for example, by using espresso machines that are different from those used by the chains and placing them more prominently on the counter (Manzo, 2014), by displaying art or music that consumers are more likely to consider as counterculture or even subversive or by accentuating the aesthetic refinement of the coffee shop experience through sensory paths such as playing Jazz music and displaying abstract art (Thompson & Arsel, 2004).

In this way, the Starbucks' aesthetic defined the aesthetic design for both its direct competitors, the speciality chains that imitated it, and for indirect competitors that defined themselves in the context of, but in opposition to, Starbucks. Subsequently, all industry participants needed to account for questions about design and the overall atmospherics and servicescape of their cafés, making aesthetic innovation a key strategic question for industry participants.

Very interestingly, as Starbucks met with a decline in growth and revenue in 2009, which is associated with an erosion of the brand's authenticity and an association with the brand as emblematic of 'Corporate America' and its ills, it rehired Rubinfeld and designed cafés that used a sophisticated multimodal approach to rebrand Starbucks as anticorporate and as environmentally and community-oriented. Specifically, Starbucks shifted the aesthetic message conveyed by its designs from 'natural' to 'local' and did so with the same approach to sending reinforcing messages through multiple modalities (see Aiello & Dickinson, 2014 for a detailed exposition). For example, it included elongated community tables created from recycled wood and stressed that the wood was locally sourced and recycled and that the work done in building the shop was done by local craftsmen. In the context of this new initiative, the emphasis was not on aesthetic consistency between the different locations and the link with the Starbucks brand was disabled in some locations. This muting is strategically interesting because by establishing places that had a local appearance it has disrupted independent competitors who have pursued a design that would highlight their anticorporate position.

As these last paragraphs highlight, design, as manifested in the use of multiple design elements to create a complex multisensory and multimodal rhetoric, is central to competition in the speciality coffee industry. This is thought-provoking in the context of understanding that coffee is basically a commodity and that as such, we might expect the competitive focus in the industry to centre on operational efficiency. However, Starbucks was able to combine operational efficiency with a unique approach based on a multisensory and multimodal 'assault'. This totality allowed the firm to offer consumers a way to connect with the firm on a deep, emotional and sensory level. In this sense, Starbucks' strategic insight is different from that of other food chains such as McDonald's or Wendy's, firms that also specialized into efficient expansion and in offering a consistent experience among multiple locations conveyed in part by design, as these firms did not use design in a multisensory way and did not construct complex branding messages. Furthermore, while the use of design in the car industry appreciates the relationship between design and affect, the main use of design in that setting is geared towards offering products that are props used by consumers as they construct the *mise-en-scenes* of their social lives. Speciality coffee, on the other hand, appreciates the link between design and the identity of those consuming the design, but its main use of design centres on eliciting emotional and visceral responses that tie consumers to the commodity and infuse it with meanings. Starbucks and its competitors compete by strategizing about how to create emotional and sensory stimuli.

Conceptually, from an institutional perspective, this path demonstrates how the choices of a prominent early mover bound the behaviour of other competitors. Overall, aesthetic innovation is extremely relevant for competition in an industry's early years (Eisenman, 2013). Designs need to work to conjure some understanding about what the new form is while at the same time adequately differentiating it from past forms (Cautela et al., 2018; Hargadon & Douglas, 2001). And design can trigger affect and excitement, so firms invest in using it to



elicit demand (Bloch, 1995). Furthermore, when new product categories and industries emerge, early users debate the relevant technologies as well as the material designs that support these technologies (Bijker, 1995; Dan, Spaid, & Noble, 2018). First movers are often able to imprint their version of this visual reference point in a way that subsequently calibrates other industry stakeholders (Bijker, 1995; Murmann & Frenken, 2006).

Beyond these general arguments that pertain to any new industry, the Starbucks' case demonstrates that when a first mover uses design in a fundamentally innovative and central way, competitors are forced to attend to the strategic importance of design. Starbucks identified a way to use design to change the perception of coffee as a commodity and to change the experience of consuming it. Its approach was so successful and so powerful because of the firm's skilled construction of multisensory and multimodal rhetoric that any new entrant to the industry was evaluated in the context of these dimensions (e.g., not only the taste of the coffee but also the ambiance of the café, its scents, sounds and décor). Starbucks' success encouraged competition and seeded it with central tenants about using aesthetic innovation as a central competitive dimension. Furthermore, these competitors interacted with a customer base that was calibrated to the speciality coffee chain aesthetic Starbucks put forth. Independent cafes and in particular café chains could not proceed in the market without their distinctive aesthetic mark, one based on a clear design language and design-based ambiance. Not all competitors succeeded at offering this mark, but because the industry emerged with the standards put forth by Starbucks, they were evaluated in an aesthetic context regardless.

The significance of aesthetic innovation, in this case, is termed 'seminal aesthetic innovation' because it is based on the choices about aesthetic innovation of a prominent first (or early) mover. This first mover envisions a new industry form for which aesthetic innovation is central. Subsequent entrants must calibrate to the decisions put forth by the first mover such that aesthetic innovation is embedded in the industry as a significant competitive dimension from its origin.

### **CASE 3: STEVE JOBS AS HIGH PRIEST – EVANGELICAL AESTHETIC INNOVATION**

The third theorized path towards institutionalizing aesthetic innovation as a competitive dynamic shifts attention to the role of intermediaries in promoting the legitimacy of aesthetic innovation. This case focusses on Steve Jobs and the media covering Jobs and Apple in the context of the personal computer industry. As commonly known and described in detail in Jobs' comprehensive biography (Isaacson, 2011), Jobs was a pioneer in the personal computer industry. Famously, he pursued his interests in design alongside technological pursuits. Unlike Schultz, Jobs had a personal passion for design and emphasized these attributes in his product choices at Apple and later at Next. Consequently, Jobs, although a founder and CEO, was personally involved in all decisions regarding



design and product development. He had a holistic approach to design and viewed it as encompassing hardware, software, advertising, communication, user experience, annual reports, trade show booths and new product launches (Katz, 2015).

Historically, the personal computer industry initially targeted the business market. Pioneers, such as HP, viewed the industry as geared towards business solutions and, in this context, did not perceive any benefit to associating design and positive affect (Katz, 2015). Furthermore, in the industry's early years, the strategic breakthroughs of leading firms centred on developing IBM clones (Compaq) and direct sales' models (Dell). To the extent that firms engaged in design, they did so to solve technological issues about functionality, such as the debate between two potential designs, clamshells and personal computers in a small suitcase, that were considered as potential form factors for a portable computer (Windrum, Frenken, & Green, 2017). Over time, personal computers became household goods and became increasingly user-friendly with the inclusion of a graphical user interface that replaced the need to use DOS-based commands in 1990 (Langlois, 1992). The exposure to the consumer market did not change the fact that competition within the industry was quite rigorous and focussed on efficient production and cost controls in the context of a fairly saturated market. Findings show that market saturation correlates with increased use of aesthetic innovation in the industry (Eisenman, 2017). But overall, the use of aesthetic innovation to stimulate conspicuous consumption in this industry, although extant, is more limited relative to the car industry.

Jobs is commonly perceived as the actor heralding aesthetic innovation. At the same time, Apple is a firm whose market share shrunk to 2.5% by the late 1990s (c.f., Eisenman, 2017). This small share is likely the consequence of Apple's decision not to adhere to the dominant technological standard of using Windows operating systems with Intel processors (Wintel), which was used by 85% of the market by then (Hagedoorn, Carayanis, & Alexander, 2001). Thus, Jobs' pursuit of aesthetic innovation was not strategically successful in that it failed to overturn this loss in market share. To date, no empirical study has directly measured Jobs' impact on the significance of design in the personal computer industry. Additionally, the observable increasing significance of design in the context of personal computers and in consumer electronics more generally can also be attributed to other dynamics; for example, to an increasing presence of European designers and the formation of design consultancies in Silicon Valley throughout the 1980s and to an increased emphasis on ethnographic, user-centred research methods that increased attention to the user interface and products' user-friendliness (Katz, 2015). Moreover, unlike Sloan's strategic insights described above, Jobs' attraction to design was not aligned with the strategic value of aesthetic innovation in the context of a probing analysis of the industry's underlying economic drivers.

The argument we make here is that in this competitive context, Jobs' personal passion for design received a disproportionate amount of media attention and subsequently impacted other firms in this industry. As such, it is not the strategic merits of aesthetic innovation in the context of the market for personal computers

that institutionalized this strategy, but industry intermediaries who worked to position it as central to industry competition.

We build this argument drawing on the concept of a celebrity CEO and his relationship with the media and through the media, with the public discourse agenda more broadly (Hayward, Rindova, & Pollock, 2004). As these authors explained, some CEOs get disproportionate media attention and in the context of this attention, the media links the firm's actions and outcomes to the CEO's actions and volition. Furthermore, they explained that to the extent that a CEO's choices and actions diverge from expectations and to the extent that there is some consistency across these actions over time and other contexts in the CEO's life, these choices and actions are more likely to be attributed to the CEO's qualities. These divergent and consistent behaviours prompt the media to search for evidence confirming explanations that link outcomes to CEO choices, and that allows the media to offer the public an exposition that is dispositional. In this way, the media present a reality that is devoid of complexity, luck or competition. Instead, they put forth a romantic notion of leadership that is more accessible and compelling for their audiences (Chen & Meindl, 1991).

An outcome of celebrity is that it is self-reinforcing and it leads to inertia (Hayward et al., 2004). To the extent that the media exposes stakeholders and the CEO herself to these dispositional accounts, the veracity of the accounts is likely to increase. This, in turn, bolsters both the CEO's and stakeholders' perceptions that the positive outcomes of the CEO's choices are based on her ability to make correct choices and on the merits of her personality, leading to strategic inertia and to reinforcing the divergent choices that drew the media's attention, to begin with.

Quite obviously, Steve Jobs is a quintessential example of a celebrity CEO. His choices are unique, divergent and quite idiosyncratic relative to his peer CEOs and leaders of the personal computer industry. Furthermore, confirmatory information about these behaviours is readily accessible. In this context, it is plausible that his exaltation by the media as a celebrity CEO and attention to his divergent choices concerning the significance of aesthetic innovation led to an increased emphasis on product design and a bolstered belief about the positive strategic valance of aesthetic innovation in the personal computer and consumer electronics industries.

A primary example of divergent behaviour that drew on and enhanced Jobs' celebrity was his return to heading Apple in 1997 and the subsequent introduction of the Apple iMac in 1998. Despite not adhering to the standard Wintel technology, the iMac met immense market success. The aesthetic design of the iMac was unique – it had a very round shape and was available in a variety of colours. The attention to design, in this case, does not necessarily reflect the strategic veracity of Jobs' choices, but the attention his eccentric persona received. Choices Jobs made received media attention which was disproportionate to Apple's actual market size (Eisenman, 2017).

Beyond perceiving Jobs as a celebrity CEO, Apple as a firm enjoyed celebrity status as well. Celebrity firms enjoy an increased level of attention and positive emotional responses from public stakeholders that link the firm to various aspirations such as identification, status, affiliation or attachment

(Rindova, Pollock, & Hayward, 2006). Like individual-level celebrity, firms that pursue divergent behaviours are more likely to gain celebrity status. Celebrity firms are easier to write about because the media can tell engaging stories about them, stories that are more dramatic and have accessible narrative arcs. Put differently, celebrity firms allow journalists to write about industry-level events as having clear causal origins and a predictable vector of change. At the firm level too, journalists tend to overattribute outcomes to firms' choices and to underattribute outcomes to broader environmental or situational forces. In this way, the media positioned Apple as responsible for inventing the personal computer and overturning the mainframe computing paradigm while ignoring the overall long and complex technological evolution of ideas that led to the personal computer (Bardini & Horvath, 1995).

Importantly, firms can affect their celebrity by channelling information about their activities, leadership, culture and identity to the media (Rindova et al., 2006). Not surprisingly, having such information simplifies journalists' work and makes it more likely the media will use the information to create dramatic narratives about the firm (Gitlin, 1980). In this context, Apple is a firm quite capable of doing so. For example, Eisenman (2017) found that the volume of the firm's press releases and its overall coverage was disproportionate to its market share (hovering at about 2.5% at the time of the study) and similar to that of Dell the industry market leader with about four times the market share.

In addition to the effect of Jobs' and Apple's celebrity, aesthetic innovation, as thematic content, is likely to appeal to journalists. Design attributes are inherently appealing and exciting and they require less specialized knowledge, both from journalists and from their audiences (Eisenman, 2013). Moreover, by writing about design attributes, journalists propel the mechanisms that render aesthetic innovation a beneficial strategy. In their reviews, journalists explain the relationship between design and functionality, they suggest the potential links between design attributes and the sensations and affect they elicit and they encourage audiences to perceive design attributes as symbols that are meaningful in various ways and which can be used by consumers to express their identities. For example, journalists were very excited about the 1998 Apple iMac and encouraged users to link it to identities about being 'cool' and being 'different' (in a positive way) (Eisenman, 2017).

Therefore, we suggest that Jobs' and Apple's celebrity impacted institutional processes in the industry. Celebrity, and its subsequent increased coverage, captures the attention of industry stakeholders (regardless of its content) (Pollock & Rindova, 2003). As more journalists gave coverage to Jobs and his focus on design attributes and aesthetic innovation (by highlighting how they can extend users' identities, for example), these attributes became increasingly more salient and thus more influential (Rindova et al., 2006). As a result, competing firms became more cognizant of the potential benefits of such innovative processes and viewed them as more central to competition in their markets (Ocasio, 1997). Moreover, the choices celebrity firms make are more likely to be imitated, as other firms associate their choices with normative and rational behaviours, and processes of mimetic isomorphism emerge (DiMaggio & Powell, 1983).

Indeed, evidence suggests that aesthetic innovation has become institutionalized in the personal computer industry. Specifically, Eisenman (2017) showed an increase in the prevalence of rounder and more colourful personal computers across several types of industry firms: both prominent brands that could potentially benefit from aesthetic innovation and nonbrand ‘white-box’ firms. These manifestations correlated with an increase in descriptions of aesthetic design and linking aesthetic design to both users’ identities and to emotions and sensations personal computers could elicit. Furthermore and relatedly, the attention to aesthetic innovation, often associated with Apple and the persona and passion of Steve Jobs, spilled over to other industries pursuing consumer electronics and was brought to the fore again in the context of Apple’s current key product, the iPhone.

We term the path theorized in this third case ‘evangelical aesthetic innovation’ to highlight that rather than having aesthetic innovation spread because of its strategic merits, it spreads because prominent actors proselytize its merits that are then reinforced by the media. As seen in the example of Steve Jobs and the media’s attention he received, the increased attention to aesthetic innovation can launch institutional pressures that compel other industry firms to attend to aesthetic innovation regardless of whether it carries any proven strategic benefits for them. This increased attention also increases consumers’ awareness of aesthetic innovation and further prompts firms to attend to aesthetic innovation. In this way, evangelical aesthetic innovation is a process that links a specific actor to a broader competitive market through the work of intermediaries that increase stakeholders’ attention to design.

Most importantly, the intrinsic properties of aesthetic innovation are fundamental to this process. Aesthetic innovation, in its use of product attributes based on design to increase the effect of the product and to position the product as having meaning that goes beyond its functionality, resonates with the media that review the products and with the consumers and other users. The subjectivity of such affection and the symbolic associations that design-based attributes can evoke are both easier to write and easier to read than technological details. Therefore, the attention to the aesthetic innovation of a company resonates not only for the merits of the particular design attributes incorporated in the company’s products but also for the wider appeal that these attributes have with intermediaries and stakeholders. The role of the media in this case is not to echo the strategic value of aesthetic innovation but to glorify the subjective value of design-based attributes so that questions related to strategic value are potentially uninteresting.

## DISCUSSION

The paper identified three settings that exhibit aesthetic innovation as an institutionalized competitive dimension and explored the origins of this phenomenon. It theorized three distinct paths through which one industry actor’s focus on aesthetic innovation could affect other firms’ foci on aesthetic innovation. Specifically, it theorized what we labelled ‘strategic aesthetic innovation’ as a process

through which one firm realizes that design is a potent strategic tool, in that it can link technologies to a set of symbolic meanings and in that it can differentiate among product models often more effectively than underlying technologies can. The accuracy of this realization and its inherent veracity in terms of its strategic effect propels other industry firms to adopt the strategy as well. Second, it theorized 'seminal aesthetic innovation' as a process based on the creation of a new industry form by a successful first mover for which aesthetic innovation is central. This success defines the competitive dimensions of the industry and forces competitors to engage within these boundaries. In our specific context here, the first mover's use of design was multipronged and set to affect consumers' senses and cognitions. Competitors were thus forced to work to engage consumers through design as well. Third, the paper theorized 'evangelical aesthetic innovation' as a process based on the interrelation between a prominent industry actor that focusses on aesthetic innovation and intermediaries, such as journalists, responding to the choices and rhetoric of this prominent actor. Because aesthetic innovation is a topic that is inherently appealing to industry intermediaries, they increase their attention to and coverage of aesthetic innovation in a way that is based on the inherent accessibility of design-based attributes. This increased attention propels other industry actors to increase their attention to aesthetic innovation.

While neither exhaustive nor mutually exclusive, these paths show three distinct directions through which firms affect one another using design in different ways. In the case of GM and strategic aesthetic innovation, the competitive significance of aesthetic innovation was to offer an alternative in reaction to a prominent actor that ignored design. The case of Starbucks and seminal aesthetic innovation, on the other hand, suggests that when design is used in an all-encompassing way at the industry's origin, competitors have no choice but to attend to design. The third case, Jobs' and evangelical aesthetic innovation, suggests that the effect of one firm's choices regarding aesthetic innovation may be amplified by industry intermediaries and that it is through their effect that other firms begin attending to aesthetic innovation. Each of these cases is thoroughly tied to the inherent qualities of design. GM recognized that the use of aesthetic innovation would allow consumers to tie products to their social identities in a way that will perpetually propel consumption. Starbucks recognized that aesthetic innovation offers a foundation for creating emotional resonance between the product and consumers, again working to stimulate consumption. Jobs recognized that design, in that it is appealing and affect-inducing, is a solid basis for attracting media attention and for harnessing the media to increase attention to the firm.

## LIMITATIONS

That said, our paper pursues a novel area of research and as such is prone to certain limitations. Future work will need to expand the rigour of our theorized paths and to generalize the dynamics we introduce (Eisenhardt, 1989). One way

to do so is to explore additional cases and to assess the generalizability of our ideas. Generalization would work to increase the external validity of these ideas and to discount alternative explanations suggesting that the cases and managers we explored have idiosyncratic and hence random characteristics that would not replicate. Moreover, additional examinations of our theorized paths would increase their precision by suggesting and empirically testing various boundary conditions that would lead to a more precise understanding about which industries are prone to adopting which paths. Subsequently, such work would allow us to speculate also about the more general conditions that give rise to each of these paths and the identification of other potential paths and interrelations among paths.

There are interesting potential parallels between the choices of GM and Nokia, which pushed the mobile phone industry towards aesthetic innovation (Ainamo & Pantzar, 2000; Djelic & Ainamo, 2005; Karjalainen & Snelders, 2010). Like GM, Nokia understood the potential of a mobile phone to be an identity marker and worked to develop capabilities related to aesthetic innovation. At present, the design of mobile phones is a central competitive parameter that no firm can choose to neglect. Additionally, the Sony Walkman could be studied in the context of seminal aesthetic innovation. This product launched a new product category and revealed to competitors the vibrancy of the nascent market. Sony was very successful and controlled close to 50% of the market. It was savvy in using product design to segment the market and induce ongoing product replacement (Sanderson & Uzumeri, 1995). Arguably, Sony's capabilities in terms of creating consumer electronics with affect inducing designs that had not only functional and technological merit but that also evoked emotional resonance was a precursor to the importance of design in personal consumer electronics. Interestingly, Steve Jobs was highly influenced by this firm (Levy, 1994).

Also, future work would need to offer empirical assessments of the paths we outline that track the diffusion of aesthetic innovation and examine causal mechanisms underlying the isomorphic processes we assert here. For example, this could entail analyses tracing the volume of design patents filed by firms in these industries, budgetary items revealing firms' overall investments in design or hiring patterns of designers. Other studies could enhance our archival data with interviews of industry executives. Yet another direction could be an analysis of various intermediaries, such as institutions that train and certify designers, practices about the work of design-related external consultancies and potential shifts in the use of in-house vs outsourced design-related functions.

## CONTRIBUTIONS

The limitations mentioned notwithstanding, in exposing these distinct patterns, demonstrate that noncreative industries are subject to some of the competitive dynamics that affect creative industries. Therefore, we can incorporate ideas that are prevalent in the context of understanding competition in creative industries

towards understanding competition in noncreative industries. Namely, our cases show the potential of design-based product attributes to serve as the foundation for allowing consumers to link consumption to identity and social differentiation, a basic element of fashion-driven consumption (Bourdieu, 1984; McCracken, 1986; Simmel, 1957). Consuming products that can be easily identified by others in the same social settings, such as cars and personal computers that are newer or more expensive, reveals information about consumers' taste preferences and subsequently their income level and cultural capital. Furthermore, these visible acts of consumption propel ongoing dynamics as consumers are motivated to differentiate themselves through their consumption choices. While these ideas are very clear in the context of fashion industries, they have not been fully formalized in the case of noncreative settings (Aspers & Godart, 2013). Such formalization is important because it calls attention to the relevance of other fashion-based competitive dynamics.

Early studies of cultural industries articulated that consumer-oriented markets are driven by firms' evocations of fashion, and in this sense, consumer-oriented industries are inherently cultural (Hirsch, 1972). However, to date, scant research has examined the relevance of such fashion elicitation in non-creative settings. In this context, the relationship between the need to propel annual model replacements and design is central to more industries than currently acknowledged. But as theoretically articulated by fashion researchers (Simmel, 1957) and as competitively identified by Sloan (1941; Tedlow, 1988), fashion and using design to create visible and distinctive market segments are strategically useful for suggesting to users that previous models are obsolete and for inducing product replacement and planned obsolescence. This is likely to be true in settings in which consumption is public (Eisenman, 2013; Reynolds, 1968).

The relevance of fashion to competition has several challenging managerial implications. Fashion manifests in the context of a trend echoing an overall *Zeitgeist* (Blumer, 1969). Indeed, fashions which have been identified, in cars as well as in clothing, manifest clear visible material expressions of a trend based on data collected from multiple firms (Richardson & Kroeber, 1940 – on the length of skirts; Reynolds, 1968; Robinson, 1958 – on the shape of cars). Blumer's key insight was that although we tend to implicitly associate fashions with distinction, the identification, production and pursuit of fashion is a collective effort. So, to the extent that fashions occur in the context of a broader cultural conversation, fashions are more likely to succeed in the market when they align with an extant trend. This insight implies that firms using aesthetic innovation must work together with designers and with their competitors (Verganti, 2009).

Designers are the professionals working, together, to understand and articulate fashion trends and to manifest them visually. Firms learn from these designers about the trends and their articulation (Blumer, 1969; Reynolds, 1968; Zhang & Juhlin, 2016). But, applying these ideas is difficult: Unlike the work of engineers, which can be evaluated empirically with greater ease, the identification of a preference for 'streamlined cars' or 'an ethos of the Pacific Northwest' is more ambiguous and the precise material manifestation of this preference is elusive (Clarke, 1999). More specifically, while good designs may have clear



objective merits (Norman, 2004), the affect-eliciting elements of design are more subjective and the symbolic elements are interpretative. Subsequently, predicting demand patterns is more difficult for firms (Caves, 2000). Furthermore, in technological settings, firms tend to prioritize engineers. Our cases highlight the importance of giving designers the space required to maximize the potential benefits of aesthetic innovation. Here, both GM and Starbucks are cases in which an operationally oriented CEO, who recognized the significance of industrial design, hired a prominent designer and supported that person within the organization. Jobs, although operating in an engineering-oriented industry, founded his firms with a preference for design and a view that designers were not second to engineers. This understanding permeates other firms with well-developed design-related capabilities, such as Sony (Sanderson & Uzumeri, 1995) or Nokia (Karjalainen & Snelders, 2010).

Additionally, fashion requires its producers and followers to stride a delicate and ongoing balance between using fashion to signal belonging to a group as well as distinction from other groups (Simmel, 1957). Thus, fashions require the identification of the collective taste preference and adherence to these preferences in the context of belonging to a clear trend. And, fashions require the identification of the optimal time at which the trend shifts. Furthermore, the existence of fashion trends suggests that there are limitations to the extent to which firms can deviate from the trend and the timing at which they can do so. Thus, firms need to strive for some optimal level of imitation of their designs. This imitation mitigates the subjective nature of demand – when consumers agree, through their consumption patterns, that a design preference is enticing, they signal to other consumers what the fashionable preference is and increase the demand for the particular material manifestation of an idea (Blumer, 1969; Caves, 2000). Designs should engage with the trend by adhering to it more strictly, like many of the coffee chains in the context of Starbucks, or by making a statement of differentiation vis-à-vis the trend like the rustic design of Caribou coffee, else they will likely not be appreciated. More generally, while traditional strategic approaches to competition perceive imitation as negative (Barney, 1991), focussing on design has the potential to alter firms' approaches to imitation, as imitation is more welcome in the context of setting consumption patterns based on fashion trends (Caves, 2000). Thus, in shifting the emphasis from design as a firm-level capability to an industry-level aspect of competition, this paper illuminates an arena for interaction among firms that has previously been overlooked.

Relatedly, our focus on fashion suggests that recent work on the concept of optimal distinctiveness should be tied to aesthetic innovation more explicitly. Scholars in this area work to understand the precise degree to which product offerings need to adhere to the category boundaries to which they belong, so as not to be perceived as too different and potentially illegitimate (Zhao, Ishihara, Jennings, & Lounsbury, 2018; Zuckerman, 1999). A potential advancement to this growing body of work is to explicitly explore how a category is defined through a design-based fashion trend, such as the acceptable height of a car or colour of a personal computer, and to assess factors affecting the optimal timing for deviating from this trend and the potential axes for such deviations.

Another idea our paper brings to the fore pertains to the role of design to elicit emotional and affective responses. These are in a sense well-established ideas (e.g., Bloch, 1995; Rindova & Petkova, 2007) but their role in the context of affecting competition at the industry level in noncreative settings is presently underdeveloped. All three cases highlight that aesthetic innovation is impactful because it is particularly well-suited to create emotional resonance among firms' stakeholders. In this manner, our theorization suggests that the choice to focus on design resonates with the market emotionally, and it is this resonance that supports its spread and ultimate institutionalization (Jones & Massa, 2013). By highlighting these potential links, the paper adds to the growing body of work examining the relationship between materiality and processes of institutionalization (Boxenbaum, Daudigeos, Pillet, & Colombero, 2017; Croidieu, Soppe, & Powell, 2017; Eisenman, 2017; Eisenman, Frenkel, & Wasserman, forthcoming; Meyer, Jancsary, Hollerer, & Boxenbaum, 2018).

Beyond these general insights, our analysis of Starbucks puts to use recent work on multimodality and its potential to inform organizational theory (Bell & Davison, 2013; Höllerer, Daudigeos, & Jancsary, 2017; Meyer, Höllerer, Jancsary, & Van Leeuwen, 2013). To date, much of the work in this area has theorized the use of multimodality to understand the creation of meanings (e.g., Höllerer, Jancsary, Meyer, & Vettori, 2013). As our analysis details, Starbucks seeded an industry form designed to convey information simultaneously through multiple, nonhierarchical modalities to create a multisensory experience that was novel and powerful. This inclusion of the sensory aspects of each modality and its affordances not only on a symbolic level but also as vehicles for generating emotional resonance is an important direction for advancing our research (Islam, Endrissat, & Noppeney, 2016).

Through these improvements to our understanding of the potential for attention to the attributes of the aesthetic product, we are able to broaden our thinking on aesthetic innovation beyond what has often been a fairly limiting definition of design. For example, strategically focussed analyses of the relationship between technology and design often discuss the challenges facing companies in terms of design constraints, as a form factor, imposed by technology (e.g., Sanderson & Uzumeri, 1995; Windrum et al., 2017). Economists, as another example, have identified aesthetic innovation as the engine of competition in the automotive sector, but have analyzed it without taking into account the ways in which it is integrated into the perceptions of fashion and how it is used to express identity (e.g., Abernathy & Utterback, 1978; Hoffer & Reilly, 1984; Kwoka, 1993; Menge, 1962; Sherman & Hoffer, 1971). Our document extends these ideas by explaining that even for technology industries, design is more than a solution to a technological problem as it is connected to the social and cultural context of product consumption. Finally, work on dominant projects highlights these as technological standards (Anderson & Tushman, 1990; Murmann & Frenken, 2006). Our Starbucks analysis suggests that a dominant design is a dominant aesthetic manifestation as much as a technological one and that our conceptualization of the dominant design should be extended beyond the selection of a particular technological variant to include the selection of a particular material configuration for a given product.

Q4

Furthermore, our analysis of Jobs allows us to suggest that the study of aesthetic innovation could benefit from the integration of firms' choices with that of intermediaries' reactions to these choices. The idea that intermediaries interpret meanings and are therefore vital to the selection processes is quite established in the context of studying creative industries (Caves, 2000; Hirsch, 1972; Wijnberg & Gemser, 2000). But work examining these interrelations in the context of noncreative industries is fairly scant (e.g., Eisenman, 2017). Our exposition highlights that as noncreative industries work to produce and trade symbols and meanings, the evaluation of their offerings is not merely functional but also interpretative. In these competitive contexts, intermediaries and external taste setters become increasingly important because much of the products' value is symbolic and in this sense more abstract and difficult to evaluate using objective and replicable metrics (e.g., the sleekness of a car, the ambiance of a café or the coolness of a laptop). We, therefore, argue that to understand the strategic impact of aesthetic innovation, we need to understand how intermediaries influence selection processes in noncreative settings. We would also need to understand which metrics these intermediaries use, an understanding that could also broaden scholars' empirical tools for studying these dynamics. This idea has managerial implications as it highlights that firms would need to become more cognizant of eliciting the support of these intermediaries, such as journalists and even celebrity endorsers.

In closing, we highlight that although we have explored these cases separately, there is an interesting interrelation among them. Arguably, the appreciation of aesthetic innovation is cumulative and fashion-related dynamics are spreading beyond the traditional outlets of clothing and accessories into other industries (Zhang & Juhlin, 2016). This spread has important implications: Firms in consumer electronics industries can understand the strategic value of aesthetic innovation because it has already been established in the car industry. And firms in the car industry were able to appreciate these ideas because they could draw on sartorial fashions as well as on the overall increase in the use of industrial design in the first half of the twentieth century.

This cumulative appreciation is interesting also in the context of highlighting that we now take aesthetic innovation for granted in settings in which it has not always been central. For example, shoe retailing was once more utility-inclined than fashion-oriented. In 1973, marketing scholar Philip Kotler wrote

[T]hrough most of history, shoes were bought to protect one's feet. As long as this motive prevailed, the rate of demand matched very closely the rate of population growth. In recent times, shoe manufacturers have attempted to increase demand by creating a fashion interest in shoes through new styles, colors, and materials. (p. 55)

He quotes a shoe executive who states:

People no longer buy shoes to keep their feet warm and dry. They buy them because of the way shoes make them feel – masculine, feminine, rugged, different, sophisticated, young, glamorous, 'in'. Buying shoes has become an emotional experience. Our business now is selling excitement rather than shoes.

This quote highlights the extant but overlooked flow of aesthetic innovation across settings. So, while here we have viewed aesthetic innovation as an institutionalized understanding of competitive boundaries within industries, we could also work to understand them as a cross-industry phenomenon. This cross-industry work can examine macro-level events such as a cumulative sensitivity to aesthetics in the context of consumption (Featherstone, 1987; Postrel, 2003). Furthermore, perceiving such a cumulative sensitivity would provide the impetus to identify the likelihood that an industry will turn towards aesthetic innovation and what underlying conditions would prompt or hinder such a turn. Past work has suggested that aesthetic innovation is likely to become institutionalized in industry settings in which communication through consumption patterns is important (Chin, 2010; Eisenman, 2013). The generalization of the ideas offered here could lead to broadening our understanding of this cross-industry phenomenon further.

Additionally, cross-industry aesthetic innovation may be relevant to understanding product constellations. Thus, to the extent that firms encourage consumers to use their consumption of cars, coffee and computers to express their identities or social status, firms in other industries can anticipate the effect of these consumption patterns across markets. So, consumers of 'cool' computers need 'cool' cases because consumers tend to express their identities using constellations of products that work together (McCracken, 1986; Solomon, 1983). Computer manufacturers or independent case makers can anticipate a potential increase in demand and work to create a vibrant market for these cases. In this context, the institutionalization of aesthetic innovation and the identification of design-based trends may cross over to other industries, offering firms that understand this is a potential advantage.

## CONCLUSIONS

As stated in the introduction, the paper offers a sharper and more formalized understanding of the competitive relevance of aesthetic innovation in three influential industries. These expositions go beyond the typical understandings of design as a tool for product differentiation. In this way, the paper challenges the schism between creative and noncreative industries and explains that we should apply some of the insights currently portrayed as unique to competition in creative industries more broadly. Again, beyond the theoretical benefits of our exposition, deepening our understanding of aesthetic innovation is ever more important as the competitive prevalence of aesthetic innovation is continuously increasing.

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