Evaluating Design.

Understanding the Return on Investment in Companies, National Industry,Programmes & Policies, Economy & Society

SEE Policy Booklet
03—

November
2010—

SHARING EXPERIENCE EUROPE
POLICY INNOVATION DESIGN

INTERREG IVC

Co-financed by the
European Regional
Development Fund

Contents

This SEE Policy Booklet is an output of the SEE project, a network of eleven design organisations in Europe, examining how to integrate design into regional, national and European policies. This is the third of four Policy Booklets to be released between 2009 and 2011. The SEE project is co-financed by the European Regional Development Fund through the INTERREG IVC programme.

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Acknowledgements
Special thanks to Andreja Jenko (Slovenian Government Office for Development and European Affairs), Bernard De Potter (Enterprise Flanders), Louise Conolly-Smith, Ursula Davies (Design Council) and Natalie Maher (Design Business Association) for their input and observations.

This SEE Policy Booklet is printed alcohol free using vegetable-based inks on 100% recylced paper made from post-consumer waste.

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Executive Summary

In 2009, respondents to the European Commission's public consultation on 'design as a driver of user-centred innovation' were asked about the most serious barriers to the better use of design in Europe. The most significant obstacle was considered the 'lack of awareness and understanding of the potential of design among policy-makers' (78%). The second most important barrier was considered the '**lack of knowledge and tools to evaluate the rate of return on design investment**' (64%).[1]

With regards to the first barrier, design is increasingly being recognised as a tool for innovation across policy levels in Europe. In the experience of the SEE project, significant progress is currently being made in many of the SEE partner countries.[2] At European level, in October 2010, the European Commission included design as a priority in the new strategy 'Innovation Union' stating that 'our strengths in design and creativity must be better exploited'.[3]

As design climbs the policy agenda, the importance of addressing the second barrier of evaluating the return on design is more relevant than ever. In recent years, design practitioners have been striving to evaluate the impact of design at various levels: regional, national and European. Despite encouraging results, some of these methods remain impractical for providing concrete input for informed and strategic policy-making. Evaluation is a vital part of the evidence to support decision-making and in the context of government cuts needs to be able to stand up to rigorous scrutiny.

Consequently, this third SEE Policy Booklet seeks to provide an overview of current practice in design evaluation in order to identify actions to improve these methods. In particular, the SEE partners have been reviewing the evaluation of the design support programmes they are involved in. However, this only forms part of the different dimensions that must be taken into consideration when investigating design evaluation, and should include **micro and macro levels in both the private and public sectors**:

- return on investment in design for individual companies;
- use of design by the national industry and the profile of the national design industry;
- return on investment of public funds in design programmes/policies;
- role of design and its impact on the national economy and society.

By applying this framework we have identified a number of evaluation documents and present material from the third SEE workshop in order to investigate which dimension has been better explored under current practice. Examples are described in case studies to illustrate each dimension.

We conclude by reinforcing the complex nature of design evaluation, but highlight the need to overcome certain inefficiencies of current measuring practices. Improving our evaluation capabilities and understanding why and when evaluation is needed are paramount in order to raise the awareness and the importance of design on the government policy agenda. This Policy Booklet identifies the need for an evaluation process that embraces all four aspects of the framework presented.

[1] *European Commission. (2009) 'Results of the Public Consultation on Design as a driver of user-centred innovation', Brussels, p. 7.*
[2] *For details visit the SEE project Design Policy & Promotion Map on our website: www.seeproject.org/map*
[3] *European Commission. (2010) 'Europe 2020 Flagship Initiative Innovation Union', COM(2010)546, Brussels, p. 2–3.*

Introduction

On 6 October 2010, the European Commission released the new European innovation strategy: Europe 2020 Flagship Initiative Innovation Union. It states that 'to achieve Innovation Union, the following is needed: Our strengths in design and creativity must be better exploited. We must champion social innovation. We must develop a better understanding of public sector innovation, identify and give visibility to successful initiatives, and benchmark progress.'[4] Design is climbing the policy agenda across Europe as a tool for realising innovation and sustainability in **industry**, **communities**, **the public sector** as well as **policy-making**.

However, in order for governments to integrate design into public policy, a few fundamental questions need to be addressed: What are the challenges and barriers associated with evaluating design? How does design contribute to a company's competitiveness? Has government investment in design programmes and policies paid off? How does the national industry benefit from design? To what extent has design been contributing to a nation's development?

To discuss these questions, the SEE partners met in Florence on 10 and 11 May 2010 for the third thematic workshop on *Evaluating Design and Innovation Policy*. Participants had a very intense two days discussing a topic that design practitioners and policy-makers do not usually have time to reflect on together. At a time when design is gaining recognition at policy levels across Europe, the question of evaluation has become vital. As stated by Lord Kelvin in *Worldwide Governance Indicators*: 'If you cannot measure it, you cannot improve it.'

The Role of Design				
	In Industry	**In Communities**	**In the Public Sector**	**In Policy-Making**
Process	Creative techniques that engage stakeholders in transforming ideas into tangible outputs aligning economic, social and environmental considerations			
Outcome	More user-centred and desirable products, processes, systems and services	Social innovation initiatives that can better add value to all aspects of society	Public services that better respond to the needs of the population	More inclusive, innovative policy-making and public administration

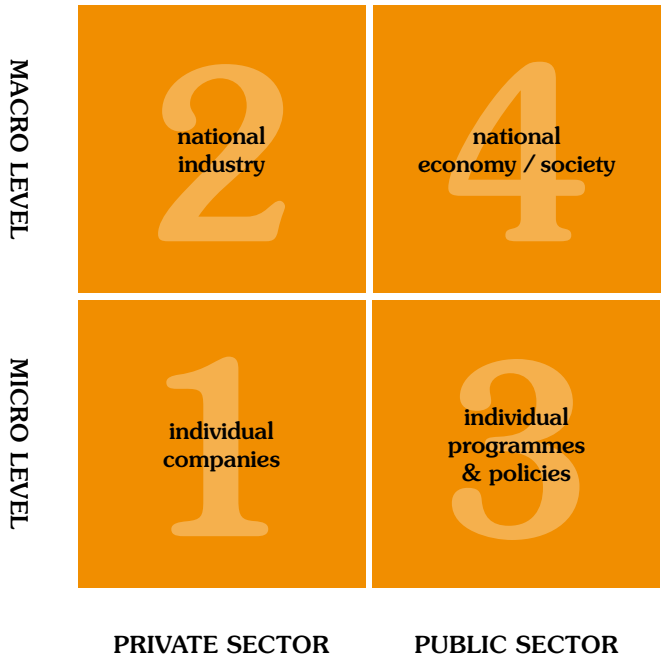
Consequently, the SEE partners and their government representatives participated in a series of interactive exercises in order to propose tools to assess and evaluate the impact of design and innovation programmes and policies. Participants were invited to discuss a number of key issues in small groups relating to the workshop objectives. Each group was provided with a keyboard that allowed emerging ideas to be instantaneously visible on a large screen. The issues discussed in the morning centred on how to evaluate the impact of design-based programmes and the rationale for government support in this domain. After each stage of discussions there was a summing up, so that the groups could identify the emerging patterns and key insights and build on each other's suggestions. These exercises enabled the SEE partners critically to appraise the evaluation processes of design programmes in which they are involved. This self-assessment revealed a number of obstacles to successful evaluation and throughout the course of the interactive sessions the participants were able to propose means to improve evaluation procedures through concrete actions. Among the key observations were the following:

SEE thematic workshop, facilitated by FUTOUR (Florence, 10–11 May 2010) / Photos By Stefano Visconti & Flavia Veronesi

[4] *European Commission. (2010) 'Europe 2020 Flagship Initiative Innovation Union', COM(2010)546, Brussels, p. 2–3.*

Examining Obstacles and Opportunities in Design Evaluation		
OBSTACLES	**OPPORTUNITIES**	**PROPOSALS**
Lack of common understanding, definitions and parameters for the design discipline.	Adopt definitions and parameters that can be shared at EU level with common understanding.	Encourage a consensus on a common definition, either by developing a manual that investigates definitions across Europe or by adopting the definition proposed by the European Commission in 'Design as a driver of user-centred innovation'.
Absence of commonly available statistics across the EU and common agreement on core metrics that can be compared internationally.	Create a platform/infrastructure to gather information centrally and establish indicators/frameworks that are comparable and can be shared with other policy contexts. Make raw data available for better understanding of statistical findings in order to increase credibility, provoke further analysis and encourage new perspectives.	Conduct a European study with the same measurements to get a pan-European annual report on the understanding and application of design. A starting point may be including a question on design in the Community Innovation Survey, which is already being considered.
Unclear criteria for success when programme/policy objectives are not well defined at the start of the implementation.	See it as imperative to link activities with achievable and tangible targets through meaningful measurements such as: – Qualitative and quantitative analysis of a company before and after design support – Comparing sales of design-led products and services with products and services developed without a design process – Measuring percentage of tax revenue from new products over the long term.	Set clear targets from the outset combined with regular monitoring of the performance of programmes/policies with long-term measurements. Compare companies benefiting from design support programmes with those who are not and conduct long-term evaluation to ensure that changes endure after the end of the programme and that design is integrated into the culture of companies.
Difficulties in isolating the role of design and its impact from the broader context.	Develop measurement tools for macro- and micro-level analysis in both the private and public sectors to link causality between design and socio-economic success.	Implement a complex system of indicators, both qualitative and quantitative, at macro and micro levels in the public and private sectors that combine long-term measurements with short-term goals that are continually monitored.
Costs of the evaluation process.	The costs of evaluation must be built into the initial programme/policy. Encourage companies to analyse their development trajectory in order to improve their own audit tools, so that when design is introduced the difference is clear.	Draw on a range of evaluation tools that are already available and include these in initial proposals. Take advantage of new e-evaluation tools.
Wider repercussions of programme/policy implementation are sometimes greater than the targets proposed at the outset.	Although clear targets must be well defined at the beginning, there must be flexibility in assigning value to spin-off effects, including among others: – Analysis of the changing attitude towards design in companies, the public and public sector – End-user satisfaction – Network analysis of collaboration clusters and links between companies and academic institutions.	Take into account the unexpected (wider) outputs of the programmes/policies beyond original targets.
Failure to use the evaluation process as a management tool to improve delivery.	Acknowledge failures or shortcomings to be able to improve implementation in the next round.	Use the evaluation as a strategic tool for improving the process, not only for promoting results.

Levels of Design Evaluation



In the afternoon, the groups participated in a scenario-building exercise designed to get the policy-makers and design practitioners to reflect on how to improve current practices in evaluation. The groups were asked to complete six tasks in an ideal scenario that simulated evaluation in the policy-making process: identifying research questions, choosing a methodology, investigating indicators, collecting data, presenting arguments and disseminating results. This exercise revealed the imperative to differentiate the impact of design not only at macro and micro levels but also between the private and public sectors.

Following the findings from the workshop, we have developed a framework for examining these different components of design evaluation:

1 **return on investment in design for individual companies;**

2 **profile of the national design industry or use of design by the national industry;**

3 **return on investment of public funds in individual design programmes/policies;**

4 **role of design and its impact on the national economy and society.**

We have employed this framework for presenting the third SEE Policy Booklet. Each section will discuss a different dimension, outlining the rationale behind policy intervention, exploring how design can be evaluated in different contexts and providing illustrative case studies. Section two will also include the analysis from the exercise of appraising how the partners' design support programmes are evaluated.

This publication is aimed at policy-makers across Europe, particularly within the SEE partner regions. In light of the broad range of interpretations for design and evaluation, which have resulted in obstacles during policy discussions, for the purposes of this Policy Booklet the following definitions have been employed:

Design – is a tool for the realisation of innovation. It is the activity of conceiving and developing a plan for a new or significantly improved product, service or system that ensures the best interface with user needs, aspirations and abilities, and allows for aspects of economic, social and environmental sustainability to be taken into account.[5]

Evaluation – is the systematic assessment of the operation and outcomes of a programme or policy, compared to explicit or implicit standards, in order to help improve the programme or policy.[6]

[5] *Definition proposed in the EU public consultation on Design as a driver of user-centred innovation, DG Enterprise and Industry, April 2009 and endorsed by 78% of respondents.*

[6] *Weiss, C. (1998) Evaluation, 2nd edition, Prentice Hall, New Jersey, p. 18.*

Understanding the Return on Investment in Companies, National Industry,Programmes & Policies, Economy & Society

Understanding the Return on Investment in

Companies

There has been a drive over the last decade to investigate the **return on investment (ROI) of design in individual companies** to prove its commercial value, not only to potential clients but also to decision-makers in government. Measuring the ROI is a severe gap in the understanding between designers and potential business clients. 'As budgets have tightened, so has the scrutiny of clients, who are looking for more evidence of design's contribution to their bottom line.'[7] Demonstrating the tangible benefits of design investment in empirical terms is not only an issue for convincing companies to commission design; policy-makers also need to understand the value and applications of design. The evaluation of ROI has been investigated by various researchers and organisations for communicating the benefits of design to policy-makers, industry and other stakeholders. The European Commission recognises that from research 'the results are compelling: companies that invest in design tend to be more innovative, more profitable and grow faster than those who do not.'[8] Nevertheless, measuring design in financial terms remains problematic. The DBA Effectiveness Award has developed a methodology that addresses this challenge. The case study below describes the criteria and one of the winners.

Case Study: DBA Design Effectiveness Award (UK)

The Design Business Association (DBA) was founded in 1986 to champion the integral role that design effectiveness plays in commercial success. The annual Design Effectiveness Awards are measured in terms of commercial benefits achieved for the client and customer. For example, increasing sales alone is not as significant as increasing sales in a declining market. Other softer indicators are also employed, such as the value attributed to increasing staff morale. The judging process incorporates six criteria:

- ***Explanation and proof of effect*** *– A project's success must be linked to a measurable outcome using factual research to substantiate claims. The impact of design must be isolated by also evaluating the effects of other influencing factors like advertising and marketing. It is not sufficient to state that sales increased by 'x'% following design intervention. Where possible this should be independent of client and consultancy.*

- ***Other influencing factors*** *– Design rarely acts alone, therefore contributing factors to the success of a project (such as PR campaigns and direct mailing) must be identified in order to extrapolate the impact of this activity from the role of design.*

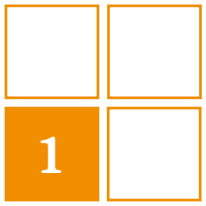
- ***Clarity of presentation*** *– Entries must be well structured, concise and deliver a decisive message.*

DBA Trophy

- ***Cause and effect*** *– Proof beyond reasonable doubt of a cause and effect between the design solution and the results. This refers to evidence of the targets defined in the original brief set against the results achieved.*

- ***Clarity of results*** *– Emphasis is not placed on why a particular design solution was chosen but on concrete evidence that results were achieved.*

- ***Scale of effect*** *– Competitors must demonstrate the significance of the outcome in the relevant commercial or company context. For example, a product or identity that creates new business and jobs and captures a significant share of an existing market could be relatively more significant than an entry describing only an increase in sales.*



[7] *Design Business Association (UK) http://www.dba.org.uk/awards/dea.asp*
[8] *European Commission Staff Working Document. (2009) 'Design as a driver of user-centred innovation', SEC(2009)501, Brussels, p. 2.*

DBA Design Effectiveness Award 2008 Winner: Dave

In a complex market, a small UK digital TV channel wanted to increase its share of the lucrative 16–44 male audience. Following market research, it was clear that the channel needed completely rebranding. With a very tight budget (under £100,000) the channel briefed a team of designers to create a distinct brand personality that would stand out. They observed that in a fragmented TV market, strong design could play a powerful role in enabling viewers to navigate the crowded TV landscape. By identifying the tone of the programmes (intelligent and irreverent humour) and conducting investigation into why the channel appealed to its target audience, the design consultancy was able to gain a breakthrough insight: the comedy provided a setting for men to spend quality time with other funny men in a 'down the pub'-style ambiance. Consequently, by assigning a name (Dave), a personality and creating a 'gentlemen's club' feel, the designers were able to introduce to the public a compelling and ever-evolving brand for the TV channel. Since the relaunch, Dave has seen a remarkable growth from the 29th biggest channel to the 10th and the largest among the 16–44 male segment. It has also attracted eight million new viewers to the network. In the first six months alone, Dave delivered a £4.5 million profit, and the channel's incremental growth contributed a staggering £25 million in ad-sales revenue for 2008. In creating a powerful channel brand, the project has 'well and truly surpassed its objectives'. Spontaneous awareness of Dave has risen to 32%, lifting the channel above well-established competitors such as More4, BBC4, ITV3 and Bravo. In essence, a design investment of under £100,000 was transformed into a profit of £4.5 million in the first year alone and the channel is now rapidly gaining market share at the expense of larger, more established channels.

DBA Design Effectiveness Award winning entry 2008: Dave

For more information visit:
www.dba.org.uk/awards/dea.asp or
www.effectivedesign.org.uk

Conducting evaluation can be a costly exercise, which not all design consultancies can afford. Typically, design consultancies are small companies and do not have the financial or human capacity to conduct a thorough evaluation process. Therefore, the role of research organisations and design promotion agencies becomes crucial in creating opportunities for evaluation techniques to be developed. Working in close cooperation, designers and researchers can develop tools that will advance our understanding of the impact of design on companies. It is vital to encourage this type of cross-collaboration between design organisations, researchers and designers for evaluation purposes. With this in mind, it is also worth highlighting the efforts of the MUSA research project in Finland.

Case Study: Modelling the Strategic Impacts of Design in Businesses (Finland)

The MUSA research project – Modelling the Strategic Impacts of Design in Businesses – is part of the Design 2005 technology programme, launched in 2002 by Tekes, the National Technology Agency of Finland, and one of the key measures in the national design policy (Design 2005!). The objective of the national design policy programme was to establish a dynamic system of design in Finland to enable the nation to achieve the status of a forerunner in using design, and to improve the competitiveness of Finnish industry through design. The research project focuses on the ***impacts of design in different types of companies*** *and is aimed at* ***ascertaining the economic benefits of design to businesses****. The primary goal, and the result of this research project, is*

the 'Evaluation Model for the Strategic Impacts of Design'. The purpose was to find causal connections between design usage and its results and to separate the impact from other functions that influence success. The project is being carried out at Aalto University School of Art and Design by the Designium Innovation Centre in co-operation with MUOVA, the Western Finland Design Centre. In order to find reliable indicators showing the impacts of design, the case company structure involves several different businesses, mostly export.

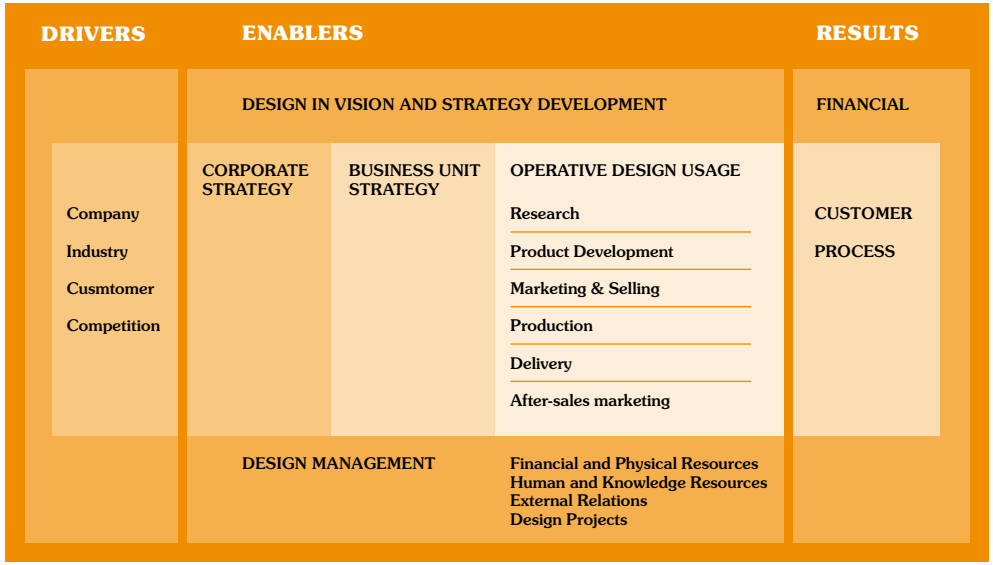
With this analytical tool, the use of design in a company can be modelled and links can be drawn between design drivers, the use of design in company processes and the results. The model contains the indicators with which the impacts of design can be assessed and consists of three main elements:

- ***Drivers**, which concern the reasons why design usage can be profitable in different strategic situations, including market imperatives and corporate values*
- ***Enablers**, which deal with a company's design usage: design in vision and strategy development, design management and operative design usage*
- ***Results**, which concern the measurement of design results, including external results such as customer results and financial results as well as internal process results. Financial indicators include net sales, ROI and share price.*

Focusing on results, the evaluation of financial benefit is connected to the added value that design is able to bring to the customer and company. Measurements can be calculated as savings from design usage, such as in production or product development costs, estimating the profits due to extending the lifespan of a product or its technology and the coverage in the competing product segment. The results of the study highlighted that it is difficult to separate design's contribution from that of other disciplines and that the performance of a product or brand is dependent on excellence and seamless cooperation across all functions. The companies under examination did not have a systematic method for evaluating design impact. The study highlighted that defining clear targets at the outset of a design intervention is crucial for developing measures that can indicate the strategic impact of design. This research has elaborated a framework that companies can employ to assess the effects of their design activity as a whole: design drivers, operative design usage, internal and external results, customer satisfaction and financial benefits. The Evaluation Model for the Strategic Impacts of Design will undergo more testing in the future.

For more information visit:
http://www.taik.fi/palvelut/innovaatiokeskus_designium/julkaisut.html

The first step in evaluation is the impact of design on individual companies. Having data on individual companies can send a clear message about the impact of design in a wider context.



The Evaluation Model for the Strategic Impacts of Design in the MUSA project.

National Industry

2

Examining design in national industry can include two different approaches: (1) investigating the **profile of the design sector** and (2) establishing the **contribution of the design discipline to national industry** (including all sectors).

For governments to appreciate the significance of design both as a sector and as a strategic discipline, decision-makers need to have statistics on the composition of the design sector as well as its contribution to industry as a whole. This is distinct from its contribution to the regional or national economy, which will be discussed in the next section. For example, in Wales (UK) the design sector accounts for the greatest proportion (22%) of the creative industries.[9] Design adds value to individual businesses and therefore it increases the value of the regional/national industry, but without data on the size of the design industry, its employment distribution and financial contribution, governments will not be able to appreciate the scale of the design industry and its contribution to competitiveness.

Case Study: Design Industry Insights 2010 (UK)

*In 2009, the Design Council conducted a national survey of the performance of the UK design industry, conducting telephone interviews with 2,236 individuals in nine weeks. Design businesses (including in-house design teams, design consultancies and freelance designers) were asked about the profile and size of their businesses, their clients and the competition they faced, their business practices and the education, training and skills of their employees. Conducting a five-yearly assessment of the shape of the UK design industry provides evidence that 'the design industry presents a confident face to business and government as the **engines of innovation, enterprise and economic growth**'.*[10]

Key Findings:

- *There are an estimated 232,000 designers in the UK, 29% more than in 2005*
- *The sector's turnover is estimated at £15 billion, up 15% from 2005*
- *78% of design consultancies have an annual fee income of less than £500,000*
- *87% of design consultancies employ fewer than ten members of staff*

The main objectives of the research were to provide updated statistics on the size and shape of the UK design industry, and to examine the impact of the recession on the design industry and how the industry had changed since 2005.

The telephone survey was conducted between September and November 2009 by two members of the Design Council research team who worked on the original 2005 survey. The main challenge for the project was the sheer diversity of the businesses surveyed. The survey covers in-house design teams, freelancers and design consultancies working in communications, digital, product, interior and exhibition, fashion and service design across the UK. This made the sample design quite complex. Response rates for the survey were lower than in 2005, in line with a broader trend, so that they had to extend the duration of the survey and ask local contacts within specific regions to provide additional design contacts in order to reach the target number of businesses.

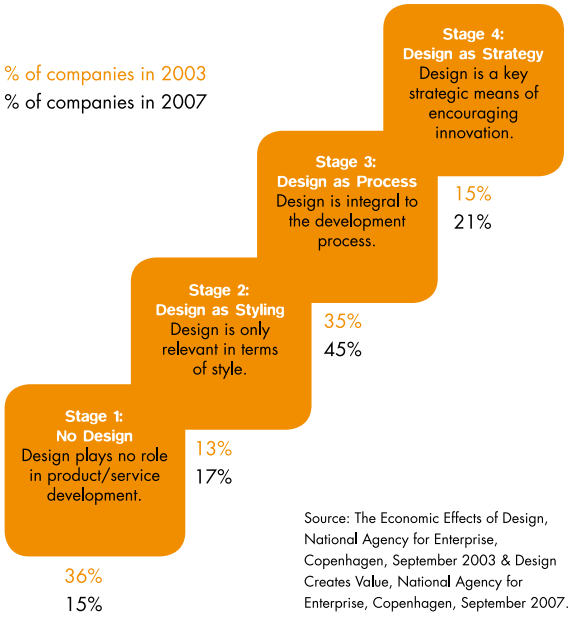
The results of the survey are used by the Design Council to understand the current state of the UK design community and identify ways in which it can be supported or developed. For example, the survey findings highlighted the need to strengthen skills and training in design businesses. The government sponsor, the Department for Business, Innovation and Skills, uses the findings to understand the economic contribution that the design industry makes within the UK. From this research, it emerged that the design sector has responded well to the current economic climate and that demand for design services is still reported to be strong. 'Even with the negative impact of recession, assuming even annual growth, the design sector has seen growth averaging 3.5% a year, over the five year cycle.'[11] *This demonstrates that design really is an opportunity in the post-recession phase for driving economic recovery.*

For more information visit:
www.designcouncil.org.uk/our-work/insight/research/design-industry-research-2010/

'Design Industry Insights' throws light on how to examine the profile of the design sector as a component of industry in the UK. However, the size of the design sector within UK industry is not the same as the design sector's contribution to industry growth. While the design sector might represent a dynamic force within industry, how do you assign a value to the contribution that design is making to regional/national industry competitiveness? In other words, how is design increasing the value of industry as a whole?

[9] *Creative and Cultural Skills (2008) 'Creative and Cultural Industries Economic and Demographic Footprint: Wales', p 4. (www.ccskills.org.uk/Industrystrategies/Industryresearch/tabid/600/Default.aspx).*
[10] *Design Council (2010) 'Design Industry Insights Comments & Conversations on the Business of Design in the UK', p. 3.*

Danish Design Ladder



Source: The Economic Effects of Design, National Agency for Enterprise, Copenhagen, September 2003 & Design Creates Value, National Agency for Enterprise, Copenhagen, September 2007.

Case Study: Economic Effects of Design (Denmark)

In a pioneering study conducted between 2003 and 2006 by the Danish Design Centre in association with the National Agency for Enterprise, the ***'Economic Effects of Design'*** *surveys set out to measure the level of design activity in Danish businesses. The* ***Danish Design Ladder*** *was a methodology for evaluating the results of the surveys and assessing the economic benefits of design in Denmark.*

The surveys examined the design investment of 1,000 companies chosen from four groups of businesses (10 to 19; 20 to 49; 50 to 99; and 100-plus employees). The telephone interviews focused on:

- *the total investment in design;*
- *gross revenue performance and the development in employment and export share of turnover among the companies;*
- *the difference in gross revenue, employment and exports for companies that adopt a comprehensive approach to design compared to those who do not use design.*

The main conclusions from the surveys were that Danish companies invested an annual total of approximately DKK 7 billion (EUR 1 billion). Overall, companies that use design have an additional growth in gross revenue of 250%, compared with companies that do not use design. Linking performance data with investment in design revealed a correlation between design purchase and economic growth.

Using the survey data, companies were categorised into four stages of design maturity depending on their approach to design investment. The higher a company was ranked on the Design Ladder, the greater strategic importance it attributed to design. In order to raise awareness of the benefits of design in industry, it is vital to encourage companies to move up the scale through design support programmes on new product and service development, branding, the design process and user-driven innovation.

By indexing the companies according to the four profiles, the Design Ladder provides an assessment of how many companies actually moved up a rung on the ladder over the course of four years. The result revealed that, between 2003 and 2007, the distribution of Danish companies at stage three of design maturity rose from 35% to 45% and the number of companies at stage four rose from 15% to 20%. The Design Ladder also serves as a model for explaining to companies that design is more than merely product styling, meaning that companies can reflect on their own way to incorporate design into their business culture.

For more information visit:
www.seeproject.org/casestudies/Design%20Ladder

The Design Ladder is proving to be a successful tool for evaluating design. This comes at a time when the absence of effective indicators to evaluate the economic benefits of design seems to be a major obstacle to discussions on an effective design policy or strategy at the regional, national or European levels. Not surprisingly, the methodology has been referred to and even adopted by initiatives in other European countries, including Austria, Ireland, Sweden and Switzerland. However, it is important to highlight that a key issue for a successful measurement process is systematic evaluation. Only the collection of data in consecutive periods will provide comparative data and, therefore, meaningful results. Consistency seems to be key in the successful development of the Danish method. By assessing how many companies move up a rung on the Design Ladder once design promotion and policies have been implemented, the Danish government has a tangible assessment of the role of design in industry. Continued research is feeding into the current drafting of the Danish Design Policy.

Ultimately, a combination of information is required, which includes how the design sector fits into industry as well as what contribution design makes to competitive industry.

[11] *Ibid., p. 4.*

Europe is currently recovering from a recession, therefore the **return on investment of public funds for design programmes and policies** is a pertinent issue. Design programmes and policies are integral for bringing innovative, sustainable and ultimately more competitive products and services to the market place more quickly, and therefore should not be considered as expendable when tightening budgets. Design programmes work to introduce design to individual companies or to encourage industry to make better use of design resources. Typically, these programmes are government funded, so in this case evaluating their impact is a matter of accountability as well as improving the process of delivery.[12]

Case Study: Designing Demand (UK)

The Design Council (UK) has developed the business support programme Designing Demand, which is funded by Regional Development Agencies (RDAs) and delivered by regional partners. The market failure which the programme addresses is that smaller businesses are less likely to use design in their daily business practice. Often SMEs lack both knowledge and experience of the design sector and the ways in which good design could add significant value to their business.

The UK government department for Business, Innovation and Skills (BIS) has been providing funding for this programme via the RDAs and over the years there has been a requirement that the regional programmes be evaluated. In July 2010, the Design Council commissioned research which drew together the findings from the regional projects over the past three years. These evaluations cover 300 of the 2,000 businesses that have engaged in Designing Demand.

The data collected for evaluation purposes was focused on the impact of the programme in terms of sales, profit, jobs created and safe-guarded and other business metrics such as exports and entry into new markets. The evaluations have been based on the BIS Impact Evaluation Framework that provides methodological guidelines for public sector programmes. The regional evaluations were conducted and analysed by independent organisations using online surveys and telephone interviews with a response rate of approximately 50%.

In examining the return on investment (ROI) and the corresponding improvement in competitiveness it must be acknowledged that often the most pronounced ROI may not be apparent until up to 12 to 18 months after an SME has completed the programme. However, the results from design interventions across the regions within the timeframe of a year were encouraging:

- *In the **South East**, if the 28 companies surveyed are seen as typical of the 60 companies in the South East programme, altogether, the 60 companies would have within 12 months, reported sales of £3,018,000 and profit (EBITDA[13]) of £542,000 and increased exports of £483,000.*

Designing Demand Workshop (West Bromwich, September 2010)

Designing Demand Workshop (Chichester, November 2009)

[12] *For a good source on impact assessments see 'Regional Innovation Policy Impact Assessment & Benchmarking Guidebook', Innovating Regions of Europe 2008.*

[13] *Earnings Before Interest, Taxes, Depreciation and Amortisation.*

- *In **South Yorkshire**, despite the onset of the economic downturn in 2008, a mid-range estimate suggests that the 71 businesses in the programme will after 12 months have increased sales by an aggregate of £6,561,000 and profits by £1,825,000.*

- *In the **West Midlands**, if the 6 responding businesses are seen as typical of the 10 businesses in the programme as a whole, then intervention is estimated to have resulted in an additional £647,000 of sales and £75,000 of profits within 12 months of finishing.*

- *In the* **North East**, *total increase in turnover was expected to be £5,587,000 across 27 companies, including one company with a predicted sales increase of £2.5 million.*

- *In the* **South East**, *only 19% of companies spent £5,000 or more on design before the design intervention (in contrast with not spending anything), 74% planned to spend that amount or more two years after the conclusion of Designing Demand.*

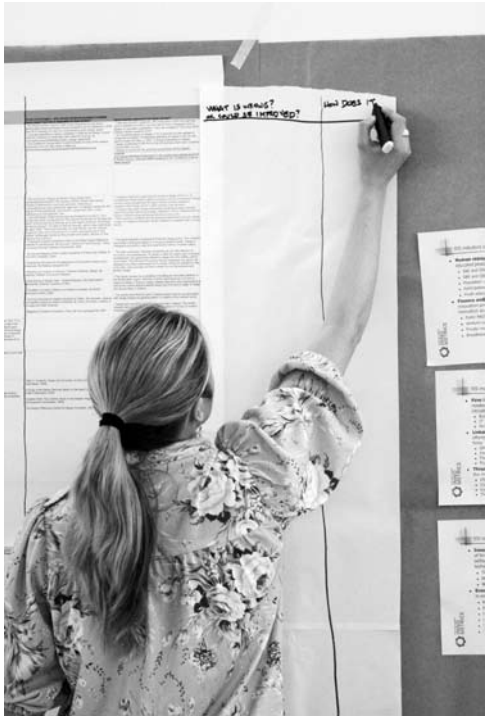
The above demonstrates the significant benefit of Designing Demand to the individual participating firms but this evaluation also justifies intervention in more aggregate term, taking into account the cost of the programme and the resulting 'net' impact – essentially measuring the extent of benefits that would not have happened in the absence of design intervention. The costs of the Designing Demand 'Generate' project in the South East was estimated at £735,500 with resulting benefits in the private sector of £5.2 million, a ROI ratio of 1:7. Designing Demand has also been highlighted for its cost efficiency in a report by PricewaterhousCoopers, which estimated the cost per net job created as £5,650 versus a national figure for other similar programmes of £8,301 with over 3,000 jobs estimated to have been created/safeguarded. Overall, for every £1 spent on the Designing Demand programme the national forecasted gross value added was £9.90 with an additional estimated new turnover for the design industry of £9 million.

In sum, the Designing Demand evaluations can demonstrate increased competitiveness for those companies involved as well as a significant contribution to regional economies and advantageous ROI compared with similar public sector initiatives.

For more information visit:
www.seeproject.org/casestudies/Designing%20Demand or www.designingdemand.org.uk

Assessing the SEE partners' business support programmes

As part of the workshop, the design practitioners and policy-makers also completed a questionnaire to assess how effectively their design support programmes are evaluated. Questions included: What were your programme's targets? How frequently was it evaluated? How were the delivery and impact of the programme measured? How was data collected? What were the consequences of evaluation? Using the results of this exercise, we were able to identify some of the shortfalls of the evaluation process, which could be improved on. The general conclusions are presented in the table below.



Examining the SEE partners' business support programmes (Florence, May 2010)

SEE partner evaluation processes

Is evaluation systematic?

Ideally, evaluation needs to take place at regular intervals to be effective. We observed that on average the partners' programmes were 3–5 years; however, in five of the eleven cases, evaluation was conducted only at the end of the programme, just three programmes were evaluated annually and one was evaluated monthly.

Is evaluation looking at both the programme's operation as well as its outcomes?

We found that in the SEE partner regions, evaluation focuses on the delivery of the programme rather than the impact of the programme. Typically, it was the activities which were assessed, such as organise 'x' seminars/exhibitions; produce 'x' publications; or provide advice to 'x' number of SMEs. The repercussions of SME involvement in the programme were largely overlooked.

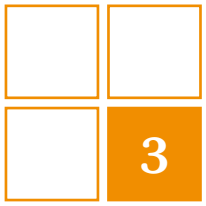
Are results compared with goals set at the outset as well as goals that emerge during delivery?

Although in all cases the programme of activities was comprehensive, only in a minority of programmes were the performance goals set in objective, quantifiable and measurable terms. Without clear targets, the appropriate data cannot be collected in order to assess whether the programme was achieving its goals. For example, many of the objectives were intangible: improve cooperation between businesses and academia, enhance the competitiveness of SMEs or raise awareness of design. Also, many of the positive results, which were not included in the initial goals, were not taken into consideration in the evaluation process.

Is evaluation being used to contribute to process improvement?

As some programmes are repeated in periodic cycles, it is important that evaluation is taken into consideration at the end of each cycle to ensure improvement. Therefore, the real challenge is emphasising learning and adaptation rather than only informing a decision as to whether to continue the programme or not. In many cases, if the programme did not reach its initial targets, no consequences were foreseen.

The principles regarding **systematic** evaluation, examining both **operations** (delivery) and outcomes (effects), comparing results with **initial and emerging goals** and using evaluation for **improvement** not only apply to programmes but also **policies**.



The previous sections have evaluated the impact of design as a single factor in the growth of individual companies, national industry and individual policies and programmes. But what is design's contribution compared with other sectors and disciplines? 'Whilst there is some evidence to demonstrate the **value of design to the firm**, there are very few studies that have successfully demonstrated the **value of design at a regional or national level**.'[14] Design impact at a regional, national or even European level can be multi-dimensional: economic, environmental and social. While the previous section goes some way to address the economic dimension at a regional and national level (adding value to individual companies collectively contributes to the competitiveness of regional/national industry), we are operating in an increasingly demanding world where all three aspects need to be taken into account. So this section will expand on the economic impact of design and provide insight into its consequences for the environment and sustainability as well as society and social innovation.

Design is increasingly considered as a tool for innovation and, in turn, innovation is increasingly viewed as a force for **economic growth**. There currently exists an array of approaches for measuring innovation performance, including the Community Innovation Survey (CIS). The CIS has been measuring innovation since 1992 and employs a commonly accepted methodology, as outlined in the Oslo Manual (adopted by almost all OECD countries). Over the years it has progressed from a more narrow focus on technological innovation in the manufacturing sector to a broader focus also including non-technological innovation in the services sector. In the forthcoming 2010 CIS, particular attention will be paid to the role of creativity and skills. Although including a question on design has previously been discussed, this option was rejected, one reason being that the CIS has a fixed number of questions and adding a new question would mean removing an existing one. According to research by Hollander and Van Cruysen as part of PRO INNO EUROPE, 'design should be better captured in the Community Innovation Survey, as the current CIS does not include a question on the role of design in the product or process innovation. The CIS does include a question on whether firms have made significant changes to product design as part of their marketing innovation but this question does not fully capture the importance of design.'[15]

CIS is often cited as a key tool for measuring and understanding innovation at the firm level and if we wanted to extend this understanding to design, the CIS would be an optimum tool. Currently this dimension of our understanding of design is severely underdeveloped, since linking national design capabilities with economic performance entails inherent causality queries, particularly due to scarce reliable data. In essence, design is a dynamic tool for the innovation process; while innovation is well measured in the CIS, design is not adequately captured. The challenge remains how to include questions on design in future CIS. This would allow for a comparative analysis across Europe and beyond.

Individually, countries can conduct an assessment of design's contribution to the regional and national economy in relation to other sectors, as shown in the case study below.

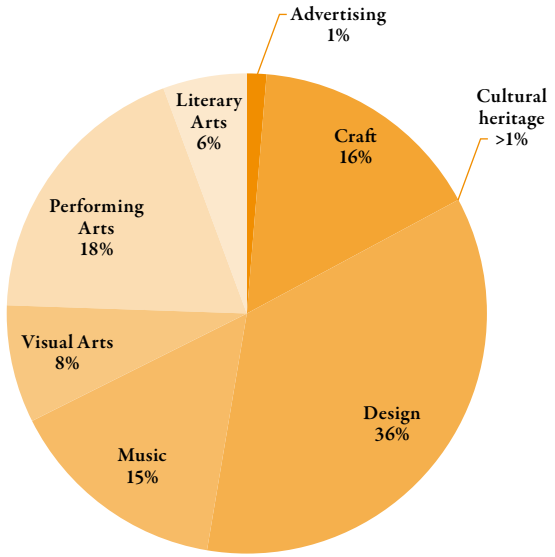
[14] *Moultrie, J. (2009) 'Developing an International Design Scoreboard', SEE bulletin issue 1, p. 3.*
[15] *Hollander, H., and Van Cruysen, A. (2009) 'Design, Creativity and Innovation: A Scoreboard Approach', Pro Inno Europe, Inno Metrics, p. 26.*

Case Study: Creative and Cultural Industries Economic and Demographic Footprint (UK)

In Wales, the Creative and Cultural Industries Economic & Demographic Footprint research was conducted by Creative & Cultural Skills in 2008. It is based on data collected from sources including the Annual Population Survey (2006), the Inter-Departmental Business Register (2007) and the Annual Business Inquiry (2006). Creative & Cultural Skills defines the creative and cultural industries as advertising, craft, cultural heritage, design, literature, music, performing arts and visual arts. In Wales 24,060 people are employed in the creative industries and design accounts for the greatest proportion of Wales' creative and cultural industries (22%). The Welsh creative industries contribute £465 million GVA annually to the UK economy, of which 36% comes from design. However, despite such encouraging figures, businesses in Wales take limited advantage of design. Only 17% of Welsh businesses use product and industrial design in their business.[16] Similarly, in the public sector in Wales design is mainly used for communication, and its strategic potential to develop efficient systems, services, products and process remains under-explored. The value of this research is that it contextualises the role and contribution of design compared with other creative industries.

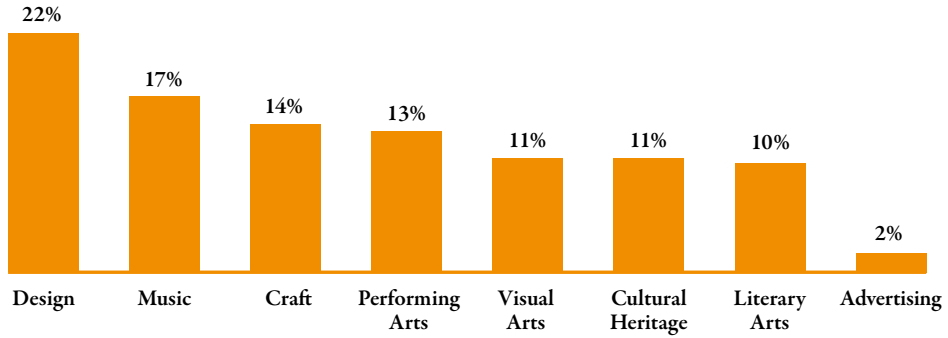
For more information visit:
www.ccskills.org.uk/Research/tabid/600/Default.aspx

Creative Industry Productivity Levels in Wales: Gross Value Added



The creative industries in Wales contribute £465 million GVA to the UK economy. Design represents 36% of this.

Employment in the Creative Industries in Wales



Source: Creative & Cultural Industries Economic & Demographic Footprint, Creative & Cultural Skills 2008.

4

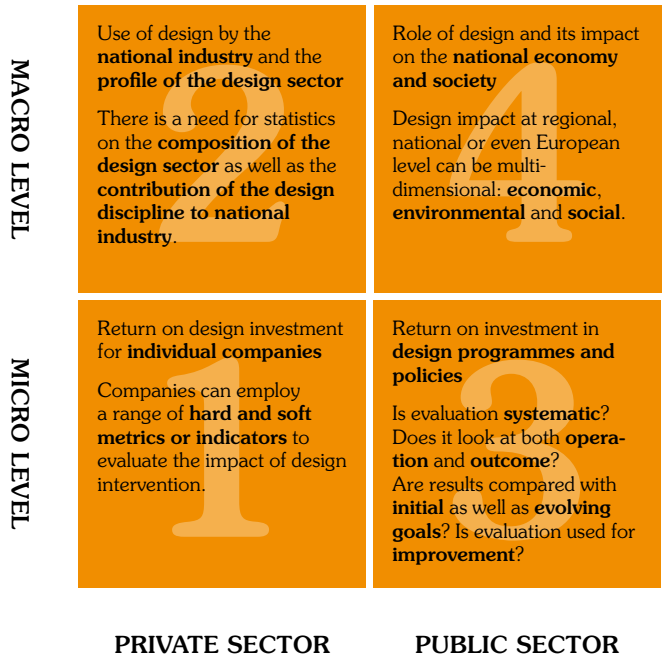
[16] *The Value of Design Factfinder Report. Design Council, 2007, p. 97.*

Conclusion

As demonstrated in the framework of this policy booklet, examining the rate of return on design investment is multi-dimensional and poses many challenges.

For each dimension there are some essential criteria that need to be taken into consideration:

Evaluating design in the private and public sectors at micro and macro levels



1

Return on design investment for **individual companies**

Although the case for design's contribution to business performance is strong, the extent of design's role as separate from the interaction of other disciplines remains subject to scepticism. However, this should not halt the progression of policy discussion on the value of design for companies. Indeed, in June 2009, the European Commission recognised that the 'findings of micro-economic research on design are conclusive: the use of design has a positive impact on the performance of a company, measured in terms of for example, profitability, share price, employment or exports'.[18] Proving the financial success of a design project is of interest to designers, but few design consultancies have the finance and capacity to conduct such research. In this case, cooperation with design promotion and research organisations becomes crucial. Moreover, there is a necessity for pre and post measurement across a combination of soft and hard indicators to obtain more evidence of the efficacy of design use within individual companies. This could include benefits not associated with specific products or services, such as changes in the company culture led by the application of undertaking a design process.

[18] *European Commission Staff Working Document 'Design as a driver of user-centred innovation', Brussels, p. 25.*
[19] *Design Council. (2009) 'Measuring Design', Design Council briefing 5.*

2

Use of design by the **national industry** and the **profile of the design sector**

By adding value to individual companies, design adds value to national industry. However, without data on the composition of the design sector in terms of employment, geographical distribution and turnover, decision-makers will not be able to appreciate the scale of the design sector and its impact. In order to measure the composition of the design sector successfully and meaningfully, research needs to be conducted. The effect of design on industry as a whole as well as an analysis of the growth of the design sector can be measured over consecutive periods for comparable results. One-off studies are interesting, but do not provide an insight into how the application of design resources is evolving. Research on this scale is costly, but a number of organisations have already developed the processes for conducting surveys of this magnitude and the data gathered in such exercises has proved valuable.

3

Return on investment in **design programmes and policies**

At the SEE project workshop in May 2010, the participants reflected on the ways in which their business support programmes are evaluated. Investigating the emphasis of current practice, it is clear that the evaluation of design programmes needs to broaden its focus towards outcomes and impact, rather than focusing narrowly on delivery and operations. A wide variety of design support programmes operates in Europe. In order to improve those currently in existence as well as those emerging, we must continually learn from evaluating past programmes and improve the effectiveness of future delivery. The parameters for how programmes are measured are often constrained to frameworks determined by the source of funding. This, although essential for the appropriate accountability of public funds, can steer the operation of the programme and may not reflect the true objectives that were intended. In such cases, the delivery of an effective programme in design terms could be down to the skill of the programme director in fitting the delivery aims to the available framework.

4

Role of design and its impact on the **national economy and society**

'Measuring innovation and R&D has helped policy-makers around the world develop policies that enhance competitiveness and encourage investment by firms. There is growing recognition that design helps both companies and nations compete; but there have been few efforts to measure its scale or impact nationally.'[19] This is due to the fact that the studies conducted to date have not been able to ascertain indisputably the causal links between design and socio-economic development, isolating design from a larger context. Nevertheless, studies that have provided evidence of positive correlations between design and its wider impacts on the economy and society should not be discouraged. The application of design needs to move beyond driving business objectives to being the catalyst for change at a societal and environmental level.

This Policy Booklet has presented examples of current practice covering four different dimensions and seeks to encourage research in this area that embraces all four aspects of the framework: public and private sectors at both micro and macro levels.

www.seeproject.org

Barcelona Design Centre

BIO / Museum of Architecture and Design

Silesian Castle of Art & Enterprise

Consorzio Casa Toscana

Centre for Design Innovation

ARDI Rhone-Alps Design Centre

Aalto University School of Art and Design

Estonian Design Centre

Danish Design Centre

Design Flanders

Design Wales