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

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

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

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

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

We conclude with an announcement about the SEE project legacy.

Anna Whitcher and Gavin Czowod

THE SEE PARTNERSHIP
This SEE bulletin is produced by Design Wales as part of the activities of the SEE project. From September 2008 to June 2011, SEE has been co-financed by the European Regional Development Fund and is partly funded by the Danish Design Centre/ the Danish Ministry of Culture.

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

Design Wales / UWIC – University of Wales Institute, Cardiff
Cardiff, UK

Design Flanders
Brussels, Belgium

Danish Design Centre
Copenhagen, Denmark

Estonian Design Centre
Tallinn, Estonia

Aalto University
School of Art and Design
Helsinki, Finland

ARD Rhône-Alpes Design Centre
lyon, France

Center for Design Innovation
Sligo, Ireland

Design Flanders Brussels, Belgium

Consorzio Casa Toscana
Poggibonsi, Italy

The Cieszyn Castle
Cieszyn, Poland

BIO / Museum of Architecture and Design
Ljubljana, Slovenia

Barcelona Design Centre
Barcelona, Spain

THE DESIGN POLICY MODEL
In classic economics, ‘supply and demand’ is perhaps one of the most fundamental concepts and forms the backbone of a market economy. It is broadly acknowledged as an economic model of price determination in a market, concluding that in a competitive market, the unit price for a particular good will vary until it settles at a point where the quantity demanded by consumers (at current price) will equal the quantity supplied by producers (at current price), resulting in an economic equilibrium of price and quantity. The earliest advocates include James Densham-Stuart, who first used the phrase ‘supply and demand’ in his Inquiry into the Principles of Political Economy; and Adam Smith in his 1776 book The Wealth of Nations. This model has served as a foundation for explaining a wide range of issues that have been in evolution over the past two centuries and has also led to the development of a range of schools of economic thought. For example, neoclassical economics (e.g. Karl Marx) systematised supply and demand as joint determinants of the market, affecting both the allocation of output and the distribution of income. In principle, the supply and demand model suggests that the nature of the economic power of any market lies in the balance within the supply and demand system. Therefore, a government is able to deploy relevant policies to influence the balance between supply and demand in order to realise its control over the economy. This assumption is at the very centre of political economics or macroeconomics in analysing a government’s intervention in the economy. Fiscal policy is a typical example, in which the government influences the economy by altering the balance between supply and demand through its expenditure and revenue collection.
When applying this to the design sector, supply can be considered as all forms of design capacity, from freelance designers to design consultancies and in-house teams; and demand as all organisations that use design, in both private and public sectors. The balance between the supply and demand for design determines the dynamic of the design sector. For example, if there is a surplus in design supply, the price of design services will drop; while if the surplus is at the demand side, design services will have higher bargaining power over clients. In theory, a government can deploy various policies to influence this balance, either directly or through the intervention of other key stakeholders, such as design associations and academic institutions. It can be assumed that the joint intervention of key stakeholders will have an impact on this balance, resulting in variations in what constitutes policy. This is illustrated in Figure 1, which was first published in DMI Review (Sun, 2010).

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

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

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

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

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

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

### THE PRINCIPLES OF DESIGN POLICY FOR THE UK SCENARIO

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

To support knowledge transfer projects (Policy F).

Figure 1 The Design Policy Model
Source: [Sun 2010]

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

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

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

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

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

THE NEXT GENERATION OF POLICIES

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

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

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

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

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

WHAT IS DESIGN POLICY AND DOES IT MATTER?

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

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

Differring from the UK, other economies, such as China, have adopted a more relaxed approach to the design industry. China has an investment-driven and manufacturing-based economy that has created significant demand for design services. Its economic structure has also shaped the pattern of development for its design industry. The Chinese government appears to be following a non-interventionist policy, designing no champion role and allowing market forces to dictate the form and structure of design services. The focus of design policy, aligned with economic policies, is on the co-location of services and the cultivation of more entrepreneurial relationships, including peer production.

As a result, the risks inherent in new product development are shared. This encourages a form of ‘natural selection’ in which the fittest survive (Williams and Sun, 2009).

Clearly, the UK and China show significant differences in industry dynamics, leading to a disparity in the policy provisions for the design sector in each country. However, these differences are to a large extent rooted in economics. The economic structure has determined the nature of design demand, further dictating the design services required.

CONCLUSION

The design policy model proposed has expanded the definition of design policy from one of supporting and subsidizing the design sector, to one aimed at restoring a balance between design supply and demand, potentially leading to a sustainable competitive advantage for the design sector. Using the model as a tool, design representatives could draw policy principles by looking into supply and demand within the design industry and further identify a set of design policies relevant to each key stakeholder. This model is still at an early stage of development. In order to explore its implications in other economies further, I am working with a number of institutions and local governments in China (including Shenzhen, Shanghai and Beijing). The intention is to conduct a comparative study mapping innovation and economic policies and their relevance to the design industry based on this model.

REFERENCES

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Policy: An introduction to EU-policy.


