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Driving recovery with design
Design Council briefing
July 2009

The UK is still fighting its deepest recession in decades. There are tentative signs of recovery, but businesses must seize the opportunity to innovate. Design is proven to foster business innovation by managing new ideas and introducing new products and services. Government must continue supporting design-led innovation across the economy – especially in the high-growth areas driving our recovery.

The recession has also presented huge challenges to the public sector. Greater demands on public services combined with severe spending constraints are straining traditional delivery models – making innovation essential. The Design Council has begun working with government departments to develop design-led approaches to service innovation.

Recessions demand innovation

Government has recognised the need for innovation

The UK is showing signs of economic recovery, with signs of growth in recent months.¹ This follows growing recognition that the UK must invest and innovate to stay competitive.² The 2009 Budget signalled the government's intention to invest in emerging areas of strength and innovation – including advanced manufacturing, communications and low-carbon industries.³ This has been acknowledged as the way to create a more dynamic economy that can respond to overseas competition in the coming decades.⁴

Design supports UK innovation...

Design is widely seen as a driver of innovation and growth throughout the UK economy.⁵ This will be vital during the recession: new processes, products and services will be a critical part of the UK's recovery. Design can play a key role in these activities, catalysing and supporting innovation by providing a formal approach to creativity. Research has shown that companies that spend double the average amount on creative inputs, including design, are 25 per cent more likely to introduce product innovations.⁶

...and the knowledge economy

Creative sectors such as design are key building blocks of the knowledge economy.⁷ Despite contracting over recent months, knowledge-based industries such as advanced manufacturing are predicted to have an important role in the UK's post-recession economy.⁸ Design supports these industries – for example, by helping to commercialise new technologies. The Design Council recently helped Oxford University's Isis Enterprise unit to commercialise several innovations, including a smart utility meter which led to £850,000 of seed funding, with £2m of first round investment to follow.⁹

The increasing importance of design

UK firms are attaching increasing importance to design. Over the last three years the proportion of firms who regard design as integral to their operation has doubled to 30 per cent; 15 per cent more firms have been making use of design disciplines; and 8 per cent more companies which create new products and services now report that design plays a leading role in the process.¹⁰

The importance of design has grown in tandem with the knowledge economy. Investment in intangibles – including design, development, brand equity and R&D – by firms in the knowledge economy has tripled since 1970.¹¹ The UK manufacturing industry now devotes 24 per cent of total intangibles investment to design, compared with the 14 per cent across all industries.¹² Design Council research has found that 46 per cent of UK manufacturing firms now say design is integral to their business.¹³

Design can help firms stay competitive

Recessions tempt firms to cut vital spending

Past recessions have shown that many businesses try to stem their losses by cutting marketing budgets, delaying new product development and reducing R&D. In the 1990s recession, R&D spending dropped across the industrialised world.¹⁴ However, research shows that companies that don't invest in growth, research and development during a recession are 2.5 times more likely to fail than those that do – the latter often emerging stronger and more competitive than before the recession.¹⁵

‘Design is a driver of innovation and growth throughout the economy’

But investing in design helps companies compete

In recent years design has been increasingly linked with competitiveness – both at country and company level.¹⁶ Design Council research found that 54 per cent of UK firms are planning to use design to stay competitive during the recession.¹⁷ Design will help companies compete during the recession and beyond by:

¹ National Institute of Economic and Social Research (NIESR), June 2009

² Lord Drayson, 'Innovation in recession and recovery.' Speech given at the Scientific-Economic Research Union conference, Berlin, 6 May 2009; Leadbetter, C., Meadway, J. et al (2008) 'Attacking the Recession: How innovation can fight the downturn.' London: NESTA; David Walker, 'Recovery through innovation.' The Guardian, 18 March 2009

³ HM Treasury (2009) 'Budget 2009: Building Britain's future.' London: HM Treasury

⁴ NESTA (2009) 'Attacking the Recession: setting the agenda for a new economy.' London: NESTA

⁵ Sunley, P. et al (2008) 'Innovation in the Creative Production System: the case for design.' Journal of Economic Geography 8. Oxford: Oxford University Press; NESTA (2008) 'Hidden Innovation in the Creative Industries.' London: NESTA; The Work Foundation (2007) 'Staying Ahead: The Economic Performance of the UK's Creative Industries.' London: Department for Culture, Media and Sport; DTI (2006) 'DTI Occasional Paper No.6: Innovation in the UK: indicators and insights.' London: DTI

⁶ Bakhshi, H., McVittie, E. and Simmie, J. (2008) 'Creating Innovation: Do the creative industries support innovation in the wider economy?' London: NESTA

⁷ Will Hutton, 'Good Not Big.' in Bewick, T. et al (Eds) After the Crunch. www.creative-choices.co.uk

⁸ Brinkley, I. (2009) 'Recession and the Knowledge Economy.' London: The Work Foundation; Brinkley, I. (2009) 'Manufacturing and the Knowledge Economy.' London: The Work Foundation

⁹ Full case studies: www.designcouncil.org.uk/designfortransfer

¹⁰ Design Council (2008) 'National Survey of Firms.' London: Design Council

¹¹ CBI (2007) 'Understanding Modern Manufacturing'

¹² Ibid

¹³ Design Council (2008) 'National Survey of Firms.' London: Design Council

¹⁴ OECD figures, cited in Lord Sainsbury (2007) 'The Race to the Top: a review of government's science and innovation policies.' London: HM Treasury. Chart 2.1

– **Responding to changing customer needs**

Applying good design will help companies develop new products and services that respond to changes in consumer behaviour. For example, entertainment retailer HMV is rolling out a new store design which responds to the new ways that people consume music; profits at a pilot store in Dudley have already increased by 25 per cent.¹⁸

– **Commercialising new technologies**

Design can accelerate the route to market for new technologies. Designers help resolve questions of usability, and attract funding by explaining complex technology to investors.¹⁹ Following a successful pilot project with the University of Oxford's technology transfer office (TTO), the Design Council's Innovate for Universities initiative is now bringing designers into universities to help scientists and technologists accelerate the development of new applications for their research.

– **Solving strategic problems**

The recession will require firms to crack difficult strategic problems. Businesses are increasingly using multidisciplinary teams to reinvigorate their strategies – design thinking can play a leading role in this process.²⁰ Designers use methodologies that all parties can embrace, and the free-flow of ideas in design environments has been recognised as highly conducive to innovation.²¹

– **Increasing exports**

Firms will need to identify new markets during the recession, including overseas. Design helps UK companies compete internationally: 51 per cent of Queen's Award for Export winners directly attributed overseas sales success to their investment in design; over 90 per cent said design was valued by their international customers; and 86 per cent reported that design helps them to compete internationally.²²

Designing Demand – helping SMEs innovate

Recent evidence from the Design Council's business support programme, Designing Demand, shows that design-led business solutions are helping SMEs innovate during the recession. In Yorkshire, 60 per cent of businesses on the programme said that increasing their focus on design was helping them to cope with the recession. Among the most common reported benefits were increased sales (50 per cent), improved customer service (40 per cent) and increased profits (36 per cent).²³ Designing Demand is part of a package of government business support programmes designed to help companies through the recession.

Transforming public services

Innovation remains imperative

With the recession straining public finances, service providers must now provide high quality services within budgetary constraints. Government has recognised that innovation helps public bodies to meet government objectives, prepare for future challenges, and improve efficiency.²⁴ Government departments must innovate to deliver high quality, personalised services while improving efficiency and value for money.

Design accelerates public sector innovations...

Design has been shown to enable public sector innovations.²⁵ The design process generates fresh ideas by engaging frontline staff and service users in the development of solutions for service delivery. Design research methods reveal inefficiencies and barriers to service use, leading to better ways of using resources.²⁶ For example, when staff at Luton & Dunstable NHS Trust engaged staff and patients in redesigning their services, the result was over 40 improvements to the efficiency, safety and overall patient experience of the service.²⁷



of firms report that design helps them compete internationally

...and can help transform public procurement

During the recession and beyond, public sector bodies will have to deliver quality services within unprecedented budgetary constraints. Design methods are helping to make public procurement more innovative and efficient.²⁸ This has been demonstrated by a recent partnership between the Design Council and the NHS which challenged designers to help reduce hospital acquired infections (HAIs). The NHS was presented with prototype designs to help fight HAIs, while the designers have maintained intellectual property rights, helping to stimulate newmarkets at the same time.

¹⁵ NCollier, W., Green, F. and Kim, Y. (2007) 'Training and Establishment Survival.' Yorkshire: Sector Skills Development Agency

¹⁶ DTI (2005) 'Creativity, design and company performance: DTI Economics Paper 15.' London: DTI; HM Treasury (2005) 'The Cox Review of Creativity in Business: building on the UK's strengths.' London: HM Treasury

¹⁷ Design Council (2008) 'National Survey of Firms.' London: Design Council

¹⁸ Full case study and others available at: <http://www.designcouncil.org.uk/en/Case-Studies/All-Case-Studies/Design-in-a-downturn/>

¹⁹ Case study available at: <http://www.designcouncil.org.uk/en/Case-Studies/AgovernmentorganisationspublicsectoragenciesandpublicserviceNGOs>. London: NESTA

²⁰ The new interdisciplinary design schools at Cranfield University, and Imperial College London and the Royal College wArt have recognised this role of design. Stanford University has also recently launched the d.school, a new faculty for design-led multidisciplinary innovation. See: <http://www.stanford.edu/group/dschool/index.html>

²¹ Acha, V. (2008) 'Open By Design: the role of design in open innovation.' London: DIUS

²² Whyte, J., Salter, A., Gann, A. and Davies, A. (2002) 'Investing in Design to Improve Export Potential.' Sussex: University of Sussex.

²³ Figures from Design Council evaluation of the Design Works programme in Yorkshire, reported by Ekogen in April 2009.

²⁴ National Audit Office (2009) 'Innovation Across Central Government.' London: National Audit Office

²⁵ For a discussion of recent evidence and thinking, see Design Council Briefing 2: The Role of Design in Public Services (www.designcouncil.org.uk/briefing02)

²⁶ Heapy, J. and Parker, S. 'Journey to the Interface: How public service design can connect users to reform.' London: DEMOS

²⁷ See: http://www.ldh.nhs.uk/Service_Development_03.htm

²⁸ For further discussion, see: Driving innovation through public procurement (Design Council discussion paper, February 2009)

Public Services by Design

The government has recently the role of innovation and service redesign in improving the quality and efficiency of public services.²⁹ The Design Council's Public Services by Design programme aims to give design a central role in improving outcomes and enabling greater efficiencies in UK public services. It teaches public sector managers and frontline staff to use design techniques to improve public services. The Design Council is embarking on 14 pilot projects this year and the programme will roll out nationally in 2010.

Lessons from the past

The UK has historically used its design strengths during periods of economic uncertainty. The Royal College of Art was founded after overseas silk competition prompted a government drive towards design excellence in the 1830s. This was followed by nationwide expansion of public art and design education during the 19th century.

By the 1940s, the creation of a government-backed body for design was seen as central in driving post-war economic recovery. In 1944, the Council of Industrial Design (CoID) was launched. Its brief was to use all practicable means to improve design in British industry; design was seen as a tool to help get Britain back on its feet. The 1946 exhibition 'Britain Can Make It' was created to show 'the improvement of design in the products of British industry'.

Recommendations

In recognition of design's role in economic growth, there is growing international interest in government policies to promote design. The European Commission has launched a public consultation on how the EU can further support design-led innovation; it aims to make design an integral part of European innovation policy.³⁰ In the United States, the U.S. National Design Policy Initiative has been launched to champion the role of design in providing solutions to U.S. and global economic, social and environmental challenges. Their proposals include the establishment of an American Design Council to partner with the U.S. government.³¹

To ensure that UK business and public services can boost performance and support economic recovery, we recommend the following:

- To help more companies use design-led innovation to enhance performance and competitiveness, there should be increased promotion of programmes like Designing Demand through the regional development agencies (RDAs) and devolved nations.
- To ensure the UK commercially benefits from its research strengths during the recession and beyond, the government should help to embed designers in the early stages of high-tech and science projects through programmes such as Designing Demand Innovate.
- Building public sector capability for design-led innovation will help public services meet efficiency targets and respond to increasing and complex demands. This can be achieved through the greater use of strategic design in public services. The Office of Government Commerce (OGC) should work with the Design Council to draw out and implement best practice from recent design projects in the public sector such as the Design Bugs Out competition, and the Make It Work project helping Sunderland city council support long-term unemployed people back to work.
- To help ensure the UK's major design strengths are deployed across the spectrum of national challenges, the government should work with the Design Council to identify areas where designers could help deliver major cross-cutting policies.

²⁹ HM Treasury (2009) 'Operational Efficiency Programme Review.' London: HM Treasury

³⁰ Commission of the European Communities (2009) 'Design as a driver of user-centred innovation.' Brussels: European Commission

³¹ The American Design Communities (2009) 'Redesigning America's Future: 10 design policy proposals for the United States of America's economic competitiveness and democratic governance.' Washington: U.S. National Design Policy Initiative