



More than a feeling:  
Ten design practices to  
deliver business value

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**Authored by:**

John Edson  
Garen Kouyoumjian  
Benedict Sheppard

# More than a feeling

## Ten design practices to deliver business value

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As design thinking nears its 50th birthday, many companies still struggle to realize value from design. Those that succeed often follow ten best practices.

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Amazon Prime. The Apple iPhone. Netflix. Tesla. For those companies that get design right, the prizes are rich. The S&P 500 companies that invested most into design processes, capabilities, and leadership over the past decade, including design stalwarts such as Disney, Nike, and P&G, outperformed the rest of the index by 211 percent.<sup>1</sup>

The importance of design is only increasing (see sidebar, “What is design?”). Consumers have instant access to global marketplaces and ever-higher expectations of service. They no longer distinguish between physical and digital experiences. This makes it increasingly difficult to make your product or service stand out from the crowd. As a result, design has become a CEO-level topic for many executives.

But while the concept of “design thinking” emerged as far back as 1969, and while many companies have tried to adopt its principles, relatively few have made true shifts in growth and profitability through design. Fewer still have been able to prove concretely the exact value of the design actions they’ve taken.

We have begun to explore the underlying design practices that allow some firms to succeed above others. Our research into global companies across multiple industries aims to uncover the connections between business value and design. Our early findings, presented in this article, are not yet statistically significant; we will continue to expand

our data set in 2018 to reach that goal. But already some trends are evident. We see ten design actions across three themes that appear to correlate with improved financial performance.

First, for these firms, *design is more than a department*. Design-led companies are structured in ways that encourage all functions to focus on their customers. This generally means that design is not a single department; rather, design experts are everywhere, working within small, cross-functional teams with shared incentives and regular customer interaction.

Second, *design is more than a phase*. Good design-led companies use quantitative and qualitative research during early product development, combining techniques such as warranty-data analysis, social-media scraping, focus groups, and ethnographic research to better understand their customers’ needs. However, the best companies continue listening and iterating long after the initial conceptual phase, remaining invested in improving customer experiences postlaunch.

Finally, successful design-led companies don’t act on gut alone. For them, *design is more than a feeling*. They measure and manage design as rigorously as they do cost, quality, and time. Design strength is a C-level metric, and the head of design stands shoulder to shoulder with the heads of sales, operations, and finance.

## More than a department

### 1) From departmental silos to cross-functional teams.

Companies with a central, siloed design department (sometimes subsumed into marketing or R&D) generally performed less well financially than those that let designers off the leash and distributed design experts into cross-functional product-focused teams. This was equally true where design expertise is brought in from external agencies—the business itself is still responsible for integrating these partners into one customer-obsessed development team.

One major European furniture manufacturer experimented by setting up both a central design department and smaller, independent design teams, embedded within different product groups. It found that the distributed teams were much more successful: they had clearer focus on their customers; better cross-functional partnerships, resulting in 10 percent faster time to launch; and a 30 percent higher success rate for getting concepts to market.

### 2) From narrow experts to interdisciplinary designers.

Whether you are developing a new vehicle, a medical device, or a banking service—physical, digital,

and service designs are converging. Companies increasingly recognize that such distinctions aren't meaningful to customers. As a result, we saw improved financial performance in those companies that broke down barriers and cross-trained designers in skills such as industrial and user-interface design, compared with those that maintained historical divisions with little cross-fertilization.

For the ecobee3 smart thermostat, design firm LUNAR<sup>2</sup> needed to develop interfaces for the customer to operate the physical product and to control it through a mobile app or PC. Asking the customer to learn three different interfaces was out of the question. The solution was a single team of digital and physical designers creating a common visual identity. Harmonizing product experience and aesthetics across the discipline divide produced an intuitive system that was the highest-rated smart thermostat by customers on Amazon and Apple in the months after launch, despite little in the way of marketing or promotion.

### 3) From cubicles to garages.

In a Silicon Valley “garage,” there are no departments, titles, or assigned offices. Everyone is focused on

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## What is design?

Like “strategy” and “analytics,” “design” is a term that suffers from misuse. Design is not just about making objects pretty. Design is the process of understanding customer needs and then creating a product or service—physical, digital, or both—that addresses their unmet needs. It sounds simple, but it's actually a high bar: the design must simultaneously achieve functional utility, emotional connection, and ease of use, while fitting into customers' broader experience.

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making a great product that meets a customer need. The environment is more like a workshop than an office, designed to encourage collaborative focus on building a great product together.

A global consumer-packaged-goods player recently created a new design studio down the street from its main innovation center. A single open-air space with a concrete floor, it was a stark contrast to the more formal innovation offices. The designers, marketers, and engineers started making decisions in real time together, rather than waiting for formal meetings. For example, if the product changed shape, the packaging team was aware so that it could adapt right away. These small changes in decision making and collaboration added up to big improvements in time to market and employee-satisfaction scores, and to a set of products whose return on investment is considerably higher than that of products historically developed at the innovation center.

### More than a phase

#### 4) From a design stage to continuous design.

A design-led approach to product creation means that design happens throughout development, not just at the early concept phase. From laying out a product road map, through preparations for production and launch, and all the way to in-service support, design should keep the team true to customer needs for the life of the product.

Nespresso, for example, involves designers throughout its products' life cycles and throughout the business system. Designers observe customer reactions both in store and online and have evolved a museum-like retail experience, mobile ordering and two-hour delivery, a loyalty club, an online magazine, and much more.

Sometimes keeping designers involved throughout the process requires a novel approach. For

example, submarine architects write two product specifications. The first one covers core functionality, such as size and speed, and is frozen early on. The second specification, for electronics and communications equipment, is left open to allow designers to prototype and iterate with the customer over the course of the build as well as to incorporate advances in technology. It should come as no surprise that car manufacturers have started following a similar approach, updating vehicle software remotely postsales based on designers' and engineers' continuing review of driver data.

#### 5) From qualitative to full-spectrum research.

Qualitative research through user groups, interviews, and field observation is a powerful tool to understand consumer desires and motivations. Augmenting this with quantitative analytics, such as harvesting online reviews or analyzing warranty service, can detect underlying behaviors and lay a deeper foundation on which to build winning design concepts. Companies that used both forms of customer research created products that were more highly rated than those from companies that used qualitative research alone.

One US healthcare provider, for example, scoured multiple sources of patient and operational data, from interviews to medical records to motion-tracking cameras. As a result, it redesigned the way care was delivered, reconfiguring hospital layout to minimize cross-infection and reduce length of stay by 10 percent.

#### 6) From prototype once to prototype often.

Most R&D stage-gate processes begin with a product description and business model. Design-led companies begin with a prototype that answers a customer need, backed up with a business case. Design is inherently iterative, and companies that emphasize prototyping early rather than perfectly move more quickly toward products that customers

love. This notion is core to the agile process pioneered by software companies, as is the use of minimum viable products, which gives teams the ability to quickly test and improve concepts and then test them again.

The design team at a major fast-moving consumer-goods company might have benefited from these ideas. Unwilling to present early mock-ups to leadership, it held off on multiregion research until molded parts could be produced. When a basic design feature of these prototypes was rejected by consumers, the time and cost sunk into tooling meant the entire project had to be scrapped. For one of its next products, the design team made many more prototypes at every stage of development, resulting in a dramatic drop in production-line issues normally associated with the launch of a new product, and a reduction in time to market of almost 15 percent.

### More than a feeling

#### 7) From middle management to the C-suite.

The customer-centric culture needed to drive design impact throughout a business must start at the C-suite, with design leaders who are also credible business leaders. They must strive to remain aware of what their customers love about their products and defend what customers hold dear through the tortuous path to market.

Aston Martin and Burberry are widely regarded as two of the most valuable brands in the world and are regularly featured in rankings of top brands. Both have placed design leaders as company directors, to ensure that the voice of the customer and the importance of product quality are never far from the top management team.

#### 8) From perspectives to metrics.

The key to connecting design with commercial success is the ability of leaders to eschew subjective opinions or personal preferences and instead make decisions based on a factual understanding of the customer. Design metrics—such as

customer-satisfaction scores and human-factors risk calculations—give leadership hard data on which to base crucial decisions. Some companies have developed design metrics that allow them to measure design during product development as rigorously as they measure quality, cost, and delivery.

For one medical-device maker developing a new flagship product, that meant introducing design metrics based on conjoint analysis: a technique to test the relative importance of different features with hundreds of physicians. This enabled rapid iteration and quantification of the market value of proposed design features, allowing the product director to request and invest development resources based on firm evidence rather than gut feel. Furthermore, it highlighted the one genuinely game-changing design feature, which it subsequently included in the final design.

#### 9) From financial to customer-based incentives.

The best-performing companies we investigated measured the long-term commercial impact of customer satisfaction. They tied senior-management bonuses to customer satisfaction in addition to revenue- and profit-based measures. This included indirect measures such as design awards and reviews as well as direct measures such as user scores.

One consumer-goods manufacturer saw an above-forecast increase in both sales and customer satisfaction after linking management and development-staff pay to user ratings for launched products, much the way that financial institutions do for hitting commercial targets.

#### 10) From incremental to brave.

Design-led companies create products in response to customers' needs and desires, but they aren't afraid to bring their own vision to the market. They are willing to put long-term brand strength ahead of short-term turnover, and they aren't shy about sharing resources and opinions with design thinkers outside their organization to strengthen their offer to customers.

When faced with an escalating technological arms race in gaming consoles, Nintendo chose to throw its weight behind a different and more inclusive gaming environment. Harnessing existing technology in new ways led to the Wii, a design that was inferior to its competitors with respect to raw performance—but outsold them by up to 6:1 at launch and introduced new customers to gaming.

### How can your company harness the value of design?

None of the companies we've assessed so far exhibited mastery of all ten design actions. However, those that implemented several showed both improved financial performance and increased customer loyalty, in a time when many companies are suffering from falling customer satisfaction.

Consider Disney. Throughout its storied history, Disney has put customers at the center of everything it does. And when customer satisfaction at its theme parks began to sag, because of long lines and high costs, it again focused on the customer—and deployed several of the actions described in this article. It created cross-functional teams to “reinvent the vacation experience.”<sup>3</sup> It studied what customers actually did in the park, using both ethnographic interviews and quantitative tools such as mapping family journeys around the park. It built a “garage,” called the ideation lab, to prototype the “MagicBand,” a digital device that it thought could solve the problems. The first prototype was made from materials picked up at Home Depot, and more than 40 prototypes followed. The company brought in outside design and technology firms to help. Top executives at Disney championed the effort at every step. Missteps along the way were accepted and mostly overcome. In 2014, Disney World rolled out the MagicBand across the park. Customer satisfaction soared, as digitally monitored wait times



fell, digital diversions made wait times feel shorter, and preordered food magically appeared as guests entered restaurants. The new technology does not yet do everything the company hoped—but it is already making a big difference.



Is your company harnessing the value of design? Are your competitors capturing market share by more forceful use of the ten actions? Design is more than a feeling: it is a CEO-level priority for growth and long-term performance. Take the following survey to find out where your company is getting design right, and where it is only feeling its way along.

<sup>1</sup> “The value of design,” Design Management Institute, [dmi.org](http://dmi.org).

<sup>2</sup> LUNAR has subsequently become a McKinsey & Company subsidiary.

<sup>3</sup> Austin Carr, “The messy business of reinventing happiness: Inside Disney’s radical plan to modernize its cherished theme parks,” *Fast Company*, April 15, 2015, [fastcompany.com](http://fastcompany.com).

**John Edson** is a LUNAR partner in San Francisco; **Garen Kouyoumjian** is a consultant in McKinsey’s London office, where **Benedict Sheppard** is a partner.

# Survey

For each question, score your answers as follows:

A—0 B—1 C—2

Compare your total score to other respondents we surveyed who scored in the same range as you.

<b>How is your design function organized?</b>	<b>A.</b> We have a single, central design department	<b>B.</b> Multiple design teams	<b>C.</b> Design is a distributed expertise, not a department
<b>How do you manage the physical/digital divide?</b>	<b>A.</b> We have discrete physical and digital design teams	<b>B.</b> Our different design functions sit and operate together	<b>C.</b> We cross-train our teams so they can integrate more effectively
<b>Where do your design teams work?</b>	<b>A.</b> Design works out of a central office	<b>B.</b> Our designers sit in all of our offices	<b>C.</b> We have cross-functional product/service studios
<b>Where does design fit into your development process?</b>	<b>A.</b> We have a clear design phase	<b>B.</b> Several stages throughout the development process	<b>C.</b> Design is involved through life (cradle to grave)
<b>When do you undertake user research?</b>	<b>A.</b> Early qualitative research	<b>B.</b> Early qualitative and quantitative research	<b>C.</b> Qualitative and quantitative research throughout
<b>What do you do with research findings?</b>	<b>A.</b> We report what the customers tell us	<b>B.</b> We assess what the customers want	<b>C.</b> We interpret what the customer actually needs
<b>When do you prototype?</b>	<b>A.</b> We have a prototyping phase	<b>B.</b> We may have more than one prototyping phase	<b>C.</b> We iterate end to end and prototype as needed
<b>Why do you prototype?</b>	<b>A.</b> To check production/launch feasibility only	<b>B.</b> To “fail fast”—kill underperforming ideas	<b>C.</b> To “refine fast”—build on our solutions and understand our failings
<b>Who leads design in your company?</b>	<b>A.</b> A head of department, eg, marketing	<b>B.</b> A chief design officer	<b>C.</b> A chief design officer who is a peer to other board members
<b>How do you make design decisions?</b>	<b>A.</b> Based on leader opinions	<b>B.</b> Using semisubjective metrics	<b>C.</b> Objectively (using design metrics)
<b>How do you track design performance?</b>	<b>A.</b> We do not track design performance	<b>B.</b> We review customer feedback postlaunch	<b>C.</b> We track prelaunch and postlaunch as rigorously as we measure quality, cost, and delivery
<b>How do you incentivize good design?</b>	<b>A.</b> We have no incentives tied to customers or design	<b>B.</b> Design shares company-level performance bonuses	<b>C.</b> We track and specifically reward customer satisfaction, even at board level
<b>How brave is your organization when it comes to making design decisions?</b>	<b>A.</b> We suffer from a bloated and incremental product portfolio	<b>B.</b> We have become better at killing incremental products during product development	<b>C.</b> We regularly strive to create bold new products to meet unmet needs, and accept that not all will be successful

### How did you do?

20–26

This range includes companies where design is core to the business agenda, generally as a business methodology rather than just a branding device. These companies are likely to have design-literate board members and consider design an asset worth investing heavily in.

14–20

These firms have recognized design capabilities and may see design as a major part of their brand but may not have optimized their structure or processes to exploit design as a commercial resource. Companies that invest heavily in external design agencies but struggle to deliver the results consistently to market can fall into this category.

6–14

Design has a role in companies in this range, but it may not be formally recognized or managed. Past product successes may seem random, and these companies may struggle to articulate what it is their customers desire when developing new offerings.

0–6

Design isn't considered mission critical in these businesses—or to their customers. These are generally the companies with the most to gain commercially from investing in design, especially if their competitors also choose not to use design methods.

Can you think of competitors that would have scored higher than you and in which areas?

Are your design leaders asking these questions?

And what would it take to shift your organization further up the ladder?



