
ANTTI AINAMO • JAAKKO PÖYRY CONSULT-
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Design and Profitability: A Complex Relationship

Many management practitioners believe that “design” or the first phase of product development has positive effects on the profitability and growth of the companies they manage. Critical research has not succeeded in modeling or proving that investments in design impact business performance in a way that

would justify the belief. This article attempts to bridge the gap.

The article reviews product design and development literature, on the one hand, and in strategy and organization research, on the other hand. The review reveals that design and business performance have their own internal dynamics. There are dynamics also between design and performance. The environmental context, the organization, and the organizational strategy include forces that buffer or amplify dynamics within or across design and the performance.

The article also reviews a longitudinal case study. The re-analysis and re-interpretation of the data give signs that there is a three-stage development cycle in the design-business-performance relationship: 1) the creation of new product forms, 2) the development of design competence, and 3) the exploitation of the competence. In the long run, the company meets the challenge of exploiting competence at the same time as creating new product forms. The challenge is difficult to meet without strategic interventions on behalf of management. The article makes suggestions about the directions of further research. ■