

Raising awareness and changing behaviour

Main recommendation:

- A nationwide programme should be introduced and supported to engage SMEs and demonstrate the practical benefits of applying creativity.

Further recommendations:

- Steps should be taken to get greater understanding of creativity and innovation into the boardroom by recruiting people with creative experience onto company boards
- ‘Managing creativity’ should be a topic in the Institute of Directors (IoD) Chartered Director syllabus
- Broadcasters should take the same approach to encouraging creativity that they have recently shown towards enterprise.

Lack of awareness of the role that greater creativity might play in the business was identified as one of the key barriers to SMEs making greater use of creative skills. Research for the review by Durham University Business School showed that creativity and design are mostly seen as optional extras – ‘add ons’ to products or services being developed or marketed for other reasons. It is also important to recognise that creativity is not the sole province of the specialist. Creative businesses are creative throughout. Executives who think imaginatively are those who also understand when to call upon the specialists and how to work with them. Creativity needs to be skilfully managed, not simply embraced. What is required isn’t just a readiness to consider new ideas but the ability to recognise and assess their potential, to decide which to back and to put them into effect.

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A key task is therefore to tackle the issue of awareness and understanding in today’s businesses, particularly targeting those companies with immediate potential. Of all the actions that might be taken, this would be likely to provide the quickest result.

Experience shows that smaller companies do not respond well to generalised ‘awareness’ programmes; rhetoric washes off them. Nor do they necessarily take advantage of government support initiatives, no matter how well intentioned. The recent pruning of DTI schemes acknowledged that fact. SMEs need to be reached on a local basis, with active support and a practical demonstration of the benefits on offer. This has been shown with, arguably, the most successful of the DTI’s support schemes, the Manufacturing Advisory Service.

There are also two recommendations aimed directly at medium-sized businesses – getting greater diversity of skills and backgrounds into the boardroom, and a requirement for ‘managing creativity’ to be included in the Chartered Director syllabus. And there is a further recommendation aimed at broadcasters.



Make the Design for Business programme available nationwide

The challenge is to reach as many SMEs as possible, demonstrating the practical benefits of taking greater advantage of creative skills. There is, fortunately, a tool already available. Over the past four years, the Design Council, working closely with businesses and Regional Development Agencies (RDAs), has developed a programme specifically aimed at helping smaller companies identify where such skills could help significantly to improve their performance and then take action based on this awareness.

It is called the Design for Business programme. Significantly, it is aimed not only at the SMEs themselves, but also at those who guide them and provide the necessary specialist support. There are undoubtedly other ideas around aimed at the same general objective, but none so comprehensive or so fully developed in terms of tools and processes, and therefore suited to wide-scale application.

Piloted with over 150 companies, the results have been impressive. Of the 118 that have been through the initial workshop stage, 97 per cent rated the experience highly and found it of value. Of more importance, the majority of the 61 companies that have so far gone through the full two-year programme have already reported significant improvements in performance, with several showing the high degree of transformation that can be achieved.

The Engineering Employers Federation (EEF) describes the programme as a unique business improvement tool. “It illustrates how, by moving design up the boardroom agenda, companies can achieve cultural and strategic change, thus delivering a substantially better competitive position”.

Aga Rayburn developed several new ranges of product, and its sales of kitchen utensils rose from £1.5 million to £5 million per annum. This reinforces the point that it is companies with unrecognised potential that should be targeted, not just those with problems. As Geoff Harrop, Aga Rayburn’s Managing Director said, “When you’re successful, it is easy to become complacent and this has helped us to renew our focus”.

At Minky, sales of cleaning products rose from £500,000 to over £1.8 million over 12 months. Dan Trowsdale, the company’s Design Manager, described the outcome as, “A wave of new ideas and ways of working, with world-class products on the way”.

Participants were all in different industries and at different stages in their development, and the benefits accrued in different ways. This reflects the fact that the programme is concerned with ‘design’ in its widest sense, from strategy to product design, packaging, production processes, market positioning and communication, among others. One of the most pleasing aspects was that several companies reported that they found it easier to raise capital – the result of presenting a much clearer and more coherent picture of where they were going. All the participating companies anticipated further improvements as the impact of the programme – aimed at permanent change, not just one-off gains – builds up.

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The Design for Business programme offers three levels of participation, of increasing intensity and impact, with different points of entry and exit, governed by the commitment and capacity of the companies concerned:

Level 1 – Introductory: A set of inspirational and educational workshops and tools for SMEs, business advisors and designers.

Level 2 – Business Accelerator: Tailored intervention in key areas such as product development or brand, with expert mentoring support to implement change.

Level 3 – Design Immersion and Design Innovation Service: The opportunity for selected companies to develop and implement a programme of design-led transformation.

These levels are supported by:

- A design-matching service to match clients and designers, and to support their relationship so that it is as effective as possible
- Professional development for business advisors and designers to build regional skills and capacity
- Accreditation and training for design mentors and others who deliver the programme.

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Different aspects of the programme have been piloted by the Development Agencies for the West Midlands, the East of England, the South West and London, and two – Yorkshire Forward and One North East – are currently working on plans to adopt the full range of activities. Despite this level of interest, with several RDAs considering or planning to adopt the programme, I do not believe that current plans meet the scale of need identified within this review.

I would like the DTI, a key government department for business, to lead in this area, with the full involvement of the RDAs and devolved administrations, to ensure the development of a coherent approach.

I recommend that the programme be supported and made widely available right across the UK, working through and with the RDAs (the first of which are already committed to the programme) and the national development bodies for Scotland, Wales and Northern Ireland. It might also be appropriate to engage other bodies in this programme such as the EEF (which has already been involved in the piloting stage), as has worked so successfully with the DTI’s Manufacturing Advisory Service (which, itself, might play a role).

However, it needs to be a coherent programme, not a series of loosely connected initiatives based on a common concept. There needs to be overall support and guidance, with control of accreditation and monitoring of quality. Companies need exposure not to ‘design’ but to *good* design. Moreover, the programme needs to be continuously developed as experience is fed back from an ever-widening variety of companies and situations.

The Design for Business Programme has produced impressive results...

Average impact of Design Immersion on manufacturing companies

- Turnover 14% above earlier predicted levels
- Profit 9% above earlier predicted levels
- Employment 13% above earlier predicted levels

Impact of Design Innovation Service on technology companies

- 80% changed strategic direction – accelerating them towards a customer rather than technology focus
- 80% reported a changed mindset, culture and vision
- 75% invested significantly in design and are confident of a return on investment
- 65% changed branding and communication
- 50% increased their ability to raise investment finance
- 50% significantly changed the balance and composition of the company's skills
- 50% saw better management or reduction in commercial risks
- 35% changed product or service

Design for Business Programme

Level 1

Introduction, Awareness and Understanding
Explaining how design can add value to your business

Level 2

Business Accelerator
Identifying and carrying through live design projects with significant benefits to the business

Level 3

Design Immersion
For manufacturing companies with significant potential for growth. Specialist support to use design to influence and deliver the business strategy

Design Innovation Service
Helps to close the innovation gap by bringing strategic design expertise and methods to:

- high growth technology start-ups
- knowledge transfer projects
- investors
- scientists, engineers and technologists

Case Studies

Harrison Fisher & Co Ltd

When Sheffield knife manufacturer Harrison Fisher took part in the Design Immersion Programme, they were able to hit back hard at price-led competition from the Far East and design-led rivals from Germany.

The business spent £80,000 developing new products and reworking packaging; they are now expecting a sales increase of £800,000 for 2005 – 06.

“Thanks to the Programme we have developed new products which have enabled us to reach new markets. If we had not begun introducing design into our strategic processes we would have been in a really difficult position now.”

Alistair Fisher, Managing Director

Challs International Ltd

On course for a 54% rise in turnover in the current calendar year.

“Using design has helped us develop a more focused strategy, identify a new market opportunity and relaunch our leading brand.”

“Challs International are experiencing sales growth and gross profit increases of around 50% this year and these growths are directly attributable to the powerful impact of design.”

Graham Burchell, Managing Director

Ceres Power Ltd

Investing in design has helped Ceres Power to secure vital funding for a successful AIM flotation.

“We're a small start-up dealing with big corporations and need to be able to punch above our weight. That means establishing a strong brand to keep us ahead of the competition. Design is central to this.”

Peter Bance, Chief Executive

“The ability to think creatively and manage innovation has always been a key requirement for directors; it is now more important than ever.”

Miles Templeman, Director General,
Institute of Directors

At present, there is a wide variety of schemes available to support SMEs. During the review, the nine RDAs identified over 70 different initiatives, which, one way or another, have the aim of linking creativity, design and business. Some of these are specialised, relating to particular local conditions and focus on specific sectors; these, I believe, are highly complementary. Others – such as the well established Design Development Programme in Northern Ireland – have the same general aims as the Design for Business programme, and I believe should be merged with it, sharing the comprehensive facilities and continuing development.

What is required is a national programme, to a consistently high standard, that can be refined and extended as experience is accumulated, available to SMEs regardless of location. This needs all the RDAs and the devolved administrations vigorously to drive the programme, albeit accommodating local priorities.

The target should be to reach as many companies as possible over the next five years. The limit, assuming funds are available, is set by the ability to recruit and train mentors, by the availability of the creative industry to support the demand, and by the need to ensure the consistency and quality of the whole programme. Within each region, it is seen as a three-year programme. Clearly, it would not be feasible to start in every region at the same time; a degree of phasing would be necessary, but the objective should be to launch it in every area within two years.

Obviously, the regions and nations vary in terms of scale and capacity, but the target should be to reach an average, in each, of:

Level 1 – 400 SME delegates, 150 intermediary advisors and 150 designers

Level 2 – 100 senior SME managers and their companies

Level 3 – 50 manufacturing and technology companies.

That would mean reaching around 6,500 SMEs (assuming some, but not complete, overlap between participants in the different levels) within the UK over the period, all of whom will have a greater understanding of, and a greater appetite for, design and innovation, and of whom around 1,800 will have drawn on these insights to transform the company's performance and prospects. However, the effect goes wider. Research shows that SMEs are most strongly influenced by the experience of other companies in the same locality, particularly those with whom they have business links. Those that have successfully benefited from the programme would serve as practical examples to many others. One challenge to those organisations running the programme is to ensure wide dissemination of the results.



The gross cost of the proposed programme, to reach such numbers over five years, is estimated to be £30 million, of which £24 million would be spent locally and £6 million on central support and further development. The net cost of provision is, of course, dependent on the charge made to participating companies. Various models could be adopted. If, for example, no charge is made for Level 1, but participating companies pay half the direct costs of Levels 2 and 3 (in addition to meeting, fully, any external design costs), the net cost for each country or region becomes £1.4 million (spread, in each case, over three years). On this basis, the net cost of making the programme available throughout the UK would be £21.8 million, spread over five years.

Beyond this period, I see no reason that the programme should not become self-sustaining, running largely, or even wholly, on a commercial basis. If it delivers the kind of value to its participants that is envisaged, there should be no problem expecting companies to meet the costs.

Government should take steps now to stimulate the launch of the UK-wide implementation of the programme, reviewing progress and considering further action at the time of the next Comprehensive Spending Review.

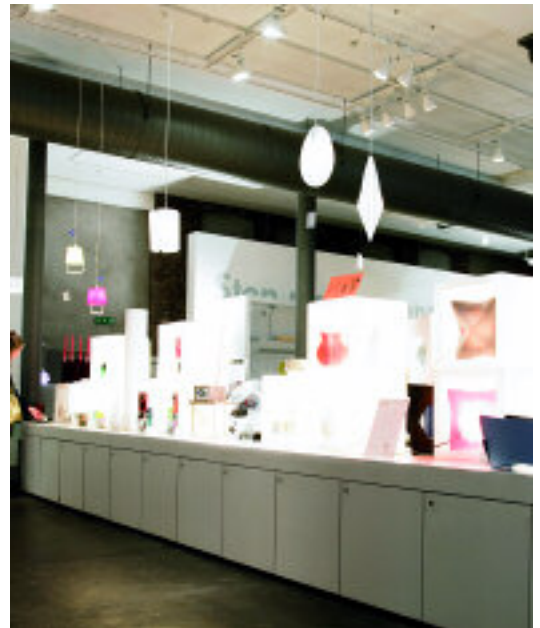
Encourage representation of creative specialists on company boards

‘...These are challenging and imaginative people, many with broad international experience, and many with considerable insights into the way in which markets are moving...’

The *Higgs Review* made the case for greater diversity of skills and backgrounds in the boardroom. The case was well argued and – at least, in principle – generally accepted. Implementation has, however, not proved so easy. Greater care is now being taken in appointing non-executive directors, but casting the net more widely is not proving that simple.

Against that background, it is interesting to note that at a recent gathering of 30 of the country’s leading designers, not one had been approached to join a board. These are challenging and imaginative people, many with broad international experience, and many with considerable insights into the way in which markets are moving.

I recommend that both companies and search firms explore the possibilities of bringing more of such talent into the boardroom. My own experience is that these can be very challenging people – but that’s exactly what boards should seek.





Include 'managing creativity' in the syllabus of the Chartered Director programme

Started in 2001, the IoD's Chartered Director programme is believed to be the world's first independently accredited qualification in general board-level competence. I have made a recommendation to the Institute that the topic of 'managing creativity' be included in both the syllabus and the exam, and this is under active consideration.

Use the broadcast media to encourage creativity and innovation

Over the past five years, there has been an encouraging change in the way in which business and enterprise has been depicted in the broadcast media. This has come about partly as a result of a wider campaign to get a stronger sense of enterprise across to young people. Programmes such as *The Dragon's Den* and *The Apprentice* may not give a comprehensive view of the business world but they do convey something of its excitement and relevance.

The same could be done with creativity and innovation, through both national and local media. Discussions with broadcasters showed them to be highly receptive to such thoughts and I recommend that this be pursued.