

EDITORIAL

Since the SEE project began three-and-a-half years ago, the policy landscape for both innovation and design at all levels across Europe has radically changed.

At European level, the Europe 2020 strategy Innovation Union states that Europe must 'develop its own distinctive approach to innovation pursuing a broad concept of innovation'. This wider concept embraces design as a driver of innovation in both the private sector (bringing innovative ideas to market) and the public sector (making services more effective). At the SEE project Policy, Innovation and Design Conference (March 2011), Peter Dröll stated that the European Commission's 'vision would be that in 2020, design is a fully acknowledged, well-known, well-recognised element of innovation policy across Europe'. He also provided an update on the much anticipated 2011 European Design Innovation Initiative (details in the special report, page 10).

At national level across Europe, the SEE project has enjoyed success in influencing policy agendas in the partner countries. For example, SEE has been active in feeding into discussions on the new Danish design policy, announcements about which will be made soon. In Estonia, the SEE project workshop held in December 2010 has accelerated discussions about a design support programme and provided representatives of the Ministry of Economic Affairs with insight from the SEE partners in delivering business support.

At regional level, SEE has been instrumental in creating the Flanders Design Platform, launched at the SEE conference, which unifies the political voice of Flemish design stakeholders. In Wales, as a direct result of Welsh Assembly Government policy-makers attending SEE events, design has been integrated into the strategy Economic Renewal. A summary of the impact of the SEE project in each of the partner countries is available on page 12.

Bulletin 6 draws together the themes and results of the SEE project. Dr Qian Sun discusses design supply and demand and the policy repercussions. Mark Vanderbeeken reviews the Policy, Innovation and Design Conference and the impact of the SEE project. The policy map presents interviews from Italy, Finland, Estonia and South Korea. The case studies feature Argentina's seminar programme 'Design and Business, Concepts that Merge' and Wales' Service Design Programme that addresses both supply and demand for service design.

We conclude with an announcement about the SEE project legacy.

Anna Whicher and Gavin Cawood

THE SEE PARTNERSHIP

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SEE is a network of eleven European design organisations working to integrate design into innovation policies at regional, national and European levels.

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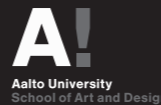
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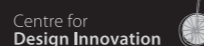
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Barcelona Design Centre
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How policies matter to design

Dr Qian Sun, School of Art and Design, University of Salford

COX'S REVIEW AND DESIGN POLICIES IN THE UK

Sir George Cox was commissioned by the Chancellor of the Exchequer at the time of the 2005 Budget to explore how best to enhance UK business productivity by drawing on its creative capabilities. His Review (2005) made a range of recommendations to central and regional government, businesses, broadcasters and educational institutions. These include raising awareness and the profile of creativity; targeted support and incentive schemes; building capacity in higher education; and utilising the power of public procurement to encourage innovation. This is a typical example of how by championing the role of design and creativity in the economy to the government, the design industry craves coherent and comprehensive policies to support and cultivate the development of design capacities and resources.

Cox's Review has no doubt inspired many academicians and practitioners within the design industry. Following this, a number of projects and schemes have been initiated in line with its recommendations, including for example the Arts and Humanities Research Council and Engineering and Physical Sciences Research Council's £6.5 million investment in creating the 'Designing for the 21st Century Initiative' as a vehicle for supporting design research over a five-year period from 2005–09; the Design Council's Blueprint and Higher Skills/Higher Value review focusing on skill development; UK Trade and Investment's (UKTI) Strategy for Design Consultants on global promotion; 'Science and Innovation Investment Framework 2004–2014'; and 'Public Services by Design', funded by the Department for Business, Innovation and Skills.

Given that Cox's Review pointed out that the UK design industry had a 15-year window of opportunity (of which five years has elapsed), what has the design industry achieved with the support of these initiatives and schemes? Expectations were that through the government's support services and incentives, business awareness of creativity would be raised and demand for design would be increased, leading to a subsequent growth of the design industry in terms of its capacity, impact and profitability.

However, a series of annual surveys by the UK Design Council over the past five years does not show that the design industry has taken off as hoped; nor is there clear evidence to reflect the effectiveness of any policies that have led to significant changes in the design industry. More conspicuously, the idea that creativity and design hold the key to the success of many businesses is still believed passionately within the design industry; however, this view is not equally shared by businesses, the government or other wider audiences. The anxiety and passion seem

to have been well contained within the design sector. It is not clear how much the government has taken from the Review to forge concrete policies in supporting the design industry, or how effective these policies have been and to what extent they have had an impact.

I have come to wonder whether the design sector has asked for the right things. If yes, why did the government not respond as hoped? If not, what policies does the design industry really need? Perhaps the government is not in a position to respond to the requirements of a particular sector such as the design industry or to enforce policies to favour it over others. Answers to these questions seem to lie with a better understanding of the government's perspective and how policy instruments are employed to influence the economy. This has led me to initiate an enquiry into the principles of governmental policies in an attempt to gain a better understanding of its relevance to the design industry.

THE DESIGN POLICY MODEL

In classic economics, 'supply and demand' is perhaps one of the most fundamental concepts and forms the backbone of a market economy. It is broadly acknowledged as an economic model of price determination in a market, concluding that in a competitive market, the unit price for a particular good will vary until it settles at a point where the quantity demanded by consumers (at current price) will equal the quantity supplied by producers (at current price), resulting in an economic equilibrium of price and quantity. The earliest advocates include James Denham-Steuart, who first used the phrase 'supply and demand' in his *Inquiry into the Principles of Political Economy*; and Adam Smith in his 1776 book *The Wealth of Nations*. This model has served as a foundation for explaining a wide range of issues that have been in evolution over the past two centuries and has also led to the development of a range of schools of economic thought. For example, neoclassical economics (e.g. Karl Marx) systematised supply and demand as joint determinants of the market, affecting both the allocation of output and the distribution of income.

In principle, the supply and demand model suggests that the nature of the economic power of any market lies in the balance within the supply and demand system. Therefore, a government is able to deploy relevant policies to influence the balance between supply and demand in order to realise its control over the economy. This assumption is at the very centre of political economics or macroeconomics in analysing a government's intervention in the economy. Fiscal policy is a typical example, in which the government influences the economy by altering the balance between supply and demand through its expenditure and revenue collection.

When applying this to the design sector, supply can be considered as all forms of design capacity, from freelance designers to design consultancies and in-house teams; and demand as all organisations that use design, in both private and public sectors. The balance between the supply and demand for design determines the dynamic of the design sector. For example, if there is a surplus in design supply, the price of design services will drop; while if the surplus is at the demand side, design services will have higher bargaining power over clients. In theory, a government can deploy various policies to influence this balance, either directly or through the intervention of other key stakeholders, such as trade associations and academic institutions. It can be assumed that the joint intervention of key stakeholders will have an impact on this balance, resulting in variations in what constitutes policy. This is illustrated in Figure 1, which was first published in *DMI Review* (Sun, 2010).

In the figure, each of the arrows linking any two stakeholders represents a potential area for deploying design policy. Based on this proposition, two types of intervention can be identified:

Tier 1 Policy (intervening in the economic structure and directly controlling the balance between design demand and supply). The most direct and effective policies should be those controlling the balance between design supply and demand through, for example, investment, subsidisation and tax incentives (Policies A and B).

Tier 2 Policy (developing design infrastructure and indirectly controlling the balance between design demand and supply). At the same time, government can act through trade associations and academic institutions to develop respective sub-policies (Policies C–F) to achieve its goals. This type of policy is fundamental in the development of design infrastructure. As such:

- Trade associations can provide leadership for the industry, develop accreditation systems and regulate the design sector (Policy C); at the same time, they can promote design on the demand side (Policy D).
- In academic institutions, design policy can be deployed to support the development of design knowledge and skills (Policy E); it can be also be used to support knowledge transfer projects (Policy F).

These two tiers of policies are not equally effective. Given the importance of the leverage between demand and supply, policies acting directly on the balance (Tier 1 Policy: Policies A–B) should be more effective than those acting indirectly (Tier 2 Policy: Policies C–E).

As the supply and demand principle lies at the centre of government intervention in the economy, this model portrays the relationship between the design industry, economy and government. By doing so, it identifies the policy areas that a government can develop for the design industry, and can be used as a tool to evaluate the effectiveness of policies relevant to design. My intention in applying supply and demand analysis is to gain an abstract understanding of a complex world; however, it does not – nor should it be expected to – give an accurate and complete description of any particular real-world market, as suggested by Goodwin et al. (2009).

THE PRINCIPLES OF DESIGN POLICY FOR THE UK SCENARIO

The design industry in the UK is a typical example of a saturated market where the supply of design services is significantly surplus to demand, as identified in the ‘Design 2020’ project (Cooper et al., 2009). This has led to a high level of competition and low fees. A vast majority of design consultancies are left with no space to grow; and clients normally have excessive bargaining power

over designers. The UK’s design industry can therefore be characterised as having a vast majority of small consultancies (with fewer than five employees), a majority of whom work as freelancers; the lifespan of design businesses is short; the profile of design services spans a wide range of disciplines and the entry barriers are incredibly low; while client perceptions of design value are not guaranteed.

A supply and demand analysis suggests that design policies ought to focus on rebalancing the supply and demand of the industry, which ultimately leads to healthy growth and profit. Therefore, in theory, sensible policies should aim either:

- to stimulate the demand for design; or
- to restrict the supply of design.

Given that the design industry in the UK is a buyer’s market, design supply is driven by design demand; it can be further deduced that more effective design policies act on the design demand side. Therefore, for example, investing in the economy to enhance the use of design (Policy B) is likely to be more effective than subsidising the design sector (Policy A).

EVALUATION OF COX’S REVIEW

Using these as benchmarks, it is possible to evaluate the impact of design policies on the design sector. Given its wide influence in the sector, Cox’s Review is taken as an example to demonstrate the value of this model as an evaluation tool. This section unpacks Cox’s Review and evaluates the impact of each recommendation on the design industry. This is shown in Figure 2.

First, Cox’s Review has suggested: (I) utilising the power of public procurement to encourage the government’s spending on design; and (II) developing target support and incentive schemes (e.g. strategic design work should

be eligible for R&D tax credits). These can be considered as a typical example of fiscal policy where a government influences a particular sector using expenditure and taxation. For example, the Design Council’s ‘Bugs Out’ project was funded to test new procurement methods by collaborating with the NHS. However, it is not clear yet whether this had led to a significant increase of demand from the public sector before the Coalition Government took power in early 2010. Putting aside the fact that it is not clear how much the then government had taken on from these suggestions, let us focus on the potential impact of these recommendations on the industry. It is very unlikely that these policies would stimulate sustainable demand from the private sector; instead, these policies focus on subsidising design supply by creating an artificial demand for design services and a distorted profit. They influence the design supply directly and therefore can be classified as Policy A.

The danger of this type of policy would be that it cultivates a dependency of the design sector on the government’s procurement policies and the design sector then becomes vulnerable to any political changes. This is evidenced by the change in the UK’s political agenda when the Coalition Government took power in early 2010. The new government’s shift in economic agenda means that public-sector funding is likely to be reduced in the coming year, which will lead to a further ‘shrinking’ of those sectors that have been heavily dependent on government subsidises. For example, some observers have started to exhibit concern about the future of regional design networks in the UK given the disappearing of funding.

At the same time, this type of policy could potentially mislead the design sector when design capacity is developing to meet the needs of new demand from the public and third sectors. This is particularly in line with the debate in relation to the identity of design as a profession. The dramatic growth

Figure 1 The Design Policy Model.
Source: (Sun 2010)

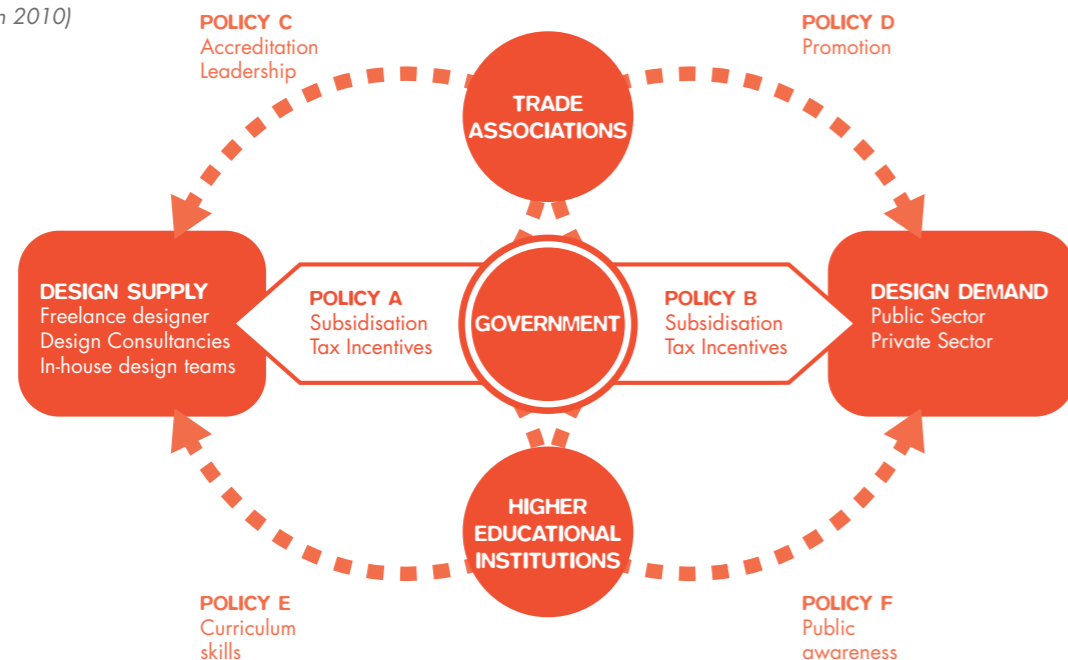


Figure 2 Cox’s Review

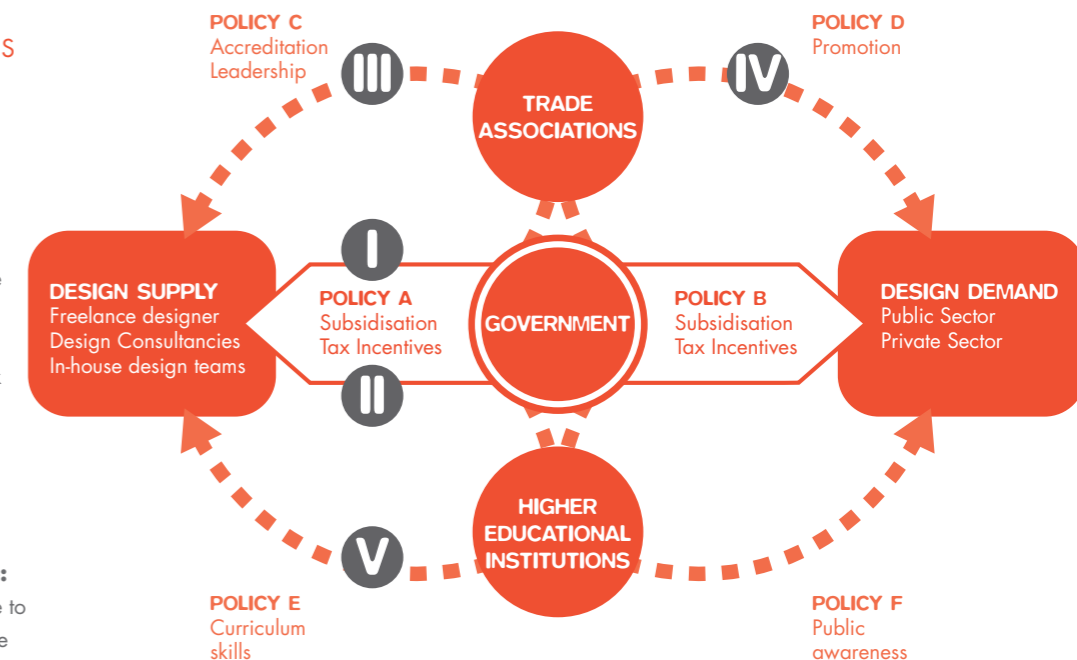
COX’S RECOMMENDATIONS

Policies on the supply side:

- I Utilising the power of public procurement to encourage innovation /Procurement Policy (Policy A)
- II Targeted support and incentive schemes (Policy A)
- III Developing a national network of design centres (Policy C)
- IV Building capacity in higher education/skills (Policy E)

Policies on the demand side:

- V A national support programme to help SMEs use design and to raise awareness of creativity (Policy D)



of the public sector and the decline of manufacturing in the UK over the past decades had led many to believe that the opportunities for design lie in previously untapped areas such as strategy, healthcare and sustainability. This requires a shift of the basis of knowledge away from its core, participation in new knowledge networks and engagement with new kinds of clients. The design sector seems to have become divided. Many scholars, therefore, held a sceptical view; for example, Woudhuysen has questioned how far design can go.

Cox's Review has also suggested: (III) developing a national network of design centres (Policy C); and (IV) building capacity in higher education (Policy E). Similar to the tax credit and procurement policies, these do not lead to a restriction of design supply as presumed in the theory; instead, they encourage the growth of supply and result in a further imbalance. Competitive advantage theory (Tirole, 1988) suggests that the existence of economic profits depends on the prevalence of barriers to entry. According to this theory, what higher education institutions (HEIs) and trade associations should be doing is to establish a form of barrier to entry. This is aligned with the heated debate in the design sector, over such issues as whether the sector needs an accreditation system, how far the standard of design qualifications should be raised and what legislation should be in place to protect IP. However, there is no clear consensus across the board and policy of this kind is scarce.

Although the most appropriate means to achieve this is under debate, it is undeniable that the design sector is struggling to absorb the large number of new design graduates entering the industry every year. As recorded in research, for instance Sun (2011), a majority of design graduates often find it difficult to start their careers and take longer to establish themselves than other students. They normally have complex career paths, managing several jobs in different fields, often simultaneously, with a trend for graduates to move towards self-employment as their careers progress. They show high transfer rates to other disciplines (especially retail, marketing and advertising) and are more likely to work in a wide range of jobs. This explains why employability remains high on the agenda for HEIs in the UK.

Finally, Cox's Review has suggested: (V) a national support programme to help SMEs use design and to raise awareness of creativity in the public sector (Policy D). By showcasing the Design Council's work with businesses, this policy aims to promote the value of design. One example is 'Public Services by Design', funded by the Department for Business, Innovation and Skills. It is a mentoring and coaching programme for public-sector professionals, helping them to innovate and deliver customer-focused services by using design techniques and by working with designers. Another example is the UKTI's Strategy for Design Consultants on global promotion. This type of policy promotes design and raises awareness, and ultimately stimulates the demand for design services. However, given that it belongs to Tier 2 policy, which can only indirectly influence demand, its effectiveness

is relatively low and the scale of its impact limited.

Based on this pilot mapping analysis, it seems that a majority of policies proposed focus heavily on advocacy and funding of design supply, but seem not to be actively engaging the private client sector. To a large extent, this could have contributed to a further imbalance between supply and demand in the design industry.

THE NEXT GENERATION OF POLICIES

Given that the evaluation of Cox's Review suggests that the proposed policies have to a large extent failed to address the key problem inherited in the imbalance of demand and supply in the design industry, what policies should be requested?

As suggested by the theory discussed earlier, the most effective and positive policies for the UK should be those that stimulate demand for design services. This would be achieved by either developing an economic structure that relies more on existing design capacities or exploring other markets with stronger demand. Many believe that Sir James Dyson's 'Ingenious Britain' report for the Conservative Party 'has thrown the spotlight firmly on the role of design in future government policy thinking'. In this report, Dyson suggests that there is an opportunity for the UK to set a new vision for the economy, with the government taking action by putting science and engineering at the centre of thinking. If his view is supported by the new government, it is likely that the demand for traditional design services will grow.

In line with this, one report proposes that support should focus on 'small-scale, often private-sector, programs that encourage high-growth, innovative businesses', rather than on programmes such as Business Link, which offer only general support. Another report suggests a focus on improving the availability of finance for rapidly growing firms to continue to make investments in innovation. These suggestions are in principle aligned with 'The Plan for Growth' published alongside 'Budget 2011', which sets out a package of measures to support private-sector investment, enterprise and innovation. As the plan focuses on encouraging investment and exports as a route to a more balanced economy, it can be expected that the change in the economic structure would lead to an increase in demand for design from the client sector. At the same time, and as a result of the funding cuts, it is likely that a Creative Industries Council will be created by combining a number of organisations, including the Design Council. This, to some extent, signifies an intention to downsize the supply of design and its representative bodies.

Benchmarked with the principles of UK design policy proposed earlier, the new set of policies appears to be on the way to stimulating the demand for design services from the private client sector, at the same time showing an intention to tighten up design supply. In theory, these changes would benefit the design sector in the long term by cultivating demand stemming from economic growth.

However, given that design policies are understood by many as 'government strategies that aim to develop national design resources and to encourage their effective use in the country' (Raulik-Murphy et al., 2010), 'Plan for Growth' should not be considered as design policy, because supporting and subsidising the design sector are not its intention. However, the plan potentially encourages a rebalancing of demand and supply in the design industry and reduces its reliance on government procurement policies. This set of new policies can therefore be considered as Tier 1 policies that effectively influence the balance of the industry.

WHAT IS DESIGN POLICY AND DOES IT MATTER?

This leads to the question of how we define design policy. Should those economic policies shaping the development of the design sector be classified as design policy? And should those policies discouraging the growth of the design supply capacity be considered as design policy? According to the existing understanding, the answer would be 'No'. However, from a government perspective, it is very unlikely that any government would support a particular sector unless the economic value were apparent or any potential damage were minimal, as pointed out by Kester (2011).

More importantly, the design sector is in a passive position within an economic system. The economic structure determines the nature of design demand, further dictating the design services required. This passive role determines that design policies aimed at supporting the development of design resources and encouraging their use alone would not lead to greater buy-in from the government. More importantly, in the long term this intention might damage the natural balance between supply and demand in the sector. Opposite to the fiscal political approach, this view is very much aligned with monetary policy, which advocates minimal governmental intervention in any market, and emphasises the advantages of free market economics and the disadvantages of governmental intervention and regulation.


Differing from the UK, other economies, such as China, have adopted a more relaxed approach to the design industry. China has an investment-driven and manufacturing-based economy that has created significant demand for design services. Its economic structure has also shaped the pattern of development for its design industry. The Chinese government appears to be following a non-interventionist policy, providing no champion role and allowing market forces to dictate the form and structure of design services. The focus of design policy, aligned with economic policies, is on the co-location of services and the cultivation of more entrepreneurial relationships, including peer production. As a result, the risks inherent in new product development are shared. This encourages a form of 'natural selection' in which the fittest survive (Williams and Sun, 2009).

Clearly, the UK and China show significant differences in industry dynamics, leading to a disparity in the policy provisions for the design sector in each country. However,

these differences are to a large extent rooted in economics. The economic structure has determined the nature of design demand, further dictating the design services required.

CONCLUSION

The design policy model proposed has expanded the definition of design policy from one of supporting and subsidising the design sector, to one aimed at restoring a balance between design supply and demand, potentially leading to a sustainable competitive advantage for the design sector. Using the model as a tool, design representatives could draw policy principles by looking into supply and demand within the design industry and further identify a set of design policies relevant to each key stakeholder.

This model is still at an early stage of development. In order to explore its implications in other economies further, I am working with a number of institutions and local governments in China (including Shenzhen, Shanghai and Beijing). The intention is to conduct a comparative study mapping innovation and economic policies and their relevance to the design industry based on this model. 

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