

# The Business Value of Design

## A model for design-driven growth strategy

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### ABSTRACT

Design-driven growth is enormous in both product- and service-based sectors. There are more opportunities than ever to pursue user-centric, analytically informed design today. Customers can feed opinions back to companies (and to each other) in real time, allowing design to be measured by customers themselves—whether companies want to listen or not. The study by McKinsey Institute shows that top quartile companies in the McKinsey Design Index has outperformed their peer due to the adoption of design driven strategy the companies adopted, thus becoming the business value of design.

Keywords: Design-driven growth strategy, User-centric, Business Value of Design.

### INTRODUCTION

Design-driven growth is enormous in both product- and service-based sectors. There are more opportunities than ever to pursue user-centric, analytically informed design today. Customers can feed opinions back to companies (and to each other) in real time, allowing design to be measured by customers themselves—whether companies want to listen.

The study by McKinsey Institute shows that top quartile companies in the McKinsey Design Index has outperformed their peer due to the adoption of design driven strategy the companies adopted, thus becoming the business value of design (<https://www.mckinsey.com/>).

#### The financial outperformance of top-quartile companies holds true across the three industries studied.

McKinsey Design Index: difference between top quartile vs peers, 2013–18, percentage points

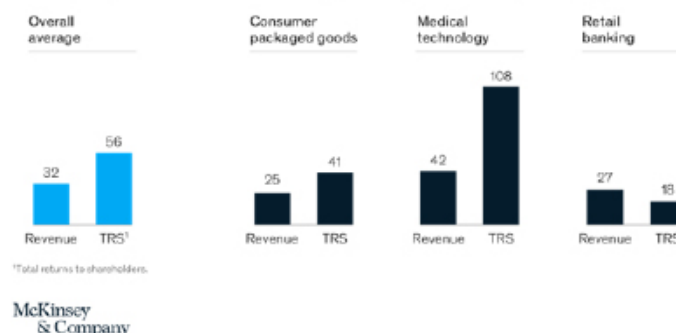


Image 1 The McKinsey Design Index 2013-2018. (Source: McKinsey & Company, 2022)

## LITERATURE REVIEW

Lean start-ups have demonstrated how to make better decisions through prototyping and iterative learning. Vast repositories of user data and the advance of artificial intelligence (AI) have created powerful new sources of insights and unlocked the door for new techniques, such as computational design and analytics to value.

Fast access to real customers is readily available through multiple channels, notably social media and smart devices. All these developments should place the user at the heart of business decisions in a way that design leaders have long craved.

The four clusters of design actions that showed the most correlation with improved financial performance: measuring and driving design performance with the same rigor as revenues and costs; breaking down internal walls between physical, digital, and service design; making user-centric design everyone's responsibility; and de-risking development by continually listening, testing, and iterating with end users.

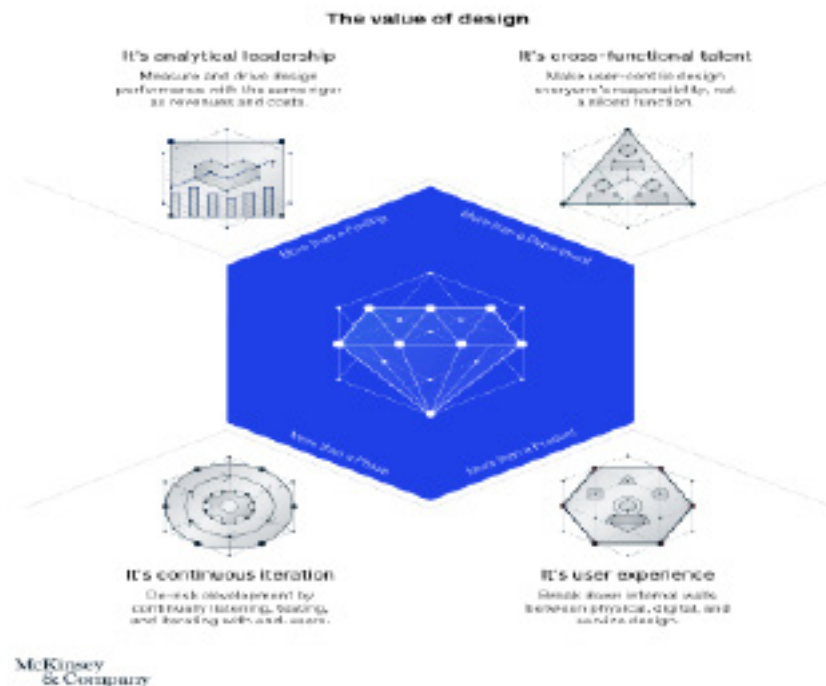


Image 2 The Value of Design. (source: McKinsey & Company, 2022)

Scharmer's (2016) Theory U below showed myriad application in social innovation, design thinking and conflict resolutions. Theory U offered a rich diversity of compelling stories, examples, exercises, and practices that allow leaders, organizations, and larger systems to co-sense and co-shape the emergence collaborative future. Scharmer offered 5 stages to define it: seeing, sensing, presencing, crystallizing, and prototyping.

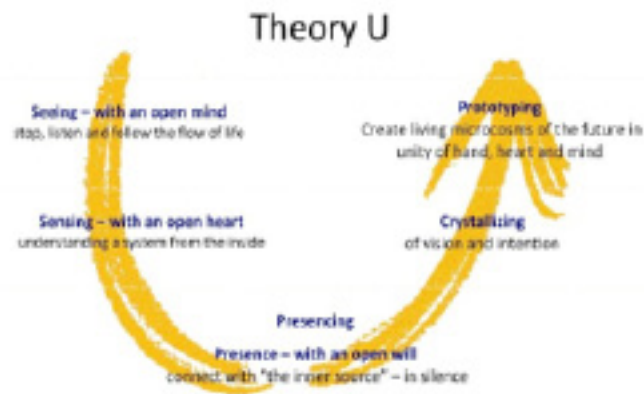


Image 3 Otto Scharmer's Theory U. (source: Scharmer, 2016)

## METHODOLOGY

The research is done as qualitative research with multiple case studies and the use of quantitative method of conjoint analysis in establishing the relationship the financial performance and design-driven growth enablers.

Over 40 percent of the companies surveyed still aren't talking to their end users during development. Just over 50 percent admitted that they have no objective way to assess or set targets for the output of their design teams.

With no clear way to link design to business health, senior leaders are often reluctant to divert scarce resources to design functions. That is problematic because many of the key drivers of the strong and consistent design environment identified in our research call for company-level decisions and investments.

## RESULT & DISCUSSION

When senior executives were asked to name their organizations' single greatest design weakness, 80 percent of the respondents reveal the following results:

Design issues remain stuck in middle management, rarely rising to the C-suite. When they do, senior executives make decisions on gut feel rather than concrete evidence.

Designers themselves have been partly to blame in the past: they have not always embraced design metrics or actively shown management how their designs tie to meeting business goals.

Top-quartile companies embrace the full user experience; they break down internal barriers among physical, digital, and service design. The importance of user-centricity demands a broad-based view of where design can make a difference.

The boundaries between products and services are merging into integrated experiences.

In practice, this often means mapping a customer journey (pain points and potential sources of delight) rather than starting with "copy and paste" technical specs from the last product. This design approach requires solid customer insights gathered firsthand by observing and—more importantly—understanding the underlying

needs of potential users in their own environments. These insights must be championed at every meeting.

Combining physical products, digital tools, and “pure” services provides new opportunities for companies to capture this range of experience.

Design-driven companies shouldn’t limit themselves to their own ecosystems. The best businesses we interviewed think more broadly.

Our research suggests that overcoming isolationist tendencies is extremely valuable. One of the strongest correlations we uncovered linked top financial performers and companies that said they could break down functional silos and integrate designers with other functions.

Design flourishes best in environments that encourage learning, testing, and iterating with users—practices that boost the odds of creating breakthrough products and services while simultaneously reducing the risk of big, costly misses.

## CONCLUSION

The best results come from constantly blending user research—quantitative (such as conjoint analysis) and qualitative (such as ethnographic interviews). This information should be combined with reports from the market-analytics group on the actions of competitors, patent scans to monitor emerging technologies, business concerns flagged by the finance team, and the like. Without these tensions and interactions, development functions may end up in a vacuum, producing otherwise excellent work that never sees the light of day or delights customers.



Image 4 Business Model. (source: Ugut, 2022)

## REFERENCES

<https://www.mckinsey.com/>

Scharmer, C. O. (2016). *Theory U: Leading from the Future as It Emerges*. United States: Berrett-Koehler Publishers.