



## Fast Company Letter from the Editor

### The Design Dividend. October 2007

This issue is not only about stuff. Even beautiful stuff. It is also about cash and revenue and financial success.

What does design really contribute to an organization's bottom line? In a global marketplace where price competition and commodification have slashed margins and "reengineered" jobs, it can be easy to peg what designers do as an indulgence--style over substance, form over function. Committing business resources toward the tangible is just more efficient than--sniff--the soft world of design.

Many executives across corporate America embrace this ostensibly utilitarian approach, and many more pay lip service to the value of design without investing their dollars (or their psyches) in it. Sure, Steve Jobs may make design an advantage at Apple, this line of thinking goes. But what does that have to do with me?

Plenty. Studies have now shown that design-oriented firms in all kinds of industries outperform their more-traditional peers--that design and innovation go hand-in-hand with financial success. Research from Peer Insight has calculated a tenfold advantage in stock-market returns versus the S&P 500 for companies focused on consumer-experience design, as senior writer Linda Tischler explains in her profile of Yves Béhar. Across the pond in London, a portfolio of 63 design-driven companies has soundly trounced the FTSE 100 index over 13 years, according to a study by the Design Council.

CEOs of all stripes are beginning to take note, and the position of chief design officer is moving steadily up the hierarchy at major corporations. Those who get with the program--like Hewlett-Packard, where design chief Sam Lucente sold CEO Mark Hurd on the fiscal advantages of being streamlined (click here)--are separating themselves from the competition. "CEOs increasingly understand that design can help them grow the top line," notes Peter Lawrence, chair of the Corporate Design Foundation. "They're making the connection that design can help them get on their next growth cycle." Along with HP, he points to Procter & Gamble (where design VP Claudia Kotchka reports directly to CEO A.G. Lafley),

IBM, Johnson & Johnson, and Whirlpool as places where designers have ascended the corporate food chain.

The real challenge, Lawrence notes, is infusing design thinking throughout a large organization. "It's not the senior executives--most of them get it," Lawrence says. "It's the middle management, which is charged with implementing the company's strategy, that wants everything proven to them." We hope the examples and stories in this issue provide some of that proof--and the inspiration to believe it.