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Nordic Baltic innovation platform for Creative Industries

- Possibilities of Nordic Baltic SMEs to exploit the know-how provided by creative industries: Analysis of the situation in the Nordic and Baltic countries
- Results, suggestions and recommendations for further development
- Appendices: Project interviews and other data gathering in the participating countries

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Abstract:
The purpose of this project report is to explore the potential the current status of Creative Industries (CI) and design innovation programmes provide in the Nordic-Baltic area. Moreover, this report reviews the possibilities of building an innovation platform in the Nordic-Baltic region. To illustrate the prevailing situation, this report reviews and analyses Creative Industries and design innovation systems and actors, design promotion and its actors in each country, activities and measures – around design – in each country (main research programmes, innovation transfer systems) and finally, results achieved in each country (new knowledge created, new forms of activities etc.), in the Nordic and Baltic region, respectively. This report concludes with discussion and an idea of how the innovation platform could be built.

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E X E C U T I V E S U M M A R Y

This study has it is origins in the preliminary survey "Innovation Network of Art and Design Universities in Nordic and Baltic Countries"[1] completed in Designium innovation centre in the University of Art and Design UIAH in December, 2003. The preliminary survey project was financially supported from The Nordic Industrial Fund. The preliminary survey investigated preconditions for the further development of the innovation activities of art and design institutions and for the creation of a Nordic innovation network in the design field.

Objectives

The two main objectives of this project have been

1. To establish a Nordic and Baltic platform that will stimulate the interaction between traditional industries and creative disciplines (especially design) and which will strengthen the creation and development of strong Nordic and Baltic creative businesses.

2. To develop a plan of actions at Nordic and National level to increase the value generated by creative industries during the period 2005-2010.

Results and conclusions from the project

The individual country reports reveal that the design policies and investments in design in Nordic countries have resulted in rather developed systems. However, the status of current design programmes and design promotion in Baltic countries, (along with other states located in the Baltic region, Lithuania, Poland or Russia) is very different and these states are still developing their design policies and programmes. In many of these countries, policy plans and intentions are showing that there is genuine anxiety towards rapid development in the use of design and the potential of Creative Industries generally, in the more "traditional" industries. The abrupt differences between different stages of economic development and design policies means the building of the mutual innovation platform at this stage is a very challenging task. The following points highlight the situation and must be taken into consideration:

-Design is widely recognized as a competitive asset for the industries, but there are few innovation systems in design in the countries surveyed in this research.

-Design promotion is widely recognized. However, only few research programs creating new knowledge exist and there is lack of proper tools transferring design knowledge and ideas to actual utilization.

-Concrete steps towards a more coherent innovation system should be taken. One example of these is the Innovation University concept in Finland. It is a joint venture between Helsinki University of Technology, Helsinki School of

[1] Heikkinen, Hanna (2003): Innovation Network of Art and Design Universities in Nordic and Baltic Countries. Helsinki: UIAH/Designium. The report is downloadable at www.uiah.fi/Designium

Economics and University of Art and Design Helsinki. The aim is the establishment of multi-task research institutes, which develop new businesses utilising the new knowledge created in the respective universities.

-In many countries, however, great concern has been put on the fact that the innovation systems are not functioning effectively enough.

-In academia, it has been widely acknowledged that there are still various gaps between the activities that have originally been aimed in implementing design in the national innovation systems. The measures aimed on closing of these gaps must be subjected to further research.

-One particularly positive result from the various activities and programmes is that design has been taken *on the agenda* nationally in many countries. In some countries, as is the case in Finland, for example, the realisation of the so-called *third task of universities* has a strong support from the Ministry of Education. This task means that the universities should interact more effectively with the surrounding society and contrive a societal impact through research findings.

Recommendations

Further work and research should be forcefully done in the area of innovation system development in the Nordic-Baltic area. This development should be executed preferably in co-operation with governmental organisations, educational institutions and other actors in the region. Coordinated research and development activities in all countries would improve the possibilities of creating regionally compatible design systems that would ensure the constant positive economic development through design in Nordic-Baltic region – now already well under way, but not throughout the area yet.

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In all, however, Creative Industries are important actors in creating new knowledge and expertise in industries, and, thus increasing competitiveness of industries and through that national competitiveness in general as well. For example, developing the design industry has been highlighted as a priority area in many countries worldwide.

Increased national competitiveness means the enhanced activity of the traditional industrial sector, the creation of new of enterprises both in creative and traditional sectors, the development of traditional industries through e.g. design and the shifting of these industries towards new types of enterprises.

Integrating and using design in various areas of traditional business disciplines is one of the most important activities where new societal development and well-being can be created and supported by measures originating from the creative industries. Hence, Creative industries can in the near future affect the societal situation positively by creating new jobs. The conclusions in this project report hopefully contribute to the constantly emerging knowledge about Creative Industries.

1. INTRODUCTION

1.1 Background to the study

The purpose of this project report is to discuss the possibilities the current status of Creative Industries (CI) and especially such design innovation systems that would in each country contribute for the building of an innovation platform. To illustrate the prevailing situation, this report reviews Creative Industries and design innovation systems (and actors if these are existing), among these, design promotion in each country (and actors if these are existing), activities and measures – around design – in each country (main research programmes, innovation transfer systems) and finally, results achieved in each country (new knowledge created, new forms of activities etc.), in the Nordic and Baltic region, respectively.

This study has it is origins in the preliminary survey "Innovation Network of Art and Design Universities in Nordic and Baltic Countries"[2] completed in Designium innovation centre in December, 2003. The preliminary survey project was financially supported from The Nordic Industrial Fund. The preliminary survey investigated preconditions for the further development of the innovation activities of art and design institutions and for the creation of a Nordic innovation network in the design field.

Moreover, the preliminary survey highlighted "that such a [innovation] network could create a framework and procedures for co-operation between the companies, Nordic institutions, businesses and design firms that utilise their services and expertise. The co-operation could also promote the production, search, development, protection and utilisation of innovations created at the art and design universities in Nordic and Baltic countries. This could also facilitate the further creation and support of new business operations based on the innovations."[3] (I.e., an innovation platform, for example).

This study aims in reviewing and discussing the possibilities whether such a network could be developed further and which would provide means for a *platform* (i.e. new means or tools of utilising the creative potential and results from Creative Industries) resulting a deeper co-operation between educational institutions in design, Creative Industries in general, and "traditional" industries. The platform would offer new possibilities for the "traditional" industry in the Nordic and Baltic area in their constant struggle in improving their competitiveness. As will be shown, however, the building of such a platform needs constant development of national innovation systems in each country, as the differences between economic and educational development stages in the countries that participated in this project now somewhat hinder further activities.

However, new ideas for this platform have already seen daylight. While the work ahead is obviously still hard, the new way of thinking of how Creative Industries – and especially design – can support industry's competitiveness already seems to have gained its foothold in the Nordic and Baltic economies.

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[2] Heikkinen, Hanna (2003): Innovation Network of Art and Design Universities in Nordic and Baltic Countries. Helsinki: UIAH/Designium. The report is downloadable at www.uiah.fi /designium

[3] *ibid.*, p. 9

1.2 Method and structure of the report

This report is based on existing literature, research reports and publications from each country. Moreover; Chapter 3 is based on e.g. policy reports etc., and interviews of industrial and creative industry representatives in the corresponding countries.

The report starts with a discussion of Creative Industries as a concept. Then, the report concludes with summary and analysis of the data, suggestions for further development, discussion and an idea of how the innovation platform could be built. And finally, the current country specific situation in the Nordic and Baltic countries is described in detail in the appendix sections written by the researchers from each country.

Järvinen and Koski are mainly responsible of the study. Individual reports of the situation in each country in the appendix chapter are written by their respective researchers. The contributions of these other authors will be credited separately.

2. THEORETICAL BACKGROUND: CREATIVE INDUSTRIES AND SMALL AND MEDIUM SIZE ENTERPRISES

2.1 Introduction to Creative Industries

Societal and market trends have led to an increased industrial reliance upon creative skills as a major source of value creation. Three powerful forces are simultaneously shaping the social foundations for the future; the clear transformation in underlying economic systems, the rapid global integration and the social diversity itself. There is also a clear change to be seen from the uniformity and obedience of the mass era to the uniqueness and creativity of a knowledge economy. In the knowledge economy, global differences are a powerful source of market opportunities and the cross-fertilization of desires and ideas, which encourage learning and creativity.[4]

The much repeated message in the post-industrial discourse that we are "on the threshold of the knowledge-based society" means a society in which knowledge is the primary product and material products are derivatives of the knowledge produced[5]. Instead of competing in traditional markets such as manufacturing, many first world countries now see the Creative Industries as a key component in the new knowledge economy. The Creative Industries supply goods and services that we broadly associate with cultural, artistic, or simply entertainment value. In addition, creative goods and services, the processes of their production, and the preferences or tastes of creative artists differ in substantial and systematic ways from their counterparts in the rest of the economy where creativity plays a lesser, if seldom negligible, role.[6]

There also exist many reasons for the fact, that the majority of developed industrial countries have formulated a strategy to support the Creative Industries, and especially Industrial Design. Over the past several years the idea of creativity has assumed a new level of importance across a range of institutional settings. On the one hand, innovation-based activity goes together with high labour costs. On the other hand, the importance of these industries is highlighted in today's marketplaces where the consumers search for products to build their identity with.[7]

Studies demonstrate how 'creativity indexes' in cities influence the economic development[8]. Social analyses link creativity to social capital[9]. The creativity of cities is linked to attracting 'grey-matter' migrants and 'independent' cultural entrepreneurs. Rapid technological change and the growing role of global companies regard

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4 OECD (2000). The Creative Society of the 21st century. OECD, Paris.

5 Harvey, D. (1989). The Condition of Post modernity. Basil Blackwell, London.

6 Caves, R. E. (2000). Creative Industries: contracts between art and commerce, Harvard University Press, Cambridge (MA) London, p. 2.

7 Lewis, D. & Bridger, D. (2000), The Soul of the New Consumer: Authenticity—What We Buy and Why in the New Economy, Nicholas Brealey Publishing, London.

8 Florida, R. (2002). The Rise of the Creative Class. Basic Books, New York; Landry, C. (1995). The Creative City. Demos, London.

9 Bloom, David E. and River Path Associates (2000). Social capital and human diversity. In OECD, The Creative Society of the 21st Century (pp. 25-78). OECD, Paris; Mulgan, G. (2000). The Prospects for Social Renewal. In OECD, The Creative Society of the 21st Century (pp. 133-172). OECD, Paris.

creativity and entrepreneurship with increased significance.[10] The cultural sector of nations, regions, and cities is characterized by a high proportion of freelancers and micro-companies. SMEs now brand themselves as offering creative solutions. Also, the emergence of cultural entrepreneurs has been observed in several studies in Europe, and is associated with a number of features[11].

Creativity has played a key role in contributing to social and economic regeneration in depressed areas by creating employment and enhancing the skills and career opportunities of people on the margins of the labour force. Global creative cities, such as San Francisco, Cardiff, and Tokyo, have begun to emerge, with a creative class representing an employment demographic that cuts across traditional occupational distinctions. According to Richard Florida[12], the economic function of this creative class is "to create new ideas, new technology, and/or new creative content".

2.1.1 Origin of the of Creative Industries

The term "Creative Industries" was developed for the first time eight years ago by the Creative Industries Taskforce in the United Kingdom in 1997[13]. The UK is generally considered as demonstrating the prototype of contemporary Creative Industries policy frameworks and initiatives, even though the term has later been applied around the world from New Zealand, to Singapore, and in a different form it has also attracted analysis by US economists. The original purpose of the definition was to create and promote the United Kingdom. The expression of "Creative Industries" was first a method of integrating sectors of the British economy in which creative intangible inputs add significant economic and social value. The framework of the Creative Industries presents a way of viewing the role of culture within economic development. Creative Industries tie together consumption in the new economy, the experience economy with social empowerment and cultural identity.[14]

The UK Department of Media, Culture and Sports (DCMS) defines the Creative Industries as "*those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property"*. This is a definition of the Creative Industries, which has remained remarkably accepted as the idea has developed and disseminated around the world. The DCMS category of Creative Industries consists of the following thirteen sectors: advertising, architecture, arts and antique markets, crafts, design, fashion design, film, interactive leisure software, music, television and radio, performing arts, publishing, and software. All of these

[10] Taylor, P., Walker, D. R. & Beaverstock, J. V. (2002). Firms and their global service networks. In Sassen, S. (2002). Global Networks: Linked Cities (pp. 93-116).Routledge, London.

[11] Leadbeater, C. & Oakley, K. (1999). The Independents: Britains New Cultural Entrepreneurs. Demos, London; European Community (2001). Exploitation and development of the job potential in the cultural sector in the age of digitalization. Report commissioned by the European Commission DG Employment and Social Affairs.

[12] Florida, R. (2004), The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life.

[13] http://www.britishcouncil.org/arts-creative-industries-mapping-and-research.htm

[14] Caves, R. E.(2000). Creative Industries: Contracts between Art and Commerce. Harvard University Press, Cambridge (MA) London.

industries have a potential for wealth and job creation through the generation and exploitation of intellectual property.[15]

There can be seen four fundamental characteristics of the Creative Industries. As first, they involve activities which have their origin in individual creativity, skill and talent. Secondly, they have the potential for wealth and job creation through generation and exploitation of intellectual property. Moreover, Creative Industries have creative intangible inputs which add more economic and social value than is added by manufacturing. And finally, they encompass and link the traditional cultural industries, such as the performing arts, with the new economy "info-intensive communication and cultural industries" such as computer game design.[16]

2.1.2 Creative industries in a wider context: Benefits and Weaknesses of the Creative Industries

Generally, the concept of "Creative Industries" is regarded as a dynamic but somewhat confusing definition. Cunningham (2003)[17] mentions three upsides of the concept of Creative Industries. As first, the DCMS template of Creative Industries manages to mainstream creativity. "For the first time it brings those industry sectors, those enterprises and those people who are creative in this broad sense, right in to that mainstream of economic calculation and activity". Secondly, the concept of Creative Industries brings about a wide convergence of sectors, which have not typically been seen as having a lot to do with each other in most policy frameworks. Thirdly, it establishes a continuum from connection from non-commercial arts through a highly commercial software, ICT and game sectors. The characterization of Creative Industries as a bridge between the older cultural industries and the new economy 'info-intensive communication and cultural industries'[18] is especially informative and has been influential in the migration of Creative Industries concepts to other policy and emerging industry jurisdictions.

However, the generalization has also brought up its down sides. Despite of the remarkable uptake in the dissemination of the term Creative Industries around the world, there clearly exist differences worldwide about what should be included under the term umbrella term "Creative Industries" and what excluded. Especially, the economists claim that the term is incoherent as it mixes inputs and outputs in an uneconomical way from a traditional economic point of view. Also, it has been argued whether it is appropriate to include ICT and software in to the concept and, on the other hand, exclude heritage/cultural tourism sectors from it. The inclusion of the antiques trade is often questioned, too, since it does not generally involve production except of reproductions and fakes. Moreover, it has been argued that the division into sectors obscures a divide between lifestyle business, non-profits, and larger businesses, and between those who receive state subsidies such as film industry and those who do not such as computer games. Howkins (2001) also notes that the British

[15] DCMS: http://www.culture.gov.uk/creative_industries/default.htm 29.9.2005
[16] www.creativeindustries.qut.com/research/cirac/documents/bccreportonly.pdf 29.9.2005
[17] Cunningham, S. (2003) The Evolving Creative Industries. From original assumptions to contemporary interpretations. Transcript of a seminar 9 May 2003, QUT Brisbane, Australia.
[18] Preston, P. (2001). Reshaping Communications. Sage, London.

definition also lacks to include R&D units and other scientific creativity related activities.[19]

Moreover, David Hesmondhalgh[20], for example, in his text *Cultural Industries* writes about cultural industries because it is a more coherent term for his purposes focusing in on the major entertainment sectors (film, broadcast, music, games etc). This is a more coherent definition for Hesmondhalgh than the Creative Industries, but in his context the term lacks the 'commercial - non commercial' -continuum that Creative Industries have.

The boundaries between Creative Industries and Cultural Industries are often rather unclear. Generally, cultural industries are best described as an adjunct-sector of the Creative Industries, including activities such as cultural tourism and heritage, museums and libraries, and sports and outdoor activities. These include a variety of 'way of life' activities. There is obvious overlap but the benefit of the definition of CI adopted by the Task Force is that it looks immediately at the questions of economic return (wealth and job creation) at the return generated through the exploitation of intellectual property. Cultural industries are more concerned about delivering other kinds of value to society than simply monetary value, such as cultural wealth or social wealth[21].

2.1.3 Dissemination of the term Creative Industries

Even though the concept of Creative Industries is widely used in global context, there are great differences in the definition of the term and in use of similar terms that replace the term Creative Industries. These distinctions often make world-wide comparisons rather hard to build.

Some nations, such as Hong Kong, have preferred to shape their Creative Industries' policy around a tighter focus on copyright ownership in the value chain. They adopt the WIPO[22] classifications, which divide the Creative Industries according to who owns the copyrights at various stages during the production and distribution of creative content. As another example, the Australian Bureau of Statistics[23] has developed the Australian Culture and Leisure Classifications as a useful basis for defining the Creative Industries within the Australian context and they also include heritage activities under the term Creative Industries. Furthermore, Korea follows corporatist approach to industry development with renewed creativity in action in industries such as broadband connectivity, gaming, animation and film[24].

In Europe, excluding the UK, the term Creative Industries was not widely used until recent years. It can be partly explained as the term is seen as being associated strongly with British branding. In the policy literature in Europe there is to be seen more of an

[19] Howkins, J. (2001) The Creative Economy. How People Make Money From Ideas. Penguin Books, London.
[20] Hesmondhalgh, David (2002) The Cultural Industries. Sage, London.
[21] Hagoort, G.(2001). Art Management. Entrepreneurial Style.Eburon Publishers, Delft.
[22] WIPO, World Intellectual Property Organization. http://www.wipo.int/portal/index.html.en
[23] Australian Bureau of Statistics: www.abs.gov.au
[24] KIDA (2004), Korea Design Policy – The Third Comprehensive Plan for Industrial Design Promotion. From the page http://www.designdb.com/english/kidp/third.html

emphasis on broader issues of creativity as an input into innovation systems. For instance, the term "content industries" is used, and also acronyms like digi-cult, digital cultural industries and the short form TIMES, which stands for telecommunications, information, media, entertainment and software, and which is certainly a very broad series of sectors - broader than the Creative Industries.[25]

However, as Creative Industries have become a buzzword within economic policy discussions, it has also produced criticisms from local councils, from arts bodies, and from academics. that this is a kind of template imposition of 'everyone's going to have a Creative Industries strategy, go out and get one whether you want one or not'.[26]

2.2 The Size and Economic Value of Creative Industries

Economic activity based on creativity has become especially important in developed economies where the issue has been to find activities that relate well with high wage level.[27] The Creative Industries are a growing part of the global economy and the sector is believed to have a great future economic potential.

However, because of the differences in the definition of Creative Industries, comparisons in the size of the sector around the world are rather hard to make. Also, the complex supply chains in the Creative Industries sometimes make it challenging to calculate accurate figures for the gross value added by each sub-sector. This is particularly the case for the service-focused sub-sectors such as advertising, whereas it is more straightforward in product-focused sub-sectors such as crafts. Not surprisingly, perhaps, competition in product-focused areas tends to be more intense with a tendency to drive the production end of the supply chain to become a commodity business. Also, there is vagueness in nearly all tax code systems that determine a person's profession, since many creative people operate simultaneously in multiple roles and jobs

For instance, in UK Creative Industries make a far more significant contribution to output than hospitality or utilities. The total market for Creative Industries accounted for 7, 3% of the world economy in 2001 and rose by 5% during 2000[28]. The largest market in terms of Creative Industries is the United States, in which the growth concentrates on patents and property rights. The British market for Creative Industries was also strong and covered all the industry sectors[29].

However, it is noteworthy, that the figures vary significantly between different countries and the numbers are still significantly less than employment in the traditional areas of work such as retail and manufacturing. Howkins (2001) defines fifteen industries the most important input of which is creativity and that produce creative ideas or realization as their most important output. These industries are

[25] Cunningham, S. (2003). The Evolving Creative Industries. From original assumptions to contemporary interpretations. Transcript of a seminar 9 May 2003, QUT, Brisbane.
[26] ibid.
[27] Lindström, M (2005). Onko luovilla aloilla taloudellista merkitystä. ETLA Helsinki
[28] Calonius, M. (2004). Luovan yhteiskunnan rakenteet, luovat toimialat ja muotoiluala. Etla, Helsinki.
[29] Howkins, J. (2001). The Creative Economy – How People Make Money from Ideas. Penguin Books, London.

advertising, architecture, arts, crafts, industrial design, fashion design, cinema, music, performing arts, publishing, R&D, software, toys & games, TV & radio and videogames[30].

Universal benchmarks for measuring the performance of Creative Industries have been rather complicated to make, as the sector is also remarkable known for its variety in the range of business models. As venture capitalists are getting more interested in the sector of Creative Industries, analysts are starting to define indicators of success for companies in the sector. A range of financial benchmarks have been proposed, including gross profit and gross profit growth, for example. Furthermore, financial benchmarks such are not the only indicators of success; they have to be considered together with measures such as firm's investment readiness, entrepreneurship, competitiveness, skills and ability to innovate.

2.2.1 The Concept of the Creative Class

One of the reasons for Creative Industries becoming a buzzword in the 21st century has been the definition "*creative class"* by Richard Florida as the source of economic growth in certain areas. Florida defines the creative class besides the traditional societal classes as a group of people that possess common interests and who think feel and act in the same way. The economic importance of this class is high. According to Florida, the economic function of the creative class is "to create new ideas, new technology, and/or new creative content". Florida also argues for a wider focus on the products of knowledge workers and judges the creative class to include nearly all those workers offering professional knowledge-based services. Here, the term begins to elide with knowledge economy and questions of intellectual property ownership in general.[31]

2.2.2 Industrial Design as a Sector of Creative Industries in Nordic Baltic Countries

As stated earlier, the Creative and Cultural Industries are rather heterogeneous as an industry group. The most promising economic prospects within those industries appear to be in the fields of design and entertainment products and services.[32] In larger economies it is possible to gain success from the whole field of Creative Industries. However, in case of smaller economies such as the Nordic countries it is wise to concentrate on a few Creative Industries. Design is one of the success fields of Nordic Baltic countries and it can be regarded as crucial to their future competitiveness.

Design can be regarded as one of the key fields within Creative Industries and has actively sought to unite creative disciplines with traditional business disciplines. Besides being an area of commercial activity itself, design is also an integral input into successful product development in virtually all other manufacturing and service

[30] *ibid.*

[31] Florida, R. (2002), The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life. Basic Books, New York; Florida, R. & Tinagli, I. (2004). *Europe in the Creative Age*. Carnegie-Mellon – Demos.
http://www.demos.co.uk/catalogue/creativeeurope_page370.aspx

[32] Lindström, M. (2005). Onko luovilla aloilla taloudellista merkitystä? Etla. Helsinki

industries. It differs from other Creative Industries as it strongly supports the success of other industries in the economy. The positive impact of design on companies' success has been researched for example by the Design Council (2004). The study revealed that the companies using design effectively had been more successful than average in the British stock market.[33]

Design does not, however, always produce positive economic results. The other business functions have to be in good order as well. The economic value of design can not be stressed too much, because it often tends to be overlooked. This has to do with its characteristic of not being explicitly analytical and because it consists in large part of tacit knowledge.

Almost all Nordic and Baltic countries have formulated national design programs and design has increasingly been recognized as a strategic tool for companies there. These programs are implemented in close collaboration with the government, industry and businesses as well as the art and design universities and other design related actors, in order to enhance the utilization and knowledge of design in the society. Even though other Creative Industries might also have a positive impact on firms' success this success seems to be especially strong in the Industrial Design field.[34] Accordingly, this report concentrates especially on Industrial Design as part of Creative Industries.

2.3 Characteristics of SMEs in the field of Creative Industries

The Creative Industry sector is mostly made up of small, micro and freelance companies, which are creative, flexible and responsive, able to manage uncertainty, innovation and sustainability in a volatile environment[35]. According to Creative Industries Development Service (CIDS) Creative Industry SMEs are the subject of new economic development policies and structures in countries throughout Europe. Self-employment represents 40 per cent of total Creative Industry employment. These businesses work in close, informal networks with other cultural businesses. They tend to be strongly independent and resist standard business expansion models. Creative Industry entrepreneurs are highly educated; as an example, in the UK 77 per cent of those aged between 25-34 years have a higher degree. Still, the Creative Industry - entrepreneurs often have a strong 'learning by doing' philosophy. The sector of Creative Industry SMEs requires multiple cultural, business and technology skills in a mix that evades the standard skills needs analyses of traditional industry. Moreover, in rapid transformation Creative Industry professionals tend to rely on their networks for information and advice rather than business experts. According to research in UK over the last five years the Creative Industry SMEs are not being identified and included in their operations by mainstream economic development and business support agencies. On the one hand, because Creative Industries SMEs do not fit into standard business models, there has been a tendency for mainstream business support agencies to regard this sector as not economically "serious". On the other hand, the Creative Industry SMEs tend to regard these agencies as not able to understand their specific requirements.[36]

[33] http://www.design-council.org.uk
[34] Calonius, M. (2004). Luovan yhteiskunnan rakenteet, luovat toimalat ja muotoiluala. Etla, Helsinki.
[35] CIDS, Creative Industries Development Service: http://www.cids.co.uk
[36] *ibid.*

However, neighter has there been a single model in terms of the provision of design support for SMEs. Government academia and industry have been recognized as key players but their roles and interrelationship varies from nation to another.[37]

Caves[38]and Björkegren[39] define special characteristics and economic properties of SMEs in the Creative Industries. Also according to them, there exists a great uncertainty of demand for products and services from Creative Industries. Nobody knows how consumers will value a newly produced creative product, short of actually producing the good and placing it before them in the market place. A creative product or service might bring returns that by far exceed costs, or it might only attract very few customers. The market for cultural and creative goods is volatile and unpredictable, and promoting business strategies are emergent, provisional, and highly responsive and based on intuitive and emotional knowledge as much as standard market research. However, research and pre-testing can seldom be explained even ex -post by the satisfaction of some pre-existing need. This implies that the risk associated with any given creative product is high and that ways of allocating or sharing it will be important for the organization of production.[40]

Also, economists pay great deal of attention to sellers and buyers who are stuck with problems of asymmetrical information. As Caves (2000) puts it, a creative product is an experience good where the buyers' satisfaction will be a subjective reaction. What's more, according to Caves (2000) creative workers care about their product compared to the fact that economists often assume that the workers hired for some work do not care about the feature product they turn out.[41]

Björkegren explains the uncertainty by the fact that production and consumption of culture products happen in a decentralized and foreseeable way as the result of the interaction of a variety of cultural discourse. He identifies two business strategies for managing the market uncertainty of art business, a commercial business strategy and a cultural business strategy, which can applied to Creative Industries to some extent. The former regards art on the market's terms and focuses on controlling the supply with a limited amount of arts products on the market, which are then supported by a forceful marketing and expected to yield a rapid return on money invested. The latter means art on the artist's terms and this strategy takes a longer view; it reduces the uncertainty by developing a number of artists and hoping that some of them will eventually become commercially successful. For example, publishing companies generally adopt mainly a cultural business strategy and film companies a commercial one, and record companies a mixture of these two. The difference can often be explained by the amount of investment demanded for the business. The film and

[37] Brazier, S. (2004). Walking backward into Design: Support for the SME, Design Management Journal (Fall/2004), pp.61-70.
[38] Caves, R. E.(2000) Creative Industries: contracts between art and commerce. Harvard University Press, Cambridge (MA) London.
[39] Björkegren, D. (1996). The Culture Business: Management strategies for arts-related business. Routledge, London.
[40] ibid.
[41] Caves, R. E.(2000) Creative Industries: contracts between art and commerce. Harvard University Press, Cambridge (MA) London.

record companies are inclined to choose a more commercial type of strategy than publishing houses as these involve much greater investments.[42]

SMEs operating in the Creative Industries encounter a series of barriers to growth as they mature, and there is no foreseeable way to grow from micro-business to public company. Actually, many of the founders of firms do not actually wish to grow but would better be characterized as lifestyle businesses. When facing economic downturn, changing market conditions or changes in an owner's health these lifestyle businesses also tend to be less sustainable.[43]

Enduring success and sustainability for Creative Industries' firms depends on balancing the creative, commercial and social building urges of the key individuals involved. A firm that lacks a strong creative urge will not produce distinctive work. A firm that is dominated by this urge may do brilliant creative work and even win awards, but is unlikely to prove sustainable. On the other hand, a firm that is short of a strong will to build commercial value will most probably not survive the inevitable ups and downs of business. And, a firm dominated only by this urge is unlikely to provide a nurturing home for key creative talent and so, in time, will lose its distinctiveness. Many creative and cultural organizations fall into this category and depend on public subsidy or sponsorship to survive: such organizations are closely related to but distinct from the true Creative Industries. Furthermore, companies should also manage to support lifelong learning is a key element of the knowledge economy.[44]

The need for business support and public financing for Creative Industry SMEs

In UK, research has found out that there is a real need for dedicated business support especially in business start-up for Creative Industry SMEs. Creative Industry SMEs generally have little formal business training, which often means that many failures are due to elementary errors, such as cash flow failure; inadequate book-keeping; bad debt; ignorance of tax, health and safety, employment and other regulations. [45] Creative Industry SMEs also need sector-specific information on a range of issues such as intellectual property and copyright, technology developments, legal requirements and protection and export regulations. They need advice on the construction of realistic business plans in order to effectively understand and plan for their businesses. Moreover, they need marketing advice -a common failing of SMEs has been the emphasis on product-led development at the expense of the requirement to sell. [46]

Government departments and research councils find difficulties in understanding how to stimulate and enable growth within the new experience industries and how to turnaround existing industries. It is essential that the Creative Industries are targeted, like other important industries, with sound, well-formulated and supported industrial policies. The structures of society should be developed to support creative work and

[42] Björkegren, D. (1996). The Culture Business: Management strategies for arts-related business. Routledge, London.
[43] CIDS, Creative Industries Development Service. http://www.cids.co.uk
[44] www.culture.gov.uk
[45] http://www.creative.leontief.net/industriesen.html
[46] http://www.cids.co.uk

the development of Creative Industries. So far, some countries have been able to develop successful Creative Industries based on public financing and support. However, so far, economists exploring the area have mainly focused on public subsidy for elite performing arts[47]. While they have been thinking about public policy toward creative activities, the policy makers have largely ignored questions about why those activities are organized the way they are. Artists of all types engage in creative processes and tasks that come to completion only with the collaboration of "ordinary" partners, and sometimes with other artist, too. These collaborations rest on deals and contracts – perhaps of the "handshake" variety, perhaps elaborately drawn.[48]

[47] Caves, R. E. (2000) Creative Industries: contracts between art and commerce. Harvard University Press, Cambridge (MA) London.
[48] *ibid*.

3. THE POSSIBILITIES OF NORDIC BALTIC SMES TO EXPLOIT THE KNOW-HOW PROVIDED BY CREATIVE INDUSTRIES: ANALYSIS OF THE SITUATION IN THE NORDIC AND BALTIC COUNTRIES

This overview and analysis is based on the surveys made in Denmark, Estonia, Finland, Iceland, Latvia, Norway and Sweden. The complete surveys are presented in the appendix chapter.

In the global economy, the competitiveness of the Nordic Baltic countries depend on their abilities to take the full advantage of their own knowledge-based resources, and especially of the creative energy of the entrepreneurs who develop and generate added value to end-users by new products and services.

Globalization enables enterprises and consumers to buy goods and services cheaper than ever before. More and more companies around the world can make the same product, at the same time and at the same cost. But it is in the interaction between engineers and designers that unique products are invented. Design and innovation is becoming a crucial issue for more and more companies. A good design can increase the competitiveness and distinguish one product from another.[49]

Therefore, a lot attention has to be paid to ensuring the effective utilisation of shared resources and to maximising the collaboration between researchers, entrepreneurs and governments at all levels and in all regions. It is clear that the innovativeness and the institutions supporting the innovation-related activities must be enhanced in the Nordic Baltic region in order to reach the competitiveness goals of the Lisbon strategy. This is also the aim for the '*Nordic Baltic Innovation Platform for Creative Industries*' -project.

When beginning the data collection for the '*Nordic Baltic Innovation Platform for Creative Industries'*- project, the great differences in the design sector of Nordic Baltic countries were already clearly recognised. Thus, because of the great variations in the use of design in the participating Nordic Baltic countries, there came up the need to be very country-specific in the survey. The interviews and other data gathering were thus completed in a customized manner in each participating country.

Accordingly, as a consequence of the different stages in the design field in the Nordic Baltic countries, several mappings about the design industry in the Scandinavian countries have been made during the past decades and, on the contrary, in the Baltic countries or in Iceland, there hardly exist any mappings about the actors in the Creative Industries, or more specifically in the design field, at all.

The question format was basically based on three theme-areas. As first, the present situation of design innovation systems in each participating country was researched. This also included description of the main actors in the design field if these existed. Secondly, design promotion sector and the main actors promoting design in each

[49] A quote from the Chairman of the Confederation of Danish Industries', Hans Skov Christensen's speech at the final presentation of INDEX 2005 (see the Danish section)

country were investigated. And thirdly, the activities and measures around design were summarized in the participating countries. These included main research programmes and innovation transfer systems, for example.

The results of this survey show that it seems likely that certain countries could take advantage of the development other countries have done in the design field.

However, more concrete results in each country are yet to come. New knowledge created needs time to be taken into use and applied in new concrete efforts and forms of activities, which takes time.

1. The Present Situation of Design Innovation Systems in Nordic and Baltic Countries (including actors, if these exist)

In the industrialized world almost all governments support the use of design in business and industry to some extent. Although there are great variations as to how dedicated this support actually is, especially in regards to the financial resources that are allocated to the task, it seems that this support more or less tends to follow the same strategy around the world. Support is mainly given to promotional activities but sometimes funding is also provided to cover the actual cost of hiring a designer for a trial period in order to prove to the receiving company that it pays to use design. As Thomas Dickson claims in the section describing the Danish situation:

> *Design has also had its successes and become much more wide-spread in other countries and almost world wide there is a great deal of acceptance of the fact, that design makes a lot of difference for companies that take it seriously. So design is not unique for the Nordic and Baltic region. On the contrary, design is becoming so 'normal' for companies that it is no longer a question of just applying design to products, because even in the most remote countries design is beginning to be taken for granted. Rather the question is do we use the right type of design? Do we use it intelligently enough? Do we use design to genuinely innovate?*

Keeping this in mind, it must be remembered that the present situation of design innovation systems still varies greatly among the participant countries of this survey. While there practically doesn't exist any design innovation system in Estonia, Latvia or Iceland, the innovation support for design is far ahead in the other participating countries such as Finland, Denmark or Sweden, as an example.

1.1 Examples of the Design Innovation Systems in the Nordic and Baltic Countries

Getting more into detail, in Estonia, for instance, there is no design innovation system. The national innovation system is, however, in the process of formation, and Creative Industries - industrial design included - should be integrated into it in the nearest future. As Estonia seems to have a very strong national identity, which reflects to the country's Creative Industries, the design sector could be regarded as a future success factor.

Moreover, the Latvian National program of Lisbon strategy 2005-2008 says that the whole national innovation system of Latvia is underdeveloped and does not provide the needed innovation capacity to increase competitiveness of the country. Averagely only 18, 6 % of Latvian enterprises are innovative[50] and the number of the national patents is insignificant[51] and remarkably behind - in economic terms- more advanced countries, such as Finland or Sweden.[52]

Latvia lacks a national design policy, as well, which can be an obstructive factor for the development of the design field. Still, in Latvia, several ministries in the public sector are involved in the design and innovation systems: Ministry of Culture, Ministry of Economic Affairs and Ministry of Education and Science. And furthermore, the Ministry of Culture is willing to facilitate favourable conditions for developing Creative Industries and design in Latvia as a prospective economic sector, which, also in their opinion, could create cultural goods and services with high added value for the economic development.

Development in the Latvian design sector is described in the new national cultural policy 2006-2015. The support of the Ministry of Culture[53] and the Ministry of Economic Affairs to improve design education also shows the interest of government to develop design industry. In addition, the establishment of the Latvian Design foundation is an indication of interest in the design development of its stakeholders; industry and higher educational institutions. Moreover, the creativity of Latvian designers has been recognised competitive at international exhibitions and competitions.

The biggest obstacle for the development of the Latvian design innovation sector may turn out to be the lack of a coherent design strategy and the small amount of people and lack of skilled higher education labour in the design industry. There has been a big gap between priorities of the cultural policy and the actual allocation of financial resources in Latvia.[54] Moreover, the scope of design education in Latvia is relatively small and it is a rather confined area where all involved human resources know each other very well. This situation outlines common panic for changes despite desiring them and easily leads to conflicts between the key people. And just like in Estonia, the design education in Latvia is also strongly focused on art which gives a good background for creativity and innovation but lacks an insight into interdisciplinary, especially technical and business knowledge. The collaboration between industry and research sector is in the very beginning.

In Latvia, it seems to be necessary to solve the determined problems by the developing design as an instrument for growth of the innovation capacity. It is also necessary to increase public and private investments for research and innovations to

[50] The European Union average is almost 45%.
[51] Around 100 -150 patents issued yearly.
[52] When compared to Finland or Sweden the number of Latvian patents is five times less every year.
[53] On the first Forum of Culture (2005) culture was declared as a sphere of economy and the competitiveness of the state conditional of the ability to innovate, to create new knowledge, skills and know-how and to use them for the development of new creative economy.
[54] As an example, the opening of a special design program at the Latvian Culture Capital Foundation was rejected by the board of the Cultural Capital Foundation in the autumn 2005.

facilitate the competitiveness of the country. Moreover, to achieve this aim it is necessary to sustain a link between the science and industry.

Going on, in Iceland, the lack of design innovation system is apparent, too. Iceland still has a long way to go in developing a support system for design-related innovations. Main reasons for this date back from the country's past; i.e. the design history is not well recorded in Iceland and the rather weak awareness about Icelandic design in the country does not help further, either.

Still, the innovation support system, especially concerning technological innovations, is much more developed in Iceland. There are two institutions that work on research and fund projects, and operate closely with the University of Iceland.[55]

However, the biggest problem of the design industry in Iceland seems to be the lack of manufacturers, which influences the possible innovation support system for Icelandic designers, as well. Quoting an Icelandic article:

> "*Imagine being a designer in a country where there's nobody to make your products. This is the situation for most of Icelandic designers, who have creativity to spare but only few manufacturers. To get something produced, you'd probably need to do it yourself or look towards foreign countries, both options requiring resourcefulness and initiative*."[56]

In the case of Iceland, we can hardly talk about manufacturing industry any more, as big part of the manufacturing production is made outside the island today. Surely, there used to be more production in Iceland, too, but as a typical example of a high-labour cost country, lot of this manufacturing-related knowledge is now lost for cheaper labour countries.

Still, in the case of Iceland, there is a lot of creative energy in the country and hunger for a better environment and innovation possibilities. An interesting sector for further design development could be cooperation with the fisheries -industry, which today provides 70 percent of the export earnings and employs 12 percent of the Icelandic work force.

On the contrary to Iceland, in the Swedish innovation strategy "*Innovative Sweden A strategy for growth through renewal*", design is mentioned in several areas as an important factor for Swedish industry. One Swedish authority responsible for over-viewing and developing national innovation systems is Vinnova. Vinnova's mission is to promote sustainable growth by developing effective innovation systems and funding problem-oriented research. Vinnova has no specific focus on design, either, but instead claims to include design in the different prioritized growth sectors. Moreover, the group – Future for Swedish Industry – has produced proposals for the state and industry with the aim of strengthening Swedish industry to make it more competitive internationally. In the proposals it is stated that an innovation system that supports development of new products and production processes creates good

[55] IceTec: Technological Institute of Iceland; Impra: Service Centre for Entrepreneurs and SMEs; Rannís: The Icelandic Centre for Research. In the policies of these institutions 'design' has not been mentioned, however.
[56] Quoted from article that is describing interior design in Iceland.

conditions for enterprises. Again, design is mentioned as one of a few critical ingredients in achieving these goals.

In the case of Finland, design innovation has been one of the key areas in developing the national competitiveness. Finnish Funding Agency for Technology and Innovation's five-year Design Technology programme, allegedly one of the biggest investments ever in design research and development, is unique of its kind and a good example of the seriousness design has been regarded as a competitiveness-increasing factor in Finland. During the programme, a multitude of multi-disciplined design R&D projects have been executed.

Even in Denmark, design is not as competitive business sector as some might wish. The scope and the coherence of a strong, competitive cluster are not present yet. There are clear indications that the present resources and potentials are not exploited sufficiently. However, there are many strong competencies and a great deal of potential to develop the sector in a positive direction, particularly with a view to the future. To realize this potential, the present competitive strengths must form the basis for future development. At the same time, a targeted effort must be made to reduce existing barriers to the development of the design sector at present. In sum, Denmark has been said to have the potential to maintain and expand the reputation as a centre for world-class design.[57]

The structural analysis about Danish Design (2003)[58] underlines two main reasons why it is particularly relevant to focus on design as an independent industry. As first, design is as an element in the competitiveness of the Danish industry. Design is knowledge and creativity reflected in the customer's product and it contributes significantly to the value created. Design may be the deciding factor between a standard and a competitive product. Secondly, as a sector design is a knowledge-intensive, creative, and a growing sector; exactly the type of sector in which Denmark should attempt to create growth and jobs in the future.

There is a clear business potential in strengthening design as a sector in Denmark. Users rate the effects of the designers' efforts very highly – both the tangible effects, such as higher turnover and the intangible effects, such as improved image and marketing. Users are very satisfied with the design services and enterprises and they expect to increase their purchase and use of design in the future. Design as a sector is already expanding with an increase in the number of enterprises, employees, turnover and exports. The training and educational programs are good, the level of skills is high, and there is a social network and a sense of community among Danish design enterprises.

In Denmark, the Confederation of Danish Industries is working on the design policy because the field needs a boost, and the need for implementing a design strategy has been recommended to the Danish government. The Danish Design Centre has not been strong and focused enough, especially not for the member companies of DI.[59]

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[57] Dansk design – En erhvervsøkonomisk analyse (Danish Design – a structural analysis). March 2003..Produced by: Oxford Research A/S for Erhvervs- og Boligstyrelsen, under the Ministry of Economy and Industry

[58] *ibid.*

[59] Dansk Industri

Danish industry needs research-based design knowledge and educations. It could be an idea to try more to connect these institutions with other educational and research environments. Originally the Confederation of Danish Industries suggested that the Centre of Design Research should be forced to collaborate with e.g. some business schools and engineering schools. They should grasp the opportunity to build a whole new research environment and a whole new way of doing design research.

A national design strategy for Denmark should include:

1. Concrete initiatives and means to communicate knowledge to industry
2. International branding and exposure of Danish design abroad
3. Design education and research
4. Other than financial ways to support the use of design in the industry

In the autumn 2000 the issue was raised whether or not the Danish design community was large, strong and skilled enough, so that it could qualify to be labelled a Danish design cluster. The question was asked by Jørgen Rosted, then permanent secretary in the Ministry of Industry, at a debate on design at the House of architects. Subsequently committee work was done along with a survey on the state of the Danish design community, which was published in a report in 2003. This report defines a cluster as:

> *'Competitive clusters' is an economic concept covering a sector, which – via mutual relations among players in the cluster – create joint competencies. These competencies enable them to produce goods with a higher value than average enterprises and sectors. Competitive clusters are characterized by a critical mass of enterprises and workplaces, a high level of internationalization, good training and educational opportunities, research environments and close interaction between the players to ensure a high level of utilization of the qualities/competencies present.*

1.2 Design promotion and actors in Nordic Baltic countries

Generally, design promotion did not begin until the British Council of Industrial Design, later renamed Design Council, and was established in 1944. The task of the council was to promote design to help exports and economic growth. Later many countries especially in the Western Europe copied the idea of a design council. In the post-war era the benefits of design were seen as making products more appealing for consumers. In the global world economy of today the advantage of design and design promotion should be rethought. Nowadays the aesthetic considerations of Creative Industries and especially design form only a small part of the design-linked advantages. Today the strategic dimension of design is of high importance; design is becoming a strategic tool for management. On the contrary to traditional design, strategic design is about creating valuable solutions to the end users in order to make life better for them. Strategic design is more about value creating as traditional design has been seen as adding value to existing products.

The purpose of the many promotional initiatives over the years has been to create an atmosphere of collaboration between the creative design community and the more business oriented enterprises. The government support for design is mainly given to promotional activities such as exhibition, publications, seminars, courses and other

similar efforts to raise companies' interest in utilizing design. Many countries, also several in the Nordic and Baltic region, have taken initiatives and invested in design promotion. Thus, it seems there is some kind of consensus regarding the value of design and the necessity of persuading the industry to use design more.

However, it is peculiar that as design is regarded as important for value creation in an industry, why then is it necessary to finance these design promotional activities by public funding. Similar promotional activities do not seem to be need when it comes to other types of consultancies such as advertising, marketing, management or engineering. Why isn't design recognized more widely as a useful and profitable asset in the business community? What are the specific barriers regarding design? In what way is design something special? Does it lie in the nature of how industry is organized in our part of the world? Or is it the design field somehow special? Or is it simply that the concept of design is so abstract, that it needs some kind of advocacy, education or interpretation?

The full grown welfare state and the accelerating globalization are changing the game. The conditions have changed, so that beauty in design is not so simple anymore: the system, the services and the experiences behind must also be beautiful, pleasurable for the user, no matter which line of business a company is operating in. The emphasis is shifting towards looking through the eyes of the end user, and strategic design is all about setting these new standards for the future design solutions. This changes the scene for design promotion in the future also. Today design is a lot more about methods, analysis, cooperation and working across disciplines than a decade ago.

Besides the differences in the design innovation systems, also the state of promotion of design varies significantly in the Nordic-Baltic countries. Sweden and Finland have had their national Year of Design, and Denmark clearly shows the strongest 'potential' in this field, while in Iceland there practically exists no organisation for supporting the design promotion.

In Denmark, design promotion is by now an experienced discipline. It has gone through several phases. From the hard work of trying to get some recognition of the field and the word 'design', up till today's Index 2005 debate on the more immaterial aspects of design and innovation. For decades the Danish government has also allocated resources through various institutions and programs in order to help to bridge the gap between design and industry. The main vehicle for design promotion has been the Danish Design Centre (DDC), which was founded back in 1977, with the primary task being to advocate the use of design in industry. The secondary goal for DDC has been to somehow educate the design community, so that the designers and design offices could better understand and communicate with the business world.[60]

[60] During the three decades of focused design promotion aimed at the business community of Denmark a lot of things have been tried and the course has been changed several times. There has, for example, if one looks through the reports from over the years, been some ambivalence on the subject of regional or centralized design promotion. In the beginning of the history of Danish Design Center, the resources were scarce. Just running the office in Copenhagen was a challenge. Later design promotion was decentralized through the Technological Information Centers (TIC) and other local bodies. In 2001 it was concluded in a report that these local efforts hadn't gained the necessary momentum and that design promotion should be more focused and coordinated. It's hard to find in the reports the exact reasoning behind these decisions.

The promotional activities for design in Denmark can be regarded as productive. According to surveys done in Denmark, more companies use today design than did five years ago. However, it often seems like these design-related promotional activities are advancing rather slowly. And thus, whether or not the design promotion has been successful, depends on the eyes looking. Several surveys have been performed in Denmark over the last five -ten years, trying to find out how design is used by industry and why design penetration still seems to go a bit slow, even in Denmark, and even though millions of euros have been spend on promotional activities. As the chairwoman in the Danish Designer Association, Lise Vejse Klint puts it:

> ”*And if you think along strategic lines in a SME, then it is not necessary design that comes to mind first hand. Design is still considered to be mostly aesthetic 'form giving', and not so much about creating new business perspectives*.[…]*Public promotion system is way too passive today. For example there should be a clear strategy for the public sector's use of design. When you see how the Danish hearing aid industry or the wind mill industry has boomed, due to public spending and awareness in these sectors it is clear that an offensive government strategy can be very powerful. Areas like health care, the elderly and environmental solutions are obvious problems that need government attention and design solutions. We have the advantage of being a small country where decisions can be made quickly and social inventions like coop movement, the folk-high –schools and welfare systems are part of our tradition*.”[61]

Generally, one of the main problems of design promotion seems to be that design is still very much seen as simple form-giving and basically stemming from art. The many design educations, especially in the Baltic countries, that still have their roots in the art school tradition is just one, although significant indication of this. According a research paper *From Beauty to Business* from Dansk Industri, 2003, the Danish business community's opinion on the design field was summarized as to:

> ”*But the industrial and the design world are moving in different directions, companies are looking for knowledge on industrial design that they can not find, while the designers and design schools are still, to a large degree, stuck in an artistic approach to design*”

This Danish report about design promotion gives basically the same recommendations as other related reports published around the world: There is need for more information, more support for networking, better design educations, better framework conditions and maybe also tax- incentives to invest in design.[62]

In Finland, respectively, design promotion is regarded as one component in the national design policy. One important activity was the national Design Year 2005, which, in many ways, successfully enhanced the general awareness of design in the Finnish public and in the industry. The report highlighted that after the Design Year, a

[61] See the Danish section of this report.
[62] DTI Economics Paper no.15/on 'Creativity, Design and Business Performance', November 2005.

strong basis for the long-term development of design industry has been created, and that the position of design in the state's economic and social policy has been strengthened. One of the key aims during the year was also to make design known to Finnish SMEs.[63] It is noteworthy that Design Forum Finland has its roots deep in the history of Finnish Arts and Crafts and Design tradition: Design Forum Finland is maintained by the Finnish Society for Crafts and Design, which is founded in 1875.

In Iceland, instead, the lack of design promoting organization is due to several reasons. The small size of the country and, in part consequently, the relatively small amount of enterprises seem to be the most critical factors. Moreover, the design awareness in Iceland can be considered immature; design is most often only understood and presented as 'fashion and fancy stuff' there.

Instead, one of the key actors for 'promoting' design in Iceland, is the new Design Faculty in the Academy that was established in 2001.[64] One mode to promote design there has been the cross-disciplinary design-focused program, which is partly a consequence of the Academy's rather small size.[65] Students in the new Design Faculty of the Academy have had courses together with the Business University and the University of Technology as well as courses where students work with companies in the home country and abroad. Those connections are important because they take part in bridging the gap between design and companies and industries. Another relevant actor as regards to promoting design in Iceland is the Trade Council of Iceland, which has for the last three years increased its support for Icelandic designers in order to be able to take part in foreign exhibitions and find export options for their design.[66] They have also run courses for Icelandic designers about export and promotion. Moreover, the *Impra* Innovation Centre, which has not focused on design, has a support system for developing business ideas and SMEs.

The need for a 'design centre' in Iceland has not been ignored, though. In 2003, the Ministry of Industry and Commerce had a committee developing ideas about whether it would be useful to have a design centre in the country or not. In its final report in March 2003, the committee pointed out how weak the support system in Iceland was compared to its neighbour countries. They also claimed that it was important to develop the design environment in Iceland. However, they only suggested a centre with three employees in total. Later in 2005 this design centre was finally established, but only one person was employed. Without doubt the work is rather hard for only one person to do. Even considering the fact that all the projects are more or less at the beginning stage, it is evident that this is a large work for one person to do. The tasks of the person in the Icelandic design centre were detailed as follows:

- *stimulate and support Icelandic design and designers*
- *take part in and stimulate exhibitions both in Iceland and abroad*

[63] See the complete final report of the Year of Design:
http://www.finnishdesign.fi/files/fide/loppuraportti/DesignYear2005_briefinEnglish.pdf
[64] Until then, the only design education in Iceland was graphic design and textiles in the art faculty. At the moment the design faculty offers teaching also in product design, fashion design, graphic design and architecture.
[65] Compared to the Finnish IDBM-programme, for instance: www.hse.fi/idbm
[66] The Trade Council of Iceland supported design related affairs by 140.000 euros in 2004.

- *support increased design participation in product development and marketing*
- *establish a centralised database and create an efficient web based support system*
- *create and support design networks*
- *search for projects finance*
- *provide consultation for increased design participation in innovation*

In Estonia, there is no national measure to promote design, either. However, there are two organizational bodies which deal with design promotion to some extent: The almost 15-year-old Estonian Designers Association (EDL) unites and represents Estonian designers and serves design in a broader sense. This organization is made up of 80 specialists in the fields of product, furniture, fashion, textile, and graphic design. In comparison, the purpose of the other one, the Innovation centre of the Estonian Art Academy is to work with organisations in both private and public sectors in order to promote, improve and ensure the effective use and integration of design in business, education and government affairs.

Just like Denmark, Sweden has a large number of networks, non-profit societies and organizations that work to increase the use of design. The main promoting actors that are financed by public funds are the Council for Architecture, Form and Design, Swedish Society of Crafts and Design, and Swedish Industrial Design Foundation (SVID).

Council for architecture is an inter-ministry council which was established in 2004 with the main responsibility of being a driving force behind the work on architecture, form and design, with its point of departure in the goals laid down in the action program Future Forms. It also has the task of strengthening the interest in these areas and extending knowledge. The council's assignment also includes analyzing the architecture planning proficiency of municipalities and the role of town architects.

The Swedish Society of Crafts and Design is a non-profit organization commissioned by the Government to promote Swedish form and design by influencing public opinion. In the long term their aim is to promote awareness and development of styling and design of products and environments. The work is done primarily through seminars and exhibitions, in Sweden and internationally.

SVID works to increase the use of design by enterprises and organizations and to increase awareness of the importance of design as a competitive device. SVID was formed by the Swedish Business Development Agency, the Swedish Academy of Engineering Sciences and the Swedish Society of Crafts and Design. SVID is mainly financed by an annual basic grant from the Ministry of Industry. Its activities are run throughout the country with regional offices and cooperation offices with different regional actors. Through contacts and advisory services, enterprises are given practical guidance in the ways of making procurements of design integrating design in development work. SVID also runs national and regional projects in cooperation with various actors. With this as a base, SVID runs project activities with co-financing from trade and industry, regional organizations and the EU. In addition to its activities

for the promotion of design, SVID also makes surveys of the use of design and design maturity in Swedish enterprises. [67]

In Latvia, in the public sector the Ministry of Culture and the Ministry for Economic Affairs deal to some extent with design promotion. Also the schools, especially the Art Academy of Latvia, participate actively in design conferences, competitions and exhibitions internationally. There are no special national measures to promote design in Latvia, however. All initiatives are taken by interested stakeholders. Design development is described in new cultural policy 2006-2015; where the second strategic aim '*to promote and to accomplish collaboration between cultural and economic spheres for the cultural diversity of Latvia and for sustainable development of Latvian Creative Industries.*'

The Norwegian researchers took a more practical view on the design promotion. As almost everywhere, in Norway the design field SMEs are usually small and homogeneously staffed, lacking sales people. However, it has been remarked that some younger Norwegian design firms have begun to go into business in new ways. They are becoming designer-producers and designer-marketers, creating their own products and services and selling them. This is easiest for those dealing with digital products or services with zero or low distribution costs. Once the product becomes physical, however, or the service requires an office customers can walk into, the amount of money needed to develop, produce, distribute and sell grows and excesses most designers' reach.

Generally, design promotion has to a large degree had the purpose of selling design. So the communication has been rather sender oriented. Also, many designers undoubtedly still see themselves primarily as artists and not as consultants or sellers, even though the majority of them work in a completely industrial context.

There is though, and has been since the fifties, a branch of industrial designers who are working for the larger and more advanced companies on more conceptually grounded products. These more modern types of product designers are often seen in larger companies manufacturing medical devices, technical equipment and high-end consumer goods. Some graphic design firms are also applying very up-to-date methodical approaches while working on communication design for clients. These types of designers do rarely see themselves as artists, but more as modern professionals.

Network approach to promoting design has been highlighted as a valuable one for several Nordic Baltic countries when it comes to promoting design. This results from the most common problem for designers, which seems to be the lack of business knowledge, managerial skills and financial resources. Many founders of small designer companies are designers themselves, and thus for them 'a rapid internationalization process alone' can cause considerable challenges. Well-coordinated multidisciplinary teams in companies could be on solutions to this problem.

[67] In 2004, in cooperation with the Foundation of Technology Transfer, SVID made a survey of the field: "Swedish enterprises on design – attitudes, profitability and design maturity".

1.3 Activities and measures in each country: main design research programmes and innovation transfer systems

There are various reasons why the state supports and tries to exert an influence on the use of design. From a welfare perspective, it can be a matter of the state contributing to high levels of quality in the environment from a functional, technical, ecological, aesthetic and social perspective. From an industrial policy perspective, good design performance in the country can stimulate interest in the country's products, strengthen the competitiveness, and contribute to economic growth and development.

Sweden's design policy, for instance, consists of measures suggested in other policies, e.g., from the education and research policy, from the culture policy and from measures suggested in organizations and events.[68] Since design contains many different aspects - the cultural and artistic creative design aspect, the more production-oriented functional aspect, and the education and research aspect - matters relating to design are administered by three distinct ministries in Sweden; the cultural, industrial and educational ministries.

The situation of Sweden, as to several ministries dealing with design, is not uncommon in the other Nordic Baltic countries, either. The lack of explicit division of responsibilities between different ministries sure has its advantages and drawbacks. One disadvantage can be that it makes the production of a sharp national policy in the field difficult, and that many selective measures are used. A comparison can be made with 'the growth policy', which also covers several policy areas. According to Jon Pierre, a researcher at Gothenburg University, political and administrative coordination is essential for the policy to have a long-term and clear line. It is also essential that there are clear divisions of responsibilities. On the other hand, one advantage of not having only one ministry totally responsible for design-related affairs may be that design can be applied in the best way in each policy area.

In Finland, the main five-year design research programme Muoto2005 is supported and financed by Tekes, which is the main public funding organisation for research and development in Finland. Tekes funds industrial projects, projects in research organisations, and, especially promotes innovative, risk-intensive projects. During the year 2005, a total of 25 extensive technology programmes, among them, the design technology programme, were underway.[69]

In Latvia, the actual research programs around design are also commissioned by two separate ministries; by the Ministry of Culture and the Ministry of Finance. Regarding current research programs, the Ministry of Culture and British Council of Latvia commissioned a research in 2005 with the intention to do a 'Creative Industries' mapping document in Latvia during the current year 2006. On the other hand, the Ministry of Finance commissioned a research and design promotional events from the following subjects in 2005: Training courses for entrepreneurs about design and brand management; Training course for designers to improve their professional skills; to publish informative materials about design and brand development; and a research

[68] 2005 Year of Design in Sweden
[69] http://www.tekes.fi/english/programmes/what/what.html

"Evaluation of the possibilities on collaboration for design development between industry, services and educational institutions".

In order to create genuine innovation in society, creative strategies must be grounded in the society's way of dealing with relevant problems. Direct public financial support in order to create or keep jobs has become still more problematic in a free world economy and trade of today. The old fashion way to do this was by the state intervention as subsidies for national production, something which especially the EU is constantly trying to end. Financial support for design councils and other types of innovative advice is another way for governments to create competitive strength. This strategy however depends on the quality of the communication directed towards industry and also whether the business world is willing to understand and accept the strategy of value adding and value creation through design and creativity and that design is more than product styling and glossy brochures.

According to the Danish research there are three ways how government can create strategic innovation and design in a society: Firstly by tax incentives for investors within area where there is a public interest in developing new solutions and new markets of an innovative nature. Secondly, public funding for welfare goods that on the one hand makes a significant difference for the user and on the other hand creates and develops new solutions, technologies, products services and thereby new industries.[70] Thirdly, raising the bar by implementing higher standards and passing legislature in areas like the environment, workers protection and other technical and social rules determined politically. In the long-run this can lead to gaining competitive edge by innovations within areas of energy saving, environmental or worker protection.

Until now this kind of policy moves have not been the result of deliberate strategy in Denmark, either. On the contrary, the achievements have been more or less coincidental results of popular pressure on the political system. But these innovative clusters could easily become a vital part of almost any industrialized country's growth strategy. Through an active welfare state and through partnerships between the public sector, research institutions and private companies there are possibilities to create innovative industrial clusters. This could be a way to deal with globalization and future growth and innovation. And it is hard to see these clusters develop advanced user oriented solutions without involving design on a relatively large scale in these projects, both as a strategic and as more traditional aesthetic design.

Design will be one of quite a few players in a future growth strategy. As Lise Vejse Klint says:

> "*And design strategy is not the only type of strategy an enterprise needs. So maybe a broader approach to the whole area is needed, for example a package of strategy and innovation could be offered to these companies. So it would not only be the design aspect of innovation that the SMEs would get acquainted with but e.g. also marketing, human resources and IT etc. To see the development of value creation in SMEs as a whole could help. Here design*

[70] As an example, the development of the Danish hearing-aid industry

could be an integrated part of the solution a company needs, and not just be seen as an aesthetic service that may or may not create value for the company."

To create new knowledge or forms of activities and methods in the design industry is a very complex and time-taking process. In all countries results are to be developed and will be seen in the coming years.

In Latvia, for instance, there seems to have been done great amount of activities concerning Creative Industries in the political level. Thus, the impressiveness of these intentions also shows up elsewhere than in the official statements. This involves smooth coordination and cooperation between the key actors and ministries. And, in Iceland, even though all the design-related projects are more or less at the beginning stage, and though it is evident that there is a large work to do, still, there is a lot of creative energy and hunger for a better environment and innovative possibilities.

4. RESULTS. SUGGESTIONS AND RECOMMENDATIONS FOR FUTHER DEVELOPMENT

Studying the international design policy scene reveals that there is a myriad of activities around design. Interestingly, the very different economical backgrounds presented previously seem to be a minor handicap after all: design is at least widely recognised as a valuable asset if national competitiveness is to be raised. On the other hand, when considering the focus of this project, economic differences mean that the approaches and solutions cannot be uniform, but instead, tailored to each country, according to the social and financial capital and resources available. And, according to the reports from the participating countries, while there seems to be a vast array of activities around design, many of these more or less suffer from poor coordination. While the potential of Creative Industries is seen worthwhile for the industry, numerous activities and measures overlapping each other create a state of confusion which the 'traditionally' organised industrial sector still feels difficult to approach. This makes the building of the mutual innovation platform a very challenging task.

As the individual country reports reveal, the design policies and investments in design in Nordic countries have resulted in rather developed systems. For example, in Finland where the national design policy, based on the Governmental Decision-in Principle on Design Policy from June 2000 has resulted in such measures as the National Technology Agency's (Tekes) five-year, 28-million euros, Industrial design programme (Muoto2005). In the programme, over 65 research projects have been realised in co-operation with universities and the industry. The main aim in the programme has been in creating new expertise within the Finnish industry and thereby achieving significant increases in its competitiveness. The focus has been in **creating new knowledge in design.** Hence, the larger companies involved in the projects have been working as "experimental laboratories", where many of the new ideas in industrial design have been tested. From these projects, the results and new knowledge are "drained" to the SMEs.

Other approaches can be successful as well, but these have their pros and cons. In some countries the lion's share of resources is earmarked to design promotion programmes. On the credit side, the knowledge and general awareness on design is greatly improved. On the con side, there is less new research results and knowledge available. Hence, in countries where there are now less developed design systems, it is favourable to build design programmes from research basis and only after there is a sufficient "critical mass" of research, begin promotional activities.

Obviously, there is no ultimate answer to these questions. A reasonably balanced well-planned programme that comprises research, producing new knowledge and sufficient promotion seems to be a "safe" solution.

This leads us back to the key problem of this research project: how to build a Nordic-Baltic innovation platform, now that the survey has produced information that reveals a very elaborate and heterogeneous situation?

If the situation in design programmes and promotion in general in Nordic countries (excluding Iceland) is described with just a one word, one can say that it is *developed*. Finland, Sweden, Norway, Denmark all has new activities and results from these. On the other side, if the status of current design programmes and promotion in Baltic countries, along with other states in the Baltic area, e.g. Lithuania, Poland or Russia are described with one word it is most likely *underdeveloped*. These countries have intended programmes, however, showing that there is genuine anxiety towards rapid development.

How to build a common platform and hence, **create a win-win-situation** from these?

5.1 Ideas for establishing a Nordic and Baltic platform

5.1.1 Common markets for creative business ideas - situation alternatives

This section lists three possible alternatives that can be formed from the country specific reports.

Alternative (scenario) one:

Activities are limited in the Baltic countries. The intended development and transfer from intentions to actual programs and the development of systems is sluggish and the transfer of research results and knowledge to industry is not swift enough. This is the very much the present situation.

In this alternative there are only "one-way" activities. The Nordic countries transfer their knowledge to the Baltic region. Activities and intentions exist in the latter countries, but these are only on the planning stage. *(Figure 4; below)*

FIGURE 1: the one-way knowledge transfer. (Note that the countries on the left and right are ***not*** *in any particular order)*

If this situation persists, it means that there is a one-way transfer and exports of research results and knowledge from one country to other.

Alternative (scenario) two:

The now prevailing situation is slowly, but only partially changing. National policies are not as active as desired. However, new knowledge is emerging, and industries are gradually, but during longer period of times, understanding the added value Creative Industries has.

In this alternative the skills and ideas from Baltic area countries are exported as products to Nordic Countries. There is still only a one-way transfer and exports (of skills and ideas). This kind of alternative is already adaptable to the current situation.

FIGURE 2: Skills and ideas as export products (Note that the countries on the left and right are ***not*** *in any particular order)*

<u>Alternative three:</u>

The markets of innovations are forcibly developed thru support of respective national policies and practical measures thereof. Universities and research institutions communicate closely with each other, and with the local industries and industries within the whole region. This alternative takes longer time to materialise and requires additional resources and financial support.

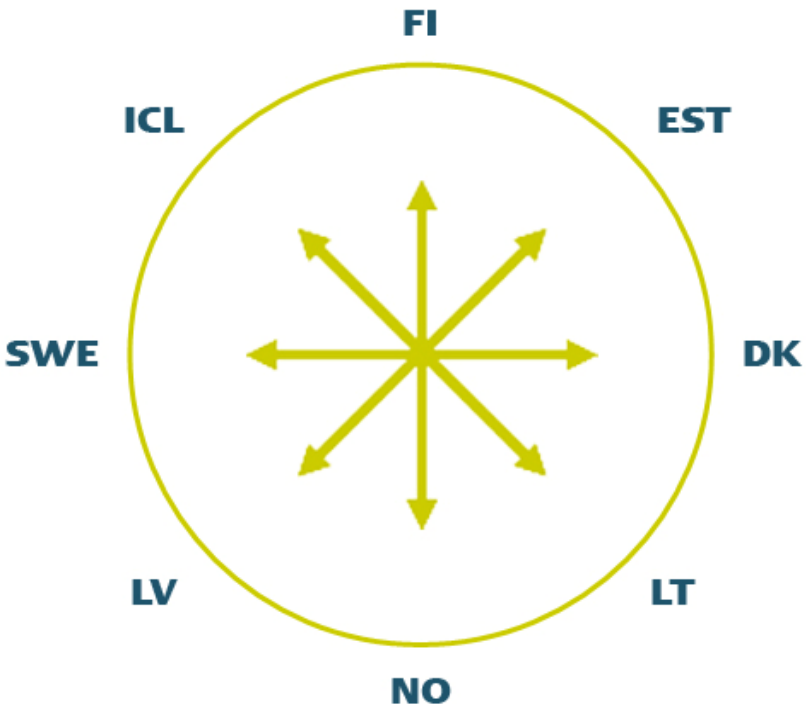


FIGURE 3: Common markets for design innovation in the Nordic-Baltic region

This activity aims in establishing common markets of Nordic-Baltic design and innovation.

This could consist of an *innovation "ring",* a system combining a virtual platform, e.g. www-service to enhance communication between key institutions in the CI field, technology field and industrial actors in the region, in order to strengthen regional markets of design innovations. In the service, new innovations are offered to the SMEs in the area to realisation, in cooperation with the local and regional research institutions. The SMEs pay an annual fee in their participation to the ring.

This arrangement is then maintained and coordinated locally by e.g. public innovation actors (local and national innovation centres, for example) that not only work together, but also meet on regular basis to discuss the continuous development of the "ring". The suggested platform also facilitates the cooperation between research institutions, and the distribution of new knowledge and best practises for the micro-enterprises and SMEs within Baltic-Nordic region.

5.1.2 Design to be integrated into national and industrial innovation systems

The building of a stable platform and a functioning network requires functioning innovation systems. However, while design is widely recognized as a competitive asset for the industries, there are few innovation systems in design in the countries surveyed in this research. Recently, great concern has been put on the fact that the innovation systems are not functioning effectively enough. In Finland, the aim has been in integrating the research based results into the national and industrial innovation systems. The tables below illustrate the prevailing situation. Design

promotion is widely recognized while only few research programmes creating new knowledge exist and, while there is lack of tools transferring design knowledge and ideas to actual utilization.

	Educational institutes	Research programmes /actors	Transfer of ideas /tools	Academic business development *with* new knowledge*
FIN	UIAH/IDBM, Univ. of Lapland, polytechnics	Academy of Finland; National Funding Agency for Technology and Innovation Design2005 programme	TULI, Liksa, Intro	Innovation university Concept **
SWE	Konstfack, Umeå University, HDK	VINNOVA Swedish Governmental Agency for Innovation Systems	TBS/VIMM	—
DK	Royal Danish Academy of Fine Arts; Aarhus School of Architecture; Kolding; Univ. of Aalborg	----	Innovation lab (Kolding)	—
EST	Estonian Academy of Arts	----	----	----
LV	Latvian Academy of Arts	----	—	—
NO	AHO, Oslo School of Architecture and Design; KHIO	----	—	—
ICL	Iceland Academy of the Arts	Crafts and design programme; government sponsored	—	—
				*) The "Third Task" of universities, development of new businesses with new knowledge created in universities

FIGURES 4-5: Overview of the innovation systems in each country (continued in the next table) *Source:* Eija Nieminen, 2006

	Marketing and Promotion of *existing knowledge*	Business incubators	Policy, key areas	
FIN	Design Forum Finland Design Year 2005	Arabus	Design policy; Integration of design into the national innovation system (2000)	
SWE	SVID; Svensk Form. Design Year 2005	Uminova, Stenoby	---	
DK	Danish Design Center Confederation of Danish Industries; INDEX. Design Year 2005	---	Danish Design Policy Statement (1994) Danish Design, a structural analysis (2003).	
EST	Estonian Designers Association (EDL), Enterprise Estonia	---	Design for Estonia (basis research; 2004)	
LV	---	---	National innovation program 2004-2006; Culture policy guidelines 2006-2015; National Strategic Framework document 2007-2013; National Development plan 2007-2013	
NO	Norsk form	Akerselva Innovation park, Gloshaugen Innovation Centre	Design policy (2001)	
ICL	Design Forum Iceland	---	---	

(FIGURE 5)

One design innovation transfer organisation is Designium, the main actor in its field in Finland. Designium is a unique establishment of its kind in the world also being an integrated part of the university. The main aim of Designium's activity is to link and integrate design to the national and industrial innovation systems. The operative goal of Designium's innovation activities is to bring as many R&D and diploma projects in the university as possible within the sphere of commercial utilisation. The innovation services offered by Designium are an integral part of this goal.

In academia, it has been widely acknowledged that there are still various gaps between the activities that have originally been aimed in implementing design in the national innovation systems.

A concrete step towards a more coherent innovation system has been taken in Finland recently; it is the Innovation University concept. It is a joint venture between Helsinki University of Technology, Helsinki School of Economics and University of Art and Design Helsinki. The aim is the establishment of multi-task research institutes, which develop new businesses utilising the new knowledge created in the respective universities.

However, one particular result from the various activities and programmes is that design has been taken *on the agenda* nationally and in the industries. In some countries, as is the case in Finland, the realisation of this task has strong support from the Ministry of Education. One result from this is the so-called *Third Task* of

universities. From August 2005 onwards, the new Universities Act states that "the universities shall interact with the surrounding society and promote the societal impact of research findings and artistic activities"[71]. This task also calls for new means and tools, networking and communication, among others.

When all countries participating in this research are considered in general, it is obvious that despite various measures, the prevailing gaps are the biggest obstacles in further development. Hence it is suggested, that further research is needed on this field in order to find the necessary means to overcome the majority of these gaps.

* * *

An important plank in the development of Creative Industries clusters lies in increasing infrastructure capacity and fostering value network relationships, such as production and consumption linkages even though there are highly talented individuals and high levels of innovation.

The main weaknesses of Nordic Creative Industries can be identified as a rather small demand in the local market, maybe lack of the so-called critical mass, weaknesses in business and marketing skills of the Creative Industry professionals, lack of an entrepreneurial culture, failure to network and collaborate, in some cases remoteness from major markets and limited access to capital. **The suggested platform could, with relative ease contribute to the collaborative development of the Nordic-Baltic innovation co-operation.**

International comparisons with content clusters – such as the Toronto new media cluster – could be useful, and demonstrate the value of strong infrastructure in information technology and broadcasting, although as Florida has argued, infrastructure alone is not enough to engender creativity.

[71] see www.minedu.fi

5. APPENDIX: PROJECT INTERVIEWS AND OTHER DATA GATHERING IN THE PARTICIPATING COUNTRIES

This section contains the individual reports from each country.

DENMARK

By Thomas Dickson

Denmark is well-known for its design and designed products. Industrial design is widely recognised as a competitive factor, but as the following section suggests, a large number of SMEs still are not aware of the competitive edge they could attain through using the potential of design and the Creative Industries.

Introduction

In Denmark design promotion is by now an experienced discipline. For decades the Danish government has allocated resources through various institutions and programs to help bridge the gap between design and industry. The main vehicle for design promotion has been Danish Design Centre (DDC), which was founded back in 1977, with the primary task being to advocate the use of design in industry. The secondary goal for DDC has been to somehow educate the design community, so that the designers and design offices could better understand and communicate with the business world.

The purpose of the many initiatives over the years has been to create an atmosphere of collaboration between the creative design community and the more business oriented enterprises. Many other countries, also several in the Nordic and Baltic region, have taken similar initiatives and invested in design promotion. So there seems to be some kind of consensus regarding the value of design and the necessity of persuading the industry to use design more.

One cannot help however to wonder a little bit about this. If design is important for value creation in industry, by designing good products, communications and environments, why then is it necessary for governments to finance these design marketing activities? Similar promotional activities do not seem to be needed when it comes to other types of consultancies like advertisement, marketing, management or engineering. Why isn't design recognized more widely as a useful and profitable asset in the business community? What are the specific barriers regarding design?

In what way is design something special? Does it lie in the nature of how industry is organized in our part of the world? Or is it the design field somehow special? Or is it simply that the concept of design is so abstract, that it needs some kind of advocacy, education or interpretation?

In Denmark several surveys have been performed over the last 5-10 years, trying to make us wiser on how design is used by industry and why design penetration still seems to go a bit slow, even though millions of euros have been spend on promotional activities. As a start this Danish section will go over some of these surveys and try to extract relevant information from the available statistical data and statements in these

reports.

It seems to be useful to divide the research into three parts in order to distinguish between relevant viewpoints. Therefore the positions and interests of the main bodies on the issue will be dealt with individually. The three actors on the scene are:

1. Design and the design community
2. Industry and the business point of view
3. The political level, from where the promotional activity is defined and mainly financed

The analysis of this literature will be followed by interviews with knowledgeable key persons within each of the three fields of design, industry and promotion in order to elaborate on the viewpoints and possibly identify the contours of new strategies for developing a closer relationship between design and business.

The questions that were asked during the interviews were:
1: How does the business world, especially the SMEs, view the use of design?
2: How important a role does design play compared to other types of product development and innovation in general?
3: How is design regarded in relation to value creation in the companies (especially SMEs)?
4: How is design regarded in relation to technical innovation?
5: How is design regarded in relation to user needs and experiences?
6: How is design regarded in relation to branding?
7: Is design used sufficiently within the companies today – and in particular the SMEs?
8: If design is not utilized enough within the SMEs, then what blocks it?
9: Are we speaking about general barriers for innovation or is it specifically in regards to design?
10: What are the designers doing wrong in building relationships with the business world?
11: What are the SMEs doing wrong in building relationships with the design world?
12: What are the design promotional bodies doing good and bad in building a bridge between design and the business world?
13: What are thedesign organizations doing good and bad in the process of promoting design?
14: What can otherwise be done to better the relations between design and industry, e.g. in schools, through education and communication etc?
15: What roles should respectively the government, private enterprises, professional associations; research institutions, design schools and others play in the future design promotion?

1. The Industrial Viewpoint

Danish industry consists of a large number of small and medium sized companies (SMEs) and relatively few large corporations. Some companies have for decade's integrated design into their value chain. These are mostly the largest companies in Denmark – Bang&Olufsen, Lego, Royal Copenhagen, Novo Nordisk etc. But also many smaller industrial firms have used design extensively – for example many

furniture, textile, lighting and tabletop manufactures.

But many Danish companies have not been accustomed to utilize design, and the huge majority of these are small and medium size enterprises. Over the years a number of surveys of various types have been conducted in order to shed some light on the issue of slow design penetration into Danish companies. We will summarize on some of the latest of these surveys here.

Survey:
Designs Økonomiske effecter (The Economical Effect of Design). September 2003.
Produced by: Danish Design Center, Advice Analyse and Anders Holm + Bella Markmann from Copenhagen University.
Client: Erhvervs- og Boligstyrelsen, under the Ministry of Economy and Industry

The purpose of this survey was to determine whether design makes a significant difference for private industry or not. According to the summary of the report, the survey establishes exactly that. **The main conclusion is that companies that systematically use design make more money and export more than firms that don't use design.**

The survey builds upon telephone interviews with about 1.000 companies in the private sector having more than 10 people employed. The report reveals the total investment in design in these companies. It also deals with the development in the annual result, the export figures and the number of people employed, for both companies that use design and those who don't.

The number of respondents is considered to be high enough to be representative for Danish industry in general, so that the figures retrieved in the survey can be multiplied in order to, for example get the total amounts spend on design in the private sector.

The surveys definition of design work covers a very broad spectrum of tasks, from *'design strategy, development and form giving. Everything that takes place before the actual production or implementation (of not only products, but also printed matters, websites, interiors, etc.).'* It is though not clear if there is made a distinction between traditional product design and engineering design.

The main conclusions of the research are:

- That Danish companies invest close to 1 billion € annually in design (in 2002/2003 money) – Approximately one third is spend on internal use of design in the companies and two thirds are bought as external design work.
- Companies that use design have a 22 % higher increase in gross profits (8 billion € more), compared to companies that don't use design.
- Companies that have increased their use of design have a 40 % higher increase in gross profits, compared to companies where design activities have stayed constant or have dropped.
- There is a positive connection between companies that use of design and the number of jobs created.
- But at the same time the survey shows that only 49 % of all companies in Denmark (with more than 10 employees) use design – either as external consultants or

internally employed designers. And only 6 % of all companies have the use of design permanently integrated into the organization.

There are problems though when you read this survey. First of all there is a statistical problem. To conclude that design creates economical growth is only partly possible in the way this survey has been conducted. To ask companies if they use design and if they have growing profits doesn't establish a direct connection between the two. A third factor could be the reason for companies to both be utilizing design and doing well economically. This issue has been debated among design researchers and in articles in Berlingske Tidende, one of Denmark's leading newspapers at the time when the report was publicized.

Secondly, the term 'use of design' is not in any way detailed enough to say anything about how much design, what type of design and how successful the specific design actually was. By the word 'design' the survey specifically in the questionnaire means, using a person with a classical design education from one of the 5 traditional design schools in Denmark. This is also in contrast with the surveys explicit definition: *'When we speak of design we mean design strategy, development and form giving. Everything that takes place before the actual production or implementation (of not only products, but also printed matters, websites, interiors, etc.).'* So what about the so-called silent design, or other professionals (e.g. engineers) doing design work?

Both problems leave us standing a little in the dark. Although more than 1.000 companies were interviewed on the phone, it doesn't give a very clear picture of designs role in today's enterprises and its economical significance for business success.

Prior reports and surveys

Before the survey on 'The Economical Effect of Design', from September 2003, as describer above, a number of reports had been published, especially during the 1990'ies. There was one done in 1994, with the title 'Danish Design Policy' which is described in part 3.

A whole series of reports were written in 1997 – one main report with three sub-reports. The one named 'Designfremme i erhvervslivet' (Designpromotion in Industry) has a section on the use of design in the Danish industry. The goal was to clarify to what degree Danish companies use design as a factor in building competitiveness, and also what the barriers are for companies that block their use of design. The conclusions are not surprisingly in line with the figures from earlier reports and subsequently with the 2003-report.

Telephone interviews were done with approx. 1.000 companies and the main results stated are that:

- The usage of design will be rising in the future within their branch of industry, and this particularly is a result of an increase in international competition
- Only 30% of the companies use external design consultants when developing new products, and very few companies have designers employed in-house, this is especially so among the smaller companies

- Manufacturing companies tend to use design competencies more than service and trade companies. Also companies in especially the consumer goods sector, and to a lesser degree companies that are in the communication and food industry see a bigger effect of design than other sectors
- The reason that most of the companies that don't use design, is due primarily to a lack of belief in the positive effects of design on competitiveness, but also the costs of using design seems to a barrier for some companies

From Beauty to Business!

Also in 2003 the Confederation of Danish Industries (*Dansk Industri*) initiated a series of design discussion in a sub-committee within the organization. The members of this committee, which is named 'The Design Network', were almost all senior design managers and CEO's in medium size and large companies in Denmark. A small survey (100 interviews) among Danish Industry's members was also conducted and a number of recommendations and statements were publicized in a popular report, designed as a newspaper, with the title 'From Beauty to Business' at the end of 2003.

The Design Networks vision is: *"That design in Denmark has common business oriented goals. The Danish government must, through a national design policy prioritize goals and focus areas for the development of Danish design within education, research, knowledge dissemination, design promotion and internationalization."* And:

"That Denmark becomes an international beacon for development of new methods and tools in the area of design. It is a Denmark where enterprises and design knowledge institution are on the cutting edge of the global creation of competences, and sets the agenda for making design visible."

The small survey said, according to the report:
- 30 % of Danish companies have today a design strategy and an additional 40 % are considering implementing one.
- 82 % of design managers inside industry said that design will become more important in the future.
- 51 % of the companies interviewed consider design to be part of the product development, while 24 % say that it is a strategic process to be implemented in the whole value chain, but 19 % use design only as form giving, or styling.
- Design is considered to become still more important for the companies ability to compete.
- But the industrial and the design world are moving in different directions, companies are looking for knowledge on industrial design that they cannot find, while the designers and design schools are still, to a large degree, stuck in an artistic approach to design.
- 77 % of the companies use product design, 54 % use industrial design, 50 % use technical design, (the difference between these 3 categories is not made clear in the material) 20 % use graphic/web design and 5 % use design management.
- Today 60 % of design work is performed by people who have a technical background, only 9 % come from one of the two design schools and 7 % come from schools of architecture.

The Design Network recommended:

- A new national forum to council the government on design
- Danish Design Centre should have a key role in dealing with new design knowledge
- A new think tank to professionalize and distribute design
- New "best practices" for business opportunities for design consultancies
- Massive business orientation of design educations
- Securing of a high quality design research

Some of the statements given in the report:

"Design must be made visible as an integrated element of creating growth in the companies. It is obvious that this is exactly what is needed in order to get more companies to take designers serious in the future. We have to realize that we aren't very good in Denmark to understand that good business based design isn't just an appendix that styles the product when it is finished."

"Many of the companies, not least the SMEs, can benefit a lot from a design strategy that also includes an assessment of the business opportunities in working with design. Confederation of Danish Industries Design Network will initiate the creation of tools to get started using design, especially in the SMEs. But more initiatives are needed. A design manual or handbook, followed by more information and maybe collaboration with students would definitely help disseminate and develop the design field in Denmark."

"The many small and very few large design consultancies makes it difficult for the operators to maintain a level of international standard. The design sector does simply not have heads and muscles enough to deliver the necessary complex knowledge and cross disciplinary skills that are needed."

"It is obvious that one-man consultancies don't have a chance to catch up. And they are not at all able to decide the agenda and be responsible for driving the development of new tools and new knowledge. The Design Network is convinced that the design field must change – structurally and skill-wise – if Denmark is again going to be a design leader."

"There is no question about it, many designers suffer from the 'Rock Star Syndrome', and that is an obstacle when collaboration with industry is needed…..Today design is a lot more about methods, analysis, cooperation and working a cross disciplines, than 20 years ago."

"The companies are not in doubt about their need for new design knowledge. Less than 25 % of them feel that design research is not relevant for the design work done in their company. This stresses the companies' needs and expectations of access to more and newer design knowledge. But today only 6 % have already utilized design research, although 36 % would acquire it if it was relevant."

At the final presentation of Index 2005 in late September 2005 Confederation of Danish Industries' Chairman, Hans Skov Christensen said in a speech:

"Globalization enables enterprises and consumers to buy goods and services cheaper than ever before. More and more enterprises world-wide can make the same product, at the same time, at the same cost.

But it is in the interaction between engineers and designers, that unique products are invented. Design and innovation is becoming a crucial issue for more and more enterprises. A good design - whether it is related to furniture or toys - can increase the competitiveness and distinguish one product from another.

Thus, design and innovation plays a decisive role in the ongoing and more radical innovation of products and services. It is for this reason, that the Confederation of Danish Industries is a part of INDEX. And why 'Design to Improve Life' is an excellent way of illustrating that design and innovation creates unique products and services.

We see design, creativity and innovation as part of a modern industrial policy. In order to create the foundation upon which enterprises can build, Denmark must pursue a policy, which prioritizes design and innovation.

- *We need to strengthen the educational system,*
- *We need to know the latest trends and technologies,*
- *And we need a strong Danish Design Centre.*

Although many regions in the world have also realized the value of design, we have a strong tradition of incorporating design, functionality and technology in our products. And I believe that Denmark has the potential to be an international centre for design. But we must not rest on the belief that 'Danish Design' in itself is a selling point.

This is why we need to focus on the qualities of good design and new ways and methods to incorporate design as a process and as a strategy. And that is exactly what INDEX and this event is about. It illustrates how good design can improve and develop new products and services.

To ensure the right conditions for design in the future, the Confederation of Danish Industries suggests, that Denmark develops a national design strategy, which is to strengthen relations between enterprises, designers, and institutions of knowledge.

I see INDEX and the event today as a part of such a strategy. And the work that you have undertaken in the past three days will for sure contribute to the strategy. Therefore I am looking forward to hearing your presentations.

Innovative solutions and great design is the essence of 'Design to Improve Life'. It proves that design can indeed make a difference. And it is on this idea that we build our ambition of Denmark becoming an international centre for design!"

Interview with Rasmus Anderskouv, consultant on matters of design for the Confederation of Danish Industries (DI)

Viewpoints on design and the business world:

Today almost every company sees the need for design in the future, although many of these companies do not actually practice this right now. As I see it one can categorize Danish companies in 4 different groups, according to their relationship with design:

1. Companies that are today using design strategically. They are more or less design driven
2. Companies that use design on an ad hoc basis. They don't use it all the time but when they think there is a relevant project that needs design attention
3. A large group of companies that are potential design users
4. A rather large group of companies that don't use design and do not plan to do so

We in DI focus on those who are on the way to use design, and that is the reason why we need a strong Danish Design Center. I think one has to realize that design is a little bit like information technology used to be. Even though everybody knows it's useful and inevitable, it takes some time to actually penetrate into the corporate environment. The same thing happened with the use of management consultants. There is simply a time-lag and that's why design promotion is necessary.

But of course companies in Denmark must themselves become better at tuning into using design and be able to integrate design into their product development and their corporate culture.

Viewpoints on the design community:

3-4 years back the designers and design consultancies had a rather bad image in industry. They were seen as hard to work with, they couldn't meet deadlines, they didn't understand how companies thought and they even dressed weird. But this bad reputation is getting better day by day and we are on our way to a situation where industry and the design field are looking more eye-to-eye.

One of the problems today is that so many design firms are very small. It probably comes from an education into an artistic self-perception, which is okay if they themselves are satisfied with that. But first of all the Danish taxpayers shall not pay for this self-realization process and secondly - and most important - those kinds of consultancies are just not very attractive for industry today. Design firms consisting of e.g. two designers do not have the necessary competencies to do some serious changes to a company's corporate culture.

But we still have to realize that no one can force designers to do anything, it is a trade and they have their free will, and for many designers it seems that economical success is not their primary goal. They are more concerned about their own projects and their uniqueness. Design education and design research is one of the biggest problems regarding this issue. Because it is a whole culture and set of traditions that needs to be changed.

Viewpoints on the promotion of design - barriers and how to overcome them:

Especially ID-Forum in Horsens have been good at promoting design to industry - not least to the small and medium size enterprises - where the Danish Design Center on the other hand have focused mostly on the very large and wealthy companies in Denmark.

The Confederation of Danish Industries is working on a design policy because the field needs a boost, and we are recommending to the Danish government that it implements a design strategy. The Danish Design Centre has not been strong and focused enough, especially not for the member companies of DI. Up until now there has been too much uncertainty regarding DDC, but in honesty we must give it to DDC, that they have shifted focus in the right direction the last couple of years…

Danish industry needs research based design knowledge and educations. It could be an idea to try more to connect these institutions with other educational and research environments. Originally the Confederation of Danish Industries suggested that the Center of Design Research should be forced to collaborate with e.g. some business schools and engineering schools. We should grasp the opportunity to build a whole new research environment and a whole new way of doing design research.

A national design strategy should include:

1. Concrete initiatives and means to communicate knowledge to industry
2. International branding and exposure of Danish design abroad
3. Design education and research
4. Ways to support the use of design in industry - but not financially

2. The Design Viewpoint

Just like the way that the bulk of Danish industrial firms are on the smaller side, compared with international standards, so are Danish design consultancies. Danish Design is more or less a brand name, stemming back from the fifties and sixties. But is seems that the design field in Denmark has been standing a little still since then. Emphasis among many designers is still on form giving within well known disciplines like furniture, textile, ceramics and lighting design. Many designers undoubtedly still see themselves primarily as artists and not as consultants, even though the majority of them work in a completely industrial context.

There is though, and has been since the fifties, a branch of industrial designers who are working for the larger and more advanced Danish companies on more conceptually grounded products. These more modern types of product designers are often seen in larger companies manufacturing medical devices, technical equipment and high end consumer goods. Some graphic design firms are also applying very up-to-date methodical approaches while working on communication design for clients. These types of designers do rarely see themselves as artists, but more as modern professionals.

In the autumn of the year 2000 the issue was raised whether or not the Danish design community was large, strong and skilled enough, so that it could qualify to be labelled a Danish design cluster. The question was asked by Jørgen Rosted then permanent secretary in the Ministry of Industry, at a debate on design at the House of architects.

Subsequently committee work was done along with a survey on the state of the Danish design community, which was published in a report in 2003. This report defines a cluster as:

'Competitive clusters' is an economics concept covering a sector, which – via mutual relations among players in the cluster – create joint competencies. These competencies enable them to produce goods with a higher value than average enterprises and sectors. Competitive clusters are characterized by a critical mass of enterprises and workplaces, a high level of internationalization, good training and educational opportunities, research environments and close interaction between the players to ensure a high level of utilization of the qualities/competencies present.

Report and survey:

Dansk design – En erhvervsøkonomisk analyse (Danish Design – a structural analysis). March 2003.
Produced by: Oxford Research A/S.
Client: Erhvervs- og Boligstyrelsen, under the Ministry of Economy and Industry
Quotes from the summary in English:

"Danish design companies are often individuals and small enterprises, which base their activities on creativity, commitment and a pioneering spirit. At the same time, it is a profession forming an important part of the framework supporting other manufacturers of products and services."

"90 percent of Danish design enterprises are single employee businesses. In this feature, the design industry does not differ very much from the rest of the Danish industry. In fact, the high representation of single employee businesses is one of the main characteristics of Danish businesses in general.

Design differs from the rest of the industry when considering representation of large enterprises: Today, none of the existing Danish design enterprises have more than 50 employees. A design enterprise with 20 employees is considered a big one. In other words: There are no 'locomotives' in Danish design, which often characterize other competitive industries."

"However, the analysis concludes that a significant development process is occurring. The design sector is growing rapidly; the level of entrepreneurship is high and the number of employees in the sector is increasing rapidly at present – albeit starting from a low level."

"Design in Denmark is not as competitive a business as some might wish; the scope and coherence of a strong, competitive cluster are not yet present. There are clear indications that the present resources and potentials are not exploited sufficiently. However, the conclusion of the report is encouraging: There are many strong competencies and a great deal of potential to develop the sector in a positive direction, particularly with a view to the future. To realize this potential, the present competitive strengths must form the basis for future development. At the same time, a targeted effort must be made to reduce existing barriers to the development of the

design sector at present. In sum, Denmark has the potential to maintain and expand the reputation as a centre for world-class design."

"The questions asked in the report are: Is Danish design an internationally competitive industry and does Denmark have the right base to support a cluster formation, which is able to ensure that Danish design can compete internationally?
There are two main reasons why it is particularly relevant to focus on design as an independent industry:

1. Design as an element in the competitiveness of the Danish industry. *Design is knowledge and creativity reflected in the customer's product and it contributes significantly to the value created. Design may be the deciding factor between a standard and a competitive product.*
2. Design as a sector. *Design is a knowledge-intensive, creative, growing sector; exactly the type of sector in which Denmark should attempt to create growth and jobs in the future.*

There is a clear business potential in strengthening design as a sector in Denmark. Users rate the effects of the designers' efforts very highly – both the tangible effects, such as higher turnover and the intangible effects, such as improved image and marketing. Users are very satisfied with the design services and enterprises and they expect to increase their purchase and use of design in the future. Design as a sector is already expanding with an increase in the number of enterprises, employees, turnover and exports. The training and educational programs are good, the level of skills is high, there is a social network and a sense of community among Danish design enterprises.

However, is this enough? It is still an extremely small sector with a relatively low level of internationalization, and cooperation between companies far from exploits the potential synergies to a maximum. The documentation behind the report indicates that the development of a world-class design sector does not happen automatically. It is particularly important that two preconditions are in place in order to improve the use of the current potential:

- *The design enterprises must possess the competencies necessary to run a highly qualified, professional enterprise with a strong international competitive power – and not least – they must possess the will to transform competence into action.*
- *Denmark must offer the best possible framework conditions to exploit this potential. Trade organizations, institutions, public initiatives and enterprises must support joint, ambitious and innovative measures to stimulate synergies in the Danish design sector.*

The report is based on comprehensive documentation and data, including:

- *A questionnaire-based survey of 180 Danish design enterprises.*
- *Telephone interviews with 1,000 Danish enterprises about their use of designers.*
- *Qualitative interviews with more than 30 Danish design enterprises.*
- *International case studies: Interviews with key persons in the design field in the United States, the United Kingdom, the Netherlands and Italy.*

- *A scenario process with enterprises and other significant players in the Danish design sector participating."*

Under the headline: "Barriers: Strategy, management and communication", the report concludes:

"Seen from an economic perspective, there are clear indications that the present resources and potentials in Danish design are not exploited sufficiently. The questionnaire and in-depth interviews show that there are a number of factors that do not function satisfactorily at present:

- *Enterprises are clearly driven by individuals, who often have very personal ambitions and preferences. Whereas this is very positive in many instances for a very small business, businesses that centre around one person often meet obstacles when expanding and cooperating with others. Problems frequently occur regarding aspects such as marketing, communication with customers and collaboration with colleagues.*
- *Enterprises attempt to achieve specialization and a wide range of services at the same time. This is problematic as most enterprises are far too small to possess any given specialized competence.*
- *At the same time, enterprises prefer to attempt to solve their assignments in-house instead of allocating the best knowledge and the highest competencies.*
- *The strategies of the firms are more usually an expression of their dreams instead of actual goals that are pursued. The sector is characterized by a lack of responsibility for the development of the enterprises and the industry: Many regard the development of the design sector as a public task.*
- *Design enterprises are not sufficiently professional in management, planning, marketing and communication. This is a barrier to growth, creativity and innovation.*
- *50 percent of Danish design enterprises think that their own enterprise has a strong position compared to foreign competitors. Unfortunately, only few enterprises actually take the opportunity to work actively on internationalization. This is an indication that the Danish sector either has a large unexploited potential or overestimates its international strength – or both.*

The performance of the Danish design industry is not sufficiently strong to be labelled one of the strongest competitive industries in Denmark. The above conclusions are generalizations covering a wide range of enterprises; obviously there are many exceptions in an industry as multi-facetted as design. The documentation strongly indicates that there is some way to go before a new, coherent sector is formed in earnest. There are still only few jobs and the direct economic influence is modest. The level of specialisation is low and only very few enterprises are active internationally. The sector is currently undergoing considerable development however, and is influenced by a rapidly increasing demand from the corporate sector, which is becoming aware of the importance of design to their competitiveness. Danish design is undergoing a change from a profession to an industry equal to other significant industrial sectors such as transportation and biotech.

There are many indications of the new currents underway. New enterprises are being established, which focus strongly on professional management, operation and communication, based on clear strategies, including growth targets, while still founding the services in high skill levels based on the traditions and qualities of

Danish design. These businesses are without question a minority – thus far – but from an economic perspective, they are by far the most interesting.

At the same time, a number of qualities are present which together create a positive foundation for the formation of a competitive design industry. There are dynamic skills, increasing demand and good opportunities to create more synergies in the future than at present. No individual design fields stand out. On the contrary, there are indications that the design professions are a connected whole and that these connections constitute the greatest potential.

Denmark has the potential to become a leading design region. The main efforts involved in moving Denmark into the global design league must lie with the design enterprises. Everywhere in the world, it is the enterprises and the designers themselves who are responsible and receive credit for developing world-class design.

Basically, it is a question of making strategic choices. Each design enterprise has to make a choice: Not to be everything to everyone, but to define an individual business concept among numerous possible concepts. It is also a matter of ambitions; design ambitions and business ambitions. If design enterprises are content to be able to support their owners, managers and employees at a level comparable to every other enterprise in Denmark, then they will remain average; to achieve world-class status requires more ambition and commitment.

Initiatives are needed to support the ambitions of designers and design enterprise in Denmark. Some of these initiatives are already being taken today with the many initiatives of the Danish government's design policy. However, growth and competitiveness rely heavily on the commitment and intentions of the enterprises themselves and other stakeholders in the Danish design industry."

A second opinion

Since the discussions about the future of the Danish design industry began in 2000, and particularly since the report mentioned above was published in 2003, the debate has occasionally been heated on the issue whether or not the designers should form larger companies from time to. The argument for this is of course being that it would strengthen the design companies in the still fiercer competition internationally. Larger consultancies would also make it easier to handle big jobs from big companies and lead to better business results. The argument has also been that larger organizations would make it easier for designers to specialize and find time to upgrade their competencies.

A few design companies have followed the advice from the governmental report and merged, but generally not many Danish designers have made the move towards larger business units. Denmark's leading business newspaper Børsen have asked some of the very small but rather successful Danish design firms about their opinion on the issue of mergers and growth. Their response is that they don't see any reason to merge to become larger companies. They fear that if their companies should grow larger or merge, they would either have to give up being designers, and become managers, or they would have to employ a manager to run the company, in other words to hire their own boss, and none of these alternatives are attractive to their current work situation.

As stated before many Danish designers see themselves as unique creators, if not artists, and that identity of theirs, doesn't fit very well with working in large companies or anonymous networks. But the small design companies have also another argument; they claim that there is no real demand from Danish industry for big design consultancies to solve large and complex design projects. And even if they should land an assignment that is too large for them to take on single handedly, they can always find help in their immediate network.

The fact is that the map of the design landscape in Denmark is not going to change over night. We are probably not going to see at lot of mergers in the near future; simply because the individual designers and the small design firms cannot see the advantage of doing so. And there is no reason to believe that this will differ before the market situation for design changes in such a way that the benefits of mergers and growth will overshadow the perceived disadvantages.

Interview with Lise Vejse Klint, chairman of Danish Designers (MDD)

Viewpoints on design and the business world:

I think that the business world's relationship with design ought to be pretty much summed up by Rodney Fitch's (chairman of Fitch RS PLS), who said: '*Only one company can be the cheapest – all the others must use design'.* But if you look at the SMEs, then many of them probably have a tough time dealing with day-to-day management, so the more strategic considerations, including design, is hard to find time for. And if you think along strategic lines in a SME, then it is not necessarily design that comes to mind first hand. Design is still considered to be mostly aesthetic 'form giving', and not so much about creating new business perspectives.

But even if you don't think of design as strategic design, then design will still almost always be a part of the innovation process. And especially with SMEs design and innovation must be very practical. It's often easy to stay on a strategic level with the companies manager, but communicating new strategies down through the organization is an important and often overlooked task in the innovation process, and that is often a design job too.

Some of the design promotion, even though it can consist of good case stories, doesn't get across to the SMEs; their reaction will often be: 'Oh, that's for big companies' or 'they are in a completely different line of business than we are, so you can't compare us with them'. But it seems like the user oriented design angle is more appealing to the many companies and not least the SMEs. They are not so good at thinking in long term strategies.

Viewpoints on the design community:

The organization Danish Industry has accused the designers for not having sufficient skills, especially on the technical, economical and managerial side. And they may be right to some degree, and it has probably several explanations. First of all the design schools still educate their students primarily in an artistic tradition, and secondly many designers work alone or in very small design consultancies, and cannot have all

relevant skills in hand. The designer is often good at form giving and maybe one or two supporting competences besides that, but no one can be master of everything.

Most designers of today have some problems with communicating with their clients and other stakeholders, they take for granted that everybody knows the design vocabulary and understands the design process. Far from all people understands that, and that is a serious barrier for designers and design firms in their relations to SMEs. On the other hand, surveys have shown a high degree of satisfaction among those companies that actually use designers, so we must be doing something right.

One of the problems is that many clients among the SMEs are used to be overly concerned with details, and they stare themselves blind on specific daily problems. When dealing with designers you must be prepared to take a helicopter-view once in a while to see the problems in a broader perspective. That is one of the things that designers are often good at, not just to work on sub-problems but also have a holistic perspective on the design job and the companies' needs.

There has been a lot of talk about the size of Danish design consultancies. And there are many good reasons for them to grow bigger, for example through mergers. On the other hand many designers of today say they are happy being small or just a one-man enterprise. As long as these small design firms are making a conscious choice then it's okay. But one has to realize that any choice of something is an exclusion of other opportunities. I am afraid that the Danish design industry has become to oriented towards the domestic market, and that the design school tradition of raising he students to want to be a star is an obstacle for healthy collaborations between designers so that they can get better and bigger jobs together.

Viewpoints on the promotion of design - barriers and how to overcome them:

Generally speaking many of the problems with integrating design into SMEs has something to do with cultural differences. Going to design seminars and promotional presentations of design to SMEs, the amount of buzz-words is sometimes ridiculously high. We need to be much more practical and down to earth when we communicate design, especially to small and medium size companies.

And design strategy is not the only type of strategy an enterprise needs. So maybe a broader approach to the whole area is needed, for example a package of strategy and innovation could be offered to these companies. So it would not only be the design aspect of innovation that the SMEs would get acquainted with but e.g. also marketing, human resources and IT etc. To see the development of value creation in SMEs as a whole could help. Here design could be an integrated part of the solution a company needs, and not just be seen as an aesthetic service that may or may not create value for the company.

The public promotion system is way too passive today. For example there should be a clear strategy for the public sectors use of design. When you see how the Danish hearing aid industry or windmill industry has boomed, due to public spending and awareness in these sectors, it is clear that an offensive government strategy can be very powerful. Areas like health care, the elderly and environmental solutions are obvious problems that need government attention and design solutions. We have the

advantage of being a small country where decisions can be made quickly and social inventions like the coop movement, the folk-high-schools and welfare systems are part of our tradition.

In the design community we have a hard time getting sufficient further education for designers. Courses that can inspire designers and upgrade their skills in areas like strategic design, user centred design and other business oriented disciplines are very much needed. MDD does not have the resources to build this our selves but have been forced to find other bodies to collaborate with on this subject.

3. The Political Viewpoint

Design promotion has been on the agenda in Denmark for more than 30 years. Danish Design Centre (DDC) was established with few resources and in rather humble settings in the 1970'ies, but has been growing almost ever since. There have over the years been allocated substantial government funds to DDC, which in the early 1990'ies became a 'Recognized Technological Service Partner'. In 1987 a report made by The Ministry of Trade and Industry concluded that; "the dissemination of design in Danish companies has not been strong enough , so that one can argue that there are no specific Danish design qualities as a general result of strong traditions and communities in the design area."

Report 1: But it was not until 1994 that the Danish government seriously contemplated developing an actual design policy for the country. The philosophy being that design was so important in adding and creating value that it should be taken more seriously in the business world and subsequently also on a political level:

Danish design Policy (Dansk Designpolitik) – A statement from a cross-ministerial committee. 1994

Participants: Ministry for Economy and Industry, Ministry for Culture, Ministry for Housing and Ministry for communication and Tourism.

This report is not backed by data from any specific survey, but is primarily a paper for policy making. The main message is that an increased use of design would strengthen the competitiveness of Danish companies. In the introduction to the report it is explicitly said that it is industrial design that's on the agenda here, although the committee recognizes that design of image for the service sector in not unimportant. But they also state that there is very little systematically collected knowledge available about designs impact in a business context. Being the result of a cross-ministerial committee's work the report also noted that beyond the economical importance, there are other angle's to design, e.g. cultural.

The reports recommendations fall into 3 types of initiatives:
A Securing a more widespread and intensive use of design in business
B Maintaining a high level of competencies within the design community
C Higher profile for Danish design and focus on what design is capable of achieving

Regarding section A the committee suggests subsidizing design projects in companies, support for the use of young designers in industry (the so-called 'Ice-

breaker system') and a regionally organized information campaign directed towards especially SMEs.

Under section B there are ideas like cross-disciplinary courses and projects between design schools engineering schools and business schools. Also various supplementary training courses for working and practicing design are suggested.

In category C one can find the idea to build a building for Danish Design Center.

Many of the suggestions in this report were put into action in some way or the other shortly after.

Report 2: In 1997 there was, as mentioned earlier, a whole series of reports written on the subject of design and promotion of design. The concluding main report, with all the recommendations was named:

- 'Regeringens Designredegørelse' (The Governments Statement on Design).

The success criteria for the Danish governments design policy were:

- At least 80% of Danish companies will in 5 years time recognize that design has an effect on their competitive abilities regarding product developing (The figure at the time was 62%)
- At least 50% of Danish companies will in 5 years time use external design consultants when they develop new products (The figure at the time was 30%)

The other three reports were titled:

- 'Designfremme i Erhvervslivet', (Design promotion in Industry)
- 'Offentlig Indkøbspolitik og Design', (Public Acquisition Policy and Design)
- 'Kompetenceudvikling og Design', (Development of Competencies and Design)

The recommendations for a new national Danish policy on design, and the initiatives were:

Design promotion in Industry:

- Information campaigns
- Co-financing of a new building for Danish design and activities in that building
- Financing of a rebate on advice the new Institute for Design Consulting
- A 'Design Ice-breaker' system, with governmental co-financing of initial use of design in SMEs
- Expansion of the existing regional design promotion initiative

Public Acquisition Policy and Design:

- Information activities within the public sector on the benefits of focusing on design
- Development of practical tools for advice on design – e.g. handbook and network

activities

- Co-financing for the issuing of design competitions
- Co-financing of development project involving public organizations, private enterprises and designers

Development of Competencies and Design:

- Funding for cross-disciplinary courses (including design students)
- Funding of an Information campaign to stimulate companies to take in design students for internships
- Funding for cross-institutional design research centers
- Travel grants for young designers, to earn experience abroad
- Funding of master classes for designers

The total public spending on the proposed suggestions, which were largely, implemented as described, was 95 million DKr. (approx. EUR 13 million) over the four years from 1998-2001. These funds were extraordinary, and were given on top of the annual 2 mill. € provided for permanent institutions and initiatives (like e.g. for Danish Design Centres normal operation budget).

Interview with Christina Melander, Team Leader at Danish Design Center (DDC)

Viewpoints on design and the business world:

First of all I have to say that Danish Design Centre targets companies with 50 employees or more, so that is not all the small and medium sized companies, but at least some of them. When that is said, then the response we get from the companies we meet is that they all recognize design as very important, although some of them might not always take the medicine when it comes down to reality. There often seems to be a big gap between words and action.

The companies that use design do it because it helps make them more competitive. And when we from time to time ask in surveys if companies use design, then we ask them if they use designers educated at one of the 5 design schools in Denmark or a similar education abroad. But a lot of the design work done today in various enterprises is probably done by people who have some other kind of training, e.g. at business schools, within engineering or other technical education. Looking at design in companies today we should probably use a more extended design definition. Only 30-40 % of all innovation and product development activities are today directly related to design, as we currently define it.

When we talk about design almost all companies understand this as related to physical products and technology. But the bigger the company is the more they utilize design, and it also seems like the use of design in a company has a lot to do with the level of education in the company's management. If management has an academic background, then they are more understanding of the necessity of design. Contrary to what many people think it is not so much the geographic boundaries that are important. Companies in Northern Jutland are just as willing to talk with people from Danish Design Centre in Copenhagen as companies in Copenhagen are.

Viewpoints on the design community:

One of the greatest barriers that the designers and the design companies must overcome is their poor communication skills. Many of them have great difficulty in talking eye-to-eye with especially people from SMEs. They often don't understand that design has to compete with all other kinds of investments in the firm, like information technology, new machinery, advertising etc. It boils down to whether or not design pays of. And it seems to be specifically in relation to design that there are these barriers, design is a service that is hard to sell. It helps using case stories, but it still takes a long time to change the mindset of managers in SMEs.

So the designers have a hard time talking to managers in especially smaller companies, and understanding their day to day struggle to keep the company running and the business processes. One of the problems is that it is difficult for many people to see the difference in the many types of designers that there really is today. Many experienced industrial designers have no difficulty in making sense to a manager in a SME, and start up collaboration with them. But there are also designers who are more artists and they have a harder time getting through to companies.

Viewpoints on the promotion of design - barriers and how to overcome them:

Generally many companies are too unwilling to take risks and are too conservative; they are reluctant to really start using design. They just run faster and faster to make ends meet; and end up lowering their prices instead of innovating. They are just as afraid of getting to know designers as designers are accused of being afraid of dealing with companies. But if you invite them for a pilot-project like DDC's Design: Partner project, then it is easier to make them loosen their ties, even though they are paying for it. This is just because it is seen as an exercise; they don't really have to use the results, even though they often do in the end.

One of the big problems in promoting design lies in the word design itself. Design builds preconceptions of beautiful things and aesthetics, something that resembles art. If we could agree to use another word then our job would be much easier. One other problem is the lack of funding. If the government really is serious about all the talk of design being an important core competence for Denmark's future, then the investment is too small. The politicians want to be very ambitious with a very little investment.

But on the other hand I think we have succeeded in creating a massive press coverage of design related issues and the about the necessity of using design in the business world. And I believe that communication is a very important task in promoting design.

The designers need to develop their competences and get some further education on various subjects that could make them more able to work with companies. But I think we should stop talking so much about whose fault it is. Let take a positive approach and try to get some good collaboration working instead of finger pointing. We also need to have a broader perspective at the design landscape. Let's look at related lines of consultancies and educations, because we need to draw on others experiences and show a much more nuanced picture of what design can be.

Interview with Søren Kjeldsen Andersen, CEO for the phone company Kirk Scantel and chairman of the board for ID-Forum in Horsens – a regional organization for design promotion

Besides being on the board of ID-Forum Søren Kjeldsen Andersen is member of Dansk Industri's Design committee, on the board of INDEX 2005 and on the advisory board for Designskolen Kolding

Viewpoints on design and the business world:

I am not so pessimistic about connecting design and businesses. At ID-Forum we have been in touch with around 1.000 companies and until now we have managed to make a match between 100 of them and a design consultant. But this still of course leaves us with a lot of firms that do not use designers. Many of the small and medium size companies don't even have an engineer employed, not to speak of having R&D department or just anyone with an academic background at all for that matter. So the mere thought of hiring a designer would be a very radical idea. And even those companies who do use design do not engage in user centered design but utilize design to meet the trends of the market or adjust the product to new technology.

The reason that many companies don't use design is difficult to explain. I think that many SMEs are afraid of loosing control and have their identity changed. In that sense design is really an unknown factor to apply to an organization, because then you will be messing around with the soul of the company. It is much easier to hire an accountant to do your annual report or a layer to go over your contracts. And in many cases the owner, the CEO and the founder of the company is still the same person, and the company was maybe started on a good idea originally, so it can be really difficult to invite someone like a designer on board to help in the process of developing the company.

It is necessary to understand that all aspects of product development must be integrated into the process, and engineers are often not the best to secure that this happens. They often have difficulty in working with alternative solutions in case one doesn't turn out to work. Designers on the other hand are usually good at operating in this field of ambiguity and securing that all relevant issues are dealt with in the product development process.

Viewpoints on the design community:

Basically we are not so interested in the designers and the design community showing the world and the businesses how skilful and talented they are. We would rather see design give us something that works and can be used. And that goes really for all of us, also in industry; we should keep that in mind when we develop products for consumers. It's all about honest and genuine products that are decently designed. All the talk about storytelling and 'the dream society' can't substitute well designed products. Good design is also a symbol of thoughtfulness and paying attention to good functionality, while poorly designed products not only look bad but they simply don't function well either.

To the question whether many of the small design companies and one-man

consultancies should merge, I will say that there could very well be a need for full-service design firms that could deliver more than one competence besides just core design skills – like ergonomics, technology, graphics etc. But it doesn't necessarily have to be delivered by large companies; small design firms working in networks could also do the trick in many cases.

One of the more successful promotional concepts coming from the design community is the so-called Design Day in Århus which started a couple of years ago. The idea was originally for a number (6-7) design offices in Århus to have an open house and there was then a guided tour from firm to firm. That was an excellent way for the designers to present themselves. Unfortunately the plenary arrangement afterwards was not so good, here the designers started to complain over how bad business was and that industry doesn't understand them. That was rather unprofessional. I also wonder why not more design companies advertise in the business sections of newspapers.

Viewpoints on the promotion of design - barriers and how to overcome them:

Generally I think that there is a need for a bigger and broader effort instead of the many relatively small initiatives we have seen so far. We need a main operator who also knows the companies, and I believe that it could be the organization 'Dansk Industri', through its many local branches, that could have an important role to play here. It could for example be through focused no-nonsense workshops, free of charge. These initiatives could also be arranged in collaboration with design schools and other educational and research institutions. I think we should join forces and do a really good campaign.

Some of the schools within design, like Designskolen Kolding which I happen to be in touch with regularly, wants to become research based, but one must ask the question: Why? What's the reason for it? Is the research going to improve the way that design works within industry? I believe that the design educations must become better, especially through internships. And these internships should be organized more locally and not necessarily through Danish Design Centre, as it is proposed right now. The design educations are talking about becoming more oriented towards the business world. But I am not sure whether they have in mind that their graduates shall go out and start their own consultancies or if they should become better at working for and within the industry of today.

Politically it would be an advantage if all the many initiatives and educations could be concentrated in one organizational body. Today we have several ministries dealing with design and design schools: Ministry of Industry, of Culture, of Education. It would help a lot if we could take for example all design schools in Denmark and place them in the same ministry where all the other universities and colleges are today. And the same goes for design promotion. To have all the resources aligned so that there could be some more strength and continuity in the effort would be very nice.

4. Possible Strategies; **summary**

The many years that the Danish Design Centre has existed and the many surveys and reports there has been published shows proof of how much attention design has

received over time. As one can see in the numbers from the first to the last survey the hard work and the many resources have apparently paid off. Design in Denmark has gained a great deal of ground since the late 1970'ies. To what degree it is due to the many promotional activities is hard to tell exactly. How much would have happened if there had not been a Danish Design Centre, numerous exhibitions, booklets and funds available for 'ice-breaking', we cannot know.

Design has also had its successes and become much more wide spread in other countries and almost world wide there is a great deal of acceptance of the fact, that design makes a lot of difference for companies that take it seriously. So design is not unique for Denmark or the Nordic and Baltic region. On the contrary, design is becoming so 'normal' for companies that it is no longer a question of just applying design to products, because even in the most remote countries design is beginning to be taken for granted. Rather the question is, do we use the right type of design? Do we use it intelligently enough? Do we use design to genuinely innovate?

Danish design promotion has gone through several phases. From the hard work of trying to get some recognition of the field and the word 'design', up till today's Index 2005 debate on the more immaterial aspects of design and innovation. During the 3 decades of focused design promotion aimed at the business community of Denmark a lot of things have been tried and the course has been changed several times. There has for example, if one looks through the reports from over the years, been some ambivalence on the subject of regional or centralized design promotion. In the beginning of the history of Danish Design Center, the resources were scarce. Just running the office in Copenhagen was a challenge. Later design promotion was decentralized through the Technological Information Centers (TIC) and other local bodies. In 2001 it was concluded in a report that these local efforts hadn't gained the necessary momentum and that design promotion should be more focused and coordinated. It's hard to find in the reports the exact reasoning behind these decisions. Were they political decisions, or maybe triggered by organizational fighting over turf, or were they just attempts to try to do it as good as possible?

Design of Today

The question is also (as Christina Melander says it in the interview with her) whether or not there really is a geographical problem. Companies join networks and seek information that crosses traditional geographical boundaries. So for a company in Northern Jutland to get information from a design centre in Copenhagen is no longer such a big deal. Somehow things have changed a lot since back in the 1970'ies. Design is understood now as much more than physical products or traditional graphics, it's a lot about knowledge and learning and solving new types of problems. Call it immaterial design, but it also has something to do with new types of media, new kinds of technology and changed expectations among end users.

In almost all of the Danish surveys and reports, the main distinction is made between small (and medium size) companies on one hand, and big companies on the other. One could question if that is still the most important difference to be recognized when working with design promotion? In a world of ICT and global outsourcing a small company can run a production line in China on a very large scale. See for example the interview with Søren Kjeldsen Andersen, CEO for the phone company Kirk Scantel.

Kirk used to be a traditional manufacturer of telephones, with hundreds of workers employed at their local factory in Horsens, they had their own warehouses, distribution, logistics, etc. Today they are les than 10 people in their office (a few engineers, administrative persons and a manager or two), everything else is outsourced to sub-contractors (including design). Is this a small company? Yes, by normal statistical measurers! But does that give us the whole picture? Probably not.

So we are dealing a lot with design in untraditional ways right now and then it becomes more unclear how to do design promotion. Until now the prime argument has been the good case-story. But with whole new meanings to the word design and completely different ways of doing business and implementing design into the business world, we tend to lack these good case-stories, because we are on a ground breaking exercise.

Communication of Design

Design promotion has to a large degree had the purpose of selling design. So the communication has been rather sender oriented. We who are designers, or design promoters, have seen design as THE product to sell. Design is good per definition. But maybe the design community and design promotion should take some of its own medicine. We have always urged our clients to dig deeper into their problems and the nature of their business, asking them fundamental questions about what they really sell to their customers, and what really creates value for the end user. Maybe we should ask ourselves and the design community – including also the design schools: What are we delivering to our clients? Are we selling our crafty skills to clients because we like to make beautiful products and artsy printed matters? How immaterial are we ourselves? How well are we at delivering design that works, both for the end user and as a business model?

There seems to be a discrepancy between what design the industry thinks it needs and what the design field believes is the right design to offer. But what could be the real problem is that industry and society may sometimes really need something completely different in regards to design. That design is still predominately seen as form giving and aesthetics, and not as a genuine strategic tool for developing new businesses and breakthrough concepts that really make a difference for the end user; concepts, products and services for which these end users are willing to pay a price high enough to secure a sustainable business model.

If design is becoming a more widespread, holistic and strategic discipline, it will also have to interact more intimately with other trades, schools and lines of business. The edges of the design field can in this way become more blurry. The boundaries between what is design and marketing, communication, strategy, manufacturing etc. can become unclear. And the consequences for the design field and particularly for design promotion, could very well be that the confusion on what the word ’design’ actually means will become even bigger. If most people in the business world still perceive design as form-giving, then it can be difficult to communicate something else, and still use the same word.

Design Scenarios

The challenges that many companies are facing today will often demand a creative solution. The problem for both companies and the design community is that the chosen tool is often not design but another type of consultant, within fields like marketing, advertising, human resource or management. There is often quite a difference between the perceived reality in companies that are struggling to make ends meet, and the thinking that is needed to look ahead and imagine what this company could survive by in the long run. The perception of losing control is a relevant issue among many managers in industry. And to use outside consultants, including designers can be a scary and awkward solution for many managers. We have to deal with this some how.

One way to work with this is to have a broader and more holistic approach to what solutions we present to companies. Instead of automatically assuming that design is the solution, design should maybe be more a part of a palette of possible remedies for companies looking for a better way to do business, grow and develop new products and services. Another way to work with this is to abandon the traditional division of companies, according to size or particular branch or line of business, and instead look at the way they do business, because this relays more to the way companies and management think. To get a clearer perception of the problem we could develop relevant scenarios for important types of businesses in our respective societies today.

Scenario types (suggestion):

The OEM company – a rather traditional industry, that due to globalization is becoming an endangered specie in these years. Regardless of size most of these companies are operating in market place characterized by fierce price/time/quality competition. How can this type of company use design and other Creative Industries to create themselves a better place on the market and a more unique business model?

The service provider – a newer industry but often with an ambiguous relation to design. Design here is often seen more as communication, and to some extent branding. Actual development of new business models a rare, but the Danish ecological vegetable company on the Internet Årstiderne.com is an example (you order a box of fresh ecological vegetables of the season on the company's web-site, and they are once a week delivered to your doorstep).

The innovative company – a type of company that traditionally often uses design, especially for product development, not so often for branding and other communication activities. The development of the insulin-pen from Novo Nordisk is an example of an innovative concept of this type, where a deep understanding of the end-users needs led to a business model that also secured the company's growth and business success.

The brand based enterprise – a typical company that makes products and/or services to the consumer market, but can also be a B to B company. This type of firm comes in all sizes, from the small family owned high quality chocolate store to the largest companies in Denmark, like Bang & Olufsen and Royal Copenhagen. Design in this context design can be almost everything or anything in the company, from product design to experience design (e.g. Legoland).

A welfare design cluster

The Danish Innovation Council issued in October 2004 a paper called 'The Danish Strategy' (den danske strategi – Danmarks muligheder i det globale videnssamfund). This papers main conclusion is that the Danish welfare state has been of enormous importance for Denmark's innovative development and future creative potentials. The 'folk-high-school'-movement, the peasants joining in coops of all kinds (both in the 19th century), and a very active public sector has formed the background for developing innovative solutions later in the history too. The strength of these popular creative processes, that came from history, resulted for example in the Danish furniture adventure in the 1950'ies and 60'ies and the windmill industry from the 1980'ies and onward.

The public sector has had an important influence on many of the industrial successes in the 20th century. The Danish hearing aid industry is a result of an active Danish public sector. Here funds allocated to help people with a hearing disability help to jump-start a whole industrial sector so that Denmark today has 3 of the 6 largest companies world-wide in the sector, and covering 40 % of the world market.

Another way that a welfare state can inspire growth is through raising the standards, for example regarding environmental protection. Many years ago the State of California sparked a new development of low emission cars. Being the largest market for automobiles in the world at the time, they approved legislature demanding that within a few years a certain percentage of cars in Southern California should be low- or zero-emission vehicles.

In Denmark similar things have happened. Some years ago the agency for workers protection (Arbejdstilsynet) banned the way that luggage was loaded into airplanes at the airports in Denmark. Until then the ground personnel had to manually push and pull suitcases into and inside the cargo bay of the planes. A design office by the name of CPH-design took the ruling from Arbejdstilsynet and designed a flexible conveyor-belt that could be inserted into the planes and so take away the damaging working conditions.

SAS invested in the project and also bought the first 20 so-called 'Ramp snakes'. They later sold the concept, for a very large sum of money, to a large manufacturer that has already sold 950 ramp snakes to airports in America for 200.000 € a piece. CPH-design is now working on similar projects within the building industry, also triggered by new demands from the Danish Arbejdstilsynet. In this way there are now 31 challenging assignments waiting for innovative designers and companies. Because of these high standards from legislature, Danish companies can position themselves on the cutting edge of several industries.

The Danish Innovation Council estimates that there is an industrial cluster waiting to be developed, through an active welfare state and through partnerships between the public sector, research institutions and private companies. The Innovation Council sees this as a possible Danish strategy (or one of several Danish strategies) dealing with globalization and for future growth and innovation.

E S T O N I A
By Ruth-Helene Melioranski

In Estonia, design, or Creative approach in general, is in its very initial phase of use among industries. Estonian industry mostly regards itself as a producer of low value added goods and until today has paid very little attention to product development as such. Already existing design service providers are small enterprises with limited resources and in-house designers are rarely used; still one can notice positive change in attitudes and the overall awareness among businesses shows constant rise.

Introduction and background

1990s has been a time of rapid changes to Estonia as the political, social and economic structure has been radically reconstructed. This period could be described as a period of reconstructing, which produced macroeconomic stabilization, privatization and rapid structural change. Productivity has been quite high and its major sources have been the reallocation of production factors between sectors, within industries and the better organization of business.[72] These changes can be considered very successful as the country has become a member of the European Union and NATO.
"Estonian economy is currently positioned rather high in the international rankings of competitiveness, but looking more deeply into the economic structure and productivity indicators the situation is not so favourable any more. Estonian economy is producing and exporting mainly low value added goods and services and importing high value added, knowledge-intensive goods and services."[73]

Creative industries
The issue of Creative Industries became into public discussions within few last years. Although the term of Creative Industries was unknown until the recent times, a lot of discussions have been opened and activities started. Beside a number of seminars, forums, workshops etc a large-scaled survey of mapping Estonian Creative Industries is to be concluded at the beginning of 2006.

Estonian definition for Creative Industries (used for the survey of mapping CI):"Creative Industry is a business sector which is based on individual and collective creativity, skills and talent, and which is able to create welfare and employment through intellectual property creation and use."

The aim of mapping survey is to get data of different CI sectors and to use this information in the compiling process of Estonian new strategy documents.

Design
The history of design in Estonia is closely related to the education of the speciality. The roots of design education go back to 1914 while Tallinn's Applied Art School (Tallinna Kunsttööstuskool) was founded. Since the very beginning the traditionally excellent technology and high culture of form are developed, this has given long traditions of very good manual skills and knowledge of natural materials.

[72] Prof. Varblane Urmas „Knowledge based economy and the competitiveness of Estonian economy" presentation at the forum „Estonia in Crossroad" Nov. 3rd 2005
[73] *ibid*.

The speciality of design was founded in 1966 in the faculty of architecture beside the specialities of architecture and interior design. 40th anniversary of design education will be celebrated at the fall of 2006. For today special design faculty is formed incorporating product design, fashion design, jewellery and blacksmithing, ceramics, glass art, leather art and textile design. Graphic design is under media faculty and interior design in the faculty of architecture.

Due to the favourable economic situation graphic and interior design are very highly valued at the moment in Estonia. The picture is different while speaking about product design or the complex design services. As the economy is based on low value added goods and services the product design potential is not even considered as a part of business and production. Today Estonia is facing a situation that most of the population has heard of design, but there is no understanding what design really means. And it should be mentioned that the decision makers so far "even didn't know what they didn't know" at the field of design. Fortunately some changes in design awareness are already visible thanks to active lobby work of different design organizations. Today new Estonian general development strategies are in formation and some design expertise is hopefully going to be considered.

1. The present situation of design innovation systems in Estonia

New Estonian national strategy documents for the period 2007-2013 are in formation at the moment and according to expert interviews creative industries and design will be handled with special attention. The discussions around creative industries and the mapping survey have opened the issues and the raise of public awareness is visible. It must be mentioned though, that there isn't any functioning design innovation system in Estonia at the moment.

Involved actors of design and innovation systems:

Public Sector

- Ministry of Economic Affairs and Communications
- Ministry of Culture
- Ministry of Education and Science

Education and research

- Estonian Academy of Arts
- Design Innovation Centre of Estonian Academy of Arts.
- Eurouniversity

Vocational schools

- Tartu Art College
- Design College (Disaini Kõrgem Kool)
- Private College of Applied Arts (Rakenduskunsti Kõrgem Erakool)
- International College of Social Sciences LEX (Rahvusvaheline Sotsiaalteaduste Rakenduslik Kõrgkool LEX)

Other vital actors are university level institutions of technical and business education are Tallinn Technical University (TTU), University of Tartu and the private Estonian

Business School (EBS). University of Tallinn is training art teachers and also deserves attention. Supporting studies in the liberal arts and humanities are provided by Tartu University and the Department of Art History at EAA. Due to the population distribution of Estonia and its geographical area, design education and the institutions supporting it are chiefly located in Tallinn. It is the only hub where enough stakeholders can interact, maintain contact with foreign actors, and produce added value even in design education.[74]

Business and Industry

There are a number of business associations, which should be involved in design development in Estonia, but are not as of today. The main one is Estonian Chamber of Commerce and Industry having members from all business sectors.

- Estonian Chamber of Commerce and Industry (ECC). ECC was founded in 1925 by raders, manufacturers, bankers and ship-owners to protect their shared interests. ECC is non-governmental representative organization of entrepreneurs having more than 3300 voluntary members. Most of them are SMEs (94%).[75]

- Association of Estonian SMEs (EVEA). EVEA was founded in 1988 as voluntary union of entrepreneurs. The main objective is promoting entrepreneurship as lifestyle and formatting stable and favourable business environment.[76]

Beside ECC and EVEA there are business sector based associations:
- Estonian Clothing and Textile Association
- Estonian Plastic Association
- Federation of Estonian Engineering Industry
- Estonian Woodworking Federation

Investments and financial system

There isn't any design oriented financial support system in Estonia at all. There are foundations which programmes accept different design projects as well.

- Enterprise Estonia
  Enterprise Estonia is one of the largest institutions within the national support system for entrepreneurship in Estonia, providing financing products, advisory services, co-operation opportunities and training for entrepreneurs, research and development institutions, public and third sectors. Enterprise Estonia in one of the institutions responsible for the implementation of EU structural funds in Estonia, as well as being the primary provider of support and development programmes targeted towards entrepreneurs.[77] Enterprise Estonia has several

[74] Mollerup Per, Friedman Ken, Korvenmaa Pekka, Landerholm John (2002) „Establishing the basis for the elaboration of the Estonian design policy measures" Mollerup Designlab A/S
[75] www.koda.ee
[76] www.evea.ee
[77] http://www.eas.ee/?lang=eng

programmes to promote entrepreneurship and innovation. More relevant to design field are the following:

-Innovation Awareness Programme
-Innovation Audit Programme
-Consulting Programme
-Competence Centre Programme
-Marketing and Product Development Programme for Travel Trade
-R&D Financing Programme
-SPINNO Programme
-EUREKA Programme
-Export Planning Programme
- Start-up Programme
- Training Programme
- Joint stands at international trade shows

The listed programmes' main objective is to promote entrepreneurship, but under these programmes different design projects could get financial support as well. There isn't any special programme opened to support design or cultural industries. So one should take into account that design projects compete under these programmes with projects from other fields, not that much with each other. The other side is that different product and service development programmes do not value design. Design is not a criterion in judging processes as it should be. Creativeness isn't valued at all in the current system. On the positive side the new national developing plan will include special programmes to support creative industry. The judging criterions of existing programmes are going to be changed as well.

- Cultural Endowment of Estonia

Cultural Endowment of Estonia has 8 discipline focused endowments, but it does not have a special design oriented fund as it has for the rest of the cultural industries. Design is between architecture and applied arts endowment, so it is possible to find support from both of them.

- Endowment for Visual and Applied Arts
- Endowment for Architecture

But all in all design has got relatively few support compared to the other fields. At the year 2003 design was supported with 121 000 and 2004 with 670 000 Estonian crowns, which is correspondingly 0.13% and 0.58% of all the fund's provisions. Since 1999 design has got 96 special-purposed financial aids all together 1.6 million Estonian crowns.[78]

Non-Governmental Organisations

The main actor at this field is Estonian Designers Association (EDL).

- EDL unites and represents Estonian designers and serves design in a broader sense. The organisation, which is about to be 15 years old, is made up by 90 specialists in the fields of product, furniture, fashion, textile, and graphic

[78] Eesti Konjunktuuriinstituut (2005) „Eesti loomemajanduse kaardistamine. Disain" Tartu

design.[79] Beside them there are smaller unions of special design field: glass, ceramic, leather, textile, fashion and graphic design.

- The Union of Estonian Interior Architects (ESL) is uniting professional and active interior architects and designers. The aim is to develop professional knowledge, organize activities in the union and communicate with other associations home and abroad.[80]

- The Estonian Glass Artists' Union, a subdivision of the Estonian Artists' Union, associates professional glass artists. The aim of the union is to promote and support professional glass art in Estonia; that includes providing our members with exhibiting possibilities, gathering and exchanging information on the artists' work, setting up contacts and promoting co-operation with different organisations and artists both home and abroad. Membership is open to active glass artists living in Estonia.[81]

- Estonian Ceramists Association. Estonian Ceramists Association was founded as a non-profit organisation on 19.01.1993. It has 82 members. It
- organizes annual exhibitions of the association
- coordinates participation of Estonian ceramists in international events
- shares useful information for members
- stands for ceramists at Estonian Artists Association
- runs the wood-firing kiln at Tohisoo manor
- organizes annual ceramics symposium of large scale ceramics at Tohisoo manor[82]

- The Union of Estonian Leather Artists and Designers. The Union of Estonian Leather Artists and Designers is a non-profit organization, which associates professional leather artists and designers. Union's aim is to improve leather art, create possibilities for self-perfection and promote this traditional design field. The union is gathering and exchanging information on exhibitions and events of leather and binding art and design. The union was established on 1993 and has 60 members.[83]

- The Union of Estonian Textile Artists and Designers. The Union of Estonian Textile Artists and Designers is a non-profit organization, which associates professional textile artists and designers. It was founded in Feb. 15th 1993 and has more than 90 members. The aims are to:
- develop textile art's traditions in Estonia,
- promote textile art and design home and abroad
- promote and support the creative activities of union's members;
- develop the education of textile art and design and give advice
- organize specialized and self-perfection education
- gathering and exchanging information on textile art and design[84]

[79] www.edl.ee
[80] www.esl.ee
[81] http://www.klaasikunst.ee/index.html?x=0,0,0,2,,0
[82] http://www.hot.ee/keraamikuteliit/
[83] http://www.nahakunst.ee/
[84] http://www.tekstiilikunst.pri.ee/

- Estonian Graphic Designers Union
- Association of Metal Artists
- Union of Fashion Artists

2. Design promotion in Estonia

There have been a lot of debates to explain state's interests in design promotion and the role of design in economic processes. So far there have been many plans and suggestions on how state should act and concrete measures will be taken on next programming period 2007-2013. Currently there isn't one and only national measure to promote design in Estonia. There are still 4 organizational bodies which deal with design promotion on different ways:

Estonian Designers Association (EDL) is driven by enthusiasm – making noise, promoting design awareness and communicating with the state are our hobbies. It does not regard design only as the make-up art of the material world but as something much deeper building a bridge between economy and culture, business and man. The invisible role of design is to create quality and pleasure around human and to ensure higher productivity of the industry. That is EDL's belief and they also try to prove it.

EDL has organized periodically international and local design promotion projects since 2000. Estonian design has been exhibited several times in Helsinki, Berlin, St Etienne, also in Copenhagen and Riga. Business-based trademark e-design has been established in cooperation with France, to promote and to sell Estonian design in France. 3 times e-design has attended successfully Maison&Objet /now! fair in Paris. Practical cooperation with the help of Interreg 10 Finnish enterprises has given work to Estonian designers and to Estonian producers.

EDL has published the first book about Estonian design (Notes on Estonian Design) and is keeping in function Estonian design site with designer's database in internet. (www.edl.ee)

EDL is member of ICSID and BEDA and is active in international communication and lobby work.

EDL has initiated discussion with the Ministry of Economic Affairs and Communications in order to develop and implement the design policy.

In cooperation with Ministry of Economic Affairs and Communication EDL is preparing a new awarding system for designers. The guidelines are still in process.[85]

Design Innovation Centre (DIC) is founded by Estonian Academy of Arts in 2004 with the main aim to promote and further design education as well as overall awareness and use of design in all spheres of life in Estonia. The activities of the centre are mostly directed towards Academy, but many of them help to ride overall awareness of design as well.

2005 can be considered as the first active year for the centre. Smooth start is secured

[85] www.edl.ee

by EU funded Spinno project. Wherein the project DIC is offering various counselling and development services on intellectual property, project management and entrepreneurship, promotes academy's competences and R&D activities, initiates and coordinates cooperation projects.

Seminar series FutureSense concentrates on strategic use of design in business processes. Through successful international experiences on design use DIC is encouraging Estonian entrepreneurs to use designer in product development process.

DIC is coordinating international placement program for students and fresh graduates. The demand for practical experiences before entering employment market has grown significantly and DIC is preparing new program to include also local companies as placement partners.

To promote the competences of the graduates of Estonian Academy of Arts, DIC issued first ever Degree Works Catalogue in spring 2005, presenting all graduates with examples of their work and contact details. Catalogue will be issued annually.

Centre is an active partner and sponsor for the Young Designers Award SÄSI, meant for designer under 30-years for the works completed during past two years.

DIC's work schedule for 2006 includes activities such as creating database of young designers and their ideas, on-line counselling services on intellectual property and entrepreneurship, organizing a 5th conference of International Committee of Design History and Studies, issuing a book on design, continuing FutureSense seminar series, various development and counselling services, cooperation projects etc.[86]

Estonian Museum of Applied Art and Design is located in the old town of Tallinn in a 17th century storehouse. The idea to establish a specialized museum began to evolve alongside with the development of applied art becoming the hallmark of Estonian culture during the second half of the 1950s. The institution was founded on the 24th of November 1971 and the Museum of Applied Art opened its doors as a branch of the Estonian National Art Museum on the 18th of July 1980. On the 1st of February 2004 the Museum of Applied Art became the Estonian Museum of Applied Art and Design, operating as an independent state museum under the administration of the Ministry of Culture of the Republic of Estonia.

The museum collection has accumulated on the basis of state-financed purchases and donations. The entire process of compiling the collection is complicated and long-lasting, wherefore some shortcomings unavoidably exist, but efforts have been made to recoup those later. Since the 1990s, the museum improves its collections independently on the grounds of the decisions taken by museum's purchase committee.

In total, the museum has over 13 000 museological articles divided into textile, ceramics, porcelain-, leather-, glass-, jewellery-, metal-, and furniture- and design collections. Apart from the item collections, there exist the collections of photos,

[86] http://www.inno.ee

negatives and slides, as well as the archives. The museum collection is the most valuable and extensive compilation of professional Estonian applied art and design.

In 1982 started systematic exhibition activities in addition to the permanent exposition on the history of Estonian applied art. Throughout the score of decades there have been over 100 thematic, retrospective and personal exhibitions of Estonian applied art and design. Since 1984, the museum has acted as the mediator of cultural merits from other countries on more than 50 occasions. Promoting Estonian applied art abroad began in 1989. Since 1997 the museum has organized international triennials of applied art in cooperation with the non-profit organization Tallinn Applied Art Triennial Society.[87]

Gallery of Design and Architecture is organizing different design and architecture exhibitions and events. It is located in centre of Tallinn, Pärnu road 6, where it has an exhibition hall.

3. Activities and measures around design; main research programmes and innovation transfer systems

The new national development plan for 2007-2013 is under construction and according to expert interviews creative industries and design will deserve some special attention there. At the current moment there isn't any valid design policy or political measure on design issue in Estonia. As design field is connected to all the other fields of life there are several institutions whose agenda includes or should include design issues. Here is a short overview what the key institutions have done so far, the measures and funds which have connections with design.

Ministry of Economic Affairs and Communications

According to a degree of minister of economic affairs and communication from Dec. 20th 2001 no 230 a working group was established to form opinions and make proposals for the implementation of national supporting measures of industrial design in Estonia. To analyze the necessity and particularity of implementing national supporting measures there was carried out a large-scaled survey, which covered design use in Estonian enterprises, mapping design service sector and design education. The research was conducted by Per Mollerup and financed by Denmark. This survey gave a report *"Establishing the Basis for the Elaboration of the Estonian Design Policy Measures"* which can be taken as the first document on the situation of Estonian industrial design.

"The research was concluded with specific proposals for the formation of the Estonian design policy and implementation of the necessary supporting measures."[88]

For the systematic implementation of these political measures there was seen a formation of independent design policy organisation – Design Information Centre – which would arrange the practical side of the political measures and consult

[87] http://www.etdm.ee/en/
[88] www.edl.ee

government on the issues of design policies. Due to the different opinions of funding this kind of design centre the foundation of it has been stopped.

Some objectives of the policies, which were shown in the survey, are tried to carry out through different small measures. For example in collaboration with Enterprise Estonia there have been opened different programmes: Innovation Awareness Program, under which could promote design to different audiences, Spinno programme, which is connected with business knowledge transfer to universities. The database of Estonian designers on the homepage of the Estonian Designers Association was opened and the creation of the web page was financed by the Ministry of Economic Affairs and Communications.

In the working plan of Ministry of Economic Affairs and Communication for the year 2005 is stated "connecting design with innovation policies". Ministry is working with a policy document: "Innovation policy's starting points" and is planning to set a measure for supporting engineers, designers and marketing specialists hiring and mobility and for supporting students practice in enterprises.
According to expert interviews the ministry is planning to establish the icebreaker programme, which shall be a classical mobile programme aimed to young studying designers, but probably some other disciplines beside design will be added.

A lot of discussions have been around an idea of formatting Estonian Development Fund. It is one of Estonia's ambitious programme to support the implementation of innovative ideas is the risk capital fund currently being launched by the Ministry of Economic Affairs and Communications. The aim of the fund is to provide financing to innovative and high technology business projects in their initial phase. It is already in the stage of draft act in government, but different political parties have different views how this important fund for Estonian research and development structures should act and get financed..[89]

The Government of the Republic of Estonia and Research and Development Council

Strategy document of Estonian Government "Estonian Success 2014"

Cultural Ministry

The working group who is mapping Estonian Creative Industries is planning to finish their work at the end of November 2005. The first version of design part is introduced in the chapter of researches.

Estonian Academy of Arts

There has been created a structural unity Design Innovation Centre, which implements some of the tasks originally meant to Design Information Centre.

Centre of Strategic Initiatives

[89] www.mkm.ee

Centre of Strategic Initiatives has formed a plan to establish Estonian Development Fund relying on Finnish national development fund SITRA. Regrettably the activities of the Centre are stopped at the moment and so the fund isn't established. According to expert interviews the ministry of economic affairs and communication is considering to take the formation of the development fund into their plan of actions. The recent stage of it is described in the ministry's chapter.

Cultural Endowment of Estonia

Cultural Endowment of Estonia does not have a special design oriented fund as it has for the rest of the cultural industries. Design is regarded as a part of architecture sector and has got relatively few support compared to the other fields. At the year 2003 design was supported with 121 000 and 2004 with 670 000 Estonian crowns, which is correspondingly 0.13% and 0.58% of all the fund's provisions. Since 1999 design has got 96 special-purposed financial aids all together 1.6 million Estonian crowns.[90]

Design SWOT for Estonia[91] [92]

STRENGHTS	WEAKNESSES
• Business environment favourat (including interest rates, taxes) • Openness, international contacts enterprises • High educational level among SM managers • General innovativeness of enterpris (number of new products per year) qu high, especially on the SME level • Quite high innovativeness in servi sector • Strong design school • Good design knowledge among desi experts • Good manual skills • Industry resource within the existi enterprises and knowledge • Graphic design as a rapid developi field	• Consumers' low purchasing power • Society is oriented to low prices • Small expenditure in R&D and innovation in general on enterprise level • Rise of prices versus rise of productivit • Larger enterprises mainly concentrati on scale economy • Lack of proper practice and capabiliti for conducting technology foresights • Small number of innovation polic related specialists (no design specialists all) in ministries and agencies • Design education has been so far t much concentrating on artistic side, too fe engineering and business subjects • Design service companies are very sm and cannot co-operate for bigger projects. • Low innovation and design awareness enterprises' managers and owners. There very low understanding level what do design (innovation) really means • There is no understanding of strateg design role in enterprises • Weak contacts between enterprises a research institutions • Low patenting activity

[90] Eesti Konjunktuuriinstituut (2005) „Eesti loomemajanduse kaardistamine. Disain" Tartu
[91] *ibid*.
[92] European Commission,Enterprise Directorate-General (2004) "Annual Innovation Policy Report for Estonia" Covering period: September 2003 – August 2004

OPPORTUNITIES

- Collaboration between designers a enterprises in all the design levels and field
- Continuing economic growth
- New markets in EU
- EU funds
- Raising the awareness of entrepreneu customers and public sector
- Adding more business and engineeri subjects to design education
- Adding more design subjects economic and engineering studies
- The growth of brand awareness (loy customers)
- Estonian customer prefers general Estonian products.
- Additional stimulus for rising val added production and services
- Opportunities to achieve via consiste implementation of support schemes
- More foreign private investments into innovation/design in Estonian enterprises

THREATS

- The design demand does not exist
- Raise of production costs (labour a raw materials)
- Industries are not prepared to take risks
- General attitude in entrepreneurship that design services are costs not pro source.
- Production is moving to cheap labo areas (Asia)
- Problems with getting and using E funds if insufficient cooperation betwe institutions
- Not very clear perspective in mid-te and long-term financing of innovation; financing of design at all.

The researches

The Estonian design sector has been surveyed on a very low scale. Today there are only two studies of the sector. It is a remarkable fact that design hasn't been taken into account in the bigger innovation thematic surveys either. The two surveys are:

1. "Establishing the basis for the elaboration of the Estonian design policy measures" Mollerup Designlab A/S 2002[93]

"The research focused on three main topics:
• the current state of offering design services and design education in Estonia;
• demand for design services – design exploitation by Estonian companies; reasons why companies make or don't make use of professional design;
• the design policies and support measures of other countries, with the aim to point out measures that have been tried out and suit the situation in Estonia."[94]

2. "Mapping Estonian Creative Industries. Design" ("Eesti loomemajanduse kaardistamine. Disain") Eesti Konjunktuuriinstituut Tartu 2005

This survey is a part of mapping survey of Estonian Creative Industries. Study on design field gives an overview of Estonian design's current situation and recent economic trends with prognosis. The study focuses on mapping industrial and graphic

[93] Mollerup Per, Friedman Ken, Korvenmaa Pekka, Landerholm John (2002) „Establishing the basis for the elaboration of the Estonian design policy measures" Mollerup Designlab A/S
[94] www.edl.ee

design's economic aspects. There is given an overview of design's education, professional associations and future perspectives.[95]

Design demand and use of design in SMEs

Estonia is in the economic phase of resources and investments, which means cheap production input and contracting work for foreign enterprises. At this development stage need for professional design is not understood and so there are very few design users among Estonian companies. But this situation cannot stay long and for continuance of successful economic development Estonia has to reach knowledge based phase.

Moving on towards knowledge based economy one of the keywords is product development. Today predominant part of Estonian industrial production and export is given by traditional industries, who generally do not use high technologies and who are not able to take part of high-tech product development. Their possibility for success is hidden in design in its broadest meaning.[96]
Looking at different design services the graphic and interior design are flourishing. Companies use more and more professionals to get good logo, promotional materials, internet homepage etc. Connected with the boom in construction sector, interior designers have a very good background to find new projects.

The need to afford national support for developing design use in enterprises is coming from the importance of design in increasing competitiveness of enterprises and improving the whole environment. To benefit from design as an advantage in competitiveness the companies should utilise professional design and private and public sector should act as informed design consumer and stimulating the enterprises this way to pay more attention to design potentials.

The intensity of design use varies among the industry sectors, there are some sectors where the design use is considerably high compared with the rest (clothing, fashion, furniture). In general design does not play a decisive role in product development, while graphic design is left to advertising agencies. Design management hardly exists as a professional function. In most companies design management is covered by people with other responsibilities.[97]

According to the design surveys the general awareness of design is relatively low. The companies, who develop products, know the importance of design, but they do not know how to use it. The main obstacles are seen in lack of qualified designers, financial resources and risks concerning design. Estonian industry sees the costs of design use, but at the same time the profit is seen uncertain. They seem to focus less on the fact that the cost of design is marginal to total production costs while the effect at the point of sales may be paramount.[98]

[95] Eesti Konjunktuuriinstituut (2005) „Eesti loomemajanduse kaardistamine. Disain" Tartu
[96] *ibid*.
[97] Mollerup Per, Friedman Ken, Korvenmaa Pekka, Landerholm John (2002) „Establishing the basis for the elaboration of the Estonian design policy measures" Mollerup Designlab A/S
[98] *ibid*.

The design demand is according to experts unformed on all levels: there is no design demand either on the level of individuals, enterprises nor public sector. Some kind of demand can be seen in the fashion and furniture sector, the other sectors' design demand is limited with packaging.

The experts have pointed out that while the companies are accustomed to use graphic and web design services, then for the majority of entrepreneurs is unclear how to use complex design services in their everyday business.[99]

The entrepreneurs do not use design services because:

- ☐ Estonia is producing cheap contracted products and design is made by the clients in their home countries.
- ☐ Contracting does not presume design
- ☐ Design is seen as cost not profit source.
- ☐ Products are copies of other companies design solutions, which is in short run many times cheaper than developing their own goods.
- ☐ Consumers prefer cheap prices to quality.[100]

The surveys show that in-house designers are used only in big and in very few medium sized enterprises, which mainly are in the fashion and furniture industry. The rest of companies buy design service in and design service is mainly used for creating companies visual identity.

Survey for the NIC platform in Estonia

The design field researches carried out in Estonia have been looking for an overall picture of design use. Knowing this general picture the study for NIC platform concentrates only on product development process in Estonian SMEs of 4 business sectors: medical equipment, electronics and instrument-making, domestic accessories, mechanical engineering. The survey tries to map the design use and the background of it in Estonian product development process.

A short introductory interview by phone was made with 32 companies and after that a long questionnaire was sent to them via email. 12 answers were received back. Interviewed persons were company owners, chief managers, product development managers and production managers. In the conclusions only the written answers were taken into account, the oral interviews gave an overall background for understanding the filled questionnaires.

All the answered companies develop their products and brands. 83% of them have only their own branded product range, 17% produce both own branded goods and anonymous products (including contract work).

The questionnaire was built up to survey:

- Understanding the meaning of design
- Supporting measures for design use
- Using design in product development

[99] Eesti Konjunktuuriinstituut (2005) „Eesti loomemajanduse kaardistamine. Disain" Tartu
[100] *ibid.*

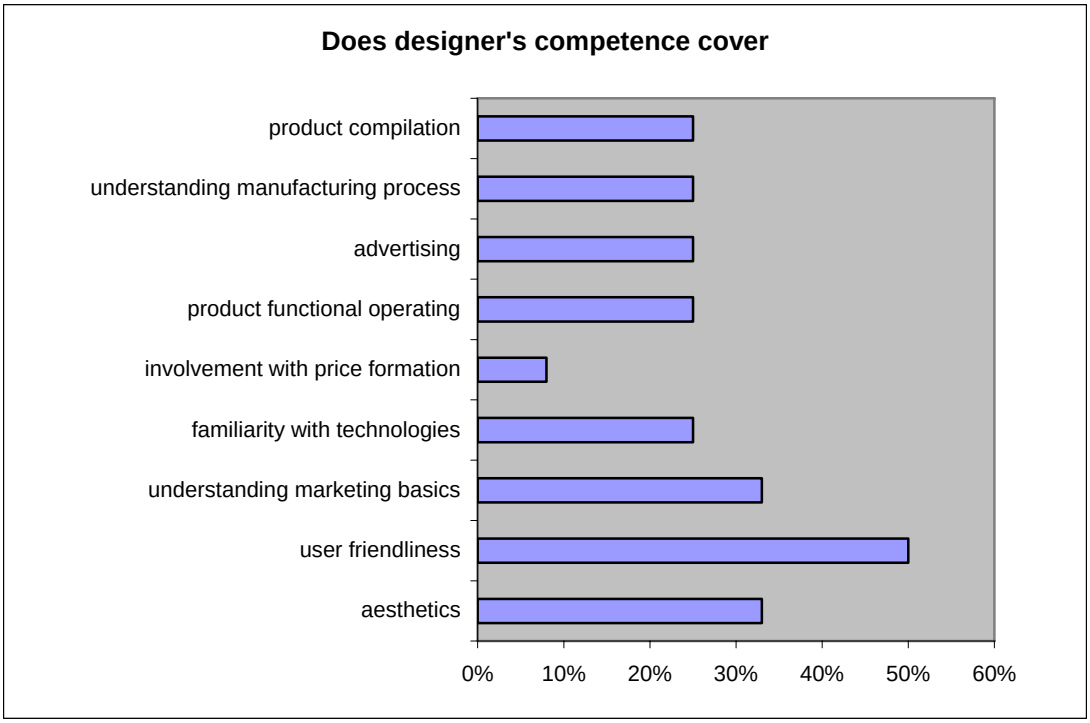
- Company and design
- Information gathering

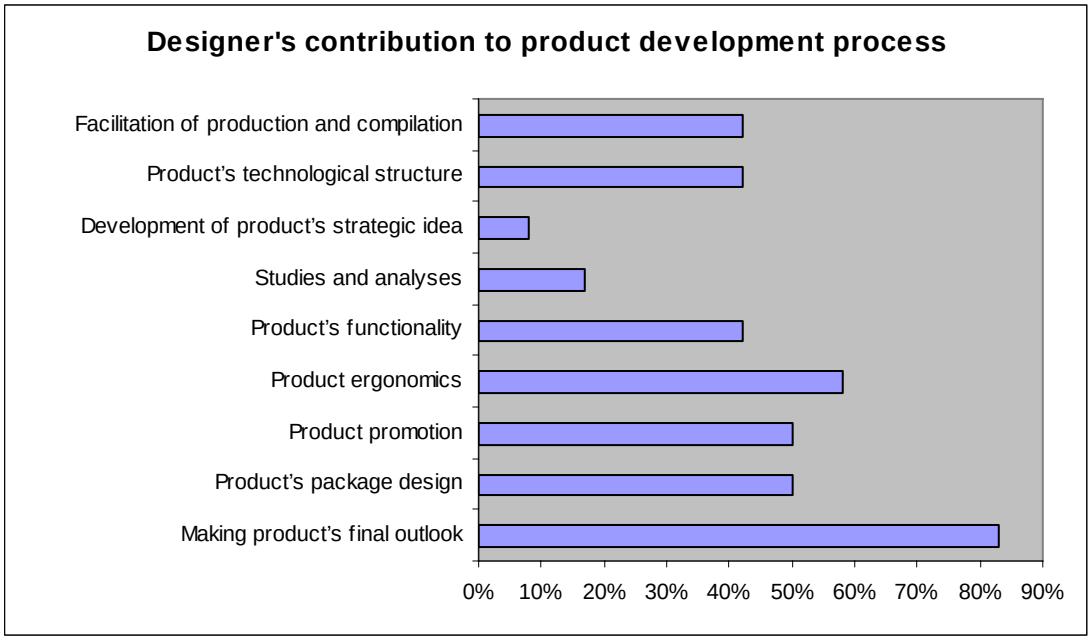
Design use of the companies is be described through 4-stepped Design Ladder. In the written questionnaires the interviewees were asked to position their company on the ladder. Most of the results were compared according to the position on the ladder.

The average level on Design Ladder of Estonian product development companies is 1,708. A level this low on design ladder actually means that most of the companies even do not use designers' help for styling their products.

Understanding the meaning of design

100% of the written respondents associate design with competitive advantage and success and all of them take design as a part of product development process. Unfortunately this percent only shows what the company leaders think, not how they act. An overview of design awareness is given in the next tables, where are shown opinions of designer's competence and contribution to product development process.





There are some conflicts in these answers: although the majority (83%) takes the products final outlook as designer's contribution for product development, only 1/3 takes aesthetics as designer's competence. The problem could be in the word aesthetics, which might not be understandable for business people either. This problem can be referred to answers of other questions like the first association of the word design is predominantly connected to products outlook and beauty.

100% of interviewees take design as a part of product development. Here are some opinions of design and product development connections from the companies who do not use design services:
"In principal all the product development process could start from design or so to say outlook and user friendliness."
"Design is an important part of a product development process. It determines the products competitive ability on price, visual outlook and functionality."

The answers show that companies think in the right direction, probably they just do not know how to implement these ideas in real business life. Although any of the companies involve designer to draw up business strategy, all of them connect design and business strategy. *"Every company has its own design. It starts from logotype and it is followed by original product*" states a company from the first level. "*Companies with higher design valued products have progressive imago. It is strategic decision to use designer's resources, because its results and profits are long-termed."* describes a company's manager and owner, who so far hasn't find nor money either time to hire a professional designer and does designer's tasks by himself.

Companies involve designers to their decision making processes on a very low scale. The underlying comments describe the designers' involvement degrees:
- "*Just logo, documentation, flag and other things like that. No other processes."*
- *"Designer decides product's material, auxiliary materials, packaging"*
- *"Design has a place in every aspect of product development including user interface both equipment and application software*" says a company manager from the 3rd level.

For the conclusion the weakness of preparedness of Estonian company leaders to work with designers and use the whole range of designers' skills for the companies' success is visible. In general they are able to order only product's outlook and styling from designers. The good sign is that most of them have heard that sometimes designers are involved in the whole product development process.

Supporting measures for design use

There isn't any existing measure to support design use. In the survey a closer look was taken to the companies, which have got financial support from Enterprise Estonia for their product development process. 58% of interviewees have got financial support from Enterprise Estonia for product development.

Looking closer to these companies the picture goes even worse. Alarming fact is that the average level on Design Ladder of these interviewees is even lower than average: **1.64!** The grantor haven't seen design's important role in the product development process either. Here are some easily followed steps to get some design expertise into the judging process.

The interviewees were worried about the amount of bureaucracy in the support system, difficult and time-spending applying and lightproof judging process. Suggestions were to help protecting intellectual property, which will also include product design and patent issues. From Enterprise Estonia firms would like to get more practical tips and hints. Among these there could be some hints of design's importance as well.

More than half of the respondents find, that national support measures would motivate them use (more) designer's services. To increase their design use entrepreneurs expect financial support from state to cover the costs of:

- Using designer for the first time,
- Design audit of the company
- Products renewal process. The costs of mouldings were also mentioned.

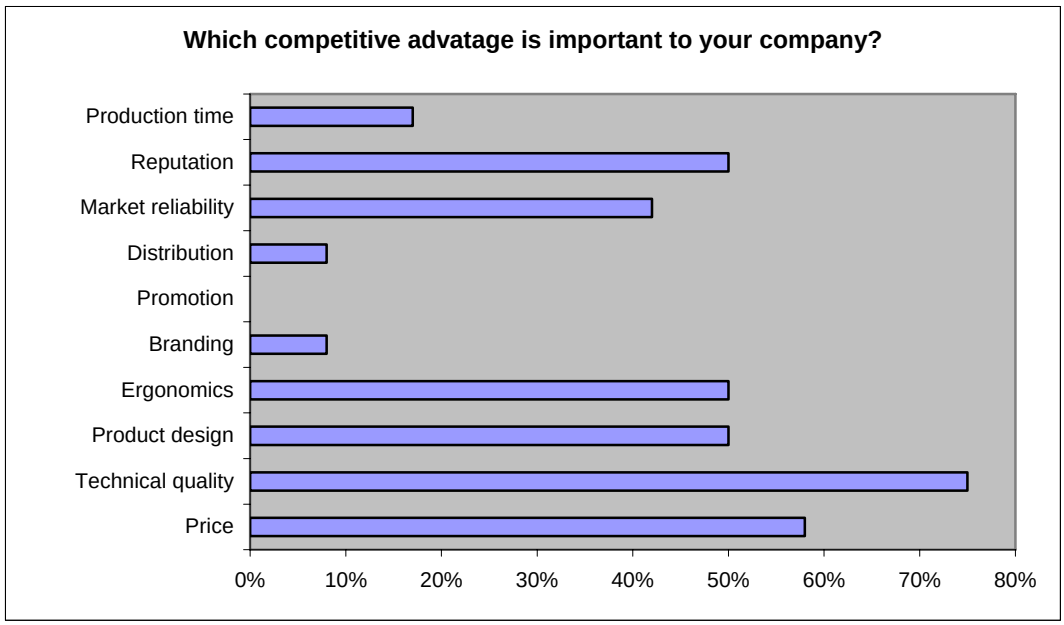
Using design in product development

Alarmingly big amount of companies use other professionals like constructors, technologists, managers etc instead of designer. Less than half of the companies have outsourced designer's service, if then mainly for the final styling process. Only one company among interviewees has hired a designer. In case design service is used, it is outsourced. Design is mostly considered not too important for the whole product development process and there isn't enough work to employ internal designer on regular basis. The company leaders who contribute more on design told us:

"*Product design is only one stage of our enterprise's technology development process and we cannot offer regular employment for a good designer."* and that outsourcing is flexible, producing capacity doesn't need continuous access, company has possibility to hire designers of different degree and speciality. Only one company has faced problems with outsourcing: "*Designer's time is limited and as we do not have regular contract the preferred time might not suit."*

Company and design

In the written interview the respondent was asked to define its competitive advantage. The answers are concluded to the following table:



Half of the companies take product design as their important competitive advantage. The companies who think so are levelled 1.58 on the design ladder. This is actually a problem of not understanding what design really means and how it could work for the company. Design cannot be a competitive advantage if it is not used.

More than half of the interviewees find that designed products have competitive advantage in their business sector. At the same time companies have very vague conception if and how do their competitors use design. As seen already from the previous answers companies involve designers into decision making processes on a very low scale.

The main matters, which limit design use, are lack of finances and time. Problems with finding skilled professionals in rural area were also mentioned. In some cases design is not seen as competitive advantage in company's business sector.

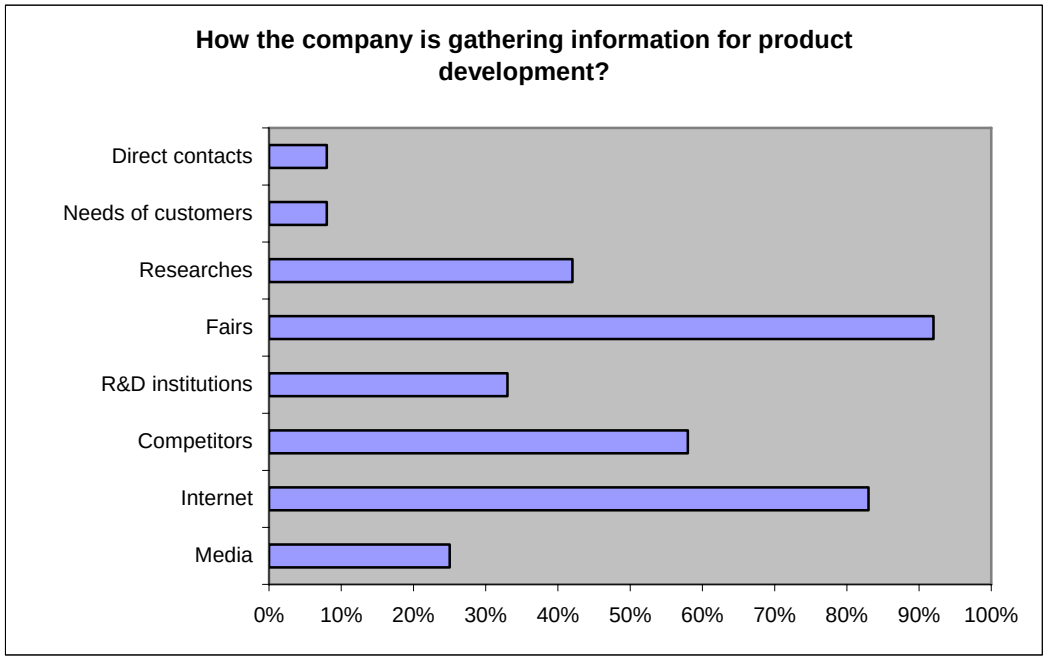
Companies who haven't used designers' service recognize that they have missed it in their product development. Mainly companies mention a need to get nicer outlook for products.

More than half of the interviewees find that political and national support measures would motivate them to apply more design services. To increase their design use entrepreneurs expect financial support from state to cover the costs of design use for the first time, design audit and products renewal process.

Beside national measure companies see motivation also in better knowledge and information on design matter, raise of design awareness among customers, bigger need to differ from competitors. Assistance is seen in designers' database with portfolios. The starting point should be the overall change of attitudes and raise of awareness.

Information

Information for product development is mainly gathered from fairs, internet and also from competitors. Co-operation with R&D institutions and using research results is relatively high (33% and 42%) compared with general Estonian level. It is influenced by the choice of companies.



Half of the answers state that they do not have enough information on design issues and better access to this kind of information would increase their design use. Information of designers is mainly searched from internet and acquaintances, also from media, fairs and advertising. Companies miss magazine of product design, special internet pages and forum on the theme.

Conclusions

The answers are often controversial, like companies stating themselves as not using product design services at all, but at the same time product design is seen as their important competitive advantage. This shows how little company leaders know about design. They do not know which kind of services designers offer and what kind of skills they have.

Briefly these answers show how weak is the preparation of Estonian company leaders to work with designer. The main problem is that they do not know how to use whole range of designers' skills for their companies' success. In general company leaders are

able to ask from designer only product's outlook and styling. Good sign is that they have heard that sometimes designers are involved in the whole product development process. At the same time the overall attitude is not seeing designer's contribution as competitive advantage.

In general, it could be mentioned that non-users have missed designer's help and users have been satisfied with what they got. The users even recognize that they would like to contribute more on design, because design has influenced positively product's usability. Non-user mentions that absence of designer has diminished company's competitive advantage.

Companies see a range of meditative aspects which should be taken into account:
- Better access to design information, good designer's database with portfolios is needed, magazine of product design, special internet pages and forum on the theme
- Financial support from state to cover the costs of design use for the first time; design audit and products renewal process
- Raise the design awareness among customers,
- Bigger need to differ from competitors
- Assistance is needed to protect intellectual property, which will also include product design and patent issues
- Companies mainly miss practical hints and advice how to implement design into their every day business life.

Enterprise Estonia is the only institution to support product development in Estonia. So far there isn't any measure to support Creative Industries. The grantor hasn't included design to the support measure for product development. Design expertise should be included into the judging process.

As a conclusion it is important to bring out the companies' wish to invest into design. It is a positive message, which must be supported by national structures in the fastest way.

Reasons of low Estonian design use:

- No national design policy
- No national support measures
  - -which would favour design use
  - -which would promote design use possibilities and results
- No design issues in general nor economic education
- Design awareness is generally very low
- Lack of design literature and information in Estonian
  - -no handbooks for entrepreneurs
  - -media is covering the issue only in connection with home decoration and fashion, no attention is paid to practical problems in product development issues
  - -no thematic forums in internet
- No public design promotional organization. EDL is weak (due to the lack of systematic financial resources there isn't sustainable action plan) and Design Innovation Centre of Estonian Academy of Arts is mainly targeted to the academy.

- Overall economic background with the stress on low-value added production means no design demand.

Survey by Mollerup Designlab 2002 gave a detailed list of activities to establish Estonia as an international centre of design. Most suggestions are still on paper waiting to get implemented. There is no need to repeat all of them, but here is a short list of activities and recommendations which are relevant according to present survey:

- The raise of overall awareness of design, creative industries and innovation issues. The current situation is promising as the political and national measures are in formation at the moment, but these measures must get implemented and there is a long way to get results. The overall strategy must be followed by specific action plan.
- Public sector need design services as well. The awareness of design and its possibilities must be raised among public sector.
- Design must get visible in the local environment.
- Design must be introduced in all educational levels from the very basics up to universities (first and foremost it must be a part of the studies of entrepreneurs, engineers and teachers).
- Designers need life-long education possibilities to enrich their knowledge on marketing, engineering, new software etc.
- Handbooks on different design issues (especially short practical steps and advice for entrepreneurs) are badly needed. Designers lack professional literature.
- Design courses for entrepreneurs of how to implement design in everyday business and about design management.
- Starting design businesses need support; it can be through design (creative industry) incubators or through national support measures.

Intellectual property needs more attention. Most of the designers know very few about the possibilities and so do the entrepreneurs. Protecting intellectual property should be supported as a national resource.

F I N L A N D
By *Juha Järvinen*

The Finnish innovation system originates from governmental decisions and involves a large number of both governmental and public organisations, developing and supporting design in various measures. Research programmes focused on creating new knowledge, the involvement of a multitude of industrial partners in the design research and strong promotional activities make together a successful combination.

The measures taken in Finland in the field of Innovation policy have been widely discussed, published and referred in public in both Finland and abroad, as an example of a viable solution for innovation system. [Note: the innovation environment in Finland is comprehensively described in the preliminary report "Innovation Network of Art and Design universities in Nordic and Baltic Countries"[101]] Hence, this section merely throws light to the latest development in the field.

Background

The Governmental Resolution[102] adopted on 15 June 2000 on the Muotoilu 2005! (Design 2005!) programme, defines design as part of the Finnish national system of innovation. While, the resolution stated, Finnish design has strong and honourable traditions which have played a significant role in establishing a favourable image of Finland abroad, it added that individual past achievements are no longer sufficient to support Finnish design in the increasingly international environment of education, training, culture and industry. Finnish Design must be redeemed anew, the resolution claimed.[103] Hence, the decision-in-principle, the Design 2005! -programme aimed on in creating a dynamic design system which will take Finland to the forefront in the utilisation of design.

There are two key programmes in the area of design research and development in Finland. Firstly, the five-year Design Technology Programme (Muoto 2005[104]) by the Finnish Funding Agency for Technology and Innovation (Tekes), and simultaneously, the Academy of Finland's Design Research Programme, related to the national design programme[105].

The objective of the Design Technology Programme is to create new expertise within Finnish industry and thereby to achieve significant increases in its competitiveness. The objective of the Academy of Finland's 2 million euros programme is to bring together a broad spectrum of scientific disciplines, including culture, social sciences and engineering.

[101] Heikkinen, Hanna (2003): Innovation Network of Art and Design Universities in Nordic and Baltic Countries. Helsinki: UIAH/Designium. The report is downloadable at www.uiah.fi /designium
[102] Design 2005! (Muotoilu 2005! Valtioneuvoston periaatepäätös muotoilupolitiikasta 15.6.2000) Helsinki: Taiteen keskustoimikunta/Opetusmisnisteriö
[103] Design 2005!: 6
[104] www.tekes.fi/muoto
[105] www.aka.fi

The especial strength of the multi-disciplinary approach of the five-year, 27 million euros Finnish Funding Agency for Technology and Innovation's Design Technology programme should be emphasised, as it includes three target groups:

- Research institutions operating in the sphere of product design
- Industries utilising design in their operations
- Companies providing design services.

1. The present situation of design innovation systems in Finland

The present key research and development programmes are as mentioned above. However, as the final stages of the projects are already approaching, there is a constant need for further development. Hence, new measures are already on the planning stage.

One of the latest concepts on the education and research field is the in Finland proposed Innovation University: the establishment of a multi-disciplinary education and research institution, combining the university resources of technology, business and arts and design.

On the national level, the shift from science and technology policy towards innovation policy has been agreed. This calls for multi-disciplinary approach and the understanding of the meaning of "intangible" capital. This is especially important as, according to international sources, such as the World Economic Forum WEF[106] and the World Competitiveness Center at IMD[107] the more innovative a national economy is, the more competitive it is in the global markets.[108]

In the Muoto2005 Design Technology Programme, over sixty research programmes have been realised over the five-year duration time. In the Academy of Finland's programme, ca. ten research programmes have been realised. As the Technology programme required, the programmes cover a wide area of design, technology and other scientific disciplines.

The main actor in design innovation transfer in Finland is Designium, the Innovation Centre in Design at the University of Art and Design Helsinki. Designium is a unique establishment of its kind in the world also being an integrated part of the university. The main aim of Designium's activity is to link and integrate design to the national and industrial innovation systems. The operative goal of Designium's innovation activities is to bring as many R&D and diploma projects in the university as possible within the sphere of commercial utilisation. The innovation services offered by Designium are an integral part of this goal. UIAH is also one of the oldest institutions of its kind; it was founded already in 1871 and got the right to educate up to doctorate degree already in 1983.

Designium has successfully utilized an evaluation programme (TULI)[109] for assisting the commercial utilisation of the results of research and development projects and

[106] http://www.weforum.org/
[107] http://www01.imd.ch/wcc/
[108] President Raimo Väyrynen's (Academy of Finland) speech at Designium's five-year anniversary seminar.
[109] http://www.culminatum.fi/tuli

degree thesis completed at UIAH. Funded by Tekes, and coordinated by the Finnish Science Park Association (TEKEL)[110], TULI's objective is to recognize and find research-based innovations and offer them expertise in commercial development. TULI financially supports the commercialisation of researched-based results. TULI's focus is to promote commercial utilisation of innovations, through new start up companies or, by technology transfer into existing companies, for example by licensing. A 100 % grant of 10.000 euros in maximum per project, the TULI funding provides business expertise by consultants. These commercial experts are chosen together with TULI-coordinator and the innovator. TULI programme has been utilised in Designium for three and a half years now. During this time, over 50 TULI projects have been realised. Many of them have been commercially successful.

However, the innovation system inside UIAH needs constant development. The number of new innovations should be increased and there is a need for a better monitoring system and forum where the ideas and innovations that emerge in the university could be introduced to company representatives or investors.

2. Design promotion in Finland

Design promotion in Finland is heavily relying on Design Forum Finland[111]. Design Forum Finland reinforces the standing of design in the innovation system and advances affluence and competitiveness in Finland.

Design Forum aims on augmenting the public interest in design and promotes Finnish design worldwide.

Design Forum Finland was the key actor, together with a broad spectrum of experts and a network of central organisations, in establishing The Finnish Design Year 2005 that celebrated design in Finland with various events and a campaign. The aim was to enhance the understanding of what design is, in the public, highlight the business opportunities design has to offer and moreover, emphasise the effect of design on industry's competitiveness. The national Design Year successfully complemented the national innovation policy. In the final report of the national Design Year, it is concluded that

> *The collaboration between the members of the Design Year network made the distribution of labour between the design organisations clearer and contributed towards active information-sharing and the creation of an operational model based on a common agenda*[112].

Moreover, the report states, that

> *(The) position of design in the state's economic and social policy is strengthened and that the Finnish political leaders are committed to the development of the design industry and ready to provide stronger support in*

[110] http://www.tekel.fi
[111] www.designforum.fi
[112] http://www.finnishdesign.fi/files/fide/loppuraportti/DesignYear2005_briefinEnglish.pdf

the future. The Design Year experiences have given a boost to add design to the agenda of the EU administrators[113].

Among the various results the report lists, it also highlights the measures taken in making design known to Finnish SMEs. Within the national Year of Design activities, a campaign focused to the Finnish SMEs was organised, in three phases: firstly, a direct marketing project with Kauppalehti, the Association for Finnish Work and the Confederation of Finnish Industries EK, secondly, announcements in Kauppalehti, and thirdly, a luncheon hosted by the Minister of Trade and Industry Mauri Pekkarinen on 8 September 2005[114].

On the more concrete level, and one of the results of the National Design Year is the now active Design for Business[115] web service, aimed on bringing together design service providers (design consultants and professionals) the Finnish industry. One special focus group for this service is the SME sector. The purpose of it is to communicate the benefits of design and assist the companies in need in finding design consultants. Design for Business is built in cooperation with the key actors (universities design associations etc.) of the on the field, and supported by The Employment and Economic Development Centre[116].

[113] *ibid.*
[114] *ibid.*
[115] http://www.designforbusiness.fi/
[116] http://www.te-keskus.fi

I C E L A N D

By *Sóley Benna Stefánsdóttir* and *Halldor Gislason*

The Icelandic situation is different from all other countries in the project. This applies also when Creative Industries and design are considered. As will be illustrated in the following section, Iceland is underdeveloped in design. There is no real tradition for design in Iceland like there is in, for example in Denmark, Sweden and Finland. Because of the isolated geographic position, no real industrial production in the country apart from fishing and fish industry exists. On the other hand, Iceland has produced exciting results on other areas of Creative Industries, (e.g. in music), and the Government of Iceland has made legislation about official support to new technologies and innovation.

Introduction

Design is rather a young enterprise, and in a young economy like Iceland it is even younger. The Icelandic economy is very young compared to Western standards. The country became an independent republic in 1944, just over 50 years after Norway. The Second World War was instrumental in that transformation and it is possible to see Icelandic design sprouting around the same time, although there is some history of design before that which was handed down from Denmark and other neighbours.

During the first decades of independence a few designers had education abroad, mostly in Scandinavia, but like in most young economies the emphasis was on engineering, industry and technology. It is possible to say that it was not until the late 70's and the 80's that designers and design projects came into being in Iceland, and actually only really in the Reykjavik area, where around 75% of the nation lives. Thus, Iceland has still a long way to go in developing support for design and innovation, especially in comparison to the other Scandinavian nations that are world known for strong design emphasis and policy. Icelandic design history is not well mapped, since only a very few historians have been interested in the subject and interest for the value of design is not large.

At the same time there is a lot of creative energy in the country, and an honest hunger for a better environment and innovative possibilities. One of the key actors for design promotion in Iceland is the new Design Faculty at the Iceland Academy of the Arts, established in 2001. Before that time all designers had been educated abroad, except advertising and textiles as part of the College of Arts, situated in Reykjavik. The main specializations in the design faculty are architecture, product design, fashion design and communication design. In the department it is considered very important to make connections to industry and business. There are courses together with the Business University and an effort was made to cooperate with engineering in the technical university as well as courses where students work with companies at home and abroad. Those connections are important because they take part in bridging the gap between design and companies/industries. But it is only a three years BA education, so there is still no proper deep research work being done there apart from taking part in common projects.

There is no design innovation support system in Iceland. And there has hardly been any government organized support for design until last April when there was

established a small enterprise named Design Forum Iceland (Hönnunarvettvangur) employing one person.

The Innovation support system in Iceland is much more advanced than support for design. This is especially strong concerning technology, medicine and biotechnology. There are two institutions that work on research and fund projects, and operate closely with the University of Iceland:

- IceTec –Technological Institute of Iceland,
- Impra - Innovation centre for entrepreneurs and SMEs run by the Technological Institute of Iceland.
- Rannís – The Icelandic Centre for Research

In the policy of these institutions there is no mention of design as included in their role. So far it has not been considered important for these organizations to include design as a field worth supporting, but recent developments and foreign competition has made it obvious that this has to be changed. The following are the main bodies in Iceland that deal with design issues.

Public Sector

Ministry of Industry and Commerce

Ministry of Education

Handverk og hönnun. (Crafts and design) A four year's government sponsored project during 2002-2006. It has held two positions and has produced projects, conferences and exhibitions.

The Design Museum of Iceland. A very tiny place on the outskirts of Reykjavik, very badly located and weakly financed. Craft based and not really focused on modern design dealing with mass production and services.

Education and research

The Icelandic Academy of the Arts

A few design orientated study programs in gymnasium education.

Business and Industry

Ímark, an association of the advertising industry. They run a competition among members and hold one event annually celebrating best practice examples of branding.

Investments and financial system

There is not any investment system focused on design or design and innovation, but the following have a focus on innovation.

Impra; Innovation Centre. Not focused on design, but has a support system for supporting business ideas and SMEs. Reading through their promotional material it is interesting that design is not mentioned.

Nýsköpunarsjóður, the Government Innovation Financing Fund.

Rannís, the Iceland Research Council. Since last year design related research projects have been approved for funding.

The Trade Council of Iceland. This institute has had a special focus on design.

NGO's

Form Ísland. An association of Icelandic designers. An umbrella organization for all the design association in the country. Member of the Scandinavian Design Council (SDC) and International Council of Societies of Industrial Design (ICSID) The society is not active today and has been based on voluntary work.

Félag íslenskra teiknara. The Icelandic association of illustrators and graphic designers.

Textílfélag Íslands. The Iceland Textiles Association.

Arkitektafélag Íslands. The Association of Icelandic Architects

Félag húsgagna- og innanhúsarkitekta. The Association of interior and furniture designers.

Leirlistafélagið. The Association of Ceramic Artists.

3.

The Ministry of Industry and Commerce established in 2003 a working committee developing ideas about a possible design centre in Iceland. This committee published its results in March 2003, maintaining that it is important to support the design environment in Iceland, suggesting a centre with two full time employees and one specialist. The committee pointed out inherent weaknesses in support for design in Iceland in comparison to its neighbours. In the summer of 2005 this design centre was established with one person employed.

In the manifesto of the centre says: "The goal of the Design Forum Iceland is to support a professional and active design culture in the country that shall promote and create national support for all types of design, including architecture, jewellery, graphic design, industrial design, interior architecture, fashion design and ceramics."

This project has been determined as a pilot experimental project lasting 3 years. For other future plans it is possible to quote the speech of the Minister of Industry and Commerce in a recent conference on Creative Industries:

"The experience from other nations shows that companies that emphasize the importance of design in the development of their products yield better financial benefits than those that do not so. In this country there are many designers that have gained reputation abroad, and it is important to support them and give them opportunities to create links with Icelandic producers. To support this, the Ministry of Commerce and Industry has initiated cooperation with The Federation of Icelandic Industries, The Trade Council of Iceland, The Technological Institute of Iceland and Reykjavik Resources. The Design Forum Iceland will be operated as a pilot project for three years and housed in the innovation centre of The Technological Institute of Iceland, since it fits well with the operations that are housed there. The aim of the project is to house in one and the same location information about Icelandic design, stimulate intercommunication between designers and business and industry and promote that activity strategically. The mission of the enterprise is to increase an understanding of the value of design in Iceland and abroad. The Ministry will also support a controlled mapping of the value of design for Icelandic industry. On that basis will a policy be made by the Government of Iceland, which might become a platform for further long-term government support for design?"

4.
In the report published by the ministry's working committee are put forward the following emphasis points.

Promotion and information
-To be an information centre for Icelandic design
-To promote the employment design competitions.
-To promote more media coverage about design.
-To make available information about Icelandic design.
-To support and run exhibitions with Icelandic design nationally and abroad.
-To strengthen an understanding about design in Icelandic culture.
-To run conferences and presentations about design for specific target groups.
-To work closely with other parties that will use design in their enterprises like The Federation of Icelandic Industries, The Trade Council of Iceland and The Foreign Ministry, educational establishments and professional associations.

Advisory activities
Provide advice to increase the use of design in innovation, the built environment, services, businesses and information technologies. To make available information to the industries and businesses about designers and design potential.

Further emphasis and projects
To collect in one data base information about the design services, like design products, design knowledge, design creative capital, design taxonomy etc. To create a well accessible web-site about design and the creative industries within the Design Forum Iceland. The Design Forum Iceland should maintain a high standard in the support and induction of projects that will be financed by the government or other parties.

The Icelandic Research

In the Icelandic part of this NIC project it was decided to run interviews with persons that have thorough knowledge about the design and creative industries in Iceland after working in the field for a long time.[117] These are people with diverse experiences,

[117] **Reference group:** 1: Rúnar Ómarsson. General Manager of Nikita clothing. Nikita is street clothing for girls who ride. www.nikita.is; 2: Birgir Ómarsson. Owner of Kaktus, Advertisement Agency; 3: Guðmundur Oddur Magnússon. Professor in Graphic Design at The Iceland Academy of the Arts; 4: Páll Kr. Pálsson. Economic Engineer and director of Skyggni ehf, business consultancy. Also former director of Technological Institute of Iceland; 5: Katrín Pétursdóttir. Product Designer and former head of product design de-partment in The Iceland Academy of the Arts, now running a design practice based in Hong Kong; 6: Svana Helen Björnsdóttir, Managing Director of Stiki, a consulting and software company specializing in information systems security; 7: Magnús Orri Schram. Specialist in Entrepreneurship and international trade in Reykjavik University; 8: Marina Candi. Specialist in Innovation management and entrepreneurship in Reykjavik University. Currently working on a PhD. project on design and inno-vation; Design as an Element of Innovation: Evaluating Design Emphasis and Focus in New Technology-Based Firms; 9: Jóhannes Þórðarson. Dean of the faculty of Design in The Iceland Academy of the Arts; 10: Guðbjörg Gissurardóttir, director of the Design forum Iceland; 11: Hörður Sigurbjörnsson, Manager of North Sailing. A whale watching company, which has been developed the last 10 years, an SME in the tourist sector utilizing support from the innovation section of the Technological Institute of Iceland and 12: Davíð Hreiðar Stefánsson, economist working as a broker in the City of London for Íslandsbanki.

from business, industry and research. Generally SMEs in Iceland do not utilize design in their product development. The production industry in the country is actually a very small sector of the economy. Therefore it has been decided that a better picture can be achieved of the situation in the country by selecting people from the various fields than by interviewing companies directly. A very limited mapping of businesses that utilize design has been done in Iceland. It is going to be one of the tasks of the newly founded Design Forum Iceland to do this. With only one employee it will be difficult to run such a mapping exercise determined in the project's manifesto. Any effort that will be manageable will be done in cooperation with The Faculty of Design in the Iceland Academy of the Arts and other universities that research industry and business. One doctoral study is being done at this time named Design as an Element of Innovation: Evaluating Design Emphasis and Focus in New Technology-Based Firms. This is being done by Maria Candi at the Reykjavik University which is a young business school.

The report will utilize the interviews as main source material and accumulate it into sections according to the main research questions of the project. Furthermore source material has been sought to earlier reports and work done in the design faculty. Since the Icelandic situation is quite different to the other Scandinavian countries that have much better developed industries and product development, the main the emphasis in the Icelandic study has been put on the following:

- How do we induce SMEs to increase the use of design in their development work?
- What are the obstacles and why is design not used more than actually is the case?

The interviews were made through conversation, generally by two interviewers, and the material has been dissected into themes that are relevant to the research questions. Although the questions are put forward in other places in the NIC report they are repeated here for clarity:

> 1. How to integrate creative disciplines into traditional industries? (Traditional industries are struggling to understand what drives creative industries and striving to incorporate creative disciplines within the organization).
>
> 2. How to develop creative ideas into profitable business?
> (Creative industries with strong potential struggling to understand the hard and analytical world of business, risking stifled growth).
>
> 3. How to integrate creative industries into national innovation systems? (Government departments and research councils finding difficulties in understanding how to stimulate and enable growth within the new experience industries and how to turnaround existing industries).

The main bulk of the material is related to the first question, which the interviewees had long and varied opinions about. They often pointed to pitfalls, historical worst practices and best practices. Therefore the material related to the first question has been subdivided into negatives and positives named: problems and solutions. The

material related to the other two questions is considered simpler, and there is some repetition from question one.

Question one: How to integrate creative disciplines into traditional industries? (Traditional industries are struggling to understand what drives creative industries and striving to incorporate creative disciplines within the organization).

a) Problems concerning the utilization of design highlighted in the interviews.

1. What is design?

When defining design it becomes apparent immediately that the understanding of what it really consists of is as varied as the interpreters. Design is an open-ended terminology for various creative practices, done by individuals, most often in project work. In the Cumulus conference in Denmark's Design School in 2005 one delegate stated that he has found 650 terminologies about design.[118] In the interviews it came apparent that there are large misconceptions about what design is. One proprietor thought the research wanted to discuss how the company selected curtains and office furniture for example. That of course is design related while such design does not play a fundamental factor in the product development of a software company. That means that part of the problems in promoting design as a serious professional expertise being an integral part of product development is based on this misunderstanding of its role. When the question about how design can be utilized people immediately associate design as the service of creating a logo, maybe branding, livery and slogan. "The advertising business is the only part of design industry that businesses appreciate. An understanding of the necessity of a company image is much better developed in Iceland than product design." Graphic design has a longer history in Iceland than the other specializations, maybe apart from architecture and the number of active graphic designers outnumber greatly the other design fields. Product design has only been part of the Icelandic design academia for five years and has not developed tradition or history. Previous product development in Iceland has been craft based one-off items or hand made multi-copies sold as household items or souvenir. Before the economy became thoroughly globalised, there was some production of furniture, shoes and clothing, but most of this production was based on Scandinavian designs produced under license.

In the interviews the design definition issue surfaced often and seems problematic in a society where design is such a young field. Comments like "it was interesting that in the conference about the creative sector, engineering was defined as design. It seemed to me very strange!" "When Össur (a company manufacturing artificial limbs) started to make profit the company was heralded as a great design success, but the company has very little to do with design, it is engineering!"

"Design is about the community, philosophy, sociology, anthropology, gender studies, and humanities. Design is multitasking and requires an academic thought. Design is not just futile decoration that is added to the product in the end so that it looks better."

[118] Ken Friedman, lecture 23rd Sept 2005.

Maria Candy, who is doing a PhD on the use of design in innovation in the technical sector maintains that she can not use the term ‘industrial design’ to define her project because it is too object based. She is focusing on service design and she decided to use the term 'design' in spite of the problematic of its wide scope.

Design versus arts and crafts

The interviews pointed to a strong need to clarify the boundaries between designs on the one hand and crafts and arts on the other. Too many people in Iceland confuse these fields, and the interviewees maintained that design has to do with the creation of marketable products in opposition to 'one-off' works of art or prototypes. The reference group numbering people that are considered to have good knowledge of the field maintain that design should be professionalized as a sector of business and industry. For example there were opinions that the project named 'Handcrafts and Design' (handverk og hönnun) should not use the term 'design', "because the project is about art and crafts."

"Many designers consider themselves as artists and are not prepared to compromise their ideals in the necessity to create a profitable business." The task of the contemporary designer is not like that of the artist working in isolation and displaying the product to the spectator. Design today, is a collaboration between many diverse specializations from business through industry to the artistic where the designer is one of a team in developing innovative and marketable products. Generally people were of the opinion that the split has to be made clear so that design will be considered as part of innovation and business.

Design and engineering

In less developed companies and economies the design task is left to engineers rather than employing an industrial designer. It is not considered necessary to specifically buy expertise other than engineering skills. This is a common fact in Iceland, where companies are quite young. Support for technologically based innovation is much better developed in the country. In many cases there is little understanding of the role of more creative or artistically inclined designers.

Contemporary design is teamwork

Designers have to realize that they are none more geniuses than others in production and innovation. This realization is quite clear among the new generation of designers while older designers have been educated in arts and crafts based schools where the heroic artist has been heralded more than teamwork. "The designer has to realize that the business analyst, the salesman etc. are just as important. When all these experts work together the great stuff is made." The modern market economy is complex and competitive and requires more specializations than when the art and design academies were formulated. Teamwork is more and more important. This is a condition that suits the young Icelanders quite well because it seems in their nature to network being from a small country. This might be the result of them all needing to seek their education abroad and thus having to cut their roots more than is normal in the other Scandinavian and Baltic countries.

Design as a service

In many areas design has acquired the role of a service to large production enterprises. Thus the designer is a member of a project team with a certain aesthetic expertise in

conjunction with technical specialization. This might be more common in economies where industry and production is not strong. That is the case in Iceland where most industrial manufacturing has been moved abroad. The Icelandic designers are in a situation where they might operate with foreign industries, selling their specialization or reputation as a commodity or service. There are a number of such designers located in the country. This might be a very different situation to the countries where there is a large manufacturing component like the Baltic states and it will be interesting to see the difference in this study. Icelandic companies have strength in software services, gaming etc. According to a recent report from the World Economic Forum Iceland is number two on a list of nations that employ information and communications technologies.

2. The value of design

One of the reasons for promoting design as something that has value for manufacture and innovation is the fact that there is great misunderstanding about the value of design. This opinion was clear from a majority of the interviews. To argue for investment in design activities by companies is difficult, while there is general understanding for the value in investment in innovative practices and research. Technology has acquired better financial sympathy than design. Many of the interviewees highlighted misunderstandings about design. Company proprietors do not know the value of design and they do not realize how design can increase returns. "If the task is solved technically, why then a designer?"

There is no real tradition for design like in Denmark, Sweden and Finland. There is even no real production in the country apart from fishing and fish industry. That industry has until recently concentrated on raw processing of fish products rather than sophisticated marketing and food design. If one looks at the web pages of fish producers in Iceland it is possible to gather that they have not utilized designers in their branding exercises. They do not seem to realize the added value of design. They could develop products and packaging much better, but profits are probably so high that they do not bother. Sometimes it can be seen that designers have been brought in when crisis happens. Then the designers are asked to be saviors of a failing company by improving the image.

In the interviews designers and entrepreneurs told of approaches to companies with that in mind to improve image and develop products, but when the moment comes to discuss payment for the effort the companies do not think it worth the bother. "The companies are run by middle aged men that have no understanding for the value of design and do not think it matters at all."

One of those interviewed maintained that there is strong belief in the value of design, but the designers have to come down from their artistic heroism and start operating in a team. He also said designers have to market themselves since there are many business people that value design highly but might need information.

There is no available information in Iceland about how to make contracts with designers. The companies that might like to start a relationship with designers have to do it on the premises of designers and therefore might be suspicious from the start.

Financing

There is not a belief in the value of design in Icelandic industries and there is not great willingness to spend money on designers. SMEs in Iceland do not have strong financial resources and can not take the risk of spending on design. “People expect design to be almost free because of the enthusiasm of the designers, and when a realization surfaces that designers cost money, the companies back out!”

“Companies think that the customer is not prepared to pay for better design and therefore design is left out. They do not spend money on things that ‘do not change anything’!”

The basis for any business is profit and the mission of businesses is to provide the customer with products so that there will be profit in the end. If companies are to spend money on design, they have to see the financial rewards from it. “Design is one of the factors that make a difference in creating the right results in business. The Result of business is profit, and it is measured in money. It is not so common to include ethical visions with business with the aim to utilize design to create quality products.”

“It is difficult to price design. People do not believe that the utilization of design pays. Design is so intangible. People can not see the profit in it!”

In the effort of making companies utilize design it is necessary to make available financial data about the benefits so that the companies can see facts about profits and returns from design activities. These are almost nonexistent in Icelandic society. The information has to be brought from the neighbouring countries where success stories exist. No mapping of Icelandic design has been done until these last years, and the material is still not easily accessible. Data about the design industries is distorted. In the official economic data register in Iceland graphic designers are not included as part of design for example. Graphic designers are defined as artists. This has to be amended with comparison to Nordic methods.

There are not many large companies in Iceland because of the size of the nation, although that is changing slightly during the last years. Those companies have acquired a proper critical size and have been decades in development. The fishing industrial company Marel did not return profit until in its second decade of operation. There is a need for patient finances in Iceland which is uncommon in a society that is used to fast profit from a good year of fishing. The banks are now acquiring a critical size, but they are operating mostly in foreign markets. There might be a potential for design in their recent growth, but that is to bee seen. Since the banks have moved into more developed economies like the other Nordic countries they might start to realize the need for patience and long term planning.

3. Communication

There is still a large void between people in marketing and industry versus the creative industries like design. This becomes very apparent in the interviews. There is a communication problem between the two quite different factions. Both parties have their opinions of the matter and blame the others for it.

Marina Candi, a doctoral candidate who is doing a research on the use of design in innovation of technical companies, maintains that she has found out that there is a correlation between the number of employees that come from the technological sector and the use of design in the companies. The larger the number of technical workers in companies, the less the use of design.

One of the interviewees said: “Even worse with engineers is their pomposity towards designers. They think designers are just clowns! There is a fundamental misunderstanding of the value of design there!” Another said: 2The people do not even talk the same language! They turn up in meetings and the technologists discuss, understanding each other while the designers do not get the point. They have a totally different dialogue and can not understand what the customer or technical expert is trying to say!”

Since it is more common for designers to come from a wide range of directions, there is a common belief that it is better to adapt the designers to improve communication between the sectors. Therefore the idea seems to prevail that the designers should compromise to the needs of the marketing strategies, and thus devalue their expertise. Designers in general in Iceland do not have abundance of job opportunities, and can thus be made to adapt to the ideas of market experts or technical specialists. “It is the heads of the companies that make decisions about hiring designers. The education of the heads of companies makes no difference if they do not decide to use designers there is no reason to educate designers differently!”

Problems with designers

“The technical companies need advertising agencies for their promotion, but they can not spend time making the agencies understand their policies - it does not work. They are afraid to employ designers because a long time goes into meetings, since the designers do not talk the same language.”

“The designers have to stand down from their pedestal and realize that they are no more heroes than the others they have to work with!”

“The problem with designers is that they know too little about the pc platform, but that is the reality that businesses use; their customers. Business is the main bulk of the clients of designers and the designers have to adapt to that reality so that they can cooperate with them.”

Many believe that designers are too arty and thus loose professional stigma. If a company needs to project an image of stability it is of no use to adapt edgy branding techniques. Designers can be far too much interested in themselves and their artistic ambitions. Some companies maintain that it is a lot of work to find professional designers. The designers often are unprofessional in creating tenders and financial plans. “They do not seem to know how to make business plans and have little understanding that plans have to be held if business is to survive. My contracts with graphic designers for example are the strangest deals that I have done. I do not understand why they are like this.”

The critique is that designers have to learn more professional accountability and pragmatism so that they can take part in the industry at large.

The markets/industry/business

The PhD candidate Marina Candi started her study about the use of design by technological companies because she had been working for a long time in the technological and software companies. She says that she has had to fight for the employment of designers in projects done by those same companies. She says that it has been quite difficult to generate an understanding of this.

She maintains that engineers and technical experts are quite pompous toward other more dynamic creative people. They are used to their logical methodologies and do not understand more unclear methods, where maybe the unexpected is valued as important. She maintains that these people forget that there is an end user who is a human being with idiosyncrasies and quirky behaviour. On the other hand those that are not used to technical methodologies do not get its integral regularity and think the logistics is just a very tedious way to address a simple task.
"An engineer talks to a software engineer, who will create a lot of technical acrobatics that will address needs technically, but without an efficient interface to the human user. Everything quite logical, but they forget the user who is not logical in behaviour. The designer should be an asset in relating to human needs."

4. Education

Business versus design education

Many of the interviews addressed flaws in the education of designers concerning business and marketing. But a consensus is that the reality of design today is the market economy and designers have to be better informed about it. Designers have to deal with that reality when they are out of school. "What are the students really learning about economy in the design faculty and how are they prepared for the business reality when they come out?"

Iceland's only BA education in design and it is difficult to determine how much of each competence is to be taught in such a short program. Entrepreneurship should really be more connected to master education or innovation support centres for young designers. What is probably most important at the early stages is to inform students about communication methods with the other specializations so that the designers are ready to adapt to them at later stages of education or in professional life. In Iceland there are many examples of young designers that have started with a good idea, initiated a business with an inadequate business plan and unrealistic future. Those enterprises have since failed and given signs to financiers and companies that designers are dreamers that are difficult to do business with.

Education in technical and business schools directed towards design.

To be able to utilize the competence of designers the other experts have to receive education about design to some extent. This is nonexistent in Iceland, like in most of the neighbouring countries. There is only one course offered in the business university in cooperation with the design faculty.

It is in the nature of design to search for new, unexpected solutions that might be outside the normal way of doing things. This is less appreciated in engineering and business. There the norm is to execute with methodological rigour towards an optimal

solution. The design working method has to be introduced to the other fields during education. This is not high on the priorities list in other universities. Furthermore the business schools do not make efforts to teach about the business value of design, though this has been changing during the last few years with the emergence of the experience economy, something that Icelanders seem to have grasped quite fast. "There are no other courses about design than the one we do with the design faculty" says Magnús Orri in the Reykjavik University.

Professional practice and internships for design students

The interviewees, particularly those from the business side say that there is a lack in the education of designers concerning practice. This seems to prevail irrespective of where the designers have acquired their competence, although some designers educated in the US have had more focus in this direction. Comments like "their heads are in the clouds, disconnected to reality," were heard. One said that the Icelandic applicants for jobs in companies are more in the clouds than foreigners because the foreigners have had more practice after school. It must be pointed out that the design faculty in Iceland is part of an art academy and not a technical college. This means that engineering based industrial design is not strong in Iceland.

The design faculty in Iceland started collaboration with the business university from the beginning and they run courses together. This course has been seen as quite successful creating some attention in the society and among business leaders, but it is really only one course and at the BA stage. This collaboration should be run at master level like has become more common in the design schools in neighbouring countries. Internship program and company analysis is taught in the design faculty, but as has been stated before, it is only at BA level in quite short coursers.

Design education is quite limited in Iceland, while the government does not support master degree in the field

From the initiation of the design faculty in Iceland it was clear that there is a need for master level also. The BA degree is fast becoming a basic general education in Europe with most students aiming for further development in master courses, often crossing over to other fields like business or technology. Master degrees are becoming more varied all over with specializations and depth needed to be a professional. It is also in the master degree that some research activity will take place since the BA level is actually straight didactic education with little room for experimentation and research. The quantity of basic skills needed today is so varied.

It will only be possible to develop a strong design culture in Iceland when the master degree has achieved maturity with a proper critical mass of students, researchers and teachers. The government has not responded positively to approaches about this from the academy during the five years since the faculty started, although the matter has been raised often. Work on accreditation and quality assurance has to be started as soon as possible if any further development is going to happen in Iceland beyond creating young designers that can propose some simple ideas with very little support in the country. This means that the able students do go abroad to further education and research resulting in a high percentage of brain drains.

Design in an art academy: are they technical artists or designers looking for star status?

“Is it not clear that people with a BA degree from the art academy are not stars in the making? They have to work hard in reality to survive. And because they are not stars on the way to make it in Paris they get a job in bars or nurseries. They do not start developing products that are marketable, contacting businesses and industries because they are on the road to Paris and anything else is below them!”

The design faculty does produce 50 new designers with a BA degree every year. It is the largest employer of designers in the country, so the atmosphere there is a vibrant new spirit in Reykjavík. The worry is what happens to these young people when they have left. That is what this research is about. A support and mapping of opportunities for the good of the society.

But one comment says: “Iceland is so small, so the only way to get something done is by being artistic like has happened with the music industry here. Our way to become something is through the artistic direction.” This is a valid observation because the ‘clients’ for designers, factories and businesses are outside Iceland.

5. The arrival of design into product development.

It is clear that Iceland is very underdeveloped in the field of design. The education and industry is not involved in much design related research. There is not a tradition of utilizing design in the limited industry that is present. Thus design is not an integral part of product and services development in companies or the public sector. Most of that which might be considered design related is dominated by technical experts that have no education in cultural studies like art history, humanities etc. This means that design is considered as a late element in product development, almost like an add-on factor to beautify a technical solution, a method for communication or placing in culture.
Very few companies have started to consider innovation as part of their vocabulary, and those that are involved in innovation do not consider design as a part of that activity. Design is considered only a communicative element arriving late in the development plan.
One interviewee said that graphic designers were involved in the development of their product, software, because it is important to have available good looking icons and screens for the users. This underlines the add-on employment of design in a quite innovative company.

<u>b) Solutions proposed for increased utilization of design</u>

1. What is design?

As is pointed out elsewhere in this report it is difficult to define design as an industry in Iceland because of size and the official sector does often not see it as such. What has to be done is to officially work on definition and boundaries of design. Then design will be accepted as one of many elements in production development and services and the value of design will be utilized for the benefit of the economy. The definition of design in the official sector will create transparency in the use of design, so that it will be possible to see where there is value in design. In what locations it is most beneficial to production and innovation.

2. The value of design

Design has to be marketed like other things

To increase the use of design by companies it has to be marketed and the benefits of using designers has to be made clear. Design will be used more when it has been made clear that it brings financial benefits. Design has to be promoted on the premises of the customer of the design, not its own. "Designers have to be sold into the companies."

Páll Kr. Pálsson put forward an idea for a company that will market design. The concept is in three parts

a) Have a showroom with Icelandic design
b) Sell design consultancy to companies
c) Try and push Icelandic designers into foreign companies. Sell the designer and his competence

Large companies often employ design teams. These are changed regularly with new efforts or change of direction in the company. Designers could be promoted as teams.

"I do not think that design will be a strong part of the economy until it is marketed properly. An understanding about design as a valuable commodity does not exist widely and therefore it has to be promoted professionally."

This is something that The Technological Institute of Iceland could decide to do, now that Design Forum Iceland has been located there. But there is need to place some money behind such a project.

There is a prevailing opinion that the only way to promote design is to go into the companies themselves, not stay in the artistic circles. To define roles and production sectors where there is an added value in the employment of design. "Design will not be widely used in companies until it is marketed properly."

There is a need to increase research about design to support its promotion

Most of the interviewees agree that there is a lot to be done in Iceland in finding out how design is an integral part of society. This is typical for a young economy. All effort has been put into creating, making, producing and not much on reflection. The period of reflection should have arrived, since there are so many more designers graduating in the country. If the government and international institutions support research the situation will be altered greatly over the next ten years. Research is fundamental in creating knowledge about the field, how it is being employed, how it can be strengthened and how it can be promoted.

Design is a part of a large picture

Design should be promoted inclusive of package deals to companies with business and technical expertise. "Designers and business people have to start acting together. Create packages that can do something! Sell knowledge packages to companies that help define goals so that the companies make profit." Business has diverse areas to look out for and consultancy has become a larger element in the running of business. Design should be one of those consultancies that should be necessary for business people. Design has to be part of the whole effort. It is not a magic recipe, people say, it is professional specialization.

Design can not be promoted in a one off effort. It has to be patiently promoted step by step

It has been common for politicians and larger companies to dream up an event where design is taken in as a showpiece in an effort to lift flagging spirits. Competitions have been run in Iceland many times, exhibitions run by the Foreign Ministry in locations abroad, celebrations and shows. These moments are usually pleasant events, while the general feeling is that they do not actually leave much behind. There is a need in Iceland for a design policy with a strategy with realistic goals and support from the government and the large private actors.

Best practices have to be promoted in the media

Mapping of practices in Iceland where design is fundamental does not exist in Iceland. This would be a great asset in promoting design. Stories have to be told of successes and also of worse cases that is possible to learn from. Magnus Orri: "66°North is a company that is an interesting case. This company turned properly around in the nineties when they employed a designer that looked at the whole company structure. He saw that the company had all that is needed, production, expertise and capacity. The company just needed a focused branding policy. They started by marketing outdoor jumpers." Others have similar anecdotes and immediate responses and maintain that these have to be communicated to the business and industry society.

3. Government support

The prevailing method in official support for design in Iceland has been through personal connections and political support for localities rather than a focused policy with regulations about how and when to support design promotion. Even though the majority of habitants in Iceland live in the one urban area, very many connections are to localities outside the capital. Representation to the parliament is not balanced in an effort to support less populated regions. This means that support from the official sector can be based on nepotism, personal connections or local pressure groups. This has to be the case when there is such a diversion between regions, but an official policy has to come into being. The government is making efforts to start policy making about design and architecture by creating working groups on the matter, but progress is rather slow.

"The minister and officials have no idea what design is about! They decorate their speeches by referring to design and they buy nice things done by Icelandic designers! There is no understanding about the value of design here in Iceland!"

The two main things that have to be done about design in the official sector is:

a) Policy makers have to be educated about the value and use of design.

b) Design support systems have to be professionalized and nepotism disbanded.

4. Education

The education of designers

These are the main opinions from the reference group:

The education of designers has to be modernized even more than today. It has to fit current society. The designers have to be fit to take part in the professional business environment. This is very different to the environment of the craftspeople where people work alone in workshops and sell one off items in small shops.

Designers today are not artistic heroes; they are a part of a team creating design for services or mass production.

The education of business and technical people

If there would be an official design policy in place in Iceland, there would be defined areas in the education of other sectors where design would be included. This is almost non-existent today and an effort has to be made to change this. In the international field of business education there is an understanding that the current economy is based on service and experience. Therefore design has become to be understood as an important factor. There are now in Iceland three business universities, and the two younger of those are more market orientated, while the University of Iceland works more with analysis. The education is moving towards and understanding importance of design in experience business propositions.

Technical enterprises have to include experience design in their projects during development stages so that it can be communicated and interfaced by the user. More education about design in these fields will benefit design.

The faculty of design started cooperative courses with the engineering faculty of the University of Iceland from its beginning. The cooperation consisted of common lectures and projects where product designers and architects worked with engineering students. This was quite inspiring, but the cooperation has been dropped because of incompatibility between the teaching programs.

Cooperation between business schools and design schools

As has been mentioned before, the business university and the design faculty run a common course for their students. There seems to be "a large divide between the design students and the business students…. the arty designers think the business students very non cool and vice versa. It is often quite difficult to make people work together. This is the most difficult course that the business students take. Lots of anxiety, blood sweat and tears. But the students were pleased with the course afterwards and say that they learned very much from it. It is of course great for our business students to work with designers and create reality projects. The designers visualize and objectify the projects and in that way make the work much more real. The course is a very good method to make the students realize the value of the other specialization and it bridges the gap between these diverse groups of society."

It seems a good method to use education to bridge the gap and prepare the students for the reality of professional life.

The experience with the course run commonly by the business university and the academy has resulted in talks about running a common master's selective, which students can select from both specializations and operate under the same conditions. This would bridge the gap and might result in innovative ideas where business and design operate.

Strengthen design education

The design education has to be strengthened by adding master level and initiating design research projects. The design faculty in has limited workshops and studio accommodation, being housed in temporary buildings while planning of a new

building is in process. It is as yet not clear when the faculty will have new premises and better workshops. The government has to work with the academy to create a policy with benchmarks about the next stages in the education development. So far only the first basic step has been taken.

Special efforts for innovation and design

There is no incubator for design in Iceland. The design faculty has no higher level than BA to push students on the road to professional life. There are well known examples of incubators in for example London and Holland where the design education institutes are operating very successful incubators. The teachers in the design faculty in Iceland have worked in such incubators abroad and have good knowledge of how they operate.

These are locations that concentrate specially on innovative practices. It might be an opportunity to connect the current innovation centre in the Technological Institute of Iceland with the design education to emphasize the connection between innovation and design, but as has been noted there is a divide between the fields that has to be bridged.

Introduce education about design and aesthetic issues in the basic school system

There has been some work done in Iceland to get education about design and the environment into the common school curriculum. In some schools some of this is offered to pupils as a selective, but that depends only on special interests in the school. It is so far not a general policy. Some of the professional associations have been trying to promote this to the government by creating working parties with the education sector. The potential and ambition is there.

5. Cooperation

The genial result comes from teamwork

"The geniality is embedded in the teamwork! When all the factors come together something happens. The dynamic is formed in a group. Teamwork number one, two and three!"

Design and business have to operate together to get further than they do today and the competition is so much harder today. There are no boundaries that protect business. The world is a global economy so that the competitor is might be now located in Asia. This means that design cooperation with business and technology has to lift the quality of products.

The platform for cooperation

How is it possible to make more cooperation possible? This is one of the most important issues for design and innovation. In Iceland there is no specific place where this can happen, except maybe in the design faculty, but that is only at basic education level and the people there are more artistically inclined than business orientated. Often the good ideas and interaction happens because of social events like parties or similar where people can talk without the walls of their specialization.

Ice-breaking events will be very important in this effort. These have to run a focus on design and business potential. They are much more important than exhibitions of design work, almost always in art galleries or similar institutions. Then the 'working

together' issue becomes forgotten and people spend the time stroking each other's back telling them how interesting they are.

"Intelligent and skilled people have no problems talking together, crossing over all boundaries of specialization. They are open minded enough to be able to! We have to make these people meet and create opportunities for them to do something together!"

Question two: How to develop creative ideas into profitable business?
(Creative industries with strong potential struggling to understand the hard and analytical world of business, risking stifled growth).

1. Marketing strategies

Business plans
When designers have attempted to start a business their plans are often badly executed. This has come true with many enterprises that designers have been involved in. Many designers find making business plans tedious work and only when they are pressured they try to work on a plan. But when it comes to reality, their business plans are romantic rather than realistic.

Most design focused companies are usually very small enterprises with the designer having to be the artist, market person, technical expert, salesman, financier. The designers can not handle all these things, resulting in their workload being far to much. In the end they give up and get a job in a more secure place. Designers often misunderstand the importance of business plans. "They misjudge the importance of a proper business plan!"

One of the interviewees who have worked as project evaluator for the innovation centre of the Technological Institute of Iceland says that when it comes to marketing the plans are often very flawed. "What is common in all the proposals that I have seen is that the marketing strategy is not thought out."

How design and business propositions are developed is varied. Some find a gap in the market and plan for that, but very many design based business propositions start without a proper market research, looking out for potential competition. A known example in Iceland is a proposal of production of handbags made out of fish skin. The government supported this effort with money allocated for innovation. The design and production plan was developed without research into if there might be others in the world producing such bags. When this was at last checked, it came into light that there is production of similar products in many places and no opening for newcomers. This was only realized after the government had spent lots of money supporting efforts into prototype making etc. Projects like this one gives design innovation efforts a bad reputation.

Nikita is an example of a company that began by defining a gap in the market and worked with a strong strategy for that market. The company started as cooperation between a designer, a business manager and a sales person. The company has been planned with a specific focus on a fashion for snowboard girls and sells in shops all over the world.

The financiers approached with a business plan to understand what you are aiming to offer. The marketing campaign has to be clear to those that are not in the know. “I have read business plans that were completely impossible for those that did not know the background and had a fundamental understanding of the market. People have to be careful not to expect the reader to be informed about what they themselves have been working on!”

“Marketing matters just as much as the design. How do those think that are going to buy the product?”

To initiate a product there is lot of planning required. Preparation is fundamental. It is not enough to make one prototype and take it to an exhibition in the hope that some company falls for it. This has often been the dream about many design ideas in Iceland. The designers become locally admired and optimistic in Iceland because someone approached them in an exhibition made possible by the Trade Council of Iceland. But when it comes to providing the product in some quantity there is no facility. The designers hope that some company will take them on their arms and do the rest.

2. The availability of support for design in Iceland

In some of the interviews there was strong criticism of the Trade Council of Iceland and their interest in supporting Icelandic design. The Trade Council is the institute where designers should be able to have support for their ideas and enterprises. The council can hand out grants and business support to those that the council determines to have potential. “The Trade Council pretends it has knowledge about export of products abroad, but it does not have any!” The Trade Council of Iceland offers various support programs. Among them they invite designers to take part in exhibitions abroad with their one-off products, but there is a feeling that there is no strategy for how the designers or products are selected. The Trade Council makes contracts about exhibitions and then designers can apply to take part irrelevant of where the show is to be located. “The Trade Council packs the exhibits and displays them on the Icelandic stand irrelevant of its fitting into that exhibition. Many designers that have taken part in such exhibitions come back disillusioned after mixing with civil servants from other countries in opening ceremonies.” It seems that the participant’s expectations were not fulfilled. They are offered a trip abroad for the effort of taking part, but there is a lot of preparation work. “The Trade Council is actually dangerous for designers! They are the only method available to clothing designers in Iceland to introduce their products abroad. There has to be a thorough plan for marketing and business. The Trade Council is so limited in their knowledge about business that they do more damage than good!”

Rúnar, the director of Nikita says that he has been to exhibitions for 13 years trying to sell the company’s products and he claims to know how the procedure in fairs is. He says that the product has to be rightly placed in the right trade fairs. They are good places for promotion because so many potential customers meet in one place, but there is so much on show in the fairs that it is difficult to stand out.

“The Trade Council of Iceland is trying to do this with a good intentions, but the strategies are just the wrong ones. They convince people that they know best, the

embassies, the ministry of foreign affairs. But they live in a world of their own, while they think they are working for the good of Icelandic products they are not connected with the reality of business life."

"It is a misunderstanding on behalf of designers to use the Trade Council. They should start working professionally with their own strategy."

Since the work done by the Trade Council is subsidized it is difficult for private enterprises to compete although they might have much better knowledge of the marketing strategies.

Handverk og Hönnun, a government supported pilot project for the promotion of crafts and one off designs, ran a conference in February 2005. The conference theme was about the results of taking part in exhibitions abroad, after experience from Washington, Paris, Berlin and Copenhagen. The artists and designers taking part generally thought that it was a good experience to take part in the exhibitions, but many of them thought that not much had come out of it. Here are comments from the conference, published on the association's home page:

"There is a need for some kind of a development support office that will follow the opportunities that might come up in the exhibitions. For the individual it is difficult to follow up the opportunities that might come up in the exhibitions. The Danish have such a support office."

The participants say that they of course like to be invited. They like to go along and do not mind the work put into the preparation. They expect selling something, hoping for lots of orders and they wish for media coverage. But somehow there are not increased sales or media coverage after the exhibitions and the sales do not cover the costs that goes into preparation. But some say that it is a good experience to take part in fashion weeks abroad, making contacts and creating networks.

Some of the artisans taking part in the shows say that it is very important for themselves to be present at the openings to follow up any approaches, while they criticize that it is mostly civil servants from the Trade Council and embassies that are present and they are not familiar with the business and products. It must also be made clear that most of those that are invited to take part in exhibitions run by the Trade Council are not designers with projects for mass production, but rather individuals making one-off items for sale.

"The Trade Council is a milestone on the way to the banks. They ask: 'have you been to the Trade Council?' It is considered a positive factor that the Trade Council has supported the artisans. But some say that the council is actually a limiting factor in the potential career of a designer." There are on the home page many comments from the conference that suggest that it might be interesting to investigate further how the support system from the Trade Council is positive and listen to criticism.

There has been some criticism of the Innovation Fund (Nýsköpunarsjóður). This is a fund that finances innovative businesses in Iceland. Some have criticized the fund for not being patient enough with the finance put into new companies. It is difficult for small companies when they at last start returning profit that the fund wants to sell out

as soon as possible. That jeopardizes the stability of the strategic plan of the company. The company might have new investors too early and they might have totally different issues on their agenda. To place a design-based innovation on the market takes a long time with focused strategy. The Innovation Fund has to trust the initiators of the companies for the future of the business.

"The Innovation Fund is a very good idea for government support for new enterprises, but it must be in the policy of the fund that 10-20% of the finance will have returns. It is impossible if they panic at any negative news. There have to be long-term goals."

In the conference The Trade Council was praised for an effort that supports sales management. SMEs can apply for small funds to employ consultants for planning marketing. Many designers are not so experienced in that side of business. But the basic feeling is that it is not supportive to business to have people from the Foreign Office approaching potential parties abroad to sell Icelandic products. There is a consensus that the enterprises or designers should do the work themselves, not civil servants.

A certain outcome from reading the conference report is:

a) Artists and designers invited to take part in exhibitions run by the Trade Council do not have to report in any ways after. There is no evaluation of the effort. People just wait for the next invitation.
b) A common problem with the rather comfortable Nordic societies is that people wait for official support for their enterprises. That takes all competitive edge out.
c) Civil servants are not the best ambassadors for design based business innovations.

3. Opportunities for design practices in Iceland

There is a great individualistic spirit driving Icelandic designers in general. They are versatile in a very small society. They have very little official support from a small economy with almost no production in the country. Icelandic designers have generally travelled widely and have a good network with similar individuals. They generally are naïve about business, thinking it a simple task.

The Scandinavian nations have quite common legislations. Support for individual initiatives is not well supported with taxation. The system is aimed at the larger type of SMEs rather than quite small enterprises and thus people in SMEs have to work far too much to be able to run the business. There is not enough return from such small companies to cover the taxation discipline. They are not of the critical size that the taxation system requires to generate returns while the small innovative enterprises do not gain any tax concessions for the overworked effort.

4. Production in Iceland

There is very little production in the country. It probably is more realistic for Icelandic designers to offer services or work on service design, because with a world that is

increasingly shrinking, it is not always important to be located close to production or users.

The only real production capability for designers in Iceland is for graphic designers, where the printing industry has been competing with foreign companies, but most of that is for specialized printing like art books rather than common publications and that is not such a large sector.

If people want to start production abroad, they have to do it on their own premises since it is almost a policy by the official sector not to support something that competes with the small Icelandic industries. This is natural. In that way the Icelandic designers are in a worse situation than designers from other nations, because they are locked in a very small society that supports only efforts in the small Icelandic industry. The Icelanders that want to produce their design abroad in the end have to move all their effort abroad and try to start their work on their own without any official support.

5. Education

This subject has been addressed widely in this report. The Faculty of Design at The Iceland Academy of the Arts is the largest employer of designers in the country and as such it is the place where people meet and ideas come into being. There is not much support, not much research, but at least it is a place where people meet. Most of design oriented efforts in Iceland are in some way connected into that work place, formally or informally.

The next steps for design education in Iceland is to start MA education as soon as possible, and also preferably a master course on entrepreneurship and design in cooperation with one of the business universities.

Doctoral education in Iceland is further away and it is to be expected that Icelanders will seek that education abroad, but hopefully with a research focus on the special situation in Iceland. Some research has been done in the business faculties of other universities that have focus on design, one being the aforementioned doctoral work of Marina Candi.

Question three: How to integrate creative industries into national innovation systems? (Government departments and research councils finding difficulties in understanding how to stimulate and enable growth within the new experience industries and how to turnaround existing industries).

1. Government policy on innovation, design and creative industries

a) design as industry.
Previous research and government policy points to the fact that it is not really possible to consider design as an industry in Iceland. This fact is discussed in the NIC research on the creative industries named: The Future of Design. As such, article number one in the regulation translated in this chapter does not apply to design. The government has to work on this fact and build a system that defines design an industry like other creative industries.

b) design policy.
The Government of Iceland has as yet no official design policy. Some working committees are working on a design policy for the environment in cooperation with The Association of Icelandic Architects.
Strong criticism comes from the reference group to the decision by the government to only finance an employment of one person to run the Design Forum Iceland and locating it in a technological institute rather than in an environment of creative culture. This one person has a very large task on hands and some maintain that this gesture by the government is a method to silence those that have fought for a proper professional design policy for Iceland.
Iceland is in some ways in a similar situation as the Baltic countries with weak academic and infrastructure but fast growing creative capital because of a high level of foreign education. But Iceland can not apply for funds from the EU as a 'recently free' nation to have foreign experts employed to create and advise on a national design policy.

c) innovation policy.
The Government of Iceland has made legislation about official support for new technologies and innovation. This legislation is the following in the translation of the researchers:

Legislation about official support to new technologies and innovation in industry and business. [119]

> #1 Aim
> The aim of this legislation is to increase the competitiveness of Icelandic industries, by supporting the internal structure and technological ability of companies, institutions and innovators to develop technological advances and research in the support of innovation in Icelandic industries.
>
> #2 Innovation centre

119 Lög número 4. 3. febrúar 2003 (legislation no 4, 3rd February 2003).

An innovation centre will be run by the Technological Institution of Iceland for small and medium sized enterprises. This innovation centre shall service all the sectors of the Icelandic industries and businesses as stipulated by its role. The directorate of the Technological Institution of Iceland appoints a managing director for the innovation centre in accordance with section seven in the legislation about The Technological Institution of Iceland. The managing director is answerable to the director of The Technological Institution of Iceland.

#3 Role
The role of the innovation centre is to support innovation and technology in accordance with this legislation and the ambition of The Science and Technology Council of Iceland at any time. This includes:

a) To instigate the cooperation between official institutions that support innovation in industry.
b) To formulate special projects that will increase the efficiency in the running of small and medium sized enterprises and advances new enterprises that are instigated by the creativity of individuals or from research and development in universities, institutions and companies.
c) To run an innovation centre that will support new ideas in accordance with regulations made by the Ministry of Industry.
d) To support communication of useful information about the methods in establishing new companies.
e) To act as a co-operator for those that work in research and development and might lead to innovation in the industries and businesses.
f) To communicate information about national and foreign new technologies that lead to better production and efficiency.
g) To motivate the application of scientific knowledge in industry.
h) To assist projects in finding finance that lead to innovation and added value in Icelandic industries.
i) To be involved in companies that the institution has instigated.
j) To cooperate with national and foreign institutions that have the same role in common projects and to spread knowledge in accordance with article one.
k) To work on other projects that the minister decides at any time.

2. Non governmental support for design in Iceland

The economic climate in Iceland has changed greatly during the last decade and now there are private actors in the business and financial sector that have started to support innovation. These are mostly financiers, motivated by personal interest in design or by wish to mix with young creative energies. The community in Iceland is very small (population of 300.000) so that distances between big players and new creative actors are very short. Family ties and other non-formal methods often direct how this happens and there is no formal policy by the government about this. To support the artistic communities does not give any tax concessions or any other financial benefits. So the reasons for private actors to support innovative creative practices depend on the whims of individuals and it is not possible to consider it a large support factor.

3. Design as part of the innovation support system

As was made clear in the introduction to the report, there is no mention of design related activities in the policies of the innovation and research institutions in Iceland. The innovation centre of the Technological Institution of Iceland does now acknowledge design as a possible element in innovation strategies, but that is really only since the summer of 2005 with the formation of Design Forum Iceland which is housed there. The innovation centre does not have any specific finances to support design as part of innovation practices, but sometimes design is one element in the formation of SMEs supported there. Most of the employees of the innovation centre come from the technological sector and the highlighted misunderstanding between the creative community and that sector seems to prevail. But there can be seen hope in the manifesto made by the minister when the Design Forum Iceland was formally established.

A general consensus among the interviewees is that the government has to act soon in recognizing design as a valuable element in innovation. The government has made unclear moves on good days, for example during opening ceremonies of design exhibitions while the matter is not high on the list of jobs to do. But certain policy makers are realizing the need for a national policy about design, looking at best practices in the countries around. Hopefully this research will assist in clarifying where the need is and motivate some action.

The innovation centre of the Technological Institution of Iceland could for example start a specific action plan where design becomes part of the innovation support system.

Ice breaking events are necessary as well as support from the neighbouring countries that are much more advanced. Therefore further work to support a platform for design practices as part of innovation for the whole Nordic-Baltic region is needed. Iceland has certain strengths like being number one in the League of Nations concerning information and communications technology, according to research done by the Economist in 2005[120] and number four in the index for global competitiveness after the United States, Hong Kong and Singapore. That strength can be utilized to support some of the partners while the Icelanders definitely need support in R&D and policy-making.

[120] World In Figures 2006, Published by The Economist (ISBN 1-86197-742-5)

L A T V I A
By *Aija Freimaine*

In Latvia, the potential of how Creative Industries can enhance competitiveness or the possibilities of design in general is still not well-known among industries. While there seems to be genuine will in improving the prevailing situation, and there are numerous actors in the field, coordination between e.g. the public sector and non-governmental organisations, prevents effective development. The lack of skilled workers on all levels is another problem. On the other hand, however, exciting opportunities may emerge in the near future as the development of the national innovation system is recognised and, according to the report below, is coordinated by the Ministry of Economics and the Ministry of Culture.

1. Present situation of design innovation systems; involved actors of design and innovation systems:

Public sector

-Ministry of Culture
-Ministry of Economic
-Ministry of Education and Science

Related ministries

-Ministry of Environment
-Ministry of Welfare
-Ministry of Health
-Ministry of Transport
-Ministry of Regional Development and Local Government

Education and research

-Art Academy of Latvia
-Latvian University
-Technical University of Latvia
-Riga School of Economic
-The Baltic Russian Institute
-Schools of secondary Design education:
-Riga Design and Art School
-Janis Rozentals Riga Art School
-Riga Design School
-Liepaja Secondary School of Applied Arts
-Daugavpils Secondary School of Art
-Rezekne Art Secondary School
-Valmiera Secondary School of Art
-Riga Secondary School of Craft

Business and industry

There are no statistics on enterprises of Creative Industries (design). Stake holders might be divided: industry (small and medium size, large scale enterprises); enterprises established and led by the professional designer (micro, small and medium size); and Individual entrepreneur (designer owns private design workshop) or

freelanced. Associations of Industry (furniture, metal and metalwork, textile etc.) and Associations of the furniture, wood, metal and textile industry are the parties concerned in design development.

Investments - financial systems

There is neither program nor financial system for design under Latvian Culture capital foundation and Ministry of Culture. There is neither program nor financial system only and especially for design under Ministry of Economic. Design is regarded as process of innovations. Therefore design might be supported as innovation or its process. State Support programs are administrated by the Latvian Investment and Development agency, subordinate institution to the Ministry of Economic. There is neither program nor financial system for design under Ministry of Education and Science.

Non-Governmental Organisations

- Latvian Design foundation
- Association of Latvia Designers
- Design Information Centre

2. The present situation of design innovation system

There is no design innovation system of Latvia. Present situation of design innovation system of Latvia should have to be discussed within National Innovation system established by the Ministry of Economic.

Public sector

Ministry of Culture: Ministry of Culture is willing to facilitate favourable conditions for developing Creative Industries and design in Latvia as a perspective economic sector which will create cultural goods and services with high added value for the economic development and prosperity of Latvia.

Design development is actualized in new Cultural Policy 2006-2015, National state. Second strategic aim of the policy determines: to promote and to accomplish collaboration between cultural and economic spheres for the cultural diversity of Latvia and sustainable development of Latvian Creative Industries.

Design is one of pillars of the Creative Industries and creates goods and services with high added value. Problems, such as lack of appropriate support schemes (business consultations, creative laboratories, business incubators, innovation risk capital, favourable conditions for investments or the start a business etc), that have an impact on the development of Creative Industries have been found in new Cultural Policy.

It has been suggested to solve determined problems by the development of design as an instrument for the growth of an innovation capacity. There was planned to promote the opening of the special design program at the Latvian Culture Capital foundation as financial instrument for design development in Latvia (2.5.5). Unfortunately the opening of that program was rejected by the board of the Cultural Capital foundation at autumn 2005. This marks the big gap between priority of the Ministry of Culture and allocation of financial resources in Latvia – Cultural Capital foundation.

On the first Forum of Culture (2005) was declared that culture is a sphere of economics and the competitiveness of the state in a long term period will be conditional of the ability to innovate, to create new knowledge, skills, and know-how: how to use them for the development of new – creative economy. Investments into research and education sectors are preconditions of the development of innovation capacity.

- Ministry of Economic

The concept of innovations[121]

Innovations are driving force of knowledge based economy. Innovations demand commercialization of knowledge and production of the high added value commodities to grow up economic development and the prosperity of the State. Innovation (innovative activity) is the process, where new working-out and know-how practice of scientific, technological, social, cultural and other fields are realized into marketable and competitive product or service. All forms of innovations are needed, in various sectors of economy for the developing competitive economy. Innovations can be of diverse origin:
→ Invention that is produced as the result of sciences is significant step in a process of innovations. Research is most significant investment of the development of innovations, creating ideas of technology and rebuilding technical knowledge's and skills;
→ Takeover of ideas of another business sector, adapting and make use of them into one's process of production or market;
→ Search for newly discovered or still unexposed markets are one more driving force of innovations; etc**.**

Design – innovation policy background
There is no policy document that is speaking in the concrete about design innovation system. Design might be understood as a process of innovation.

Action Plan 2004-2006 of Latvia says that the perspective of the State development is direction on knowledge based economy (2.3.4.). At the same tame there is deduced that the impact of innovations on the economy of Latvia is relatively small. It is necessary to increase public and private investments for research and innovations to facilitate competitive capacity of Latvia in knowledge based economy. The collaboration between industry and research sector is at the very beginning. We have competitive research potential to restructure economy on gateway of knowledge based economy in Latvia. To achieve this aim is needed to sustain the link between the science and industry and to develop the system of innovations.

In Latvia is demanding growth of trained and highly skilled manpower. The possibilities and potential of education and capability of the labour employment are level down by the luck of interconnection between education, science and labour market (2.5.2.). The higher education has an insufficient capacity to react on needs of developing economic.

[121] www.em.gov.lv

Long-term developing strategy of Latvian economy (2001) marks out on principle new model of economy because of the qualitative changes within industry and technological and informational services. Also society is forming into an information society together with the changes in economy. One of the main features of the innovative economy – at least 90% of GDP growth is reached due to the productivity (return) increase of the capital and labour. The higher stage of the development will be reached in the economy of Latvia; the most explicit will be effect created by innovations and the productivity.

The lack of skilled workers in almost all economic sectors and in all skill levels of the regions of Latvia break the productiveness of labour and the efficiency of business leadership, implementation of IT and acquiring the knowledge of marketing. Even enterprises, where new technologies are brought in, not always can provide adequate return of those.

The *National program of Lisbon strategy 2005-2008* says that National Innovation system of Latvia is underdeveloped and does not provide the needed innovation capacity to increase competitiveness of the State. At an average 18, 6% of all enterprises are innovative (in EU this index is around 45%). The number of the national patents are insignificant (every year there are issued around 100-150 patents) and the importance of the competitiveness of those are not high in the world. At the moment on 1000 inhabitants the amount of patents in Latvia is remarkably behind the economically developed countries (5 times less comparing to Sweden and Finland).

However unemployment has decreased in Latvia within last years due to the economical development, but the employment level still fall behind the average of the EU and is one of the higher within EU. One of the main tasks of National Lisbon program will be the strengthening of the collaboration between educational institutions and employers to further the employment of different social groups and to prepare young people for the labour market. The priority for the improvement of the situation should be teamwork between science, higher education and entrepreneurship to foster rapid implementation of science discovery into production.

Planned vision of the Latvian society development – on knowledge and information based – highly educated, knowledgeable and constantly improved formation of the society; outstanding execution of innovations, technical and technological processes, and explicit use of management will be significant driving force of new economy. Innovative activity is complex process and is dependent on many factors, such as, use of the last development in science and technology, research achievements and collaboration between higher educational institutions, science and research organisations. From the view point of economic development, innovation policy of the Latvian government is horizontal policy and includes legislation, educational, research, entrepreneurship and financial sectors, as well as social and culture spheres. More and more highly qualified specialists are needed for production. New competitive products with added value appear on the global market as the result of innovative activity. Those can ensure high increment rate of GDP, effective leadership of business organisations and resources, highly paid work places for qualified specialists to foster economic growth and well being of society.

In conformity with the data of *Ministry of Economic Republic of Latvia* only 19% of Latvian enterprises were innovative and were designing new or substantially advanced products, or new technologies were phased in enterprises till 2005. Specific weight of innovative enterprises is remarkably depressed (about 45% of all enterprises in the EU are innovative). Financial support for research and science comprise 0, 4 % of GDP (within EU the average index is around 2% of GDP.) The dominate fields of the Latvian industry are based on refinement of the natural resources and cheep labour at the moment. Use of advanced technologies within industry is around 3-4% (in developed countries it is around 30%). Working population at enterprises of high technologies is around 4, 4% of all labour (in the EU it is around 11%).

Development of the industry is determined by innovation policy. *National innovation system* may be characterised as an interaction between entrepreneurship, education institutions, research, and national policy and investments to create an enabling environment for the innovation processes. The main elements of the National Innovation system and the roles are: entrepreneurship – the main implementer of the innovations, innovations in a form of products, services or processes are brought on to the market; research – working-outs are creating as the result of applied research which might be transformed on the novelty of a market; educational sector – improvement of the educational system will satisfy needs of the labour market with appropriate human resources; state policy – to provide an enabling environment, backing mechanisms and instrumental agenda for the innovative action, investments (financial system) – to provide necessary financial means for the innovation processes.

The concept of National Innovations was approved on February, 2001. On the basis of the concept the first National Innovation program 2003 – 2006 was agreed. The aim of the program is to facilitate the growth of National innovation capacity. The following tasks were set up to reach the aim: to harmonise the environment for the innovative activity; creation of the environment for the sustainable innovative businesses and material and technical basis; development unique and competitive structure of the national economy.

- Ministry of Education and Science, the Ministry of Environment; the Ministry of Welfare, the Ministry of Health, the Ministry of Transport and the Ministry of Regional Development and Local Government do not have instrumental agendas for the design development or implementation in accordance with Resolution ResAP (2001)1 on the introduction of the principles of universal design into the curricula of all occupations working on the built environment[122].

Education and research

- *Art Academy of Latvia*
  Research "Design for Latvia" (Mollerup Designlab A/S) infers that Art Academy of Latvia is the only higher educational institution that provides design education in Latvia. Art Academy of Latvia has divided design education

122 Council of Europe, Committee of Ministers, Adopted by the Committee of Ministers on 15 February 2001,at the 742nd meeting of the Ministers Deputies

into specific programmes: fashion, furniture, graphic, and industrial, textile, interior, metal and environmental design. Considering all aspects of education offered by Art Academy of Latvia, its educational program is not relevant for the criteria of modern design. Art Academy of Latvia needs to formulate clear and separate policy in art and design education, to accomplish requirements of the market and determine priorities of resources, to establish board of consultant, to build up research strategy and plan, to develop collaboration between higher educational institutions Latvia, to increase number of guest professors and to create new design program (Mollerup, 2004).

There is no research laboratory or workshop under Art Academy of Latvia to develop design innovation projects.

Art Academy of Latvia is one of the stake holders of the Latvian Design foundation.

- *University of Latvia*
  Department of Economic and Management, University of Latvia, has established the program of continuing education on design management on 2005. Design is a tool in the University of Latvia – to make its educational offer more attractive, refers Peršēvičs (2005). Also the Institute of Education and Psychology offers education in drawing and the teacher speciality.

University of Latvia is one of the stake holders of the Latvian Design foundation.

- *Technical University of Latvia*
  Technical University of Latvia, The faculty of Materials Science and Applied Chemistry has a professional bachelor's degree program on material technology and design. The Faculty of Architecture teaches design as micro-level

Technical University of Latvia is one of the stake holders of the Latvian Design foundation.

- *Riga School of Economics*
  Collaboration between Art Academy of Latvia and Riga School of Economic was at 2000 and 2001. At the moment the collaboration does not exist. Riga School of Economic is interested to develop interdisciplinary programs at master's level and design might be one the fields (Pauna)[123]. To involve Riga School of Economic in design education would give an access to the unique and well qualified human resources.

  The Baltic Russian Institute has not shown active interest into design development.

- *Schools of secondary Design education*
  According to Mollerup Designlab A/S the two most advanced secondary schools are based in Riga. These are Riga Design and Art School and Janis Rozentals Riga Art School. Riga Design and Art School has the strongest profile in industrial design and are working on craft –based design education. Janis

[123] Peršēvics, BA research on design stakeholders in Latvia, 2005

Rozentals Riga Art School has the strongest profile in artistic design education and is the most advanced in new media education.

Business and industry

Latvian enterprises are not possible to view as a homogenous group. Understanding about importance and use of design is narrow even in sectors which traditionally are regarded design capacious (Mollerup).

Associations of the furniture, wood, metal and textile industry are the parties concerned in design development. They are stake holders of the Latvian Design foundation.

Investments - financial system

There is no State Support or grant system developed especially for design. However, there are some financial instruments or programs under Latvian Investment and Development Agency, Society Integration Fund and State Employment Agency were design industry and its representatives may get support for design development co-financed by the EU structural funds.

- *Ministry of Economics*
  Latvian Investment and Development agency as subordinated institution of the Ministry of Economic administrate number State Support programs which might be addressed also to design development co-financed by the European Regional Development Fund: support for modernization of business infrastructure, support for development of new programs and technologies, support for consultations and companies' participation in international fairs and trade missions. There is a program - support for raising qualifications, re-training and further education of employees co-financed by the European Social Fund. Assistance in investment location selection and implementation of investment projects are in: provision of all relevant information on business opportunities and investment incentives; identification of the best real estate options for manufacturing facilities, offices and land; assistance in establishing and developing contacts with Latvian business partners; and legal assistance with start-up procedures.

Non-Governmental Organisations

- *Latvian Design foundation*
  The main aims of the Latvian Design foundation are to foster the development of Latvian design:
  - To promote the formation and implementation of Latvian National design policy in Accordance with the Latvian Development plan, joined economic development strategy, priorities of Cultural policy, strategy of Industry development, National Innovation program and others relevant political programs and documents;
  - To establish Latvian Design Centre as an organisational platform for the collaboration of the professional designers, entrepreneurs, design researchers, professors and students;

- To provide consultancy for the industry and entrepreneurs and to help them to recruit professional designers etc.

- *Designer Association of Latvia*
  It is not possible to view Latvian designers as a homogenous group: part of them is unified at Designers Association of Latvia and part is working independent. Designer Association of Latvia is professional organization and is not actively involved in design development in Latvia.

- *Design Information Centre*
  Design Information Centre is a two-person established, non-governmental organisation. It has organised a secondary school design exhibition in 2005. It is an active player in design development.

3. Design promotion and actors in Latvia

There aren't any special national measures to promote design in Latvia and abroad. All initiatives are taken by interested stake holders.

Public sector

- *Ministry of Culture*
  There is neither State Support program nor financial system for design development under Latvian Culture capital foundation and Ministry of Culture. In spite of that Ministry of Culture has supported Art Academy of Latvia and Latvian Design foundation to participate at Design Biennale Saint-Etienne 2004 and Latvian design exhibition in Berlin.

Ministry of Culture has done research "The Economic Contributions of copyright-based industries in Latvia" (2000). This study considers the economic contributions of copyright-based industries to the Latvian economy in 2000, a base year now being employed for international comparisons. The study reveals that core and interdependent copyright industries contributed 4, 0 percent of GDP and 4, 4 percent of employment to the Latvian economy in the year 2000. Print media, advertising, and software and databases made most important economic contributions. Due to the nature of trade statistics, full data regarding copyright industries was not available. Data for the category artistic and literary creation and performances was not available from the standard data sources. This category is an important one for both cultural and economic reasons. This study does not include copyright piracy or other illegal use of copyright protected works and other protected subject matter, because such activities are not included in the official or other statistics used. Data with which to assess the economic contributions of photography and visual and graphic arts was not available. The situation is rather similar to EU 15 countries where the problems of data availability were encountered for the same industries.

Ministry of Culture and the British Council of Latvia have commissioned pilot-research Potential of Creative Industries in Latvia and its development (2005).

There is intention to do a mapping of Creative Industries in Latvia during 2006.

- *Ministry of Economics*

Research "Design for Latvia. Structures and strategies for development and supply of design services", Mollerup Designlab A/S 2004 was commissioned and supported by the Ministry of Economic. The goal of Design for Latvia was improving the use of professional design in Latvian enterprises. The long-term objective of the project is adding value to Latvian products and services to make them more competitive. Ministry of Economic in 2005 has supported research and design promotional events as follows:

- Training courses for entrepreneurs about design and brand management;
- Training course for designers to improve their professional skills;
- To produce ann publish informative materials about design and brand development;
- Research "Evaluation of the possibilities on collaboration for design development between industry, services and educational institutions";
- Data base of Latvian designers.

Latvian Investment and Development Agency organizes annual competition for Latvian enterprises – "Most export prospective product of Latvia" tree categories: "Product or service with the most increasing export growth", "Recent product or service for export", and "Most innovative export development of the product/service".

Education and research

- *Art Academy of Latvia*
  Art Academy of Latvia is participating at design biennales, conferences, competitions and exhibitions internationally: International Design biennale Sent-Etienne, France (2002, 2004), Salone Satellite Milan (2004), DesignMai Berline (2004), Designblok`04 Prague (2004), INDEX 2005 & Cumulus Copenhagen (2005) and D&AD Student Design Awards Yellow Pencil London (2005).

Art Academy of Latvia has signed agreement with the Ministry of Finance about realisation the project of Phare 2003 "Development of Design studies in Latvia" (2005). The overall aim of the project Development of Design studies in Latvia is to provide the Latvian economy with contemporary educated, internationally competitive design experts, thus stimulating the development of design and its use in creation of added value for products and services. The specific aim of the project is to ensure the opportunity to acquire contemporary design education in Latvia. The project activities will take place in Riga, Latvia and in Helsinki, Finland. The target group of the project are current and potential students of design. The main activities of the project will be: 1) To elaborate the research "On future demand for design in economy of Baltic sea region states"; 2) Development of Design studies in Latvian Academy of Arts; 3) Improvement of professional capacity of academia of Latvian Academy of Arts; 4) Improvement of the resource base of Latvian Academy of Arts and 5) Informative activities.

- *Riga Design and Art School*
  Riga Design and art school is participating at design biennales, competitions and exhibitions internationally.

Business and industry

- Magazine “Deko” is organizing competition “Annual award in design”. For some years it has been the only one award for the industrial design and the one private involvement to assess design in Latvia.
- Association of furniture industry has established prise of best industrial furniture design made in Latvia. The competition is announced during annual exhibition “Mēbeles 200X” (Furniture).

Non-governmental Organisations

- Latvian Design foundationLatvian Design Foundation has realised projects commissioned by the Ministry of Economic:
    - Training courses for entrepreneurs about design and brand management;
    - Research “Evaluation of the possibilities on collaboration for design development between industry, services and educational institutions”.

SWOT *(Peršēvičs, 2005)*

Opportunities

- Creativity of Latvian designers is competitive at global market and is recognised by the Latvian and international experts at international exhibitions and competitions.
- Professionalism of visual plastic professors may create unique features of Latvian design and could help not to loose creative character and professional skills.
- Support of the Ministry of Culture and the Ministry of Economic to improve design education in Latvia shows the interest of government to develop design industry.
- Support of the international institutions helps to foster development of design industry.
- Establishment of the Latvian Design foundation is an indication of interest in design development of its stake holders – industry and higher educational institutions.
- Understanding and willingness to develop of young designers and students is a ground to institute new design program.
- Interest of international educational institutions in collaboration, research of UIAH Designium shows necessity for partnership between institutions of higher design education.

Threats

- Design education in Latvia is relatively small and confined area where all involved human resources know each other very well. This situation outlines fear of the changes in spite of desiring those.
- Design education in Latvia is focused on art which gives a good background for creativity and innovation but lucks an insight into interdisciplinary and technical knowledge’s.

- Design education is not separated of the art disciplines at the Art Academy of Latvia. That may create a situation when Academy may develop visual arts rather than education for design sectors.
- All design programs at the Art Academy of Latvia are separated departments and are strongly discrete. Design departments and programs are based on difference of materials. Collaboration between departments is one of the preconditions for modern design education.
- Design development is based on research. Luck of resources not only prevents development but also does not encourage it.
- There are no criteria to value designers on the labour market.
- Designers of Latvia see themselves as artists more than professional designers.
- The Art Academy of Latvia offers design programs without relation to external environment. Design is intersection of art, business and technologies hence designers need interdisciplinary knowledge.
- Lack of National design policy is an obstructive factor.

Results

For the purpose of this research more than 80 questionnaires were sent out to get a view point of the industry – entrepreneurs and designers. Unfortunately only 12 fulfilled questionnaires were received. Half and halt questionnaires were received from the furniture industry managerial staff and designers - entrepreneurs. Hence various data collection methods were used to get an information and data for this research.

Industry's' view point on design and its added value

According to the survey done for the pilot-research Potential of Creative Industries in Latvia and its development (2005), commissioned by the Ministry of Culture and British Council of Latvia, 80% of all respondents haven't bought any a peace of a designer's commodity within last year; 17% bought 1–4 times a year, 2% bought 5-8 times a year and 1% have bought a designer's commodity only 9-11 times a year.[124]

Market of the Latvia is very small and industries have to find customers and markets outside of the Latvia to get a return to the company and to ensure employment in Latvia. Therefore we can get an explanation and picture on design use in industry. Demand of foreign markets set up design lines in Latvian enterprises.

Designer Aldis Circenis[125] thinks that

> "*Industry is interested in constant turnover and clear product lines. Market of the Latvia is so small, that there will never be possible to produce hundreds and thousand copies of product. We have to export our production. Therefore our enterprises have to work with foreign customers who know there own mind and the product they need. These clients do not seek innovative design. They are looking for cheep labour and economically profitable manufacturing of the halt-finished product. Foreign clients are interested in quantity and fulfilling the requirements of international chain stores. There is no sense to*

[124] Consumpion of culture in Latvia, July, 2005
[125] Designer and stake holder of the office furniture centre Coppa

offer them our design. We can discuss whether Latvian can create better design than foreign ones may. It is clear that it would be different one."[126]

Advantage of the Latvian textile industry is ability in time, accurately and in good quality to fulfil small orders by the merchants of Western Europe. Export on the EU countries from the Latvia is increasing. Nevertheless very few turnouts can be find with Latvian brand. Even more advanced textile companies are not able and are not interested to invest on their brand to be able to export products with the brand of producer.[127]

Vladimrs Sazonovs[128] explains, that

"*In Western Europe ready made clothes are sold by the companies who do not produce themselves but are selling production with their brand. Textile Company "Rita" is exporting 95% of produced and the major part is sold with the brands as "Hennes&Mauritz", "Seppälä" and "Woolworth". Production with the company's brand "Rita" is sold in Eastern Europe where we are recognised. To build up newly brand in Western Europe is expensive."*[129]

Edgars Štelmahers[130] agrees to V. Sazonovs and adds that

"Lauma" is recognised both in Baltic countries and Eastern market. It is substantially to export with the brand of "Lauma" to those markets. However in Western Europe we should have to build up our brand again. 83% of produced linen and textile fabrics are exported. Exported textile fabrics to Western Europe were used by such brands as "Barbara", "Christian Dior" and "Morgan".[131]

Working with design in *Lauma* clearly makes difference for the innovation and renewal that is constant requirement for success in the international fashion market. Using design consciously is a way to respond of the market. Design has been an integrated part of the production process ever since the beginning of the company. The difference between then and now is that today's competitive international market does not leave much room for players who fail to meet the market conditions.[132] Hence design has always been used not only in textile industry but also in furniture and audio industry (73).

Research "Design for Latvia" (2004) marks the situation in use of design in Latvia - in some cases clients suggest changes of the offered design, some cases clients provide photography's showing what the new product should look like, and most of the time – the managing director and the technical director handle design on their own. Only few companies use professional designer or freelanced designers (49).

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[126] Magazine „Deko", June, 2005
[127] „Latvijā arī turpmāk šūs vairākiem pasaules apģērba zīmoliem", Ieva Fīrere, Newspaper „Diena", 18. January, 2006
[128] Director of the textile company „Rita"
[129] „Latvijā arī turpmāk šūs vairākiem pasaules apģērba zīmoliem", Ieva Fīrere, Newspaper „Diena", 18. January, 2006
[130] Managing director of the textile manufacture „Lauma"
[131] „Latvijā arī turpmāk šūs vairākiem pasaules apģērba zīmoliem", Ieva Fīrere, Newspaper „Diena", 18. January, 2006
[132] Design for Latvia. Appendices. Mollerup Designlab A/S, 2004, p.67

According to Guntis Starzds[133], nobody in Latvia is working dog-cheap. Our prerogative is rapid delivery, small lines and complicate models.

Leaders of the Industry argued that Latvian designers should have to show evidence of design use for economic development and competitive products. They are saying that 'those who are paying - commission the music (design)' (Rantiņš)[134].

Design, branding and product development are most significant investment fields to develop not only industry but also Creative Industries and micro-SMEs led or established by the Latvian designers.

According to Aldis Circenis:

> *"We are willing to work with young designers but for me as managing director of company it is too time consuming to look after them. I have a lot of duties and hence initiator should be job searcher. Young designers should come and show there abilities and ideas."*[135]

There are a few companies who employ designers as Designers. Mostly companies have constructors or artists who deal with advertising and set up of the products for the photographer. Respondents of the industry came up with:

- Designers mostly are involved in the decision making process of the company.
- Those who are involved, they mostly deal with product development and advertising and less with research.
- Designers are not involved in marketing and leadership.
- Designers rather do not combine expertise within the company in a way that other professional groups cannot.
- Designers should have to combine knowledge and expertise about demand of foreign furniture markets, they need understanding about design and technologies and they need ability to use them.
- All companies are willing to invest in CI / design, e.g. in the form of new equipment, expositions, communications, IT, participation in the design competitions etc.
- Industrial design is seen as an important competitive advantage in the field of business the companies are.
- Companies rather do not work on product development and research, and they do not invest in technological research and creation of innovations.
- Companies mostly do not make use of the State Support program with the aim of support the production of new or significantly improved products or technologies and adoption on stream and patenting.
- Companies mostly do not apply to receive support of the EU structural founds and services of Latvian Innovation motivation centre.

[133] Leader of the textile industry association
[134] Leader of the metal industry association
[135] Magazine „Deko", June, 2005

In accordance with Andris Ozols, director of the Latvian Investment and Development Agency, entrepreneurs for the bureaucratic - administrative questions on 2003 spent 14%, on 2004 – 16%, but on 2005 – 26% of their working time.

Viewpoint of design society on convergence with the industry and the business society

Designer has to have good knowledge of materials, technologies, marketing and new trade markets. It is up to personal features of designer to establish and lead his own micro or SMS. It is recognised that in Latvia are a lot of creative talents. It is up to design education, capability of adapting new technologies and national design policy – instrumental frameworks to let us in the nearest future to recognize - 'Design of Latvia'.

Aldis Circenis thinks that

> "*A designer combines skills and knowledge of an artist engineer and architect. Designer should have a good knowledge of materials, technologies of processing; he should be capable to forecast different materials. Question 'why to create design' has always been live issue rather than 'how and what to design'. It is not easy for designers to join managerial job and creative one. Creative part of designer demands concentration and penetration but management responsibilities urge to be flexible and may a bit superficial. I have to meet with customers, suppliers and producers; I have to find out what each of them can offer. I have to be in charge of marketing news, turnover of the company and the wages of employees. Both of those fields are interesting. I am the person that will not be able to work only in one sphere. I think that designers of Latvia do not have a lot of opportunities to lead world design market. Only some designers become real world stars. It seems that each of world design star has producers and collectors who pick out designers with potential, like in the show business. To achieve success in design, one needs talent, right contacts – acquaintances and fortune. Behind of each design megastar are working a lot of designers who are working for the success of mega star. As a designer I have work enough here in Latvia; but as manager of Coppa I may set up offices of international enterprises and hotels outside of Latvia*."[136]

Reno Lazdiņš[137] is confident that

> "*Sometimes he might find better solution but there are not enough recourses or lack of knowledge about new technologies, which are expensive and inapproachable, keeps back. I am working a lot of by using hand work and I know that the same result I may approach industrially. If I want that my design is multiplied, I have to escape of using hand work and all problems have to be solved industrially. From Design secondary school or Art Academy everyone can get as much as he can. Art Academy of Latvia offers knowledge based on theory and tradition. To be a professional and practicing designer it is not enough with theoretical knowledge. Designer needs practical skills. None of schools, even outstanding academic education odes not guarantee a*

[136] Viens no komandas, Kristīne Budže, Magazine „Deko", June, 2005
[137] designer, AB virtuves (kitchen)

good job to you. Lucid minds are all around the world. Designer has to be ready to go into harsh competition. I think all have equal possibilities. Also Latvian may participate on competitions and might be discovered". Reno Lazdiņš thinks that *"Only men who have satisfied all fundamental needs are looking for designed things and aesthetics. Design "as water and food" is significant only for designer himself. I am glad that design created by myself interests someone else. Before realizing idea I am asking the question – do I need that thing? If I do need it, nobody else will need it as well. Why don't you register your own company? Yes, I would like to have my company, but that set up also extra duties. I will have to deal with many questions I am not interested in, for example, taxes, rent, wages etc. I will use a lot of energy on management which I may put in creativity. Usually designers – managing directors give up development of their ideas."*[138]

Laima Kaugure, designer and owner of the Studio "Naturals"[139] thinks that significant state support for the business development would be state grant programs for participation in international fairs and trade missions and adapting new technologies. Exactly those programs are managed and operated by the Latvian Investment and Development Agency. Remark of L. Kaugure stresses gap in communication between Latvian Investment and Development Agency and business man, especially entrepreneurs from creative business.

Latvian fashion designers are trained in the Art Academy of Latvia. Almost all of them are working as freelanced dressmakers with their own clients. There are few fashion designers who have won design competitions in Western Europe. Almost all Latvian fashion designers have exclusive private market and are working with unique models in one exemplar.

There are no de facto statistics on Creative Industries – design turnover in Latvia because a lot of designers are working without contract and are not paying taxes. According to designers X&Y *"to pay in cash without any taxes is convenient for us – designers and customer – client"*.

Daina Vītoliņa from design bureau „5ezeri" and „Design Information centre" thinks that

"*Representatives of industry are not communicating with the world of design. She adds that they are living in their own world, disassociate from close environment and increasing consumer's demand*."

It is important for designer to meet professional design manager who might be also managing director of his company. Designers' micro-SMEs are more flexible to generate new ideas – innovations. Hence mutual collaboration between design SMEs and industry is crucial to ensure design innovation for industry. Probably design innovation centers – creative laboratories or workshops might provide resources and technologies for designers created innovations. It should be recognized that design innovations might bring renaissance into regions of Latvia. Designers responded on questionnaires as:

[138] „Gatavs mainīt pasauli", Kristīne Budže, Magazine „Deko", January, 2006
[139] Studio „Naturals" is working with Italian fashion house Armani (collection Armani Casa label)

- Designers more often are registered their micro enterprise or are working as an individual entrepreneur or being freelanced.
- Designers are involved in the decision making process of its company.
- Designers – entrepreneurs are involved in product development, research, marketing and leadership.
- It is more common that designers' enterprises do not need special advertising.
- Designers think that they do not combine common expertise within the company in a way that other professional groups cannot.
- Designers need extra knowledge on management, tax system, marketing, producing, and demand of market.
- All designers led micro companies are willing to invest in CI / design, e.g. in the form of new equipment, expositions, communications, IT, participation in the design competitions etc.
- Industrial design is rather seen as important competitive advantage in the field of business the companies are.
- Companies rather do not work on product development and research, and they do not invest in technological research and creation of innovations. Product development is reliant on the demand of market and customers.
- Companies do not make use of the State Support program with the aim of support the production of new or significantly improved products or technologies and adoption on stream and patenting because of lack of information. Patenting is very expensive for designers.
- Companies do not apply to receive support of the EU structural founds and services of Latvian Innovation motivation centre because of lack of information.
- Designers admitted that there do not exist copyright on their created product, service.
- Some designers who are working freelanced are not mature to register their own company.

National design and innovation policy, development and promotional activities, view points of involved and responsible institutions.

For the first time in Latvia design as industry was mentioned in New Cultural policy 2006-2015, National State, Ministry of Culture. In spite of that, Ministry of Economic and Ministry of Finance are still talking about innovations and technologies and are not mentioning design in new policy planning documents for 2007-2013. All three mentioned Ministries are agreed to define Creative Industries of Latvia. The leading position for determining economic potential of Creative Industries is for Ministry of Culture. Term 'strategic design' is not mentioned and used.

Draft of the National Strategic framework document 2007-2013 prepared by the Ministry of Finance points out:

a. 16% SMEs of all SMEs in Latvia are innovative. The average in the EU as about 32%. Luck of enterprise support funds, such as seed capital, start up, and risk capital funds prevent from establishing new SMEs. (123)
b. Central Statistic Bureau data on innovations describe structure of the enterprise's expenses on innovations – 64% are invested in technology

and machinery; and only 12% are invested in commissioning research and development. (126)

c. It is crucial to pay attention on the State-aided arrangements to extend preconditions for the developing innovations and technologies. (130)
d. People do not have enough knowledge to launch a business and to lead it successfully. Inadequate financial resources are named as main barriers to start a business. This reason prevented from registering SMEs people who have been thinking about their own business. (133)
e. Beginners should have to receive consultative support, accessible training courses, and sustainable support for the business plan till the enterprise is competitive enough in the market. (135)
f. Promotion of overall understanding about innovations for the economic development and education of human resources will foster to develop innovation systems in Latvia. It is prerequisite to facilitate the state and to bring up the private investment into the research and development (R&D). The state should promote collaboration between local enterprises and Latvian R&D potential; between local enterprises and international market of technologies; and between Latvian SMEs and dynamic international enterprises both in Latvia and in foreign countries. (159)
g. Accessibility of the floating capital finances is significant to increase business activities and competitive capacity between SMEs and business starters, especially within fast growing innovative enterprises. Problems to assign external financial resources are explicit in regions, not in Riga. Data of the Marketing and public opinion research centre "SKDS" about business environment for SMEs shows, that essential barrier of the SMEs development is embarrassing accessibility to the financial founds. Three main problems mentioned by the entrepreneurs are: shortage of current assets (27% of all respondents); lack of start-up capital (23%); and lack of investment finances (20%). Particularly cumbersome procedure to receive bank credits is for the newly registered businesses. Loan regulations are hard to fulfil for the new businesses because of insufficient finances or short credit turnover. (166)
h. Draft of the document's operational program "Promotion of entrepreneurial activities" indicates development of the clusters, also – the creative industry. The aim of the operational program is to promote the collaboration between interconnected enterprises. Activities to be supported are: joint courses of education and improvement of professional skills of the employees', joint marketing activities, joint purchase activities, joint research project realisation, development of the joint infrastructure.

Promotion of design is one of the priorities of the Ministry f Economic. Ministry is willing to foster use of design at industry for the economic development of the state. Activities of the Ministry are mainly orientated on the comprehension of the design in industry and the increasing of designers' professionalism. (Burka)[140]

[140] Peršēvics, 2005

State Support programmes modernization of business infrastructure, support for development of new programs and technologies, support for consultations and companies' participation in international fairs and trade missions managed and opened till 2006 by Latvian Investment and Development Agency shows gap on previous administration. Also Velta Kašs, civil servant of the Tourism department, Ministry of Economic confirmed that those programs are opened for all entrepreneurs. Hence question – why so few entrepreneurs apply and so many designers – entrepreneurs do not know anything about these programs, is opened. It seems that there are problems in communication between program administrators and support receivers. It means that there should be different addresses to different type of businesses - also for design and Creative Industries micro and SMEs.

Ēriks Rozencveigs[141] says that "*entrepreneurs could make use of 75% of the EU structural founds till 2006. He thinks that it is because of insufficient communication and lack of information. Moreover the enterprises who received EU support were from Riga – capital city of Latvia or Riga's immediate neighbourhood instead of SMEs of regions. Also innovations are stumbling block for SMEs*."[142]

Aleksejs Kaņējevs[143] says that *"most significant barrier for the beginners – entrepreneurs with brilliant ideas, but with small capital. Eco-rural economy and innovations are the fields which are hard to finance by banks. It is vicious circle – banks do not finance because of stagnation, but entrepreneurs cannot develop because of lack of financial capital."*[144]

Conclusion

Both industry and designers led micro and SMEs are working on commissions and are looking for customers. Divergence of the trade market scale is dependant on the managing director, companies marketing strategy and the capability of the company's workforce.

Term 'strategic design' is not understood and used between involved actors of design industry. All respondents answered "I don't understand expression 'strategic design''. Design is rather comprehended as a pleasurable form and style giving to products. Design is assumed as adding value to existing products and concepts rather than creating valuable solutions for the end users in order to make life better for them. Also design is implicit as a tool for value creation term 'design' is used more traditionally.

Design as innovation and as process is used in designers led micro or SMEs (or individual entrepreneurship). Those design maturity levels are characteristic to creative process. Creative, unique design made by the designer is a niche in a free market competition and demanded by the prosperous clients. Uniqueness opens the doors to the individual commissions and direct supply – demand exclusive market. Design as styling is characteristic to industry. It is understood that design adds value and makes nice style of the products produced by industry. Industry will meet design

[141] leader of the Confederation of Latvian SMS's
[142] Newspaper „Lietišķā Diena" (Business Day), 2. January, 2006
[143] Director of programm development department, Hipoteku bank
[144] Newspaper „Lietišķā Diena" (Business Day), 2. January, 2006

as innovation when top level managerial staff of the industry will understand value of the strategic design.

It is crucial for design and innovation development to:

1) **Establish** creative centres of innovations – such as creative – experimental and research laboratories and workshops;
2) **Launch** business incubators for the commercialisation of creative knowledge;
3) **Create** financial support for the start-up, seed and risk capital founds; fiscal preferential rate (to decrease 'grey economy' in culture/art spheres);
4) **Ensure adequate support** for the intellectual property rights matters;
5) **Develop** human resources both for design society and for the society in general.

May creative centres of innovations be clusters of creative industry? Is this a form of perspective collaboration between creative (innovative) micro and SMEs and industry? Could such a form of collaboration to facilitate design and innovation capacity implementation into industry? Is this a way for Creative Industries – design innovation platform in Baltic – Nordic dimension, should be discussed.

There is necessity to open new State Support programs to provide:

- the creative – innovation and experimental process (to meet the generation of innovations);
- the collaboration between creative (innovative) and experimental enterprises and industry (to implement innovations into mass production).

When thinking about the possibilities to establish the national design innovation system, is not possible to talk if the national innovation system is excluded. Both of those systems are interdependent hence the most significant actor is the public sector which is providing institutional framework for the design development. Therefore it is most important:

- to accept terminology between involved actors;
- to plan policy and strategic documents co-ordinated with all involved Ministries and policy implementing institutions according to the Resolution ResAP (2001)1 on the introduction of the principles of universal design into the curricula of all occupations working on the built environment, Council of Europe.

To develop creative design industry some operational programmes should be worked out. Most significant investments should be done for the education and science:

- to develop creative innovation centres as creative – experimental and research laboratories – workshops;
- to provide the creative – innovation and experimental process (to meet the generation of innovations);
- to provide collaboration between creative (innovative) and experimental enterprises and industry (to implement innovations into mass production);
- to ensure collaboration between creative higher education institutions and industry to foster the development of the knowledge and innovation based economy.

For the business and industry:

- Seed, start-up and risk capital founds to support the start up a creative business (both for micro and SMEs);
- Business incubators to commercialise creative knowledge and skills;
- Support for the protection of intellectual property rights.

Also some financial instruments should be implemented to foster rapid development of creative design industry:

- Fiscal advantage for the Creative Industries micro and SMEs (to decrease grey economy in culture field);
- To support the accessibility to the floating capital founds for the creative micro and SMEs.

In Latvia a niche and need for real platform of Latvian Design Centre exists – to meet requirements of the designers, industry and economy – for the welfare society. Latvian Design Centre should have to be financed both by the Government (of all involved Ministries) for the subsidiary to implement National Design policy.

Recommendations for the development of the Baltic – Nordic Innovation platform for the Creative Industries / Design

- **To develop joint public system or institution of the conducted research and RI data within Baltic – Nordic region;**
- **To share the best practice of the Creative Industries/design development within Baltic-Nordic region for the interested micro-enterprises and SMEs;**

To facilitate creative partnership projects' for the Creative Industries/design enterprises.

N O R W A Y
By Simon Clatworthy

When looking at the Nordic countries in general, the Norwegian industry is very typical in its use of the potential of Creative Industries. While larger industrial companies are already utilising at least to some degree the potential of Creative Industries, (especially industrial design), small-size companies are unaware of the possibilities, while designers and design service providers are struggling with inadequate business logics.

1. Introduction

Creative Industries have been in focus during the past few years due to their perceived value in today's markets. They are now also hailed even at the World Economic Forum in Davos 2006. At the centre of this movement is design, with its newfound ally, innovation. Not only is design seen to relate to products, it also relates to services, product-service relations and even strategy processes through design thinking.

Into this scene a new kind of design profession is evolving, one that laces together business, design, entrepreneurship, culture and technology skills, blurring old boundaries and building new ideas. It is the conglomerate of our times and holds great promise, but can it help sustain growth in western countries, provide continued welfare for their citizens and renew their companies' competitive vigor?

Problem definition:

In the Norwegian study, we asked design professionals, academics and government officials to give their ideas on the following:
- How can traditional companies include elements from Creative Industries in a successful way?
- What must a creative business do to run as well as the best-run industrial companies in the world?
- How can government agencies best support the Creative Industries needs?
- What actions must a 'traditional' company take to become a 'creative' company in its area?

And, more bluntly: if the business of design is so vital to the 'creative economy', why are most design companies in Norway small and barely breaking even?

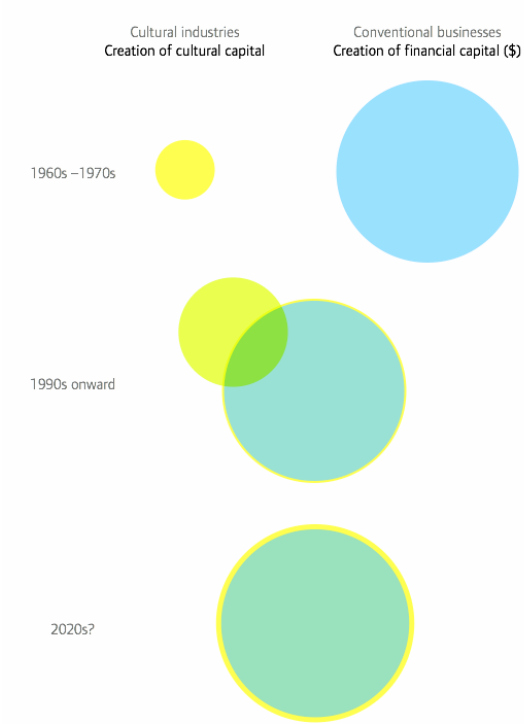
Our main findings: The design industry needs to improve its business skills, but Norwegian businesses are in need of the designers' skills and are willing to pay for them if sold to correctly. Also, designers need to apply their innovative capacities to themselves and look at alternative revenue models, develop strong partner networks, diversify their offerings and strive for a more vibrant mix of employees for different, even conflicting backgrounds. And they need to realize their innovation skills and communicate this to their clients.

2. Method

The project combined semi-structured interviews with a state of the art literature review to create a base for the Norwegian input to the project, and to relate it to international findings in the area.

Thirty people were interviewed.[145] Interviews were carried out during June–August 2005 and covered a broad target group, ranging from Creative Industries firms, government agencies, research organizations and academia. Additional interviews were carried out via telephone and e-mail. A list of interviews is presented in the appendix.

A preliminary model of Creative Industries development (Fig. 1; below) was shown to and discussed with the interviewees, as an introduction to the interview.



[145] Interviewees:
13-06-2005 – Munch Museet: Anne-Birthe Skalleberg Rasmussen
14-06-2005 – NOTAM: Bjarne Kvinnsland, Vegard Sandvold, Gøran Rudi
14-06-2005 – Kulturell Dialog: Margit Klingen Daams
15-06-2005 – MarkUp Consulting: Bjørn Petter Ulvær
17-06-2005 – DARK Architects AS: Pavel Fomenko & The Art of Wealth/Grow Partners: Stein X. Leikanger, Tomas Backström
21-06-2005 – Oslo Teknopol: Malin Gjellestad, Therese Holm Thorvaldsen
23-06-2005 – Intravision Group: Per Åge Lysså, Krisin Aamodt
27-06-2005 – Akerselva Innovasjon: Dag Hotvedt, Natalia Mathisen
28-06-2005 – Semco/Innovatorium: Kenneth Winther, Svein Sandvik, Erik Holm Melby
29-06-2005 – NetLife Research: Jostein Magnussen
05-07-2005 – K8 Industridesign: Lars- Fredrik Forberg
06-07-2005 – Lillehammer Kunnskapspark: Jørgen Damskau
11-07-2005 – FRIK design collective: Nicolay Bergløff
16-08-2006 – Scandinavian Design Group: Jens Bonesmo (CEO)
23-08-2006 – Norsk Designråd: Judith Gloppen, Jan Stavik

FIGURE 1: A preliminary model of Creative Industries development

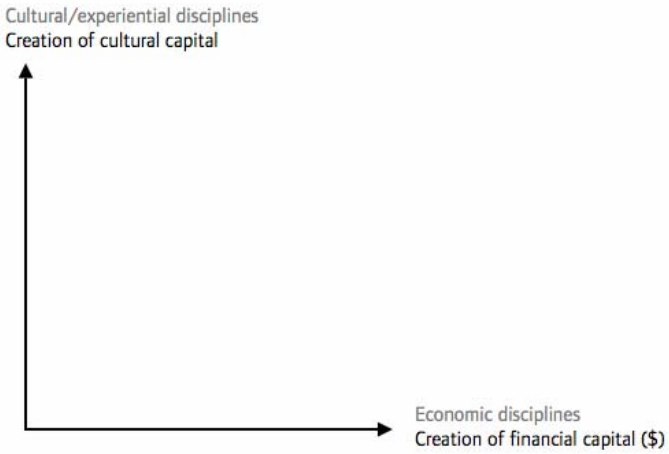


FIGURE 2: Map used in interviews

We also asked interviewees to place their company/organization on the map (Fig. 2; above.)

The question set was developed iteratively; as we became more knowledgeable about the Creative Industries, more precise questions were asked. We asked each interviewee to recommend people we should speak to get at the whole picture, as well as books and articles that might be of use. While we were able to interview only part of all those recommended, this provided an overview of the Creative Industries mavens in Norway.

Much time was spent getting an overview of the main actors, theories, books, articles and memes were out there. We surfed extensively, collecting links, articles and book suggestions, each item suggesting many more. While our focus was on design companies, we gleaned many important insights from writings on Creative Industries. When an article was deemed especially interesting, we contacted the author directly, asking for more extensive background information, asking to be referred to others who might have information of value. Happily, most authors were glad to help, sharing their insights liberally.

One note: because we had access only to documents written in English or a Scandinavian language, our perspective is not absolutely international.

An important output from this study is a list of relevant articles. This list of articles is available online at http://del.icio.us/movito/cdsi

3. Results

Today, Creative Industries are receiving much attention from the press, academics and government initiatives. The idea of an industry that makes money from ideas, that runs the gamut from art to science and generates massive value from intangible assets that can easily be reproduced and distributed is enticing. It's hardly surprising that

governments are asking how they can help and investors are wondering how they can pick the winners.

3.1 A problem with definitions

But just what are the Creative Industries? Each country pursuing a CI policy defines them differently (see figure 3; below).

"Kreativ industri" kan bety vidt forskjellige ting

Danmark	Sverige	Storbritannia	Australia	New Zealand	EU
Kultur- og opplevelses-økonomien	**Upplevelses-industri**	**Creative Industries**	**Creative Industries**	**Creative Industries**	**Creative Industries/ Digital Culture**
Arkitektur	Arkitektur	Advertising	Arkitektur og relatert service	Arkitektur	Arkitektur
Billedkunst	Design	Architecture	Design	Design	Forlagsvirksomhet
Bøger	Film/foto	The art and antiques market	Design og utvikling	Film og video	Foto
Design	Litteratur	Crafts	Film	Forlagsvirksomhet	Fritidsvirksomhet
Edutainment	Markedskomm.	Design	Forlag Interaktive media	Mote	Grafisk produksjon.
Event	Media	Designer fashion	Kringkasting	Musikk og utøvende kunst	Kulturelle arrangementer
Film/video	Mote	Film and video	Musikk	Reklame	Kulturell service
Innholdsproduksjon	Musikk	Interactive leisure	Reklame Software	Software og dataservice	Kulturell tjenesteyting
Kulturinstitusjoner	Måltid	Music	Spill	TV og radio	Reproduksjon av innspilte opptak
Leketøy/forlystelse	Opplevelsesbasert læring	The performing arts		Visuell kunst	Sport
Mote	Scenekunst	Publishing			
Musikk	Turisme/ besøksnæring	Software			
Radio/tv		Software and computer games			
Reklame		Television and radio			
Sportbransje					
Teater					
Trykte medier					
Turisme					

Kilde: Kultur- og opplevelsesnæringer i Innlandet: Rapport fra Lillehammer Kunnskapspark, November 2004

FIGURE 3: Different definitions of Creative Industries in different countries and areas

What definition you use determines the kinds of policies you'll implement. Canada sees Creative Industries as those with a large arts or science component. Sweden uses the term "Experience industry", yielding a different focus and set of policies. Including large sectors, such as tourism and hospitality, in your definition can create favourable statistics (i.e. the percentage of "creative" workers in your country goes up), but also force very different actors into a single support framework. Now, since Norway defines Creative Industries differently, a smaller share of our GDP stems from CI, and it looks like we lag far behind the Swedes. If we use this information, sans addendum, to make policies, they won't be as good as they could be.

Norway has a long tradition of supporting its regions, in part to preserve the existing population pattern. Universities, colleges, government organizations and research institutions are placed in or moved to various regions to ensure a wide spread of knowledge. Creative Industries are no exception in this case, and many Norwegian cities are vying for a creative status, adding "design" classes to their college curricula, opening incubators and giving grants to creative start-ups. Worldwide, big cities dominate the design world. In Richard Florida's model, these cities have a large

supply of talent, an atmosphere of tolerance and high-tech skills. A high density of creatives, ideas, clients and enablers make them creative clusters. The Norwegian government has limited funds for CI initiatives. We believe that Norwegian CI policy should be strong, coherent and focused on what works for the Creative Industries themselves and build on that, rather than setting up many small initiatives throughout the country.

3.2 Making a living, making a killing

The term "Creative Industries" brings to mind a bustling, intensely active mass of people, industriously building, exchanging and creating. One sees the Hollywood director moving deftly among a studio crew, an artist in vigorous discussion with her work, a designer burning the midnight oil, patiently refining a good idea into a great one.

And all these perspectives are true: creatives are industrious, hard-working and deeply committed to their work. In economic terms, it is clear that creatives subsidize their work extensively, working without pay to make the end-product "just right". There is the satisfaction of a job well done, the respect of one's peers and the enjoyment of the work itself.

This makes Creative Industries, with notable exceptions, a cottage industry. A Norwegian IT company is large when it grows past a thousand employees, but

" […] the self-employed designer is a small firm, a design company with two workers is medium sized and companies with three employees are large"[146]

An "industry" can coordinate, cooperate and lobby for their benefit; an industry, simply, has some clout. Clout requires resources. Norway's 741 design firms (2003) have few to spare; 89% of them (2002) employ five people or fewer. 49% of the industry is in or around the Oslo region.

A few Norwegian design firms are wonderfully profitable; Design House Lund & Partners, which specializes in packaging design, had an EBITDA of 8.5 MNOK on revenues of 28.3 MNOK in 2004 and has since 2000 delivered 21.5 MNOK to its owners. This is the exception to the rule: most design firms scrape by with minimal earnings and many are not profitable.

Economic data on design companies is available but a revision of Norwegian business codes in 2002 means that most design companies have changed their category code. Tracking design businesses' performance over time requires manually re-compiling data from individual businesses and creating a new data set. NIFU-STEP innovation research organization is planning to create such a data set, but for now, we don't really know how the Norwegian design industry is developing.

We shouldn't bury the Creative Industries in economic analysis. Many creatives start companies as a means to an end, as a place to make a livelihood or as a vehicle for personal aspirations. The numbers only reveal part of the picture. But a profitable

[146] Nils Henrik Solum & Marit Hubak: "The Future in Design", Norwegian country report, p. 9

company has more options; we hope to see more options for creatives in the near future.

We've chosen to use the twelve innovation types presented to us by Innovatorium, a foundation that's working to make Norwegian businesses more innovative. In their framework: a business that excels within three or four innovation types. Which types they choose and how they choose to innovate is up to the company; designers and creatives could do well to consider what innovation dimensions they need to master.

A. Market offerings:

1. Products and services.
New products/services, or products/services, with substantially improved features.

Bjørn Petter Ulvær of MarkUp Consulting has developed a triple bottom line for the Norwegian Opera. One is economic, with a profits and loss statement, the other is artistic, measuring the merit of the Opera's productions and the third is societal, ensuring that society gets something back, beyond great performances. He told us candidly that consultants like him were great at analysis, but lacked solution tools, ways of working with ideas and refining concepts. MarkUp had brought in creatives to help work with these idea processes, including artists and advertising agencies, but these efforts were fruitless. The creatives seldom understood the business context of the problem and had "helpless suggestions". He was skeptical of the methods advertising agencies could offer as they dealt with creating a message, a brand or an identity, when what he wanted help with had to do with creating solutions, formulating concepts and creating product architectures.

Ulvær was keen to hear how designers worked with ideas and approached problems, not to mention how they generated alternatives – the abductive approach that Roger Martin and Jeanne Liedtka discuss in their articles on design. He hoped to see in-depth product development courses at the BI School of Business and Administration, courses that would give business students much-needed skills in working with creative ideas and developing well-formed concepts.

Industrial and interaction designers can easily work with the problems Ulvær and his colleagues want help with, if they understand the new context they'll be working in. Those that do are thriving, Doblin Inc., once a design company, is now sells its skills as an innovation consultant, helping companies understand the innovation landscape they operate in and identify areas ripe for innovation. Xplane, an information design company uses its illustration and facilitation skills to create "visual maps and stories to make complex business issues easier to understand". They offer clients a simplifying lens, and there is business value in this simplification.

2. Strategic concepts
Bundling together several of one's own products/services in a way that generates noticeably greater value for the customer/consumer.

A core competence of successful creatives is the orchestration of multiple talents in the pursuit of a single goal. A client may need a full communication design package, and a product development program might require product and interaction design,

identity design and branding, brochures, manuals, promotional web sites, and so on. We've seen many interactive agencies bundle their design services with services such as outsourced content management, web hosting through partners, and so on. Others promote partner services, e.g. a brand specialist partnering with trademark lawyers and trend scouts to provide a better service for clients. None of these are innovative or powerful strategic concepts; we can do better, we can cast a wider net.

DARK is an Oslo-based architecture firm that has turned its interior design department into a corporate innovation team. The architects engage with the client, mapping activities and visualizing the flows of information, density of contacts and social networks in the firm. According to DARK's Pavel Fomenko a mapping of Norwegian energy giant Hydro identified key decision makers for big projects and showed that they were, simply, sitting too far apart to make decisions effectively. When redesigning Hydro's corporate headquarters, the DARK and Hydro put key people close to each other, accelerating the decision making process from 14 months to five weeks. Remodeling company offices thus shifted from being a matter of style and taste to building a better place to work.

Springwise, a trend consultancy based in Amsterdam, bases its success on this kind of bundling. Each month, they publish the Trendwatching.com newsletter, full of fresh observations, ideas and tips. They've built a volunteer network of trend scouts in 70 countries who send in reports of new ideas and concepts – for the recognition of a job well done. Springwise collates the information and writes entertaining, informative articles on the trends that it publishes free of charge. In business terms, they are giving away free samples of their content to acquire paying customers who want more specific, tailor-made reports. Springwise has also built a database of ready-made business ideas, importing successful concepts from around the world and creating a scarce, expensive supply of insights. Clients interested in a trend can get outline business concepts for free or pay more for a thorough report on the how's and why's of the idea. Bundling their supplier network with the newsletter and bespoke services creates extra value for their clients, and recruits potential clients cheaply.

7. Service: How do designers "provide value to customers and consumers beyond and around" their offering? Is the project well-managed? Do they take the time to educate their clients on the merits of their chosen design? Are they easy to get in touch with? Are surprises handled effectively, contracts in order and deliveries on time? Do they listen to their clients, understand their needs and surpass expectations? Do they throw the client a party when the product hits the market? Creating a success for one's client and handling the process from first contact to next contract deftly is a sure-fire way to build a business.

3. Solutions
Tailor-made solutions or products that have been heavily modified to solve a customer need in a way that no single product/service could.

B. Value perception

4. Sales channels
New or substantially different sales channels than those used by competitors (including substitutes).

How do you get your offerings to market? For design companies, it's usually through clients. But we see a growth in the number of designer-manufacturers internationally and have noticed a few interesting examples here in Norway. Skaperverket is a store in Oslo that sells products designers have themselves made or have had manufactured. Probat has custom t-shirts made in India and printed to their demanding specifications at a local printer in Oslo. They're building cash flow and a company through the dedication of their customers, with limited print runs of each t-shirt design. There's really no reason why graphic designers can't decorate surfaces and interiors for clients, no reason why you couldn't buy stoneware, wallpaper and textiles by a local designer. After all, designers know a lot about design, a lot about manufacturing and a good bit about marketing. Want to do more, and do better? Do them in new arenas, in new ways.

5. Brand and design

New brands and design, a focused brand renewal effort and a pioneering design effort that shapes people's idea of what is attractive.

5a. Creatives are excellently poised to do great design and create build brands. Also, there's no client in the picture, so you can do exactly what you want. Are you living up to your full potential?

5b. A few Norwegian creatives have created brands of their own. A few of them, such as Norway Says (furniture/interior/product), Bleed (graphic/web) and MMW Magne Magler Wiggen (architecture) are known outside the design world. Musicians, artists and writers are creatives who enjoy good name recognition. All of them could diversify into new areas (within reasonable limits) and bring their unique touch to a wide range of products. Having a coherent, strong brand has become important in the supermarket; creatives could benefit from paying attention theirs.

5c. Designers also stand a good chance in smaller product segments that don't require a lot of capital. Probat has custom t-shirts made in India and printed to their demanding specifications at a local printer in Oslo. They're building cash flow and a company through the dedication of their customers, with limited print runs of each t-shirt design. There's really no reason why graphic designers can't decorate surfaces and interiors for clients, no reason why you couldn't buy stoneware, wallpaper and textiles by a local designer. After all, designers know a lot about design, a lot about manufacturing and a good bit about marketing. Want to do more, and do better? Do them in new arenas, in new ways.

As in other areas, building a strong brand helps you stand out among the competition. As long as designers insist on delivering a fairly similar product, they'll need to innovate in other areas to improve their chances of success. A good brand is one such option, but it needs wider recognition than most Norwegian designers have today. Norway Says, a furniture/interior/product design firm has received wide coverage in Norwegian media and now lends their brand to the clients they design furniture (LK Hjelle) and products (Asono) for. But they have some distance to cover before they reach Yves Béhar's recognition level.

A lot of this has to do with Norway's location, sparse population and small urban class

of buyers. There simply aren't that many people in that end of the market. This is gradually changing, but international expansion would be a faster route to growth. If Norway's designers make the effort – and secure the support they need – they could build international niche brands in a few years' time

6. Customer experience
A commitment to giving customers a different, better experience when engaging with our company and our offerings.

C. Processes and structures

7. Core processes
Challenge the traditional core processes, how you create and add value to your offering. Remove, alter or radically renew these processes.

7a. Manage creative skills like assets and have a plan for maintaining/improving them. At our ideal design firm, the employee has co-authored a competency plan that maps out her strong and weak sides, her interests and the needs of the company. There are short- and long-term goals, hours and budgets allocated for these activities and a reporting system for measuring progress.

7b. Document best practices and teach them to new staff. If you have developed valuable methodologies in-house, make them available and set aside time to share this knowledge with the company as a whole.

7c. Record how client interactions have been and map your development processes. Review these regularly and improve deficient areas continuously. Do projects run smoothly? What kind of feedback do clients give? How have you handled difficult situations?

7d. Consider what kinds of people are onboard. Is everyone a creative, or do your people have a wide range of qualifications *and* a creative bent? Heterogeneity fosters creative exchanges across domains. Make sure you're tackling problems from multiple angles.

8. Sourcing and distribution
New or substantially altered means of acquiring resources (subcontractors, raw materials, components, etc.) and bring the market offering to the buyer and the users.

8a. Review your supplier network. Are you building close relationships or doing everything ad hoc? When you need extra skills or manpower, how easy is it for you to find the right people and get the job done? When you need something produced, does everything work as planned and agreed?

8b. Review your distribution network. How are you bringing your offering to market? Are you handling distribution yourself, or do you have a partner, and how well does this work?

9. Organization and angle of attack
Seek out other models of organization and market delivery.

9a. the traditional creative company is “tiny, under-funded and overworked” (according to one of our informants) and, might we add, organized like most of the others. Nicolay Bergløff founded FRIK, a creative collective that put more than twenty creatives under the same roof, a collective that could produce films, do branding and identity work, develop films, advise on communication strategy and produce text, to name a few. FRIK was the networked company, growing and shrinking as needed, adding competence when required. The company has now been closed due to a lack of skilled project managers that could handle the demanding creatives and internal conflict. Bergløff still believes in his core idea: a creative, networked, constantly mutating company, but sees staff composition as a challenge – FRIK lacked a strong, long-term business administration.

9b. it’s time to ask why creative companies don’t diversify beyond design and advertising. The biggest projects usually go to heavyweights with great project management skills and a wide knowledge base. A design firm could network, or integrate, with a larger company that provides “everything” except design. When the big partner is engaged by a client and needs something to be designed, being part of the team gets you the job, whether you are an actual part of the company or not.

D. Business model

10. Customers/users

Seek new customers and customer groups continuously.

10a. Creatives can sell their expertise for more when they sell to those with more money. According to Bjørn Petter Ulvær of MarkUp Consulting, management consultants and the businesses they service have an urgent need for idea development tools and and people skilled at creating and refining concepts. In his view, there’s an abundance of people skilled at *analysis* and a scarcity of people versed in *synthesis.* Creatives can benefit from simply moving into another part of the market.

10b. Moving to a wider customer base can make sense for many creatives. We’ve seen many US-based web and graphic design firms diversify and offer simple, good digital products and services to their customers at reasonable prices. Several of them, including 37Signals (which now has 250,000 customers) have closed down their client side and are focusing exclusively on developing their own products and selling them, ready-made, to customers.

10c. Creatives usually produce work for companies or government associations but could also serve the private market if they were tooled up for it, producing limited-run products and furniture, décor, interiors and experiences. House Industries, a US-based font foundry has produced a furniture, clothing, and house and kitchen wares. Designers are at the center of the “minipreneur” trend identified by Springwise. Here, people are becoming part-time entrepreneurs, building smaller operations and moving more calmly. They do it for fun and profit and make niche products aimed at very specific customer groups. Looking for a living beyond the client-creative relationship is the first step to building a creative corporation.

10d. International expansion means access to new customer groups, but you don’t

have to have an agent in local markets. Font foundries sell their products worldwide, as do a surprisingly large number of web-savvy creative entrepreneurs.

11. Networks & alliances
Find new or different means of cooperating, types of alliances and coalitions than your competitors are using.

11a. Flickr, the photo-sharing website, has made itself the darling of technology pundits, photographers and online trendsetters. Their API (application protocol interface) allows third parties to show photos from Flickr inside their services and was a factor in making Flickr the no. 1 choice for image-hungry web users. By creating an access point, Flickr has become not just the preferred choice for photo-sharing, but the default *provider* of images to other services. Flickr's value grows each time a new developer integrates their API into his new service. This network effect creates a huge entry barrier for competitors and increases Flickr's value tremendously.

11b. Today most design shops have a supplier network that includes printing firms, freelancers and specialist shops and an informal network of other firms that give each other work. One of our respondents felt that a big problem with the Norwegian design industry was that "no one will share, so we all end up with a small piece of a tiny cake". Others pointed out that designers, while versatile, sometimes took on more than they could handle, doing projects that needed specialist skills and delivering a suboptimal solution.

In terms of revenue, alliances with IT firms, management consultants and others that help companies innovate and renew themselves can be a boon to designers. Complementary skills make for a better result and having some sort of formal partnership reduces the customer acquisition cost. In short, you're using someone else's network to get jobs and leaning on your network to qualify yourself for jobs larger than you could take on yourself.

In terms of safeguards, having a corporate owner can be a life-saver. Scandinavian Design Group performed well for many years and made millions for the McCann group. 2003 saw a drastic decline in results, prompting McCann funnel millions back into SDG, saving the company. We believe it is possible to create a networked finance package for smaller creative companies that have different specialties, so that a "band of partners" can help each other through tough times.

One idea that many of our interviewees talked about was the "creative corporation". According to them, several large companies couldn't find enough projects to invest in, and gave their profits to stockholders as dividends. These companies were looking for a mechanism to make many small, fast and cheap bets on new ideas that could be sent to the market reasonably fast. The creative corporation would be funded by the cash-heavy, traditional company and have a mechanism for scouting new ideas, designing, developing and marketing them, in some cases spinning off subsidiaries, in others selling licenses to other markets. The creative corporation's core competence would be execution – getting the product to market quickly, profitably. Several designers we talked to wished for a partner like this, one where they could work on their "great idea" without having to go through the arduous process of building a company. In his book "Democratizing Innovation", Eric von Hippel of MIT reveals how in many

industries product development is carried out by users or smaller companies and is implemented professionally by the market leader. Instead of coming up with new products people might want, they work with lead users, people who have often found a workable solution but can't/don't want to bring it to the market. This differs from the incubator model somewhat in that the creative corporation has channel partners, manufacturing partners, an existing sales network and cash flow to underwrite the effort. An existing actor can easily bring a new product to market through its sales network, while the new firm must build its organization, product, market and network all at once. We plan to investigate patterns of creative corporations more closely.

Lastly, alliances with researchers, academia, schools NGOs and government organizations provide insight value. An exchange of skills, ideas and experience can put the design firm in pole position, whether they're operating as a client provider or in another fashion.

12. Revenue models
Get paid in a new way, or one different from the competition.

Today, most creatives sell hours of work. If their designs or product do well, there's usually no extra bonus. They could instead charge based on results, i.e.

12a. Getting a percentage of the profits their work creates. Scandinavian Design Group has suggested this to Tine (Norway's biggest producer of dairy products) and feels confident that their package designs move product. A share of the profits or a model that pays SDG more when Tine earns more "would be great", according to SDG's CEO Jens Bonesmo. But Tine knows what the redesigns are worth, and prefer to pay the NOK 1200 hourly rates instead.

12b. Entering into a revenue-sharing agreement where creator and client share the risk and rewards. A famous example of this is ErgonomiDesign's agreement with Doro, a telephone maker. Doro was a start-up and couldn't afford ED's services, and so entered into a revenue-sharing agreement for the design of a new Doro telephone. The telephone was a great success and ED's share reportedly amounted to ca. SEK 250,000 a month for several years.

12c. Retaining ownership of the creative product, licensing it to the client for a limited period of time, after which it can be licensed to others. For example, in the US you can now license television ads that have previously been aired, change whatever details you like and air your new ad, giving advertising agencies an extra source of income and smaller companies access to professionally-produced ads that have been reworked for their purposes.

12d. Charging based on market effect. Fujitsu Services runs call-centers for large clients and charges its clients for solving problems, rather than a flat fee per call. The fewer calls it gets, the better. They've created a revenue model where fewer calls received pays more, fewer calls meaning fewer customers who need help in the first place. A better situation for all, and profitable for Fujitsu Services.

12e. Have the client pay you with company stock. Bård Eker, one of Norway's most successful designers, bought Hydrolift, a client he'd designed boats for, when they

went bankrupt and thus recouped his losses. It's not a traditional approach, but it's better than not getting paid.

S W E D E N
By *Per Berglund*

In Sweden, (as in the Nordic Countries generally), Creative Industries and especially design has been widely recognized as a competitive advantage in the large-scale industry. Various actors in the field provide a vast array of activities in Sweden, aimed in the increased use of design in industry. However, the following section claims, the lack of explicit division of responsibilities between different actors occasionally hinders development.

1. Design innovation systems and main actors

The one authority that is responsible for over viewing and developing national innovation systems is Vinnova[147]. Vinnova's mission is to promote sustainable growth by developing effective innovation systems and funding problem-oriented research. Vinnova has no specific focus on design, but instead claims to include design in the different prioritized growth sectors.

In the Swedish innovation strategy: *"Innovative Sweden. A strategy for growth through renewal",* design is mentioned in several areas as an important factor for Swedish industry.

The group – Future for Swedish Industry – has produced proposals for the state and industries with the aim of strengthen Swedish industry to make it more competitive internationally. In the proposals it is stated that an innovation system that supports development of new products and production processes creates good conditions for enterprises. Again, design is mentioned as one of a few critical ingredients in achieving these goals.

Design promotion in Sweden

There are a large number of networks, non-profit societies and organisations that work to increase the use of design. Details are given below of the actors that are financed by public funds.

Council for architecture, form and design

This inter-ministry council was established in 2004 with the main responsibility for being a driving force behind the work on architecture, form and design, with its point of departure in the goals laid down in the action programme Future Forms. It also has the task of strengthening interest in these areas and extending knowledge. The council's assignment also includes analysing the architecture planning proficiency of municipalities and the role of town architects.

Swedish Society of Crafts and Design

The Swedish Society of Crafts and Design is a non-profit organisation commissioned by the Government to promote Swedish form and design by influencing public

[147] http://www.vinnova.se/

opinion. In the long term their aim is to promote awareness and development of styling and design of products and environments. The work is done primarily through seminars and exhibitions, in Sweden and internationally.

Swedish Industrial Design Foundation (SVID)

SVID[148] works to increase the use of design by enterprises and organisations and to increase awareness of the importance of design as a competitive device. SVID was formed by the Swedish Business Development Agency, the Swedish Academy of Engineering Sciences and the Swedish Society of Crafts and Design. SVID is mainly financed by an annual basic grant from the Ministry of Industry. Its activities are run throughout the country with regional offices and cooperation offices with different regional actors. Through contacts and advisory services, enterprises are given practical guidance in the ways of making procurements of design integrating design in development work. SVID also runs national and regional projects in cooperation with various actors. With this as a base, SVID runs project activities with co-financing from trade and industry, regional organisations – for example country administrative boards and regional boards - and the EU. Today SVID works all over the country with regional offices. In addition to its activities for the promotion of design, SVID also makes surveys of the use of design and design maturity in Swedish enterprises. In 2004, in cooperation with the Foundation of Technology Transfer, it made a survey of the field: "Swedish enterprises on design – attitudes, profitability and design maturity".

2. Activities and measures around design in Sweden

There are various reasons why the state supports and tries to exert an influence on the use of design. From a welfare perspective, it can be a matter of the state contributing to high levels of quality in the environment from a functional, technical, ecological, aesthetic and social perspective. From an industrial policy perspective, good design performance in the country can stimulate interest in Swedish products, strengthen competitiveness, and contribute to economic growth and development.

Sweden's design policy consists of measures in other policy areas, for example in the education and research policy, through the culture policy as well as through organisations and events (2005 Year of Design). Since design contains many different aspects: the cultural and artistic creative design aspect, the more production oriented functional aspect, and the education and research aspect, matters relating to design are administered by three ministries, Culture, Industry and Education.

There are certainly both advantages and disadvantages in that there is no explicit division of responsibilities. One disadvantage can be that it makes the production of a sharp national policy in the field difficult, and that many selective measures are used. A comparison can be made with the growth policy, which also covers several policy areas. According to Jon Pierre, a researcher at Gothenburg University, political and administrative coordination is essential for the policy to have a long-term and clear line. It is also essential that there are clear divisions of responsibilities. One advantage

[148] http://www.svid.se

of not having one ministry totally responsible may be that design can be applied in the best way in each policy area.

Year of Design 2005

The 2005 Year of Design was announced in the annual statement of government policy in 2002 and is a result of earlier initiatives such as the Year of Architecture and the Council for Architecture, Form and Design. Seven areas have been given priority. The Ministry of Culture has the formal responsibility for the Year while the Swedish Society of Crafts and Design is responsible for actual operations. The Swedish Society of Crafts and Design was given the task of creating a campaign office that was financed by funds from the Ministries of Culture and Industry given to SVID which channelled the funds to the Swedish Society of Crafts and Design. All in all, the 2005 Year of Design campaign will receive SEK 14.2 million from the government. In the spring of 2006, the evaluation of the Year of Design will be completed.

D&R –Swedish Design Research Network

D&R: s ambition is to develop Swedish design research to a high international standard through an intense cooperation between different universities. The basis for this is the creation of a national research school as a meeting point for PhD students and instructors. The question of funding and deepening the connections with industry are two areas of high priority.

The school will take a broad perspective of design as development, form giving, surroundings, systems, processes and services. Professions included are industrial design, architects, interaction designers, design engineers and people from other areas where a design perspective is applicable.

D&R will conduct fundamental as well as applied research. The applied research will be explorative in order to develop and present models for future possibilities that can be used by different actors in the Swedish society. This will be one concrete way for design research to contribute to the generation of innovations.[149]

[149] Interview with Peter Ullmark, coordinator of D&R, 9 December 2005

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norden

Nordic Innovation Centre

Nordic Innovation Centre

The Nordic Innovation Centre initiates and finances activities that enhance innovation collaboration and develop and maintain a smoothly functioning market in the Nordic region.

The Centre works primarily with small and medium-sized companies (SMEs) in the Nordic countries. Other important partners are those most closely involved with innovation and market surveillance, such as industrial organisations and interest groups, research institutions and public authorities.

The Nordic Innovation Centre is an institution under the Nordic Council of Ministers. Its secretariat is in Oslo.

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