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Our team of academics and design practitioners joined forces with Microsoft to come up with a useful scorecard that DMI members could use to assess design's impact and importance in their own organizations.

The DMI Design Value Scorecard:

A NEW Design Measurement and Management Model

MANY COMPANIES THAT "lead with design" are admired by their customers, extolled by the media, and coveted for the design talent they've managed to cultivate. Few of us, however, may be aware of how much tangible value is also created—and how design can demonstrably affect the assets of shareholders who put their money where the great design is. This elusive link between design and shareholder value was first uncovered by the UK Design Council in its 2005 study of design-led firms.[1]

The Design Council research looked at 1,500 organizations throughout the UK and defined 250 of them as design-led companies, where the use of design had made a direct impact on such key measures as competitiveness, market share, sales, and employment. One important component of this effort was "a sustained track record in design and innovation awards"[2] by these organizations. Other indicators of design leadership included senior-level or executive-level design management and broad design training across the organization. The Council's study pointed out that these companies outperformed their peers in the FTSE 100 over a 10-year period by a startling 231 percent.

The DMI Design Value Index

DMI has undertaken a similar effort to track design-led companies in the US market over 10 years, and it also reveals a significant financial advantage in stock value. Scheduled for release in 2014, the DMI Design Value Index, built by the Motiv Strategies consulting firm, tracks the value of select publicly held companies that meet the DMI design management criteria and monitors

Notes

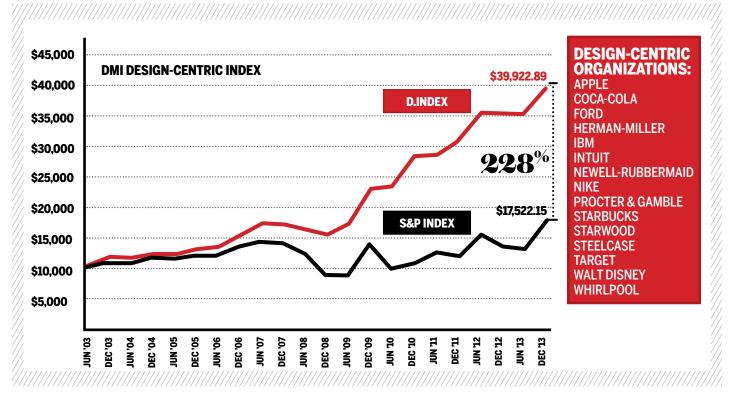1. Design Council, "The Value of Design," 2007.

2. Ibid, p. 14.

the impact of their investments in design and innovation on stock value over time, relative to the S&P Index. The outcome for US companies indicates a stock performance advantage of 228 percent over 10 years, as Figure 1 indicates.

How do you define design value?

It is this question of design value that has driven DMI to build a research program to map best practice methods and metrics for measuring and managing design investments. Through this research, it has become clear that the broad range of metrics related to design—both hard numbers and soft benefits—are often hard to tease out of the most effective design-led organizations, because design is so integrated into the fabric of these top companies. It is not a separate department or activity that can be easily parsed from other investments in research, marketing, or operations. That said, we see three key patterns in how organizations use design: first as a service,

second as a catalyst for organizational change, and third as a strategic "design thinking" resource to reframe business models and markets. This three-part framework connects the steps seen in earlier research on design organizations done by the Danish Design Council, as well as the model shown in Figure 2 (see next page), created by design management researcher and professor Sabine Junginger.

The design value project

The advantage that design-led companies enjoy in the marketplace extends well beyond the soft benefits, such as brand awareness and preference to key performance metrics and scorecard activities that guide and enable business growth. Assigning measurable value directly to design's performance is one of the hallmarks of design-led and market-leading companies, but doing it requires both a tight integration and an innovative use of the tools used to track traditional corporate objectives.

FIGURE 1

DMI's Design-Centric Index outperformed the S&P by 228 percent over the past 10 years.

DMI DESIGN-CENTRIC INDEX

D.INDEX — $39,922.89

228%

S&P INDEX — $17,522.15

DESIGN-CENTRIC ORGANIZATIONS:
APPLE
COCA-COLA
FORD
HERMAN-MILLER
IBM
INTUIT
NEWELL-RUBBERMAID
NIKE
PROCTER & GAMBLE
STARBUCKS
STARWOOD
STEELCASE
TARGET
WALT DISNEY
WHIRLPOOL

(x-axis: JUN '03, DEC '03, JUN '04, DEC '04, JUN '05, DEC '05, JUN '06, DEC '06, JUN '07, DEC '07, JUN '08, DEC '08, JUN '09, DEC '09, JUN '10, DEC '10, JUN '11, DEC '11, JUN '12, DEC '12, JUN '13, DEC '13)

(y-axis: $5,000 – $45,000)

Notes
3. Barry Jaruzelski, John Loehr, and Richard Holman, "The Global Innovation 1000: Making Ideas Work." Booz & Co. 2012 (available online at www.booz.com).

STUDY BACKGROUND, METHODS, AND GOALS

In June 2012, at the DMI conference in Portland, Oregon, Microsoft sponsored an invitation-only workshop, "Measuring the Impact of Design on Business," which became the first stepping-stone for the Design Value Project. Microsoft (the underwriter of the project) and Steve Sato of Sato+Partners (project co-chair) began by enlisting more than 40 highly experienced design managers, asking them to map, analyze, and share what they were measuring and what their processes for measurement were.

This effort was further influenced by how academia approaches this work—in order to build on accepted, proven models. Brigitte Borja de Mozota, who advised on this project, had previously mapped her 21 values of design in business to the Balanced Scorecard and to Porter's Value Chain Model to demonstrate a connection to broadly accepted business management tools.

The first phase of the DMI Design Value Project included a survey with 190 completed responses. The team also interviewed design managers who led Booz & Co.'s Top 10 Innovators list.[3] Extensive identification and analysis of secondary research was performed concurrently with these activities.

These were the goals we hoped to achieve:
· To offer design managers new and practical processes for documenting the role and value of design in their businesses.
· To reveal the best practices of design-led companies and offer tools and models that can be used as guideposts within DMI member organizations.
· To unite the languages of design and commerce so that top managers share a common vocabulary and point of view when formulating their own design-value equations.

Perhaps most important, the study points to ways in which managers can leverage these insights into more successful and profitable future investments in design. Not all companies are born with a design imperative, but with a tightly woven and well-executed strategy, all companies can leverage design to lead going forward.
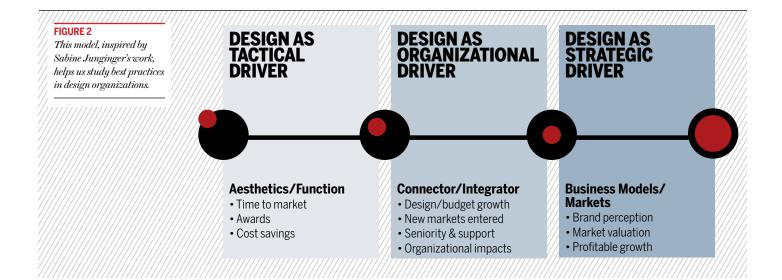
PART 1. DESIGN VALUE MEASUREMENT AND ASSESSMENT

When it comes to discussing the value of design, managers responding to our survey confirm the presence of a communication gap between designers and their brand and business management counterparts. To help bridge this

PHOTO 1
DMI conducts workshops to help organizations assess and build a roadmap to improvement.

DESIGN AS TACTICAL DRIVER

DESIGN AS ORGANIZATIONAL DRIVER

DESIGN AS STRATEGIC DRIVER

Aesthetics/Function
• Time to market
• Awards
• Cost savings

Connector/Integrator
• Design/budget growth
• New markets entered
• Seniority & support
• Organizational impacts

Business Models/Markets
• Brand perception
• Market valuation
• Profitable growth

MEASURING DESIGN

BUSINESS STRATEGIES

KEY QUESTIONS

STEP 1: BUSINESS RESULTS
• What are business's strategy and priorities to compete?
• What does business track to monitor its progress?

STEP 2: DESIGN'S ROLE IN RESULTS
• What is design's role in delivering the results?
• How does design create value?

STEP 3: COULD BE MEASURED
• Based on the activities design does, what could be tracked?

STEP 4: PRACTICAL TO MEASURE
• Which metrics are most important and feasible to track?

STEP 5: MEASUREMENT SYSTEM
• How to implement the metrics system?

BUSINESS ACTIVITIES

gap, our approach makes use of several robust models, tools, and frameworks that are already used across a wide range of industries. For example, the Balanced Scorecard is a tool used by many companies to assess a business's strategic priorities and decide which of those priorities need to be consistently tracked. The Process Clarification Framework, developed by the non-profit American Productivity and Quality Center (APQC), is another useful tool that organizes operating and management processes into 12 enterprise-level categories.

Figure 3 (see previous page) summarizes the progressive steps involved in measuring the contributions of design and its attributions throughout a variety of organizational levels. For example, at a high strategic level, managers might ask themselves, "How valuable an asset is design to our company? And as a result, what kind of priority is it receiving?"

The most forward-looking design organizations will then strive to move toward a more substantive and valuable analysis of

business activities and how they relate to design: "What metrics are possible for us to measure? Which are most practical for us to measure? What kind of organizational structures do we need to achieve our design vision?"

PART 2. DESIGN ROLES AND THE DESIGN VALUE SCORECARD
At this point, the DMI study focuses on revealing *how* and *where* design creates value in an organization. The matrix in Figure 4 has been developed to assist design managers to identify their organization's level of design maturity across three functional areas. It serves as an assessment tool to determine where design currently delivers value and provides a foundation for setting and achieving future design goals.

As the bottom-to-top transition toward optimization accelerates, the design group becomes more productive and cost-efficient. As design's utility moves beyond the design and delivery of aesthetics and product/service functions into the realm of experience-driven integration and

FIGURE 4

The Design Value Scorecard identifies key growth drivers in the development and delivery of design and in the transition toward a more valuable and experience-driven use of design.

DESIGN VALUE SCORECARD

Level of Design Org Maturity	Attributes	DESIGN USED FOR...				
		DEVELOPMENT AND DELIVERY		**ORGANIZATION**		**STRATEGY**
		Aesthetics	Functionality	Connector	Integrator	Strategy and Business Models
5 Optimized	Processes Proactively, Continuously Improved					Vertically, group will be more productive, improve quality, reduce risk and waste
4 Managed	Processes Modified/ Varied Based on Feedback					
3 Defined	Processes Standardized					
2 Repeatable	Basic Project Management					
1 Initial/Ad Hoc	Heroic Efforts			Horizontally, group will have broader influence and impact		

business modeling, the design group broadens the influence and impact it has on the business at large. At this point, the centralized group has representation within each division and becomes a true center of design excellence. The three "zones" reflect how best-practice organizations deploy design to drive business value.

Zone 1. Tactical value: Design as service

Design services, whether inside or outside an organization, can have a demonstrable ROI impact. For example, when a company redesigns a package and experiences an incremental sales increase in a given product, design can be identified as a major contributor to that new revenue, and the cost versus return can be calculated. In this zone, design is involved in aesthetic or functional development, as well as delivery of products, services, and communications.

Zone 2. Organizational value: Design as connector or integrator

For many organizations today, it is essential to deliver more-integrated customer experiences that link parts of an organization that were never previously connected. For example, in a financial services company the design of the software, the offering made at retail, the description used by sales, customer service scripts, and marketing materials now all need to be designed into a cohesive, user-centered journey. Achieving this level of integration often requires a design-led rethinking of the organization to shift from a departmental and product focus to a customer-focused experience as a platform for innovation. Defining design value in this context demands looking at metrics such as conversion, lifetime customer value, brand loyalty, and market share.

Zone 3. Strategic value: Design as strategic resource

For companies like those in the UK Design Index, which have made design and design thinking a core competence, it becomes important to uncover the best practices of these organizations in terms of structure and operations to determine the correlation to larger metrics, such as profit

DESIGN VALUE RESEARCH INTERVIEWS

"Our senior leaders tell me, 'I can measure sales; I can measure revenue; I can measure just about every function in the company, but I can't measure that stuff the design team does. All I know is that every time you do it, our customers see and understand the difference, and we sell more stuff.' That's value."
Bob Schwartz, *General Manager Global Design and User Experience, GE Healthcare*

"We have what we call design key element assessments, and we use them in combination with our business leaders to set the conditions in their organizations to do really great design. The assessments are designed to examine six major areas and relationships to assess the basics and help manage the brand over the long-term.

 Design's impact on the budget comes as we demonstrate impact by capturing the business cases where design contribution can clearly be seen. We use these case studies to engage other teams so we can collaborate around a common goal and agree to an adequate level of financial resources that enables us to replicate results."
Phil Duncan, *Global Design Officer, P&G*

"The journey to create a design-driven organization that establishes and measures the value of design is unique to each organization. What is consistent for all organizations is the need to create a strategy for design and the rigor to achieve the strategy that fits their overall business objectives."
Dianne Hardin, *Researcher, University of Cincinnati*

"Having been an advocate of design quantification for more than two decades, I was delighted and inspired by the design valuation models already embraced by these leading corporations.

 However, we still have a significant quest before us. With more information, we can begin establishing accepted methodologies for specific design disciplines and specific industries. Our interviews are an important step toward this ultimate goal."
Rob Wallace, *Managing Partner, Wallace Church Inc.*

margins and stock performance. This kind of long-term return can be studied in such companies as Nike, P&G, and Apple, which have made strategic investments in customer experience design over time.

 To understand where our members stand in terms of their own design maturity, we placed links to our survey on the DMI and IDSA websites. We analyzed 190 completed responses. Following that, our team conducted more than 15 interviews with design managers identified by

Booz & Company as Top 10 Innovators. Here's what we found:

Center of excellence. In the organizations of best-practice companies, designers are led by a center of excellence to define vocabulary, practices, and training. In addition, many of these organizations have design teams in key divisions working more closely with customers.

C-level support and leadership. Design managers, especially those among the Top 10 Innovators, cited the strong advocacy they have at the *C* level as reasons why design, innovation, and development have become the company's primary focus. These groups are also led by experienced design executives.

Increasing investment. There is surprising consistency regarding design's evolution and progression with organizations across all industries. While companies are certainly at different places along the Design Value Scorecard, all managers reported "significant improvement" during their tenure.

User-centered experience innovation. By taking a strong user-centered approach to innovation, the role of design continues to evolve in these organizations to connect and integrate various aspects of the customer experience. This effort often results in organizational change to streamline and improve the performance of the entire organization. This appears to be an important and valuable role for design in many organizations.

PART 3. DESIGN VALUE INVESTMENT AND GROWTH

After developing the above set of measurements for valuing design and determining how and where this value is created, our team began to consider how companies could integrate design's strategic role with the structural investments required to support it. Currently, the DMI study's respondents use a combination of soft measures (that is, design influence, respect, culture change) with harder metrics, such as budgets, team size, and value generated by each project.

We have found that both types of measurement are useful and that their integration can be mutually informing. For example, qualitative data can be used to fill gaps and reinforce the story told by quantitative data.

During this phase, it is important to take organizational variables into account. Some companies value the integration of design across their entire culture, and consequently these values are not independently measured. Although valuation is certainly more easily achieved when design is housed within a center of excellence, which structure is best depends on context and circumstance. Companies can benefit from an organizational development assessment and associated expertise to increase cultural acceptance and acceleration of design. ■

YOUR ASSESSMENT STARTS HERE: WWW.DMI.ORG/VALUE

To assist you in evaluating the impact and value of design in your organization, we are posting a preliminary set of self-guided questions and benchmarking tools. In weeks to come, links to other components of the DMI Design Value Scorecard will be offered.

We expect that some companies may be interested in sharing their prototypes and findings with us (in complete confidence) so that we can continue to refine the process and aggregate the data into future reports on this study.

To learn more, visit www.dmi.org/value. Or contact us at mwestcott@dmi.org.

Suggested Reading

Borja de Mozota, B. "The Four Powers of Design: A Value Model in Design Management." *Design Management Review,* vol. 17, no. 2 (Spring 2006).

Platt, Marjorie B., Hertenstein, Julie H., and Brown, David R. "Valuing Design: Enhancing Corporate Performance Through Design Effectiveness." *Design Management Review,* vol. 12, no. 3 (Summer 2001).