Are you asking enough from your design leaders?

A new breed of leaders can help companies unleash the business value of design.

by Melissa Dalrymple, Sam Pickover, and Benedict Sheppard

Companies that excel at design grow revenues and shareholder returns at nearly twice the rate of their industry peers.[1] So why aren't more companies joining their ranks?

To answer the question, we interviewed 200 senior design leaders and 100 top executives and analyzed the answers of more than 1,700 respondents to the McKinsey Design Index (MDI) survey tool.[2] What we found was striking: some 90 percent of companies weren't reaching the full potential of design, even as, in the past five years, double the number of companies have added senior design roles to their organization.[3]

Of the four areas tied directly to improved revenue growth and shareholder return—which include design leadership, cross-functional talent, iterative processes, and end-to-end user experiences—CEOs must address design leadership first if their companies are to capture the full business value of design.[4] Yet two problems exist, according to our research: a lack of clarity about where and how senior design leaders can contribute, and uncertainty about how much to expect of them in their role (Exhibit 1). To elevate the organization's design ambition, and to clarify the leadership needed to deliver it, top executives must make three interconnected interventions:

- *Embrace user-centric strategies,* improving not only products and services but also the full user experience and, in some cases, the organization itself.

- *Embed your senior designer into the C-suite* while cultivating a collaborative top-team environment in which your design leader will thrive.
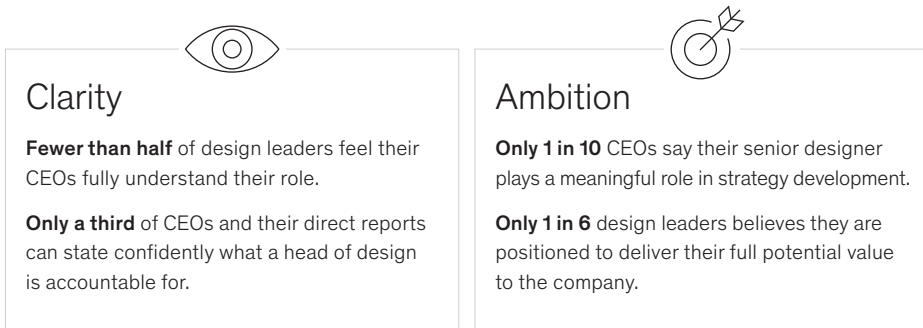
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[1] The research assessed more than 100,000 design actions from 300 publicly listed companies over a five-year period. See Benedict Sheppard, Hugo Sarrazin, Garen Kouyoumjian, and Fabricio Dore, "The business value of design," *McKinsey Quarterly*, October 2018, McKinsey.com.

[2] The McKinsey Design Index is an online tool available for companies to benchmark their design maturity, with a database currently comprising more than 1,600 respondents.

[3] Our research showed that only 10 percent of respondents had reached the highest level of design-leadership maturity by performing in the top quartile across four key areas. The research does not make a claim to the absolute full potential of design.

[4] For a full discussion of the four areas of top design-led performance, see Benedict Sheppard et al., "The business value of design." In both instances, we define design as understanding user needs and then creating solutions to meet them.

Exhibit 1

What design leadership lacks.

Clarity

Fewer than half of design leaders feel their CEOs fully understand their role.

Only a third of CEOs and their direct reports can state confidently what a head of design is accountable for.

Ambition

Only 1 in 10 CEOs say their senior designer plays a meaningful role in strategy development.

Only 1 in 6 design leaders believes they are positioned to deliver their full potential value to the company.

Source: 2019 McKinsey survey of 200 heads of design and 100 senior executives

• *Make the most of user data* through a balance of quantitative and qualitative design metrics and incentives that enhance user satisfaction and business performance.

Companies addressing these three factors will give their senior design leader (and their top team more broadly) a powerfully ambitious mandate. And, by helping launch new, user-centric strategies putting users at the center of everything the company does; by elevating the role of the senior designer; and by infusing analytics, qualitative insights, and design tools into the C-suite, executives can unlock a step change in business performance and capture the full business value of design.

Creating bold, user-centric strategies

Just how strategic is the role of design? Bracken Darrell, the CEO of Logitech, describes three broad phases of design, each of them progressively more strategic.[5] In the first phase, companies view design narrowly, focusing on aesthetics and form: the color, material, and finish of products. In the second phase, companies broaden their design emphasis to encompass end-to-end user experiences. In the final phase, companies realize that design infuses everything they do; it transforms the entire company. Logitech is itself a company that's well along on the journey to becoming a phase-three company. Its design-driven transformation between 2013 and 2019 saw the company's market value increase roughly sevenfold.

Research shows that bold, user-centric strategies correlate strongly with higher financial results. User-centric strategies go beyond pithy vision statements, although these can be a good place to start.[6] At their best, they touch every aspect of the organization. Senior designers have at least two unique perspectives to contribute.

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[5] Bracken Darrell, McKinsey Global Design Leader Summit, November 2019. For more information, see *New at McKinsey*, "What will it take to create a better future by design? A new industry community aims to find out," blog entry, November 26, 2019, McKinsey.com.

[6] See the vision statements of Nike ("Bring inspiration and innovation to every athlete in the world") or the National Society for the Prevention of Cruelty to Children ("Every childhood is worth fighting for").

Design leaders frame strategic questions

Senior design leaders can complement the hypothesis- and framework-based approaches to strategy on which top executives have long (and perhaps overly) relied. Overreliance on such approaches risks introducing cognitive biases into strategy development, while underindexing on dramatic market disruptions. To build upon the hypothesis- and framework-based approaches, strategists and design leaders must effectively work together to combine analytical insights regarding, for instance, resource allocation and M&A, with differentiated (relative to competitors) under-standing of users' needs. This marriage brings fresh, user-based understanding into the big strategic moves that companies can make to jump up the "power curve" of performance.[7] This can lead to striking changes in the strategic questions that organizations ask themselves—and in the answers they find when they do.

The design-thinking approach also helps companies sharpen their lookout for coming disruption.[8] For example, the chief design officer (CDO) of a food company saw the shift in Generation Z's expectation for social and environmental responsibility. The CDO worked with marketing and R&D to help transform the company's internal processes, with the goal being to implement circular-economy design principles in order to minimize packaging waste. The ability to anticipate—and then quickly act and adapt to changing consumer habits—resulted in outsize growth well before regulatory pressure drove competitors to catch up.

Not that we're saying design leadership should usurp the chief strategist's role—only that design has a unique role to play in strategy. Lyft's most recent app redesign, for example, introduced more than a few new tabs: it contributed to the company's new strategic direction. The app had previously highlighted car rides. However, the company learned that its riders were interested in multiple forms of transportation. The redesign brought new options such as choosing a bus route, grabbing a scooter, or even renting a car into an equal view under the same app. The user and market insights gleaned through this redesign process helped fuel Lyft's strategic shift from a provider of rides to a portal enabling people to move through cities in multimodal fashion. Design was not the only party contributing to this strategic shift, but as Katie M. Dill, vice president of design at Lyft, makes clear, "It's not design versus the business, it's about what we can do together."

Senior designers bring unique user insights

To be sure, designers are not the only people in an organization who understand users—or at least they shouldn't be. Recent MDI research shows the value generated when all cross-functional groups have exposure to (and an understanding of) the company's end users.[9] That said, design leadership sits in a unique position to see the pain points that customers encounter across the entire user journey—a view into which marketing or R&D, for example, have only a partial window. Furthermore,

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[7] Chris Bradley, Martin Hirt, and Sven Smit, "Strategy to beat the odds," *McKinsey Quarterly*, February 2018, McKinsey.com.

[8] Design thinking is both an approach and a way of working that takes a user-centered approach to problem solving, resulting in strategies, products, and services that meet the needs of users.

[9] In spite of this finding, our McKinsey Design Index data set indicates that 60 percent of design-and-development decisions made in large organizations are still made by a small number of employees in isolation.

design leaders often have the most up-to-date insights into users' reactions to new concepts and prototypes relative to those of competitors, which in turn helps predict shifting market behavior. These insights can be squandered when design leaders are left outside of the strategy process or when they are invited into the process in only an executional role. Design-led companies lead the way by integrating both designers and their unique insights into the organization's strategic approach, the better to modify and evolve both existing and new product and service portfolios.

Embedding the design leader into the C-suite

Whether senior design leaders can help companies deliver user-centric strategies depends heavily on how companies set up the role itself and where it sits in the organizational structure.

Our research found five different reporting archetypes for design leaders, two of which are most effective and sufficiently senior. CEOs must be sure to choose the right archetype for their respective organizations.

Having done so, CEOs must provide chief designers with clarity about their baseline responsibilities. What are the most important duties of the design leader? In which ways and with which metrics are they held accountable?

Finally, CEOs must thoughtfully integrate the senior designer's role with the rest of the top-team "ecosystem," using a combination of incentives and boundaries that balance collaboration and accountability. If, for example, the marketing head develops the product, customer experience owns the end-to-end journey, and innovation practices design thinking, what is the head of design meant to drive versus support? The head of design cannot be successful without clarity of their position and effective partnerships across the C-suite.
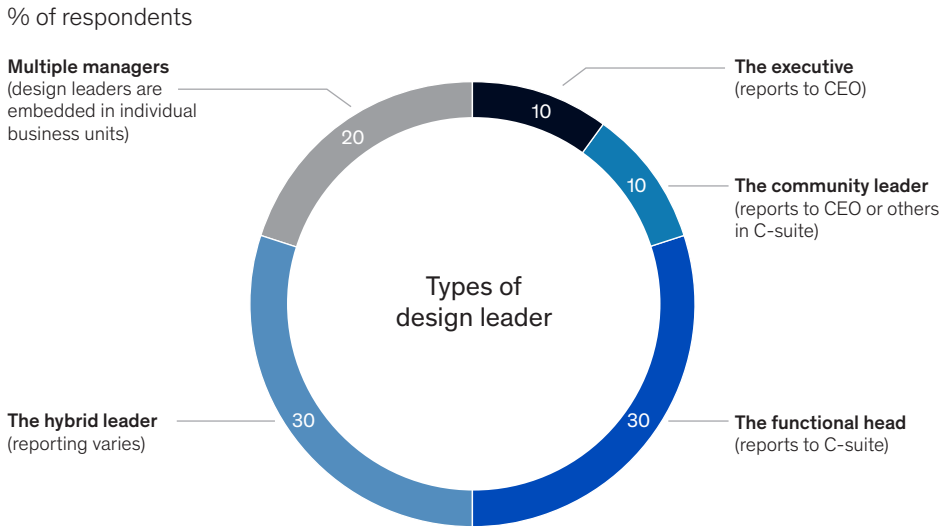
To be clear, we're not saying design leaders should be involved in *all* senior-leadership activities. But, unless the design leader is a genuine peer of the organization's other business or functional leaders, it will be difficult to achieve the full business value of design.

Selecting the right reporting structure

By analyzing natural clusters of responsibilities in the profiles of the 200 design leaders in our research cohort, we identified five role archetypes for design leaders (Exhibit 2). But not all of them are created equal.

 1. *The executive* runs design as a distinct function reporting directly to the CEO. This role is often seen in design-led organizations such as Apple or Shiseido.

 2. *The functional head* sits within a business function or a cross-cutting department such as digital or customer experience. This can be seen at companies like Deliveroo, where the CDO reports to the head of product, and Hewlett Packard Enterprise (HPE), where the CDO reports to the chief technology officer.

 3. *The community leader* is not responsible for allocating design resources and instead looks after skill development, community building, hiring, and representing

Exhibit 2

Five role archetypes for design

% of respondents

Multiple managers (design leaders are embedded in individual business units)

The executive (reports to CEO)

The community leader (reports to CEO or others in C-suite)

Types of design leader

The hybrid leader (reporting varies)

The functional head (reports to C-suite)

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design at an executive level (something pivotal to their achieving their business goals). They are often seen in the agile setups of technology companies such as at Netflix and Spotify but have increasingly been adopted by banks and telcos.

4. *Multiple managers* are essentially a group of people appointed when an organization wishes to give design responsibility to individual business units, such as at Google[10] and Nokia.

5. *The hybrid leader* blends the models above, with two forms occurring most often. The first is when most designers sit in regional or business-unit teams, with a small central team providing guidance and training for design (for instance, at Electrolux). The other is when a single design leader is responsible for a centralized team, with pockets operating entirely independently elsewhere in the business (for example, at Salesforce).

Although companies can employ any of these archetypal models successfully, the ones that best position design leaders to deliver on the full business value of design are the C-level roles with direct CEO sponsorship, such as "the executive" or a senior "community leader." These archetypes provide a platform for design leaders to address organization-wide issues, while positioning them as a senior-level peer with the clout necessary to unblock problems for their teams quickly.

In contrast, "functional heads" are too often limited by their superiors' worldview and incentives. At one fast-moving consumer-goods company where the CDO reported

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[10] See The Design Genome Project, InVision, invisionapp.com.

to the chief marketing officer, the CDO was unable to join certain customer-facing discussions because the marketing leader did not have an incentive to include the CDO, potentially missing out on a valuable user-centric perspective. The issue became severe enough for the CDO to start bypassing their superior altogether, scheduling meetings with the CEO directly. If a functional-head role must be chosen, it is best to place the design leader in a function that has a mandate to contribute to strategy and also with an end-to-end view of the organization.

Defining the responsibilities of the design leader
Regardless of the reporting structure, many CDOs are doomed to fail because their role lacks enough authority. These individuals have a vague mandate to improve customer experience but have nothing more than their own powers of persuasion to convince other business leaders to get involved. The best companies give their CDOs a mandate and the authority to deliver on it. For some, it means an independent budget, something that Alastair Curtis, CDO of Logitech, credits as a major factor in his success. For others, it means giving the design leader a say in company-development activities. At HPE, for example, the design leader has veto rights at various stages of product development if good design principles haven't been brought to bear. For almost all design-led companies, the success of the top designer requires a CEO who is supportive of design's ability to contribute strategically and who has made a public commitment to it. CDOs must also be measured against a combination of key performance indicators (KPIs) critical to an organization's strategy, such as financial returns or user-experience improvement. We will cover more on how to select and communicate these metrics later in the article.

Clarifying responsibilities can sometimes become complicated by the differences among senior designers themselves. Among the 200 design leaders we studied, nearly all have taken a different path to the top. Varied as the background of design leaders can be, however, there's commonality in their focus: it's all about transforming the way the organization operates (Exhibit 3).

- *Customers.* Design leaders help transform the user experience by supporting and developing innovative new business models, improving experiences and outcomes for existing customers, and driving design consistency and standardization across the organization.

- *Employees.* Design leaders transform organizations by evangelizing or diffusing user-centric practices and design tools, and by representing both design and the user at the C-suite and board levels.

- *Designers.* Design leaders transform design teams by building a thriving community of designers who are well supported, trained for excellence, and able to collaborate with peers in multiple functions.
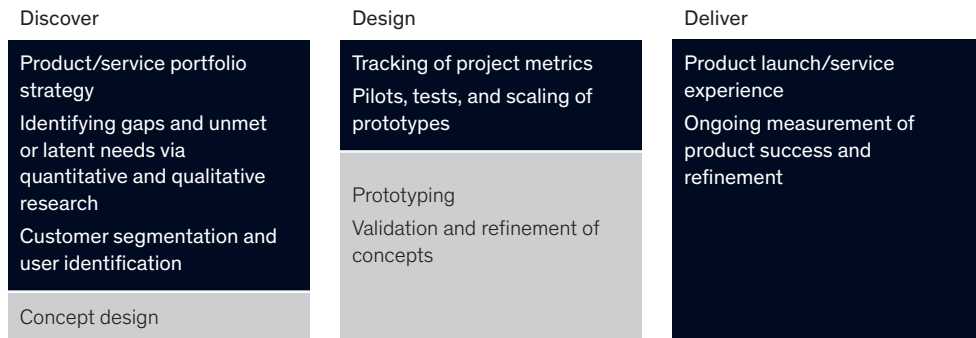
Creating a high-performing team at the top
Once your design leader is established on your top team, they'll find themselves with a different problem: navigating a complex ecosystem of other top executives in

Exhibit 3

What does a chief design officer do?
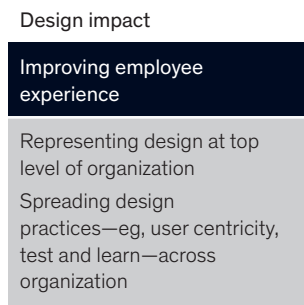
Illustration: One chief design officer's responsibilities and interactions

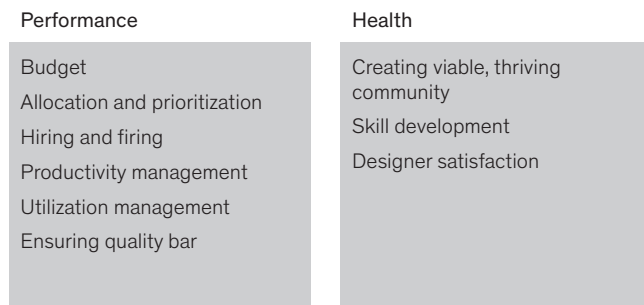■ **Responsible:** performs activity
■ **Accountable:** approves activity

Transforms the user experience

Discover	Design	Deliver
Product/service portfolio strategy Identifying gaps and unmet or latent needs via quantitative and qualitative research Customer segmentation and user identification	Tracking of project metrics Pilots, tests, and scaling of prototypes	Product launch/service experience Ongoing measurement of product success and refinement
Concept design	Prototyping Validation and refinement of concepts	

Transforms the organization | Transforms the design team

Design impact	Performance	Health
Improving employee experience	Budget Allocation and prioritization Hiring and firing Productivity management Utilization management Ensuring quality bar	Creating viable, thriving community Skill development Designer satisfaction
Representing design at top level of organization Spreading design practices—eg, user centricity, test and learn—across organization		

marketing, R&D, digital, customer-service, and product roles. Top-team performance is a constant CEO concern, of course, and among other things requires bringing clarity to the roles and responsibilities of each leader so that they are interlocking without generating too much overlap or being territorial. One approach is to find a common set of incentives that keep them all working together—for instance, by adding customer-service and -satisfaction performance indicators to more traditional ones such as short-term sales growth.

At one consumer-packaged-goods company in Europe, the CEO decided to tie executive compensation to average product ratings on Amazon relative to those of competitors. Others, such as American Express and Southwest Airlines, tie CEO

compensation to survey-based user-satisfaction measures (roughly 15 percent of total short-term incentives for both).[11]

Even getting incentives right, though, doesn't solve all top-team challenges. Through our interviews and an analysis of the common friction points for various design-related activities, we found the ten most likely ways design leaders stumble in the often-challenging top-team ecosystem—and then devised ten conversation starters CEOs can use to help manage the difficulties (see sidebar, "Ten conversation starters for the top team").

Getting the metrics right

Now that the design leader has been integrated into the top team, how do you go about clarifying whether your top designer is delivering in their role? In an era when data-driven cultures are becoming a source of competitive advantage, the effective use of metrics is a vital and still underutilized way to elevate and further clarify design's role and ambitions. Indeed, only 14 percent of the companies in our MDI database are currently setting quantified targets such as KPIs or objectives and key results for their design leaders. CEOs should encourage their design leader to make use of the right balance of qualitative user insights and quantitative metrics that will enhance the effectiveness of the design leader, and of the C-suite overall.

Designers should also use these metrics to secure investment and to manage the performance of their teams in real time. This does not mean turning design into a paint-by-numbers exercise. Design leaders must not lose the empathy and intuition that makes them so valuable in their roles. Yet CEOs must demand an element of rigor in any discussion about the value that design delivers; in fact, our MDI analysis confirms that it is the balance of quantitative and qualitative measures that is most important if design is to deliver value. In the words of one medical-device CEO, "If my head of design doesn't have data on whether our products' designs are improving the lives of our patients better than the competition, then shame on them."

So how should companies establish the right system of metrics to measure the performance of their design leaders? The first step is to clearly articulate and quantify the organization's business ambition and how design should contribute to it. Ambitions can range from improving customer experience to developing new businesses to improving organizational ways of working. Quantified targets then take the form of several "North Star" metrics to capture that ambition. Such metrics typically take one of three forms:

- *user test scores,* indicating, for example, customer satisfaction or a customer's propensity to recommend

- *operational metrics* that indicate product or experience performance—these can be either a single measure, such as churn or adoption rate, or a combined metric utilizing multiple operational indicators, potentially selected through advanced analytics

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[11] For more regarding top-team performance, see Scott Keller and Mary Meaney, "High-performing teams: A timeless leadership topic," *McKinsey Quarterly*, June 2017, McKinsey.com.

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conversation starters for the top team

As you look to improve top-team performance, certain conversations help enhance the clarity of each executive's role. Other conversations address specific pain points, such as user-insight generation or a fragmentation of customer focus.

In one technology company, there was a genuine debate within the C-suite as to who "owned" the customer across the customer journey. It's a quandary born of competing claims, overlapping responsibilities, and evolving routes to market. The best response is to clearly delineate who is responsible for each type of user insight (for example, marketing for market segmentation and trends, and design for user-experience expectations) while giving a single person responsibility for the end-to-end customer experience. (In the case of the technology company, it was the chief design officer.)

Another point of tension, especially in physical-product design, can be the lack of clarity regarding which function (and leader) should track and measure the ongoing performance of in-market products relative to competition, as seen by the products' users. At one high-end consumer-goods manufacturer, the CEO allocated this responsibility to the design leader, while also compelling the company's designers to allocate 20 percent of their time to evaluating in-market products (exhibit).

When design is poorly integrated	**Questions for the top team**

Overall accountability (entire C-suite)

The design leader's responsibilities are poorly understood by the top team, encouraging other leaders to be territorial or uncooperative.	**1** Are the design leader's skills and responsibilities clear to the entire team?
The design leader is siloed and lacks interaction with other functions, leading to less strategic design outcomes.	**2** Which leaders are essential collaborators for the design leader, and what mechanisms do you have in place to ensure necessary collaboration?
Design and customer experience are siloed into different departments, making it unclear who is accountable for customer-experience outcomes.	**3** Who owns which parts of the end-to-end customer experience? If it's more than one leader, how do they ensure consistency as needed?
Design is subordinate to the digital-transformation agenda and lacks a mandate to work on nondigital projects (or vice versa).	**4** Are design and digital leadership seen as different domains? What are the boundaries between the two?

User insights (heads of marketing, strategy, R&D, sales, and operations)

Critical user insights get left out of strategic conversations as a result of overreliance on one type of research method.	**5** Do we bring a full suite of research methods (including both qualitative and quantitative) into our strategy road maps?
Too many top executives feel that they "own" the customer, leading to disconnected or fragmented insights shaping the customer experience.	**6** Which insight pools are your leaders using to shape the customer experience? Are they using an aligned "body of evidence" to drive their road maps?

Product and service design (product, R&D, and business-unit leaders)

Having multiple leaders with decision-making authority results in an incoherent user experience.	**7** Which senior leaders can authorize design changes to existing products and services or can trigger the development of new ones?
The organization underutilizes designers as a result of a lack of incentives or formal mechanisms to do so.	**8** What changes need to happen to ensure that top management consistently involves the design leader in helping frame and deliver new and ongoing projects?
Design leaders lack the right metrics to communicate effectively the value of design to the rest of the business.	**9** What metrics should design capture to address the top priorities for each business area?

Ongoing development and measurement (business-unit and product or customer leaders)

Design and development teams have little responsibility for measuring design quality and customer outcomes after a new product or service launches.	**10** Who is responsible for tracking and measuring the experience of customers and that of our competitors?

- *financial metrics,* measuring the financial benefit accrued by the organization (for example, sales volumes)

Once a North Star metric is chosen, a holistic metrics system needs to be built around it—metrics must link across each level of a product or service experience while laddering up to the top metric. Prioritize constituent journeys or products for a more detailed analysis by team members by ranking them based on demonstrated impact to the North Star metric or journey traffic size—or, if capturing direct impact isn't possible, by ranking them using some other proxy. Leaders must then define the operational metrics they wish to use to support their priority products and journeys. The aim is twofold: to be comprehensive in the metric selection and cover the full extent of a customer's interactions, and to select metrics that are defensible and that can be reproduced.

Ultimately, the chosen metrics must resonate with the entire top team and be demonstrably linked to financial value while still enabling design teams to be creative with their solutions—to actually practice the skills they bring as designers and empathetic problem solvers. CEOs must then set appropriate targets for the selected metrics, often derived from a broad set of competitor benchmarks or internal goals, such as reducing redundant or inconsistent touch points to simplify an experience. Both groups should feel that the combination of skills and metrics will ultimately bring the most value to the company.

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For companies looking to enjoy the growth and performance of their design-led peers, the journey begins at the top, with senior design leadership. This crucial role often languishes too far down in the organization to have its needed impact. At other times, CEOs set the bar too low for what designers—and design—can deliver. Farsighted CEOs instead empower their design leaders to be catalysts for broad strategic transformation, not only for end-to-end experience improvement for users but also for the organization as a whole. Q

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