The Future of Design in Start-Ups

2016 SURVEY RESULTS
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A company that is design-centric prioritizes the user experience and celebrates new ideas. This company isn’t okay with leaving well enough alone, but always seeks improvement. They proactively cultivate creative thinking and they know that behind every number is a person. They’re constantly looking for ways to make that end-to-end experience (across every touchpoint) better for their customers.

Kate Dill - Head of Experience Design / Airbnb”
Everyone talks about design’s importance in building an amazing company, but there is very little data about why, when or how to integrate design into company operations.
In August 2016 we launched a survey to better understand the importance and emerging trends of design in start-ups.

We had over 400+ companies respond.

302 were venture-backed, along with over 100 agencies or boot-strapped start-ups. Responses were from around the globe at all stages of growth.

We saw some exciting trends that bodes well for the future of design’s role in company building. It appears the impact will only continue to grow.
We did this in collaboration and with support from a diverse set of design leaders:
What we wanted to learn

**DESIGN’S VALUE**
What is the perceived value of design’s role in a start-up’s success?

**ORGANIZATIONAL BEST PRACTICES**
How do companies structure themselves to optimize for harnessing design’s value?

**DESIGN’S IMPACT**
What kind of tangible impact does design have on a start-up’s business?

**TALENT**
What are emerging trends in talent needs, external partners, and processes?
Here’s a breakdown of who responded:

Respondents were representative of all stages of growth, funding levels, across major start-up markets, and across all product types.

The survey consisted of 50 questions which explored perceptions of design’s value, team structures, future talent needs, and external partners.
What does being design-centric mean to you?

“Designers play a key role in strategic decisions. Not all decisions are based solely on quantitative data. Customer experiences are valued.”

Brad Hargreaves - Founder & CEO / Common and Co-Founder / General Assembly
To what extent do companies care about design? Can design help you succeed and grow?
We heard from a passionate group...

- 87% of all companies believe that design is important, if not very important.

- 85% of all companies have Founders or C-level executives weigh in on design decisions.

- 31% have a designer founder.

Designers on Founding Teams:

Much has been said about the importance of designer founders. Here's a look at how prevalent they are:

- In both the Bay Area and NY, 32% had a Designer on founding team.
- In consumer companies, 34% had a Designer on founding team.
- In enterprise companies 36% had a Designer on founding team.
- In companies that were both consumer and enterprise, 45% had a Designer on founding team.
Most everyone considered themselves ‘Design-Centric’.

Companies who said:
- Design was “important” or “very important” to their business
- Have raised venture capital

Everyone

302
But some had better advice and evidence of design’s impact. We call them the ‘Committed’ group.

Committed

96

Companies who said:

- Design was “very important” to their business
- Have a designer as a co-founder
- At least 5 designers on staff
...and there are some ‘Mature’ companies investing in design as a pillar of their growth strategy.

**Big Design Teams**
There were 68 companies that had more than 20 designers on staff.
24 were in the Bay Area.
16 were in New York.

**Mature**
‘Committed’ companies with:
More than $20m in funding
and
At least 20 designers on staff
Plus, there were some truly successful unicorns. These companies attribute their success to design more so than any other group.

Unicorns

8

‘Mature’ companies with a valuation in excess of $1B.
Is this just a ‘consumer’ and ‘Silicon Valley’ thing? Looking at Design-Committed, it’s decidedly not.

Consumer or Enterprise
This isn’t just consumer. Design is on the rise in enterprise.

Location
The Bay Area and NY have the most ‘Committed’ companies that have invested in design.
What does being design-centric mean to you?

“A heightened understanding of the benefits of including design from the beginning and support from the top to make the best collective decision about what to build and how to build it.”

Jessica Karle - Head of Digital Design / Everlane
How do you measure the actual impact of design?
Across all key questions, the more mature companies reported greater impact of design.

- Design leads to:
  - **HIGHER SALES**
    - Design-Centric: 61%
    - Design-Committed: 73%
    - Design-Mature: 87%
    - Design-Unicorns: 75%

- Design leads to:
  - **HIGHER CUSTOMER RETENTION**
    - Design-Centric: 44%
    - Design-Committed: 52%
    - Design-Mature: 60%
    - Design-Unicorns: 88%

- Design leads to:
  - **HIGHER CUSTOMER ENGAGEMENT**
    - Design-Centric: 67%
    - Design-Committed: 78%
    - Design-Mature: 83%
    - Design-Unicorns: 88%

- Design leads to:
  - **FASTER PRODUCT CYCLES**
    - Design-Centric: 45%
    - Design-Committed: 54%
    - Design-Mature: 60%
    - Design-Unicorns: 75%
It was near unanimous that design should have a seat at the table and be integrated cross-functionally.
There was also a strong belief that design is accretive to a company’s valuation.

Nearly half of the ‘Mature’ companies believed that design contributed to a higher valuation. 75% of the ‘Unicorns’ believed that to also be the case.
We asked everyone what the key characteristics of a ‘design-centric’ organization are. It was unanimous.

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ACROSS ALL COHORTS BY LEVEL OF IMPORTANCE:

1. Design integrated across multiple areas
2. User-Centricity
3. Dedicated Design Team
4. Designers as part of C-Level or Executive team
5. Founder who is a designer
6. Equal ratio of Designers to Engineers
Over the next 5 years, will the ratio of designers to engineers (on average) increase? Why?

“"Yes. Higher base consumer expectations.""
How in-demand is talent really?
How are teams thinking of growing?
Most reported that they plan to grow their design teams by at least 50%. Talent wars will continue.
And there seems to be natural equilibrium emerging of designers to other counterparts.

What is your ratio of Designers : Engineers?

- Everyone: 1:10
- Committed: 1:6
- Mature: 1:4
- Unicorns: 1:6

What is your ratio of Designers : Product Managers?

- Everyone: 1:4
- Committed: 1:2
- Mature: 1:2
- Unicorns: 1:4

70% of ALL companies believe that the golden ratio of designers to engineers should be at least 1:5.

There is sometimes a debate as to whether Product Managers are necessary. Most folks have one.

How many folks don’t have one?
- Everyone: 14%
- Committed: 7%
- Mature: 4%
- Unicorns: 0%
And when asked the relative importance of design disciplines in a team they all agreed:

ACROSS ALL COHORTS:

1. Product Design
2. UX Designer
3. Branding & UI Designer (tied)
4. Product Marketing

At what size did they hire their first designer by cohort?
- Design-Centric: 21-50
- Design-Committed: 1-5
- Design-Mature: 1-5
- Design-Unicorns: 1-5

Design Leadership:
- 17% of companies have senior design leader (CSuite, Director, VP, etc.)
Product Designers are in greatest demand. It’s an important role to understand and hire effectively.

**Everyone:**
- **Product Designer:** 42%
- **UI / Visual Designer:** 39%
- **UX Designer:** 38%
- **Front-End Developer:** 30%
- **Marketing / Brand Designer:** 28%

**Committed:**
- **Product Designer:** 54%
- **UI / Visual Designer:** 43%
- **UX Designer:** 41%
- **Marketing / Brand Designer:** 40%
- **Front-End Developer:** 34%

**Mature:**
- **Product Designer:** 70%
- **UI / Visual Designer:** 53%
- **UX Designer:** 45%
- **Marketing / Brand Designer:** 40%
- **Front-End Developer:** 43%
- **Design Director / Lead:** 43%

**Unicorns:**
- **Product Designer:** 100%
- **Design Director / Lead:** 75%
- **Marketing / Brand Designer:** 63%
- **UX Designer:** 50%
- **Front End Developer:** 50%

**What are the level of designers being hired?**

**Design-Centric:**
1 - Mid-Level
2 - Senior Level
3 - Junior Level

**Design-Committed:**
1 - Mid-Level
2 - Senior Level
3 - Junior Level

**Design-Mature:**
1 - Senior Level
2 - Mid-Level
3 - Junior Level

**Design-Unicorns:**
1 - Senior Level
2 - Mid-Level
3 - Junior Level
As companies become more mature they transition to cross-functional ‘pods’ or ‘squads’.

What is a pod?
A ‘pod’ is a cross-functional team often with a designer, a developer, that work with the agile method on a part of the product.

A ‘squad’ is a cross-functional team that acts as a small start-up within a company. Concept was made famous by Spotify.

63% of Unicorns, structure their teams as squads or pods.

<table>
<thead>
<tr>
<th>Everyone:</th>
<th>Committed:</th>
<th>Mature:</th>
<th>Unicorns:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Squads or Pods</td>
<td>Design within Product</td>
<td>Design within Engineering</td>
<td>Design Team Equal</td>
</tr>
<tr>
<td>32%</td>
<td>38%</td>
<td>13%</td>
<td>25%</td>
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<tr>
<td>8%</td>
<td>9%</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>14%</td>
<td>34%</td>
<td>19%</td>
<td>63%</td>
</tr>
</tbody>
</table>

63% of Unicorns, structure their teams as squads or pods.
Do companies get help from the outside? If so, for what?
Almost all design-centric companies have hired an external agency or freelancer.

PERCENTAGE OF CO’S HAVING WORKED WITH AN EXTERNAL PARTNER:

- **Design-Centric**: 81%
- **Design-Committed**: 81%
- **Design-Mature**: 94%
- **Design-Unicorns**: 100%

What was the breakdown (project, retainer or both) across all?

- Project: 50%
- Retainer: 30%
- Both: 20%
Plus, all design-centric companies reported that they plan to **double** agency or freelancer spend over the next 12 months.
Brand is the name of the game when going to the outside. Followed by product marketing.

RANKING OF TYPES OF PROJECTS BY COHORT:

**Design-Centric: Everyone:**
- Branding: 46%
- Product Marketing: 30%
- UI: 28%
- Communications: 26%
- Product Development: 24%
- UX: 23%

**Design-Centric: Committed:**
- Branding: 49%
- Product Marketing: 41%
- UI: 28%
- Communications: 31%
- Product Development: 27%
- UX: 21%

**Design-Centric: Mature:**
- Branding: 60%
- Product Marketing: 51%
- UI: 28%
- Communications: 40%
- Product Development: 32%
- UX: 26%

**Design-Centric: Unicorns:**
- Branding: 63%
- Product Marketing: 75%
- UI: 50%
- Communications: 50%
- Product Development: 25%
- UX: 25%
What have we learned?
How can you apply it?
Design has now fully permeated itself into the earliest stages of company building, cross-functionally, and at the highest levels. And not just as ‘pretty pixels.’

Current design trends indicate:

1. **Ongoing Talent Wars**
   We’re going to continue to see a highly competitive market for design talent, without an end in sight.

   This is both for IC product designers, but also for senior design talent that can manage and nurture teams in fast growing companies.

2. **Design from the Top**
   CEO/Founders will have to continue to develop ‘design’ fluency and stay involved in design decisions to support the behaviors needed culturally to hire and retain top design talent.

3. **Product Design as ‘Design’**
   An emerging discipline of ‘product design’ will continue to be refined in it’s definition and role within a company vis a vis traditional product and engineering.

   The design team as ‘service bureau’ within a start-up, will become outmoded.

4. **Maturing of External Help**
   We will continue to see a growing ecosystem of external partners for high-growth start-ups across brand and product primarily. As well as new models for engaging, as fees will need to stay relatively reasonable for cash constrained start-ups.
What does this mean for you?

**IF YOU ARE JUST STARTING OUT:**

- Hire your first designer early. Ideally someone who can work cross-functionally across product and marketing. Companies that have gone on to grow all did.

- Your first hire though will be different than your 4th or 5th hire. If your first hire was a design ‘unicorn’, who can build a wireframe, create a prototype, conduct user research, and a branded email template, you will want to consider specializing (product designer vs. marketing designer).

- Integrate design into all aspects of operations from the very beginning. It’s about the end-to-end experience.

**IF YOU ARE A CEO/FOUNDER:**

- Be involved in design decisions and support design as a key pillar of the company.

- Hire in a ‘design leader’ who can help you scale your team.

- In order to hire in the best designers, you need to build a ‘design culture’. Which means:
  - Cross-functional oversight
  - Focus on customer across journey
  - Data and design decisions

**IF YOU ARE A DESIGN LEADER:**

- As you grow, keep an eye on evolving team structure. Companies move to a “squads or pods” structure as they get larger. Know when to make the shift.

- Make sure your team doesn’t become a service bureau, and continue to integrate across the org, building deep relationships with your counterparts.

- Create language and processes that are inclusive of more analytic collaborators.
What does being design-centric mean to you?

“Have everyone in the org - across all departments from design > eng > support, etc. – believe in the importance of design.”
A ‘Cheat Sheet’ on how to Commit to Design:

We looked at the “Design-Centric: Committed” cohort by stage of growth (i.e. funding raised) to extrapolate where your company might want to be with respect to design.

<table>
<thead>
<tr>
<th>First Design Hire</th>
<th>Early-Stage (&lt;$3mm)</th>
<th>Mid-Stage ($3-$20mm)</th>
<th>Late-Stage (&gt;=$20mm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Designer on Staff</td>
<td>1-5 Designers</td>
<td>6-10 Designers</td>
<td>11-20 Designers</td>
</tr>
<tr>
<td>Title of Most Senior Designer</td>
<td>C-Level or Head of Design</td>
<td>C-Level or Head of Design</td>
<td>Director or Head of Design</td>
</tr>
<tr>
<td>Design Team Structure</td>
<td>Design within Product</td>
<td>Design within Product/ Squads or Pods</td>
<td>Squads or Pods</td>
</tr>
<tr>
<td>Ratio of Designers to Engineers</td>
<td>1:4</td>
<td>1:3</td>
<td>1:4</td>
</tr>
<tr>
<td>External Design Spend</td>
<td>~25k</td>
<td>~50k</td>
<td>~100k</td>
</tr>
</tbody>
</table>
What else were people curious to learn about that we didn’t ask:

- What are commonly used design KPIs?
- How can communications process between designers and engineers be improved?
- What are ideal traits and skill sets for designers?
- How do you best resolve differences between designers and engineers?
- Ideal communications process for designers and engineers?
- Should designers code?
- Does company set aside time for design training?
- When is the right time to hire designers vs. hiring consultants for early stage company with limited resources?
Lastly, what might we want to be thinking about as a community? What else? Please let us know.

How do we better support non-design founders and CEO’s on what’s important regarding design? How can we more directly measure the quantitative impact of design? Is there a playbook for how to structure your design and product teams as they grow? Can we create a common set of definitions on what various terms mean in design (e.g. product design)?
Thank you.

Connect with us at:

Email: neadesign@nea.com
Dayna Grayson / Partner - @daynagrayson
Albert Lee / Design Partner - @tweetalbert
Charlotte Dillon / Associate