



idea
BIRMINGHAM

**Looking for
Growth**





Sack the Economists Hire a Designer

Creating Economic Value
through Design



JAGUAR
C-X75 Concept Car

“It’s a very unnatural thing to be a civilization that doesn’t want to make things. However I do sense a changing attitude to design and that the revolution in technology caused by the need to be environmentally friendly will create huge opportunities. There’s a change happening – a growing pride and interest in English-designed and English-made products. I’m sure there’s still a desire to create and design in England. And if you have the natural desire to make something you will find a way of doing it.”

^Dr Alex Moulton



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Researched, written and produced by Beverley Nielsen;
Edited by Catherine McGrath for Idea Birmingham, October 2012

“Far from drowning that which makes you different in a sea of bland, fake, generic, consumerist product, globalization allows difference to thrive. The difference is key: this is where the real value is and it is what people are striving for. The reaction to rampant consumerism has been a ‘keeping it real’ backlash. When everything is accessible, the inaccessible becomes valuable.”

^ David McWilliams, Economist



TRIUMPH MOTORCYCLES
Triumph Daytona

“Design is a world strength for the UK, connecting us with other people. We are able to develop new approaches and styles in a way that others find difficult to do.”

^ Martin Donnelly, Permanent Secretary, Department for Business, Innovation and Skills



JCB

Founders



Supporters



Foreword

^ **By William McGrath, Chief Executive, AGA Rangemaster Group plc**

What's the Big Idea?

Sir Roy McNulty on his arrival in Birmingham as Chairman of Advantage West Midlands asked, bluntly, 'what are the unique selling features of the West Midlands?'

Abraham Darby knew the answer. William Morris knew the answer and the design team at Jaguar Land Rover know the answer. It's innovation and design.

For over 300 years, notably since Abraham Darby first smelted iron ore with coke launching the industrial revolution, Midlands manufacturers have been combining creative and productive skills to sell branded products at home and abroad, signalling to consumers their ethos of care and quality as well as their intention to transform lifestyles for the better.

Perhaps designing, innovating and making got a little lost in cluster and service-led approaches to economic development. Perhaps too, it went out of fashion in the heady days of the credit boom.

In the post-Lehman world **Idea Birmingham** was started as a think and do tank by like-minded individuals sharing a vision about the importance of design and innovation.

The idea was to deliver a practical low-cost, high output, high quality, design exhibition to get Birmingham noticed internationally; surely it was a case of 'game on'. It gave everyone the opportunity to get behind a deliverable, relevant theme, providing and taking from the energy of the event what they needed.

As **Ian Callum, RDI, Founder Chairman**, Idea Birmingham has said, "Creativity and design are key. We need to learn to embrace our creativity to really understand what design means and what it can do for us by using it to our economic advantage. We need to embrace the idea of making things again. It is our heritage; let's use people skills to turn raw materials into objects of value."

'How can it be that we are wealthier today than people were 100 years ago? . . . This question is puzzling because, if you add up all the things we own, it is clear that the underlying quantity of raw materials has not changed over time, ... The total physical mass here on earth is the same as it has ever been, and now we have to divide this up among a much larger group of people. So how could it be that we have more total wealth per person than we ever did before? ...

There's only one explanation for this increase in wealth. We took this raw material that was available to us and rearranged it in ways that made it more valuable. We took stuff that was not very valuable and made it much more valuable. ... What lies underneath this process of rearrangement are instructions, formulas, recipes, methods of doing things – the things accountants classify as intangible assets if they recognize them at all. They tell us how to take something that is not very valuable and rearrange it into a new configuration that is more valuable.'

^ **Paul Romer, Economist**



LAND ROVER
Land Rover Defender

Executive Summary

Designers work in the real world. Design is focused on use. And design will drive our economic recovery.

Design and innovation are central to addressing the economic challenges the UK faces and to encouraging regional development.

Together the East and West Midlands contribute around £158bn to GVA to the UK economy, a level similar to that of the South-East of England. During 2012, figures from PMI have indicated that the West Midlands has experienced an upturn in productivity growth and is economically the most dynamic of the UK regions. In 2011, the Midlands export performance reached £38bn, ranked second only to the South East and at £43bn and stronger than London, at £35bn. This success is not only down to the big Midlands brands, like Jaguar Land Rover, JCB, Aga Rangemaster and Aston Martin, but a myriad of Medium Sized Businesses that make the region a creative and productive power house.

It is widely recognised that in order to rebalance and develop the UK's economic activity, there must be greater collaboration between Cities, regions and businesses. If a region is already excelling, that winning formula must be identified, promoted and built upon.

Idea Birmingham is a think and do tank set up to do this. Our goal is to highlight Birmingham's weighty contribution to the UK economy and to develop an innovation eco-system – a network where the best and the brightest can share their knowledge and skills.

Birmingham, and the Midlands, is unique in its ability to combine creativity with productive skills to create premium and specialist brand-led offers. Its industrial heritage and creative heart have transformed how people live their lives and brought the UK to the international stage through pioneering brands such as Jaguar Land Rover, Aston Martin, JCB, Triumph Motorcycles, Morgan Motor Company, Aga Rangemaster, Acme Whistles, Brintons Carpets, Vax, Emma Bridgewater, Pashley Cycles, Brooks England Saddles, the Royal Shakespeare Company, Birmingham Royal Ballet, the City of Birmingham Symphony Orchestra.

The Midlands is home to a much overlooked community of designers that has given rise to international figures such as Ian Callum, RDI of Jaguar, Gerry McGovern of Land Rover, Marek Reichman of Aston Martin, Emma Bridgewater in the Potteries, as well as designer-makers, jewellers and skilled crafts people.

The challenge for the UK and the Midlands, is to keep the talent here and build an environment that will turn their talent and creativity into profitable and sustainable businesses and industries. Idea Birmingham conducted a survey of leading Midlands businesses to find out how this could be done and what they need to support them. Our research has found that:

Nearly all Midlands firms put design and innovation at the heart of their business plan:

- 87% get their competitive edge from innovation
- 87% of businesses rank innovation as one of their top business priorities
- 82% of business are increasing their investment in innovation
- Over £3bn is being invested in new product design by the firms surveyed, averaging 14% of turnover
- 94% said design enables them to fulfil their customers' needs
- 71% have found a direct link between profitability and design
- Nearly 60% of companies have dedicated design departments
- 73% have worked with higher education institutions

There is a direct correlation between the commitment to design and growth;

- In businesses, where design leads the development of products and service, 62% are planning for rapid growth and 31% more moderate growth. All these firms plan to increase their innovation spend significantly
- Firms where design and innovation do not drive the process are planning for lower growth
- 61% of the Midlands companies surveyed had won Design Awards
- New products and service offers are enabling 80% of respondents to enter new domestic markets and grow market share at home
- 50% of respondents had been able to enter export markets and grown export market share on the back of new offers
- Over 50% of businesses had taken on employees over past three years

These firms want to be part of a Midlands innovation eco-system:

- 96% of respondents think it is essential Birmingham and the Midlands builds its reputation for design and innovation
- 86% of respondents think design is the region's unique identifier
- 70% do not currently see themselves as part of a design led cluster in the Midlands – but want to be
- For almost 70% of respondents their heritage is an important marketing asset as part of their cultural capital and authenticity

In its first year Idea Birmingham has held the first Midlands Design Expo for over 100 years to showcase the design excellence that has been driving a resurgence across the Midlands and as the first step in building the innovative network that will generate future growth, and set out the agenda for harnessing the power of what we have and building the eco-system we need.

Every firm surveyed would take part again and believe that more of this kind of support would help their business to develop.

- 100% of respondents think Birmingham needs to establish its design credentials.
- 100% of companies surveyed want to see Birmingham and the Midlands develop a design led marketing campaign
- 53% would launch a new product at the next Birmingham Made Me Expo

In light of all of these findings, Idea Birmingham makes three recommendations:

1. Launch a design-led strategic marketing campaign for Birmingham, the gateway to the Midlands. Birmingham is a design and innovation hub, the Milan of the UK, and should be promoted as such. Government should support this initiative as it will help to diversify the UK economy from over dependence on the South East and lead to a strong and independent identity for Birmingham and the Midlands – the country's productive hub.

At the heart of this should be the **Birmingham Made Me Design Expo** – an annual showcase of the Midlands talents and products, as well as an opportunity for businesses, universities and Government to come together to identify talent and opportunities for future development.

2. Create an Innovation and Design Leaders' Network (IDLN) to foster a strong design and innovation eco system for Birmingham and the Midlands, with an entrepreneurial, collaborative, multi-disciplinary culture at its heart. With Government support, this network will enable expertise sharing, incentivise development of multi-disciplinary skills, such as engineering and design, business and marketing, and give greater ease of access to a range of finance offerings.

3. Support for new business formation, drawing on multi-disciplinary, collective learning activity that combines business, technology, engineering and entrepreneurship for talent development. Business, Government and Universities should work with schools and colleges to identify talent and give young entrepreneurs the support and opportunities they need to develop their ideas.

1. Introduction

Economists are driving in the dark. There are too many economic theories, generating more fog and uncertainty than solutions to our problems.

The question of how to ensure the UK's economic recovery can be answered with greater ease than we think. We only have to look to what we have done in the past, and what we have done best nationally and regionally. We design. We innovate. We lead the way.

Economists cannot help us here – only designers and creative thinkers, who can bring to markets the things consumers desire, the things they will use.

Reputation, brands, cultural values, designs, heritage, knowledge networks, user experiences, people skills, software and computing, research and development are forming, on average, up to 75% of the value of our businesses. Other intangible assets are found in the networks and environments surrounding business. In education, culture, infrastructure, real and virtual, these are all components contributing to value systems supporting our businesses.

For economists much of this value added is off their radar and this is severely limiting our ability to see what will create growth and value in the future. Whereas economists focus on the context of transactions, design is focussed on the context of use, and as a result they are delivering sustainable economic results. Making beautiful and practical things that all the world desires makes good business sense.

Designers overcome challenges to meet as yet unmet needs and desires by creating sources of competitiveness through transformational approaches for businesses and users alike. The key to achieving improvements in the knowledge and creative economy is through collaborative approaches, between economists, designers, scientists, those in the public and private sectors, aimed at developing more comprehensive ways of understanding value creation, or design and innovation systems, both within and outside the construct of the individual enterprise.

In the knowledge economy companies are increasingly, relying on collaborative networks of those assets within their businesses and knowledge accessed through networks surrounding them.

Letting young people know that there are great life opportunities in the place where they live and learn is part of building a society where aspiration and optimism go hand in hand. It is also plays a part in retaining our home grown talent. Could the Jonathan Ive's of the world, having been raised here, not find the sorts of life opportunities they were looking for in the Midlands?

And no business can survive without a quality infrastructure to mobilise information, goods, services and people. In the Midlands, Birmingham as a gateway, stands out as the pivotal communications and knowledge hub located at the heart of our region.

By rooting for each other, working together and promoting our successes we can create an economy where we support enterprise through an upbeat culture which looks positively at creating and growing new ideas and 'designing in' opportunity for our people.

Innovation Eco-System and the Birmingham Made Me Design EXPO 2012

Idea Birmingham was formed as a think and do tank focussed on establishing a Midlands design and innovation eco-system linking emerging talent with established businesses within a collaborative, multi-disciplinary, entrepreneurial culture.

Established by Birmingham City University with support from Aston University and Birmingham City Council, its members include some of the best-known and loved UK brands including Jaguar Land Rover and AGA Rangemaster, with iconic businesses such as JCB, Acme whistles, Triumph Motorcycles, Morgan Motor Company, Emma Bridgewater, Pashley Cycles and Brooks England saddles also involved.

As its first action Idea Birmingham brought together the coalition of interests from the public and private sectors to put on Birmingham's first Design Expo in over 100 years.

The idea behind the Birmingham Made Me Design Expo was to showcase some of the design excellence that has been driving a resurgence across the Midlands, to highlight Birmingham's position as the UK's 'Original Design City' and to promote our own unique selling points.

Through this emerging network of relationships the intention was to stimulate an innovation eco-system focussed around design-driven innovation, knowledge transfer and the recognition and retention of vital emerging talent necessary for renewal, jobs and wealth creation. The project was seen as a step towards re-balancing our economy away from over dependence on London and the South East by promoting the Birmingham region as a powerful magnet for talent, international finance and investment.

The Midlands is home to a much overlooked community of designers transforming the fortunes of businesses and the lives of people around the globe. We need to set the record straight.

Too much of our region's creative talent is being lost to global cities with reputations as vibrant cultural hubs. London, in hosting events such as 'New Designers' attracts arts, design and creative talent exhibiting and showcasing their work to a pool of employers largely based around the South East.

By holding a Birmingham Made Me Design Expo employers and universities recognised the opportunity to create an alternative forum through events and activities based in the Midlands. With just over £90k invested the Birmingham Made Me Design Expo was held at the Mailbox in June 2012 and was hailed by all partners as a great success.

Organised by Birmingham City University, working with Idea Birmingham members and partners, it brought together and showcased over 150 businesses in 12 design zones for a 10 day design exhibition involving over 30 events and attracting an estimated 15,000 visitors to the Mailbox.

Gaining much media coverage visitors were impressed and often amazed to find out more about the range of design and innovation activity taking place on their doorstep. Businesses made new professional contacts and friendships, with many new partnerships having been formed.

Innovation and Design-led Businesses: Understanding and Learning from Curious Cultures

Regions across the UK need to develop and promote their own unique selling points if we are to diversify our economy away from a widely recognised over dependence on London and the South East.

To understand more about the critical features of design and innovation-led businesses, Idea Birmingham ran a survey, building on earlier work by the Design Council and Danish Design Centre. It assessed 24 Midlands companies generating £24.5bn turnover, contributing around £2.5bn profits and investing over an estimated £3bn in designing and developing new products and services in the current year. These businesses employ 38,500 employees in the region, supporting a further reported 32,000 jobs directly through supply chain procurement across the Midlands.

The survey found their skills base is highly focussed on design and innovation capabilities in delivering above average performance with 41% of respondents having grown significantly, by more than 10% over the past year, and 36% having grown modestly, between 1-10% against a backdrop of flat or declining GDP.

2. Economic Context

UK and West Midlands

Since end 2007 the UK economy has, in line with US and Western European economies, been struggling to regain sustained growth. Having recovered from the depths of the first phase of economic recession towards end 2009, Britain has subsequently slipped back with GDP falling over the past three quarters and the most recent figures showing a 0.5% contraction in the quarter from April and June 2012. [\(1\)](#)

Our economy is now at about the same level it was at towards the end of 2010, with growth having been broadly flat over the last two years. Output is still more than 4% below its pre- recession peak at the start of 2008. [\(2\)](#)

The UK trade gap, although narrowing recently remains in deficit. The manufacturing trade account has not been in surplus for 30 years. Since then it has moved from a deficit of £12.2bn in 1997 to £100bn deficit in 2011 - in spite of a 25% fall in sterling since 2008. In contrast the surplus on services was £76.4bn in 2011, up from £18bn in 1997. [\(3\)](#)

Whilst total UK exports are up marginally, +0.1% in the last year, these look weak when compared with +12% for America, +9.7% for Ireland, +9.2% for Netherlands and +7.4% for Spain, highlighting concerns about overall UK competitiveness. [\(4\)](#)

Two key features have emerged from the period of UK growth from 1993-2007 and subsequent downturn- an overdependence on household consumption and government spending, combined with a real-terms contraction in manufacturing and a growth in services.

As manufacturing contracted so too did the regional distribution of economic growth. If we do not rebalance the economy then we will continue to be too dependent on household consumption. The government's plans to reduce spending over the next five years, combined with weak earnings growth and households seeking to deleverage, does not provide a sustainable growth plan for the UK.

The businesses were contributing over £17bn to the UK balance of payments, with 70% of total sample turnover being exported and around 80% of manufacturers' revenues being generated through exports.

Heart of the Economy

Something special has happened in the Midlands. The accumulated heritage of these companies binds them into their locations in the heart of the country. So much so, that most manufacture here as part of their provenance, accommodating relatively higher production and labour costs as part of the premium within their often luxury, specialist, authentic brand offer.

While a small minority manufacture elsewhere, even these perceive the Midlands as core to their identity and believe it important to always have a stake here. These businesses do not have a mentalita mobile. They believe in their home and are bound into it.

Whilst these businesses observe that being British is fundamental to their identity, there is a growing recognition of and pride in being located around Birmingham. A subset operating within the automotive sector see themselves as part of a design-led cluster in the region, with the others wanting to become part of a design-led cluster, or innovation eco-system focussed on sharing applied knowledge.

All the businesses surveyed see Idea Birmingham's efforts as the valuable first steps in making this happen. They all regard it as essential that Birmingham gains a greater reputation and recognition for design and innovation excellence and that this is a 'very important' part of the City and region's unique selling points. They all believe that this should be at the heart of a strategic marketing campaign for the City region.

A number of policy recommendations are made in Chapter 7 of this report.

One recommendation takes precedence: the promotion of Birmingham through an annual Design Showcase and Exhibition positioning Birmingham as the Milan of the UK. Featuring Birmingham's innovation and design excellence created by those living and working here, it would promote Birmingham as a city of opportunity, as a vibrant, happening place where people want to live and work. This headline act would, in turn, generate energy and relationships driving a collaborative entrepreneurial eco-system. The result - a thriving City region recognised internationally for its premium brands through design and innovation credentials which continue to transform the quality of people's lives around the world.

Britain can no longer depend solely on London and the South East. In re-balancing and developing economic activity, it will be crucial to support and promote greater collaboration between Cities, across regions and between businesses. We must focus on the sectors that are thriving, despite the difficult economic landscape. Most notably this is happening where they have taken design and innovation seriously. For example, between 2009 and 2011 UK car output rose from 1.1m to 1.45m units, with over 80% of cars produced being exported. Car exports have been +10% so far in 2012 and in the first quarter of this year the UK posted a quarterly trade surplus in cars for the first time since the 1970s, with the value of exports exceeding imports by £564m.

It is predicted that 2012 will be the first time in over 30 years when the automotive sector will run a trade surplus. In comparison, the UK ran a trade deficit on cars in 2011 of £1bn and £7.5bn in 2007. (5)

The CBI has highlighted that with government and household consumption accounting for 89% of GDP in 2009, more than in the US, Germany or France, there is a pressing need to resurrect business investment and net trade as key drivers of growth. (6)

Similarly the power represented within Medium Sized Businesses (MSBs) needs to be harnessed more effectively. The CBI has stated that by creating conditions enabling MSBs to flourish they would play a vital role in transforming UK economic growth over the next 10 years. They estimate that MSBs could contribute as much as £50bn to the UK economy by 2020, creating job opportunities across all regions of the UK. To achieve this, MSBs need to enhance management and leadership skills, harness new talent and ideas, devise appropriate finance strategies for growth, implement export strategies and exploit opportunities for innovation collaborations. (7)

West Midlands

The Midlands is already leading the way in our economic recovery. The region has been enjoying a renaissance in particular due to manufacturers such as Jaguar Land Rover, JCB, Rolls Royce Aerospace, GKN, their supply chains together and innovation, design and brand led businesses. The West Midlands contributes around 8% to UK GVA with the East Midlands contributing a further estimated 7%. Taken together both regions contribute £158.15bn to GVA, a similar level as that of England's South East. (8)

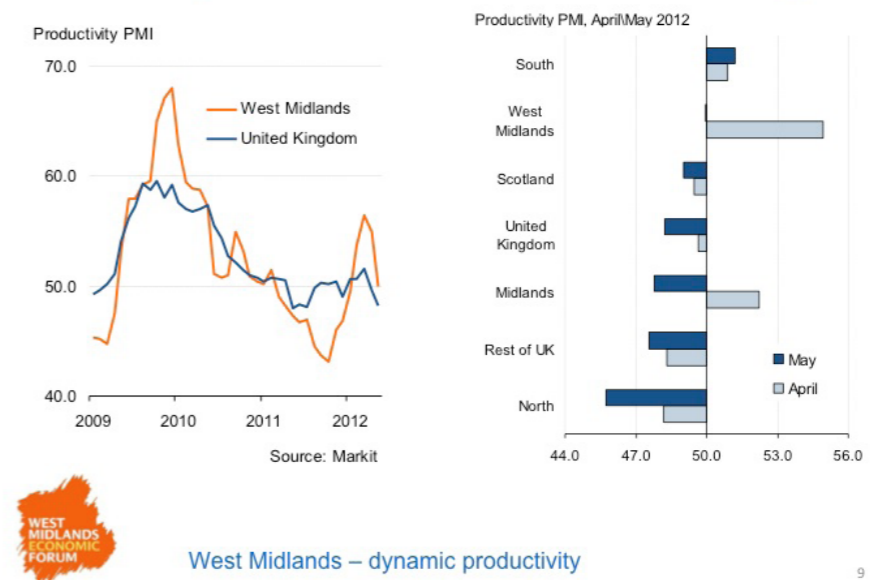
Assessing the value of manufacturing to the Midlands economy is not straightforward. Statistics vary between measures for GDP and GVA, with changes to data series collection making it difficult to compare like with like.

For example, in 1998 manufacturing accounted for around 30% of West Midlands GDP. Advantage West Midlands reported in 2008 that manufacturing accounted for 27% of GVA, generating GVA per employee 30% above the regional average. (9) By 2009 manufacturing was reported as accounting for 13% of West Midlands GVA with finance at 7% of regional GVA. By including other productive processes together with manufacturing including electricity, gas, water and construction, regional productive contribution amounts to 24%. (10)

During 2012 figures from PMI indicated the West Midlands has been enjoying a marked upturn in productivity growth as the most dynamic of the UK regions. (11)

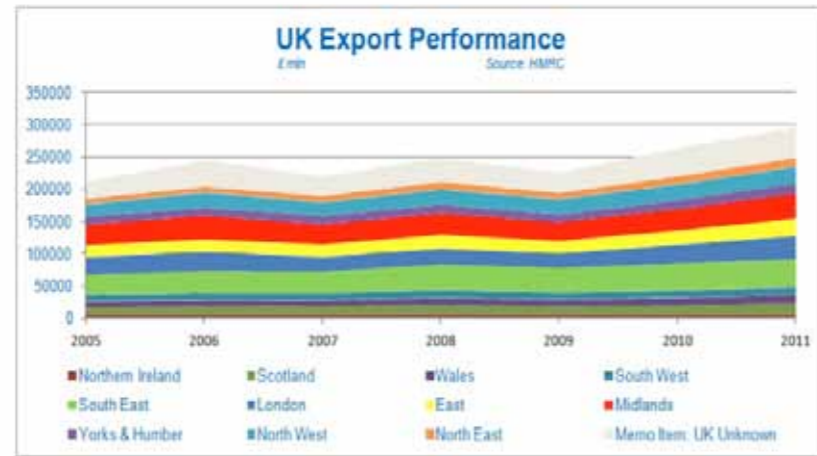
Comparative Industrial Productivity

Chart 1



In 2011 Midlands export performance improved to £38bn, ranked second only to the South East at £43bn, and stronger than London at £35bn, with the number of exporting companies reflecting the strength of innovation in the local economy and its inherent competitiveness. (12)

Chart 2



The Midlands export performance continues to improve (£38 bln), ranked second only to the South East (£43 bln) in 2011, and stronger than London (£35 bln)

These improvements are demonstrating the Midlands' capacity and capabilities in supplying high value added products and brands into sophisticated overseas markets.

In considering the UK's recent success as the second largest producer of premium cars in the world after Germany, it is interesting to note that the bulk of this sector is located in an around the Midlands. Jaguar Land Rover (JLR) and JCB, with reported revenues increasing by over 30% in the past year, have been in the vanguard. JLR has benefited from investment in product and service quality, with a focus on excellence in innovation and design. New product introductions have been delivering impressive sales successes, including a 91% increase in 2012 second quarter sales to China. The Range Rover Evoque has underpinned expansion plans for production at Halewood with employment across the business increasing by +8000 over the past two years. (13)

The West Midlands has a comparatively high proportion of small and smaller-medium sized enterprises. Whilst in the past there has been an established core of relatively skilled labour, these skills have traditionally largely been acquired during the production process, rather than through a formal process of qualification. (14)

As we move up the value added chain, skills acquisition remains a vital challenge to our competitiveness and our ability to diversify our economy rapidly in response to changing market conditions. This will require greater collaboration between education and business in providing the skills required to meet these emerging market needs.

The Intangible Dilemma

“Design, stripped to its essence, can be defined as the human capacity to shape and make our environment in ways without precedent in nature, to serve our needs and give meaning to our lives.”

^ Prof John Heskett

Valuable investment that leads to growth is not simply the product of major infrastructure projects and production lines. The essential ingredient that links the success of the major Midlands brands and the power of the MSBs is their commitment to investing in what you cannot see and what may not seem immediately profitable. They invest in their intangible assets.

With 45% of UK value added employment in the knowledge economy research indicates that on average around 75% of companies' value is derived from intangibles, with manufacturing investing more in elements such as reputation, brand, skills, software, management and leadership, than the service sector. (15)

One recent study showed overall industry spend on intangibles in 2004 amounting to £152bn with spend on tangibles at £92bn. Manufacturing investment in intangibles was £40bn and on tangibles £12bn – a ratio of 2.5 to 1 up from 1.2 to 1 in 1977. Manufacturing accounted for 12% of total tangible investment and 31% of intangible investment in 2004. Perhaps more striking is the fact that most value added in manufacturing is coming from intangible investment. (16)

Investment in economic competencies such as reputation, human and organisational capital accounted for around 50% of total intangible investment in 2004. Manufacturing invests more, proportionately, in intangibles than the service sector with manufacturing being the single biggest investor in design, spending up to twice as much on design as it does on R&D. (17) Traditional accounting, by obscuring an array of intangible drivers of value, fails to anticipate future value creation.

Design and innovation – the essential intangibles

Whereas economics focuses largely on the context of market transactions – production, distribution and consumption, design is focussed on the creation of wealth through the context of use.

Through their focus on solving problems and meeting as yet unmet needs and desires, designers create sources of competitiveness for firms through transformational approaches for businesses and users alike opening up new markets at home and abroad. [\(18\)](#)

Understandably, in difficult times this is not always an easy area for businesses to commit resources to. But it is essential if these businesses are to thrive.

Jonathan Ive, Senior Vice President, Industrial Design, Apple, (originally from Stafford), has summed up the importance of dedicating energy to innovation and has spoken about the challenges that a business faces in evaluating new ideas. For his team there is an understanding of the value for the business in supporting “fragile new ideas” in their development.

“You have to appreciate the amount of unseen invention sitting behind any successful idea. There are multiple points where an idea can be prejudiced or compromised. It’s a remarkable process.”

Ive has observed that whilst there are some very important contributions design can make to the leadership of a corporation, they are not always obvious. He has spoken about the aspects of design centred around intangibles which need to be taken seriously by company leaders. “People are much more comfortable talking about attributes which they can evaluate with a number. Easy conversations. Problem is that these conversations can take a lot of oxygen and are often not that important.” [\(19\)](#)

Supporting Design and Innovation - Becoming greater than the sum of our parts

People, their skills and ideas are the greatest asset of any business, even if that is not easy to demonstrate on the balance sheet.

A whole network of support feeds into every business from primary schools to universities as young people are prepared for opportunities throughout their lives and at work. Developing a collaborative dialogue between partners in this process is critical for the futures of these young people and our businesses.

This spirit of collaboration must work from early school years to graduation and beyond.

“A lack of collaboration between businesses is holding back innovation capacity – both between and across the private and public sectors, for example through our partnerships with education. Public sector procurement practice needs to be revitalised and could generate tremendous opportunities for re-design and innovation.”

^ [Glenn Howells, Glenn Howells Architects](#)

How Milan Met the Challenge – The Lombardy Design Discourse

Birmingham’s sister city, Milan, has had some experience in delivering a successful innovation eco-system delivering a ‘whole greater than the sum of the parts’ impact through effective collaboration and networking. [\(20\)](#)

In the 1980s Lombardy homewares and furniture businesses such as Alessi, Cappellini, B&B Italia, Kartell, developed a ‘design discourse’ involving a collaborative community of architects, academics, craftspeople, critics, curators, business people, students and artists exploring the meaning and identity of products as expressed through design.

Over a 10 year period from 1994-2003 this design cluster saw turnover increase by 76% amongst furniture companies compared to an 11% increase across the EU. Turnover at Kartell soared by 211% and at Cappellini revenues increased 117%. Importantly the city’s reputation was transformed and a great energy unleashed between producers, educators, retailers and curators which is still the source of inspiration, creative energy, visitor and business revenues.

A study of 26 international design experts by Prof Roberto Verganti showed that the distinguishing feature of the Lombardy Design Discourse was the number and strength of links between the participants, schools, studios, manufacturers, as listed above, and the quality of the interactions between them. The factors that made Lombardy, “the envy of other localities were imagination and motivation which are within the capacities of any group of businesses, so it seems reasonable to assume scores of design systems are just waiting to be ignited.”

“To innovate the meaning of products you need to work with interpreters, people capable of radical vision. Most radical people succeed when they are in ‘circles’. The interaction between a circle of designers who are interpreters of meaning, respected collaborators such as technologists, business people and others who can think outside the box, will make for a great design circle that should successfully discover new meaning for old products.” (21)

Birmingham needs to promote itself as the UK’s answer to Milan and Lombardy – drawing talent and investment into the Midlands by promoting our on-going reputation for innovation and design excellence, together with our unique authenticity and heritage. Birmingham and the Midlands need to develop a practical and functioning innovation eco-system, harnessing and transferring knowledge, people and goods via effective communications networks, both real and virtual in construction.

Case Study: P&G

Prof Roger Martin illustrated some of the benefits of introducing more strategic ‘design thinking’, in particular through his writing on P&G in the early 2000s when company growth had slowed, profits were flat and P&G’s top ten brands were losing market share. Then CEO, A.G. Lafley, relied on design thinking as a way of balancing analytical and intuitive thinking, enabling the organization both to exploit existing knowledge and to create or explore new knowledge. In implementing this he hired the company’s first Vice President, design strategy and innovation, Claudia Kotchka. From 2003-2008 revenues increased 94% from \$42bn to \$81bn, with profits increasing by 140% from \$4.6bn to \$11.8bn. The programme included hiring the best available design talent, working with world-leading design agencies such as IDEO, developing in-house design programmes for thousands of P&G employees and then demonstrating the results of good design on their operating units. (22)

3. West Midlands Heritage and Culture of Collaboration

Birmingham can follow Milan and find a way to showcase itself drawing on its great cultural dividend. The Midlands has always been a hotbed for design, innovation and forward thinking and the businesses based here are proud to be part of that tradition.

Abraham Darby, as far back as 1707, was granted his patent for the production of cast iron pots in Coalbrookdale, where he first smelted iron ore with coke launching the industrial revolution and changing people’s lives at home forever. (23) Meetings at Soho House in Handsworth in the 1750s brought together Josiah Wedgwood, Erasmus Darwin and Joseph Priestley, where they discussed and created new scientific, cultural, philosophical and aesthetic developments.

Around a hundred years on, artists, designers and philosophers, such as Birmingham born Edward Burne-Jones, a graduate of the Birmingham School of Art, was collaborating with William Morris, Dante Gabriel Rossetti, Ford Madox Brown, Charles Faulkner, Marshall and Webb, to transform lifestyles for people around the world through Morris, Marshall, Faulkner & Co, the crafts-based furnishings and decorative arts manufacturer and retailer, famous worldwide for its medieval inspired aesthetic and styling together with its strong links to Birmingham.

By fuelling an appetite for ‘beautiful and practical objects’ and ‘selling what all the world desires’ these groups at different times revolutionised aspirations, tastes and preferences among growing middle classes, initiating new approaches to lifestyles, how people lived at home through new interior décor, products and accessories.

This spirit can be seen today in the thriving automotive sector, the vibrant jewellery trade (Birmingham is responsible for 60% of UK jewellery output) and quality ceramics, being revitalised by brands such as Dudson, Emma Bridgewater, Steelite and Portmerion. This, in addition to the powerful food and drink industry, home to Cadburys, Bass, Mitchell and Butlers, Bulmers, Marmite and Worcester Sauce.

Heritage enables companies to possess an identifiable culture with an historical narrative recognised by users for its sincerity, whilst providing the foundations for a reputation built on innovation and sector leadership. (24)

It also brings a brand authenticity associated with increased consumer perceptions of uniqueness (critical differentiation); increased purchase intentions and word-of-mouth support; the attraction and retention of a greater proportion of higher value customers with authentic brands becoming embedded in the wider cultural environment. These businesses are associated with a love of production; design-led Innovation and a focus on developing meaningful connections between their products and their customers.

The Power of an Expo

Using this creative and collaborative culture, Birmingham hosted the first UK design exhibition in 1849. As a huge and widely recognised success, it led to the Great Exhibition of 1851. A legacy of this first design exhibition in Birmingham was the birth of one of our City's great public-private collaborations, the NEC Group.

Professor Bryson has summarised the value of design Expos: "Consumers, including school children - or future consumers - can be educated into appreciating good design. Sophisticated consumers play an important role in encouraging firms to produce well-designed products and well-designed products sell. In addition, exhibitions are an important site for advertising, selling and promoting, especially to interested retailers, as well as for engaging with local and national policy makers. Finally, many younger designers and other emerging talent need, more and more to exhibit their work so that businesses, financiers and others are aware of their potential to create new products, services or digital offers." (25)

With quality design as an essential ingredient in the region's productive mix a number of arts & design colleges have been fostered to provide technical, production, aesthetic and good taste sensibilities for local manufactories. The Birmingham Institute of Art & Design (BIAD), including the School of Art, was launched in 1843 with the Birmingham City University School of Jewellery, the largest in Europe, opening in 1890.

By organising the first Birmingham Made Me Design Expo, a start has been made to developing such a collaborative design and innovation 'discourse' between these firms for the benefit of Birmingham and the Midlands. Despite tremendous business model and sector variation the Design Expo and the dialogue leading up to it, provided great opportunities for knowledge exchange, innovation spillovers and collaborative working.

Case Study

Brooks England

At Brooks England it took the new Italian owners, who purchased the business in 2002, to fully appreciate the value of the company's heritage dating back to 1866.

"We were bought by Italians in 2002 and they have really focussed on telling our story," said Steven Green, Office Manager, Brooks England. "They have seen that value can be created through innovative approaches to marketing, promotion and reinforcing our identity. They've drawn on our unique heritage, creating striking advertising campaigns and new point of sale materials emphasising our authenticity. It's been interesting to see how they have looked at the business, finding value in much that could have easily been taken for granted." (26)



BROOKS ENGLAND
B17 Select

Case Study

Emma Bridgewater

"I think it's incredible that the Stoke on Trent pottery industry is rising again and I very much plan to be part of the future. I don't think we need to make everything abroad. So many exciting things can be made here in the Midlands and Stoke is the place to make quality."

"Why is it that ceramic firms in Stoke have survived even though they have been making for the catering or commodity markets? Because they've been consistently well managed. Their strategies have focussed on producing distinctive designs to drive niche market positions."

"If you're not careful, and especially if you don't love the product you're making and are simply focussing on the numbers, you'll begin to lose touch with what your customer really wants. It's not enough just to have some slick marketing - this alone won't work and customers will notice. You have to be welded to the product, the customers will get that." ^[27]



AGA
3-Oven Aga Cooker
Exterior finish design, Emma Bridgewater

Case Study

Acme Whistles

"Manufacturing isn't a skill it's a culture," says Simon Topman, Chief Executive, Acme Whistles. "It's a culture and both by understanding your product and by making it, you come to love it. That's part of the magic."

Acme speaks about how it consciously develops its own brand of 'curious culture', controlling it as they would any other business process. "Culture always trumps the business plan. Therefore before you can have a truly flexible and efficient business plan or even one that works, you need to understand your culture and have the means of continuously analysing and controlling it." ^[28]



ACME WHISTLES
Acme Thunderer

Case Study

Morgan Motor Company

“For us at Morgan, as a productive business with a strong heritage, innovation and design remain integral to our brand. At the moment we’re being funded by the Technology Strategy Board to develop lightweight applications for the composite, magalloy, and we’ve also been developing a fuel cell electric car - quite an ambition for us as a small company in automotive terms.”

“More generally, in spite of Britain producing some of the best designers in the world we still seem to have a challenge in defining our British identity. With British designers such as Tom Dixon and Jonathan Ive, Ian Callum, Design Director at Jaguar, his colleague, Julian Thomson, formerly of Lotus, heading up the Jaguar Design Studio, Gerry McGovern at Land Rover and Marek Reichman at Aston Martin, we have a wealth of internationally respected talent, much of it located here in the West Midlands. [\(29\)](#)”



MORGAN MOTOR COMPANY
Morgan Aero max

4. Birmingham Made Me – The Original Design City Design Expo and Awards 2012 Achievements

“The Birmingham Made Me Design Expo provided a ‘collectivist’ agenda with a large vision and one which many could buy into. There is an important need for Birmingham to be promoted as a great city and hinterland with a big opportunity for Birmingham to be seen as ‘playing’ Milan.”

^ **William McGrath**, Chief Executive, AGA Rangemaster Group plc

2012 saw the inaugural Birmingham Made Me Design Expo launched by Birmingham City University think and do tank, Idea Birmingham, supported by its founder members.

- Over **150 business exhibitors** showcased excellence in their products and designs across **12 design zones**, presented by **20 curators from business and Birmingham City University**, promoting design excellence in jewellery and silversmithing, art and visual design, fashion and performance, entrepreneurship, interiors and lifestyles, automotive and engineering, architecture, digital media, design archives.

- Over **2,000 tracked visitors attended key individual exhibits**. Much-visited exhibits included -- Jaguar C-X75 concept car; long wheel-base Land Rover Defender; Jaguar XKR and XF; Morgan Aero Coupe; JCB diggers and university concept cars; newly-launched AGA Total Control range cooker, ‘whistle chandelier’ installation, Hille educational chairs designed by Prof Richard Snell of the Birmingham Institute of Art & Design working in collaboration with David Rowe; Pointe Blank collection of 27 posters inspired by ballet Coppélia and created by a host of independent designers and illustrators for Birmingham Royal Ballet; Dunlop ‘Made in Birmingham’ racing Tyre; Birmingham Made Me entrepreneurs; School of Jewellery Award-winning graduate, Jack Row; Plant & Moss Clamp Lamp Chandelier and much more besides...

“I am delighted to see the work being led by Birmingham City University and supported by leading brands including Jaguar Land Rover and AGA Rangemaster. I look forward to it promoting our region’s design and innovation excellence and encouraging greater collaboration and best practice growth across all sectors.”

^ **Councillor Sir Albert Bore, Leader, Birmingham City Council**

- Over **15,000 visitors** attended the Mailbox Birmingham over the course of the week-long Design Expo representing a **50% increase in footfall over the eight day period**.

“We were delighted with the Birmingham Made Me Design Expo which led to our busiest weekend since opening. Footfall over the event was up over 50% and the Design Expo also resulted in an increase in dwell-time amongst our visitors.

“Customer reaction was very favourable with a lot of people commenting on having seen the posters around the City.

“Visitors loved the Jaguar, Land Rover, Morgan and concept cars, especially the Jaguar C-X75, with many of them having their pictures taken beside this amazing car.

“They were impressed and intrigued by the JCBs at the entrance and they loved the variety of exhibits. There was a great sense of pride that Birmingham made these amazing things which many of them had no idea about prior to visiting.”

^ **David Pardoe, Mailbox Management**

-
- **190 posters displayed around Birmingham City and suburbs** in the two months leading up to the Design Expo, thanks to in-kind support from Birmingham City Council and JCDecaux, attracting over **124,000 viewings each week** to create a recognisable brand as a platform for promoting entrepreneurship and design excellence in a short period of time (JCDecaux figures).

- Press coverage valued at £60k with further media coverage valued at an estimated additional £50k on TV and radio.

- **Over 330 company entries** for the inaugural **Birmingham Made Me Design Awards** and over **5,000 online votes** for the selected finalists across 4 categories with 7,181 visits generating 23,946 pageviews during June 2012.

- **Idea Birmingham Website**, www.ideabirmingham.co.uk, designed, built, managed and hosted as an in-kind contribution by AGA Rangemaster together with tactical website for the Design Expo, built and hosted by Birmingham City University colleagues. birmingham-made-me.bcu.ac.uk

- Over **100 Birmingham City University students** worked to conceive, organise and promote the Design Expo. This provided a platform to showcase student talent from over 4000 students at the Birmingham Institute of Art & Design including at the School of Jewellery, School of Art, School of Architecture, School of Visual Communications and School of Fashion, Textiles and 3-D Design as well as those from the Faculty of Performance Media and English working with the NewTechnology Institute, spearheading further new university business collaborations, work placements and job offers for students involved. These students provided further ideas and insights from their experiences for the development of the Design Expo in 2013.

Outreach to schools included showcasing students and young entrepreneurs from Holly Lodge Foundation High School, Birmingham and King Charles I Kidderminster, providing platforms for discussion and debate.

The prodigious performance talent at **Birmingham Ormiston Academy, BOA**, Birmingham’s regional academy of excellence for the teaching of creative, digital and performing arts which has just completed its first year in operation and is sponsored by Birmingham City University, entertained over 200 people at the inaugural Birmingham Made Me Design and Innovation Awards Ceremony.

“We applaud this initiative ...to highlight the importance of design-led manufacturing in Birmingham and the role this region has played through design in improving the quality of life for people around the world....and look forward to hearing more about the work of Idea Birmingham.”

^ **Dr. Vince Cable, Secretary of State, Department of Business, Innovation and Skills**

- Launching a **Birmingham Made Me Entrepreneurs Store** from Birmingham City University showcasing the designs for sale of ten young design-based businesses selling over £1k per week in first three months of operation. A further seven young designers have joined the store from September 2012. One further store has opened this October with five more entrepreneurs, and a third store is planned to open in mid October 2012.

- Attracting **high profile attention and support from key opinion leaders** (Secretary of State, Dr Vince Cable MP; Andy Street, Chairman Greater Birmingham & Solihull LEP; Lord Jones of Birmingham, former Minister for Trade and Director General, CBI; Councillor Sir Albert Bore, Leader Birmingham City Council) and many comments from the business community, students, members of the public supporting these initiatives. Idea Birmingham will host a fringe event at the Conservative Party Conference, 9th October, provocatively themed, ‘Looking for Growth, Sack the Economists and Hire a Designer’, promoting the impact of design and innovation-led businesses on the Midlands economy and policy actions to support their growth and contribution to our economic success.

- An extensive **Birmingham Made Me fringe programme of over 30 events**, together with activities held in advance of the Design Expo 2012 enabled productive networking between universities and businesses leading to new collaborations through the think tank, Idea Birmingham, including:

- School of Jewellery designer, Jack Row introduced to Harrods
- School of Architecture introduction leading to prestigious sponsored Chair
- BIAD designers introduced to numerous organisations including AGA Rangemaster, RNLI, Jaguar Land Rover, Acme Whistles, Brintons Carpets, Pashley Cycles, Brooks England, Triumph Motorcycles, Morgan Motor Company, Emma Bridgewater, Deakin & Francis, Cogent Elliott, JCDecaux, Green Room Retail, Glenn Howells, Institute of Directors, Birmingham Chamber of Commerce, The Mailbox, Midland Heart
- Birmingham City University Course Directors introduced to extensive network of Midlands design and innovation-led businesses
- Exhibitor introductions leading to new product development and business opportunities
- Company sponsorship of new BIAD competitions, lectures, co-creation and module development
- Knowledge Exchange programmes including two Knowledge Transfer Partnerships with AGA Rangemaster on sustainable and archive design developments
- Enhanced recognition of the importance of Midlands design archives in providing unique authenticity and provenance
- Growing recognition of the opportunities offered through multi-disciplinary collaboration between universities and business
- Think tank and opinion leaders contributing to design discussions including Will Hutton, the Big Innovation Centre; Vicky Pryce, FTI Consulting; Dr Alex Moulton, designer and inventor; Sir Richard Needham, Director, Dyson; Professors Andrew Sentence, University of Warwick; John Heskett, Hong Kong Polytechnic University; Roberto Verganti, Politecnico di Milano; Professor Michael Beverland, University of Bath; John Bryson, University of Birmingham; David Bailey, Coventry University and Satish Kumar, Fellow, Schumacher College
- Entrepreneur work showcased through new Entrepreneur store with emerging mentoring, lead development and personal development programme
- Working with recent Birmingham City University alumni and entrepreneurs to deliver mentoring and business development activity

5. Idea Birmingham - Assessing the influence of design on the Midlands success

Following the success of our first Design Expo, Idea Birmingham sought to further understand what value this added to the Midlands firms who had become involved and how we could help them reach their productive and innovative potential.

To this end, Idea Birmingham undertook a pilot survey into the importance of design and innovation and its role in underpinning the wealth creation process in the Midlands.

Idea Birmingham members have contended that the Midlands has produced a great number of premium brand, design and innovation-led companies – more perhaps than any other part of the country - and that these businesses, if provided with the appropriate frameworks, can learn much more from each other through collaboration and sharing information more effectively on innovation and design through an innovation eco-system.

To assess the value of the contribution made by businesses with a focus on design and innovation, a pilot survey was developed and a sample of 24 companies was interviewed through face to face and telephone discussions, taking from half an hour to an hour during September 2012. The survey focussed on both quantitative and qualitative approaches. All companies identified themselves as design and innovation or brand-led.

Methodology

Design is not seen simply as styling, affecting the presentation of the product or service offering, but a series of steps reflecting different levels of sophistication in deploying design and innovation to competitive advantage in businesses.

The Danish Design Centre has developed a 'Design Ladder' as a staged approach to assessing the economic benefits of design in Denmark. [\(30\)](#)

Their findings from surveys conducted in 2003 and 2007 suggest that the extent to which design may enhance creativity, innovation and competitiveness depends on a company's use of design. Their survey approach categorised companies 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 they attributed to design. Danish companies purchasing design have increased their revenues, on average, by 22% more than those that do not purchase design. Companies that have experienced an increase in design activity achieve an additional 40% revenue increase, compared to companies where design activity is constant or decreases. Companies that employ design professionals and purchase design externally export around twice as much as companies that do not. The Danish research also demonstrates a positive correlation between design and employment since job creation is higher in companies that employ design compared with companies with no design activity.

As revenues and exports perform better the higher that companies rank on the design ladder, their conclusion is that there is great economic potential for society through enhancing the design behaviour of business given the number of businesses which do not employ design.

The methodology in this report has been developed by building on a 30 question survey designed by the independent market research agency, Perceptive Insight, for research conducted amongst Irish businesses, ranging in size from 11 – 250 employees. The survey included weighting results on the basis of design sophistication to determine the 'design stage' of that business.

This approach was further developed with the pilot survey asking businesses 60 questions including a section on assessing the importance of heritage as a design and marketing asset for the businesses being questioned. In the first instance 24 Midlands businesses have been surveyed covering all sizes in terms of employees and turnover.

The sample was focussed on members and supporters of Idea Birmingham and is not representative of a cross section of business. However, it does support the Danish research findings in that businesses at higher stages, in terms of their integration of design approaches, are outperforming national averages in terms of sales, profits, exports and employment metrics.

The Design Ladder from Danish Design Center (DDC)

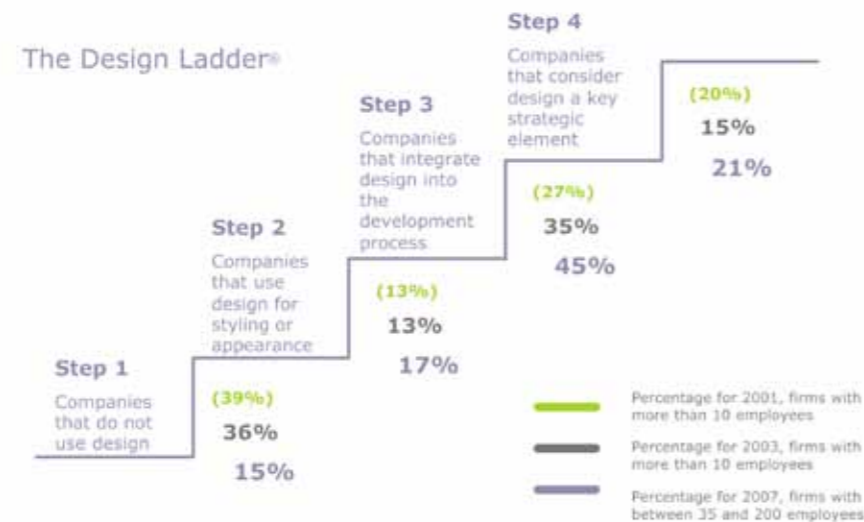


Diagram 1

Source: Design and Innovation, Jorgen Rosted, FOR A, June 2008

Other research which informed the development of the pilot survey included longitudinal research conducted by the UK Design Council, between 1994 and 2004 showing that 63 'design-aware' businesses outperformed FTSE 100 businesses by 205% over the decade. ^[31] Separately Design Council research has shown that in businesses where design was integral to operations 80% had developed new products in the previous three years, compared with national average of 40%. In addition Design Council research has also demonstrated that for every £100 a design alert business spends on design turnover increases £225. ^[32] Nesta research indicated that innovative companies were spending up to 30% more on design or at least the same amount as they spent on R&D. ^[33]

However, Design Council research in 2007 indicated that 66% of West Midlands (WM) businesses and 53% of East Midlands (EM) firms viewed design as having a limited role or no role to play, with just 39% and 54% (WM and EM respectively) having introduced new products in the previous three years and 57% and 48% of these firms having no form of in-house design activity. This suggests there is also room for economic benefit in the UK and Midlands through enhancing the design behaviour of businesses. ^[34]

Given these findings, the Idea Birmingham pilot survey intended to begin to assess how the region might develop networking and collaborative tools for businesses to help them understand more fully the benefits of integrating design-led approaches into their businesses and the returns that could be expected as well as how they could keep improving to enhance their competitive position.

“The thing that lets brands win is to give customers what they’re really looking for, perhaps what they have not yet even thought about or imagined. A network of designers and innovators is very important in delivering this ethos. I’ve worked in environments which have been very insular in the past and which have been very protective of IPR. We, at Vax, work in a highly collaborative environment. Good ideas come from all parts of business and all types of businesses. Collaboration stops people getting complacent and helps keep pushing the boundaries forward.”

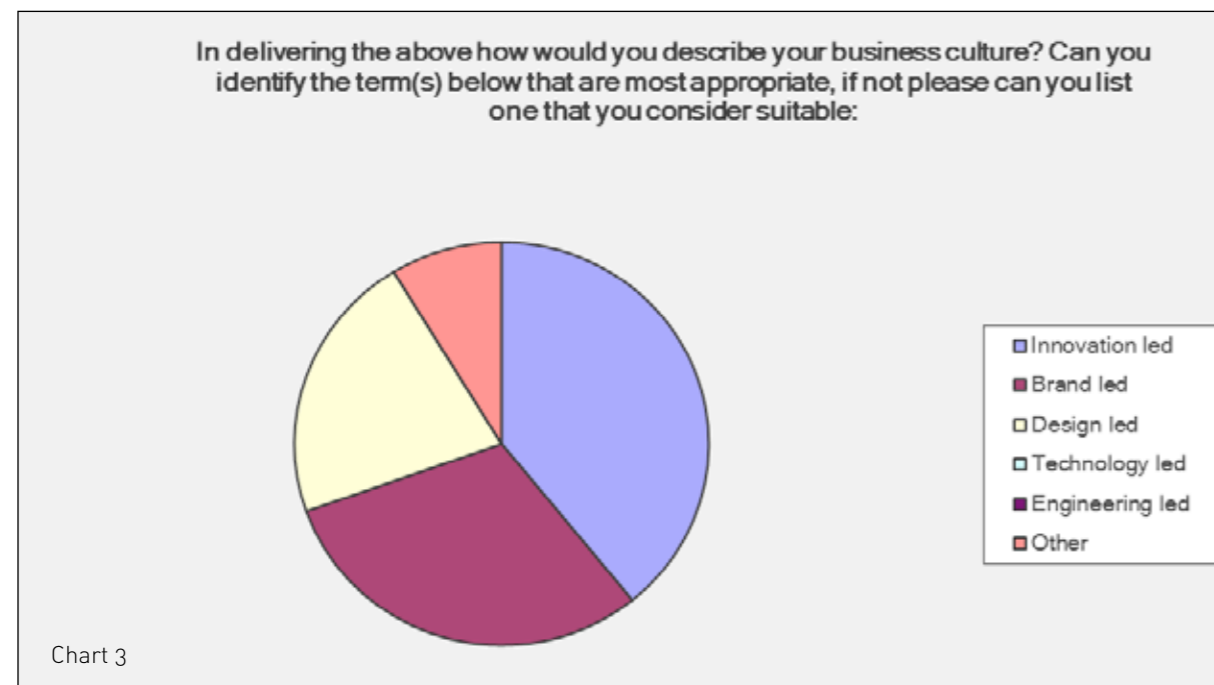
^ Paul Bagwell, Director of New Product Development, Vax

6. Assessing the value and contribution of design-driven innovation in Midlands businesses

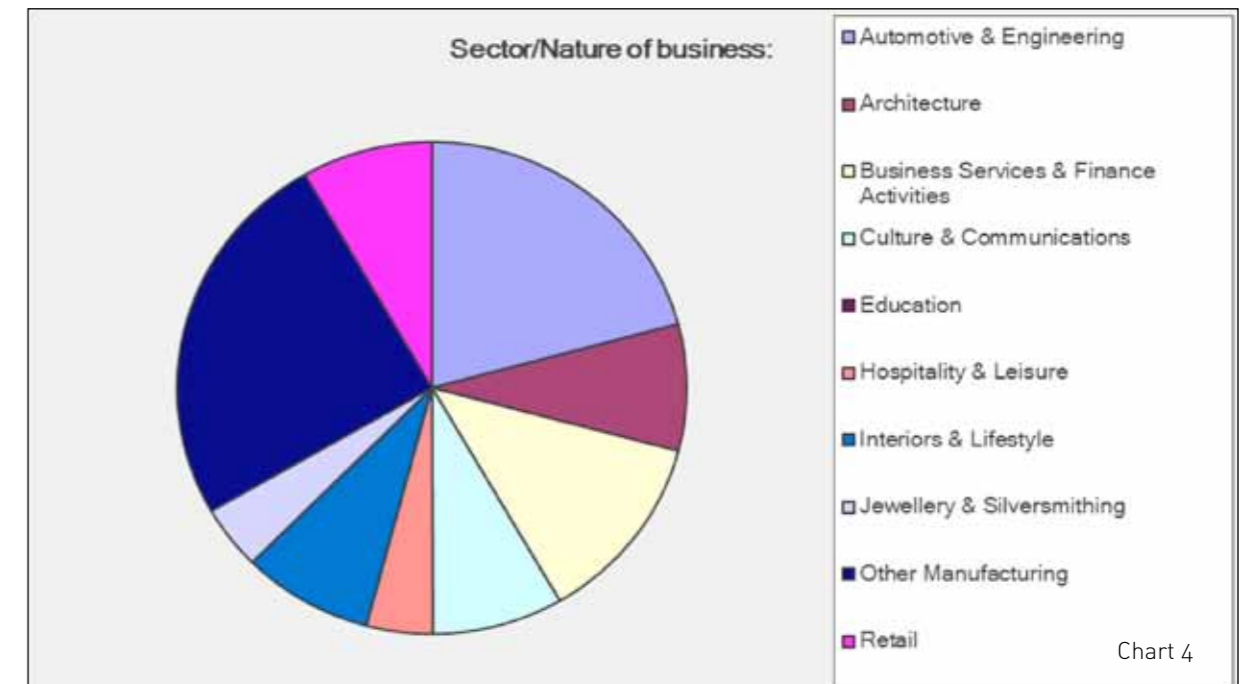
Who Responded

In surveying Midlands businesses the sample selected included a range of prestigious brand, design and innovation-led businesses covering a wide range of turnover and employment bands, with larger firms such as Jaguar Land Rover, Rolls Royce Aero Engines, JCB, Mitchells & Butlers, Triumph Motorcycles, AGA Rangemaster and housing association, Midland Heart, through to smaller medium-sized businesses, seen as a potential powerful growth engine for the economy, such as Morgan Motor Company, Pashley Cycles, Acme Whistles, Glenn Howells Architects, Laney Amplification, Free Radio, Green Room Retail, Deakin & Francis and the Birmingham Chamber of Commerce, together with a range of small and micro, emerging design-led companies including Plant & Moss, Fish Innovation and EC-Arts, all seen as critical integrators in driving design-led approaches through the region.

Design and innovation-led companies are major contributors to the Midlands economy. They rely on design and innovation as the primary means of driving their competitiveness and fulfilling their customer needs. 36% of the sample stated they were innovation led; 32% saw themselves as brand-led and 23% as design led. For 53% of respondents their business approach was about delivering quality and excellence and for 42% it was about focussing on customer service.



Companies surveyed spanned various sectors, not simply from the so-called 'creative sector' where much of our focus on design has centred, including automotive and engineering; architecture and construction; professional, business, legal and finance activities; culture and communications; hospitality and leisure; interiors & lifestyle; jewellery and silversmithing and other manufacturing activities.

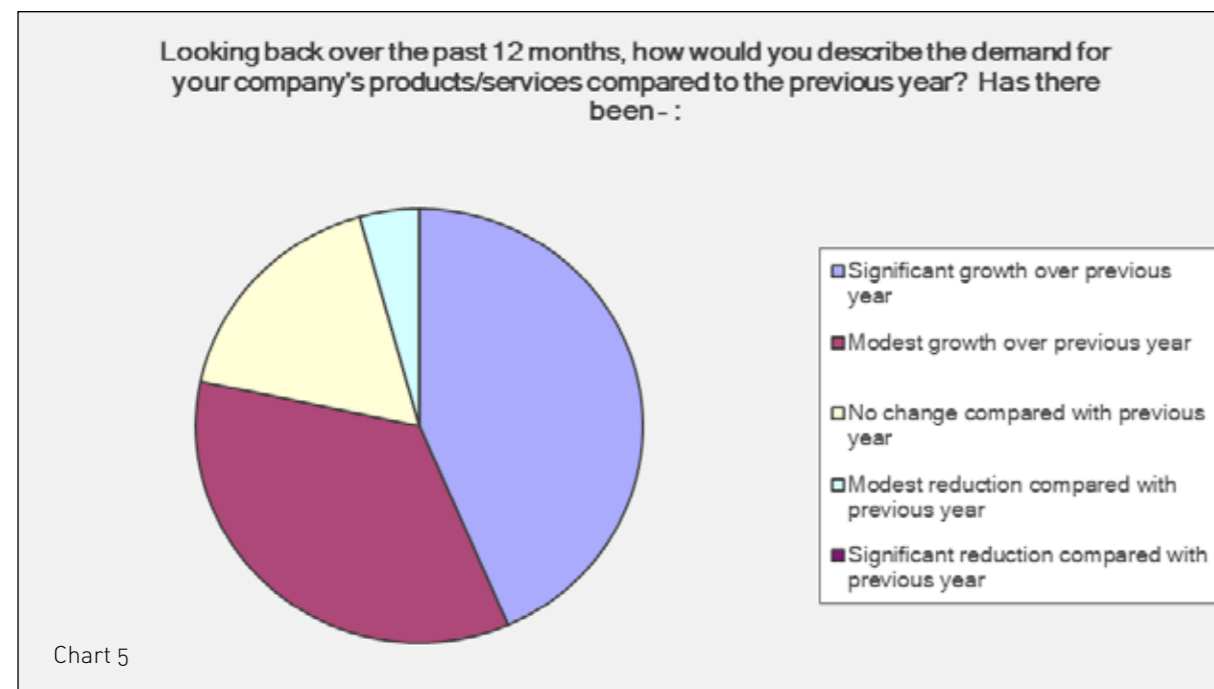


Economic Contribution

Turnover amongst the companies amounted to over £24.5bn revenue in the past year with those surveyed employing over 38,500 employees within their businesses in the Midlands. Midlands' supply chains were contributing significantly to product /service requirements with 32,000 jobs reported by the sample as being directly supported through supply chain procurement.

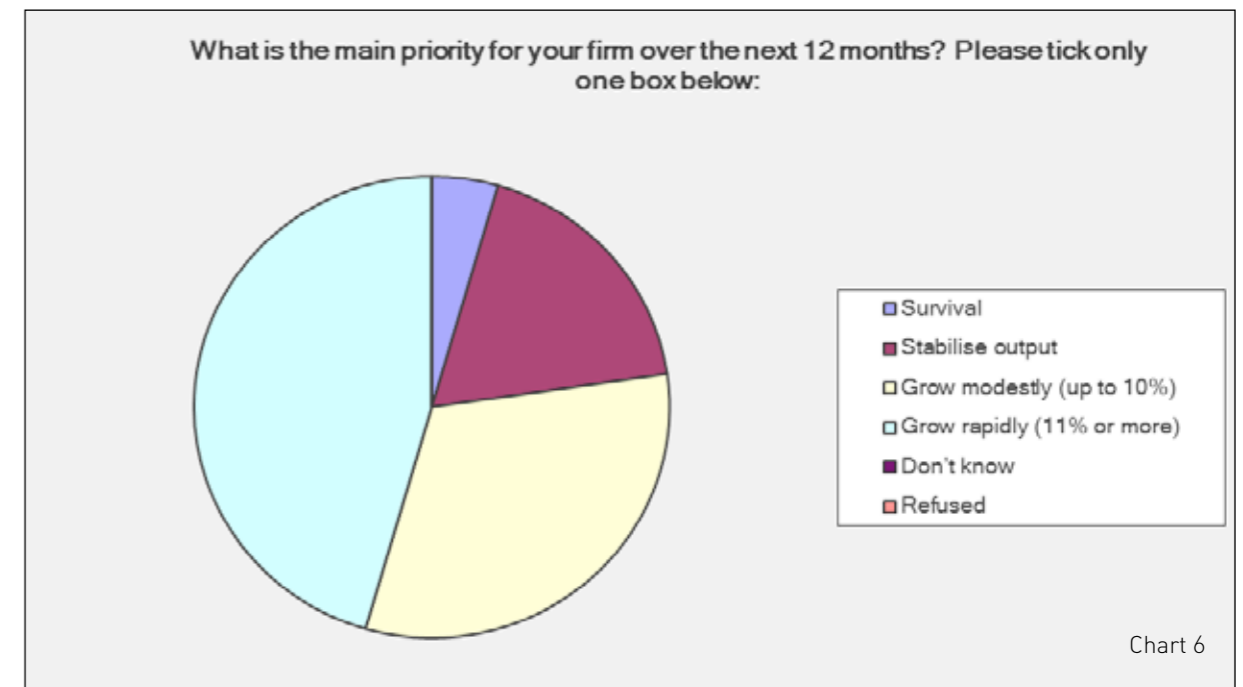
70% of total company revenues are exported, contributing over £17bn to the UK balance of payments. By excluding service companies within the sample the percentage exported as a percentage of revenues increased to around 80%. It is estimated from discussions with businesses that around £2.5bn profits are contributed from sales with an estimated further £3.5bn being spent on product development and design in the current year, much of this in the Midlands.

79% of companies have continued to experience growth in demand over the past year through the recession – 44% significantly (over 10%) with some businesses including JLR and JCB having seen turnover grow by more than 30%; 35% were growing modestly, (between 1-10%); with 17% of those surveyed seeing no change and 4% having seen modest reductions in demand over the past year.



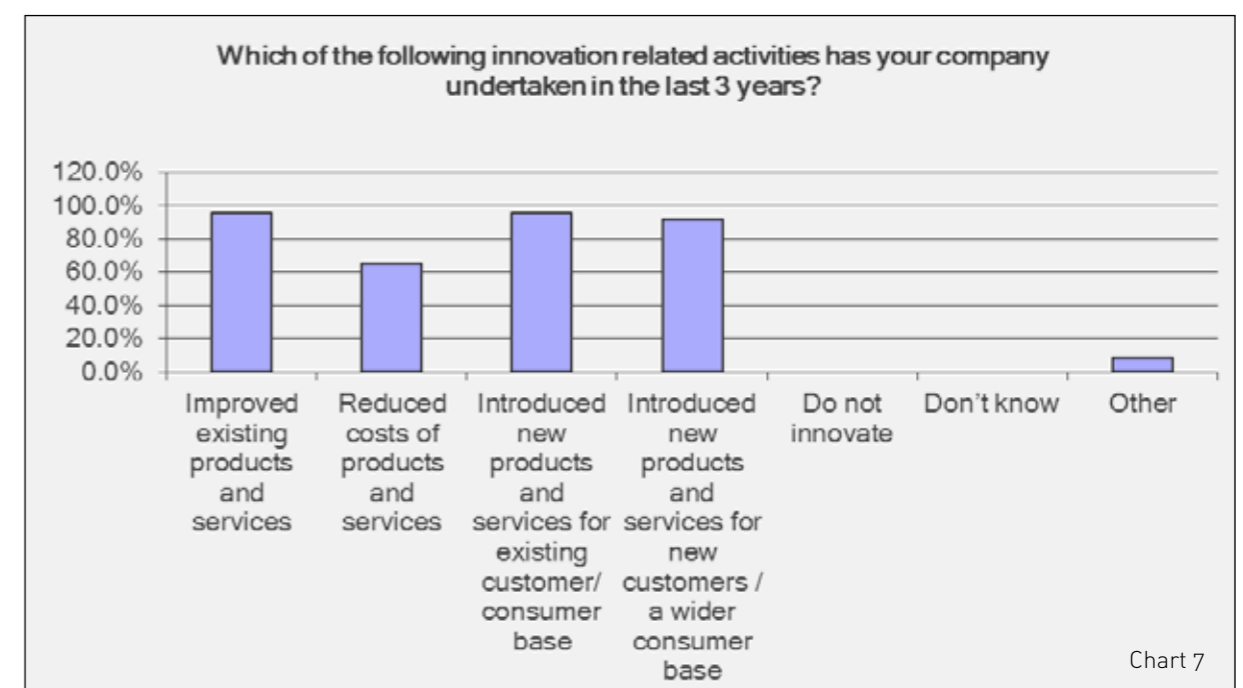
The challenges most often reported as affecting sales and orders were 1) price competition and discounting, 2) lack of consumer confidence and 3) lack of any feelgood factor and lack of overall economic activity. Cashflow issues, lack of access to finance and challenges around achieving profitability and margins were the next most cited areas affecting businesses. These emphasise the need for reputation management and highlighting the positive to encourage confidence in the Birmingham City region acting as a stimulus to future activity.

However in spite of these current economic challenges, 78% were planning for growth - 46% of businesses aiming to grow rapidly over the next 12 months (at 10% plus) and 32% modestly (1-10%); with 18% seeking to stabilise output and some of the micro businesses focussed on survival.

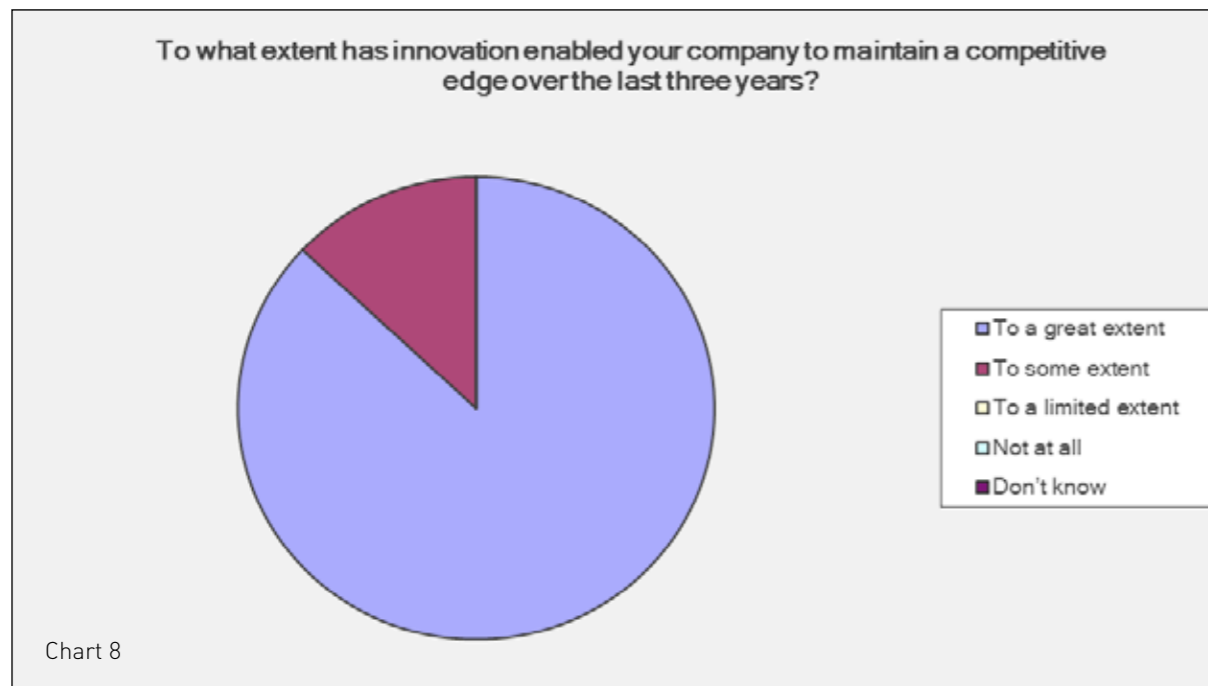


Innovation Related Activities

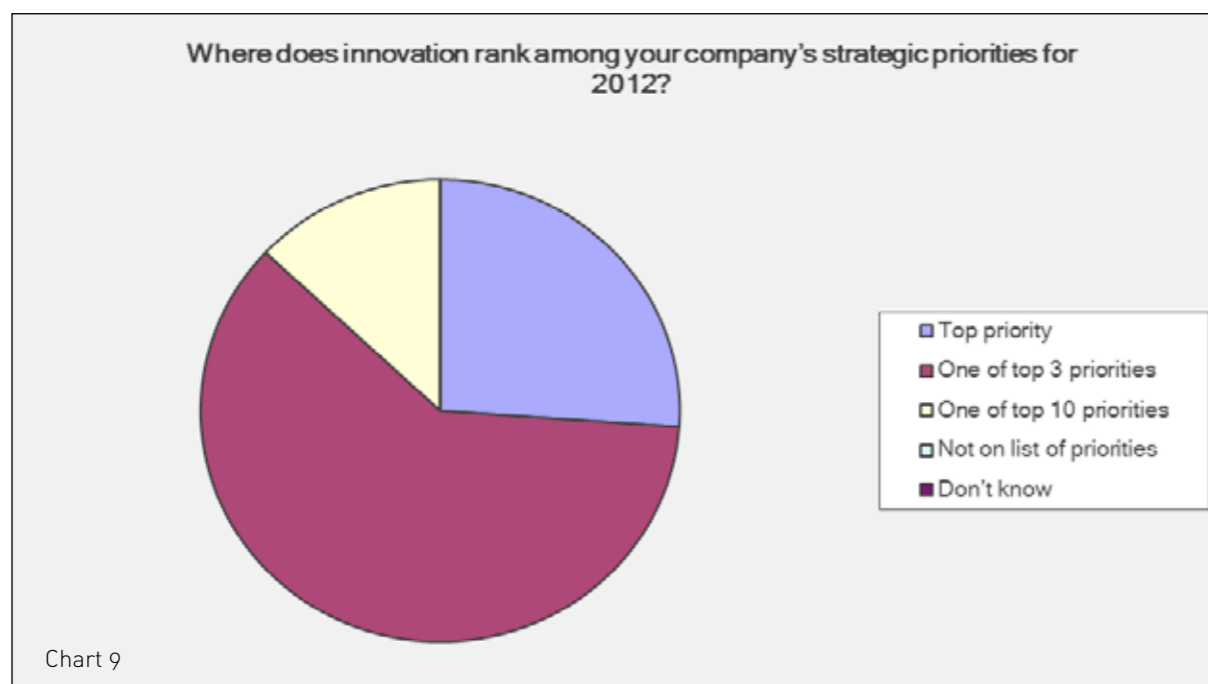
For over 90% of respondents, innovation related activities were primarily leading to improved products/services and the introduction of new products/services for both existing and new customers and markets, with 65% of the sample citing cost reductions in products and services as a further output of their innovation related activity.



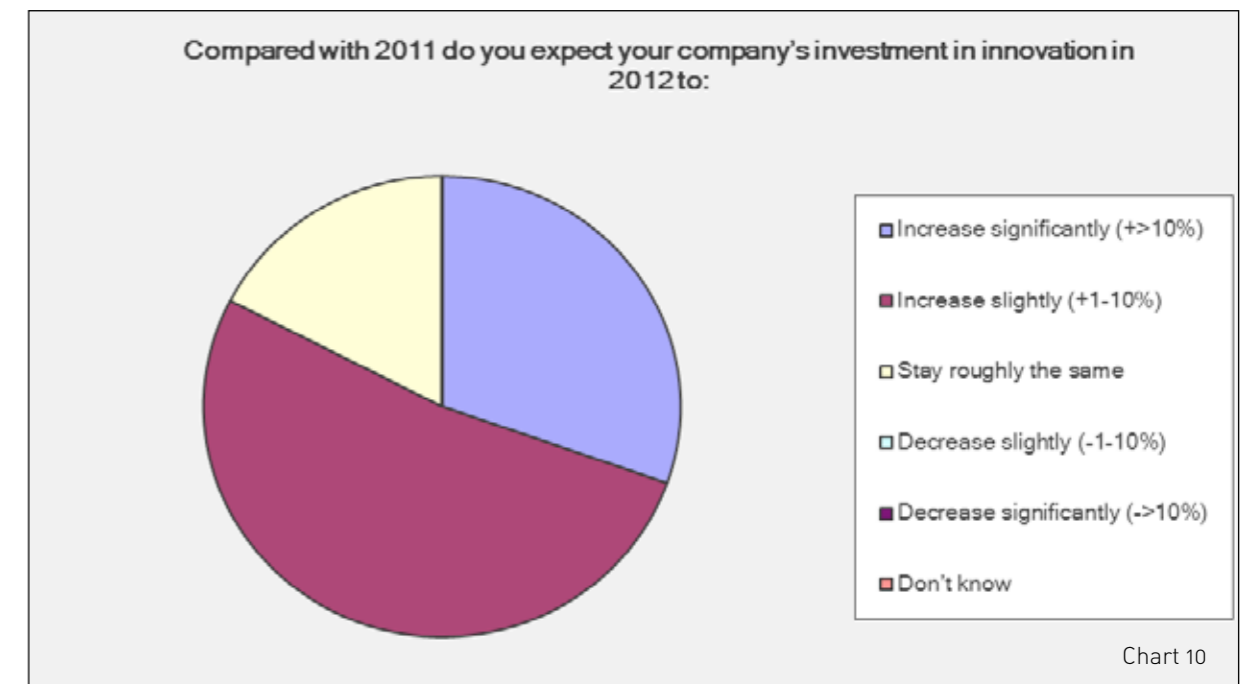
Innovation was seen as critical in delivering competitive advantage with over 87% of the sample stating that it enabled their company to maintain its competitive edge to a 'great extent'.



The importance of innovation for the businesses was clear with 87% of businesses stating it was one of their top three business priorities - 26% of businesses rating it as their top priority and 61% rating innovation as one of their top three priorities. For only 13% of the sample was innovation one of their top ten priorities.



82% of businesses are increasing their investment in innovation - 30% of businesses significantly, by over 10%; 52% slightly, between 1-10% and with 17% stating that investment in innovation activities would remain roughly the same.

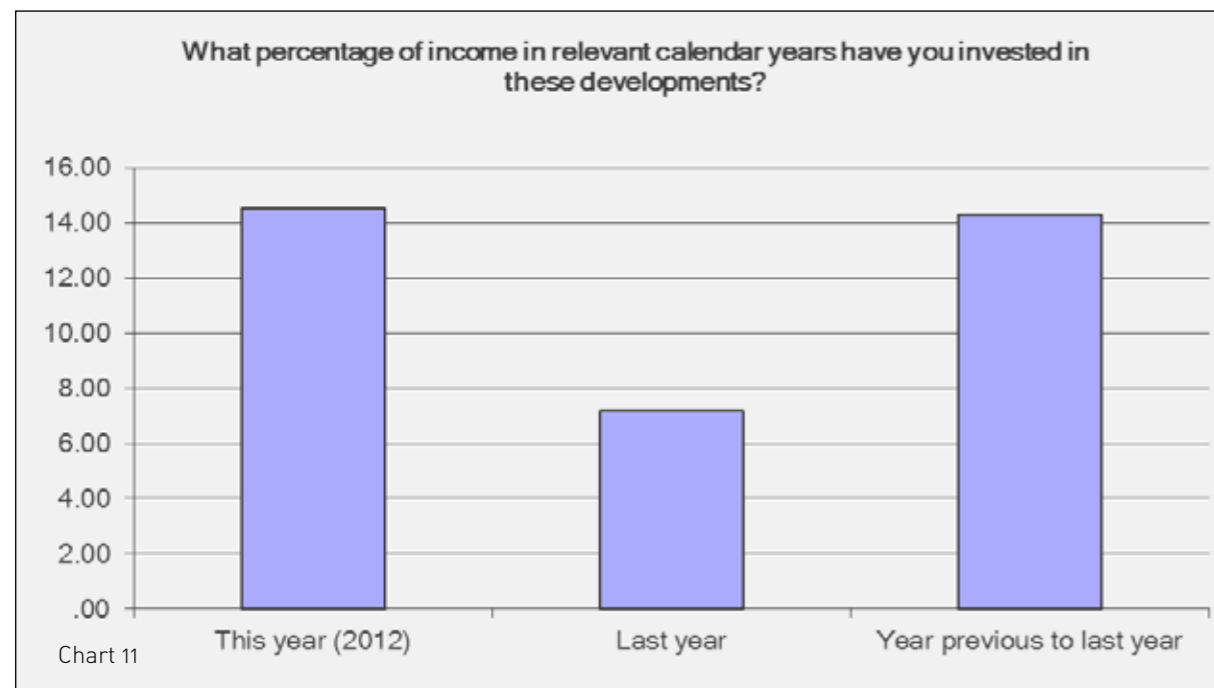


Design Related Activities and Investment in Design

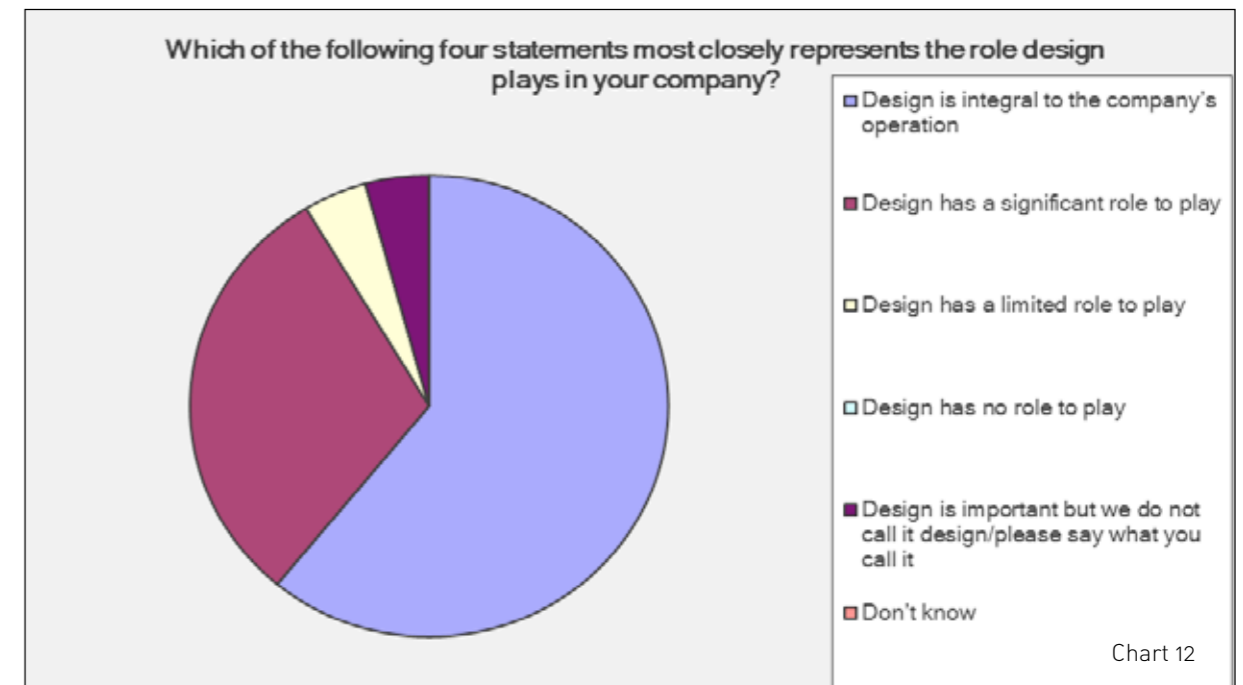
A wide range of activities were included within design investment, with the definition used for survey purposes stated as, 'design-driven innovation is the process that leads to successful innovation by better understanding and fulfilling user needs and values. It can be applied to your products, services, internal systems, organisational structure, external communications, culture, values and your business model.'

On the basis of the response count design was most often used in the following order of priority - technical design, promotional design, user design, identity design as elements all related to new product and service design which also were rated separately, with workplace design ranking highly followed by R&D, organisational structure, after sales service and culture and organisational values quoted as areas where design was used as a means of driving innovation.

All the businesses surveyed had been investing significantly in new product / service development with, on average, 14% of turnover being invested in New Product Design and ongoing development, which might amount to more than a £3bn investment programme in the region including a sophisticated R&D element, much of which was heavily dependent on local expertise.



Design was cited as being integral to company's operations by almost 60% of respondents and having a significant role to play by a further 32% with only 3% of respondents claiming it had a limited role in their businesses.



Factors influencing use of design within the businesses included in order of priority- developing innovative products and services; providing more value added to customers; moving into new markets; developing higher quality products and services; building brand image and supporting the marketing of products and services.

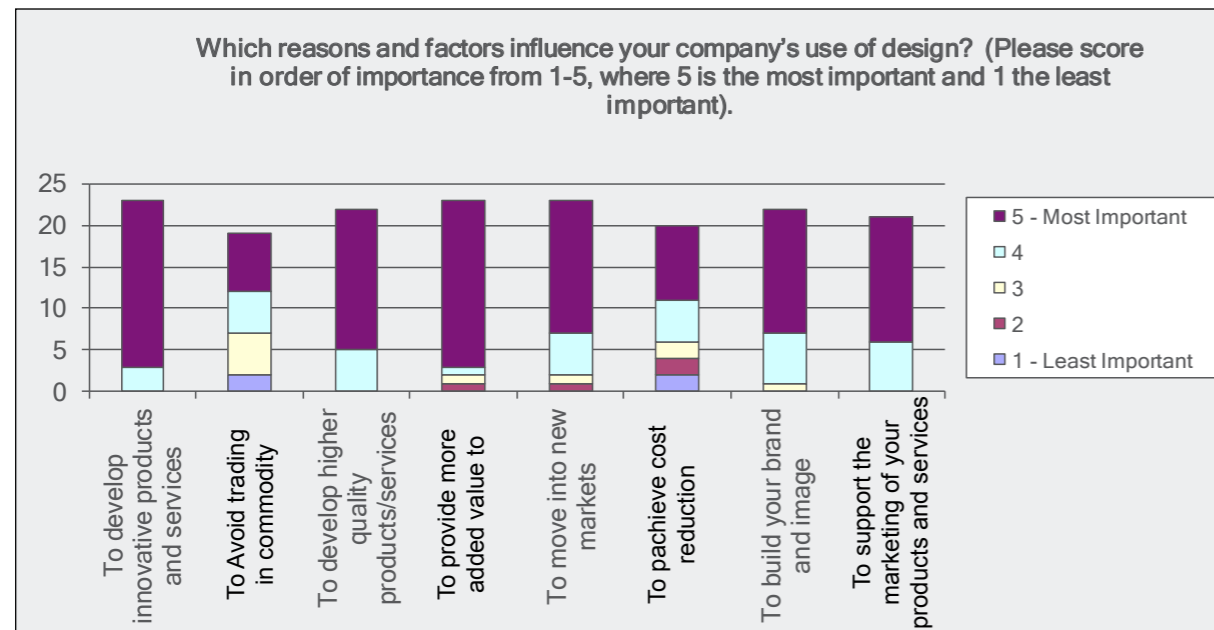


Chart 13

57% of the companies had dedicated design departments, 17% employed internal designers with 13% employing design consultants.

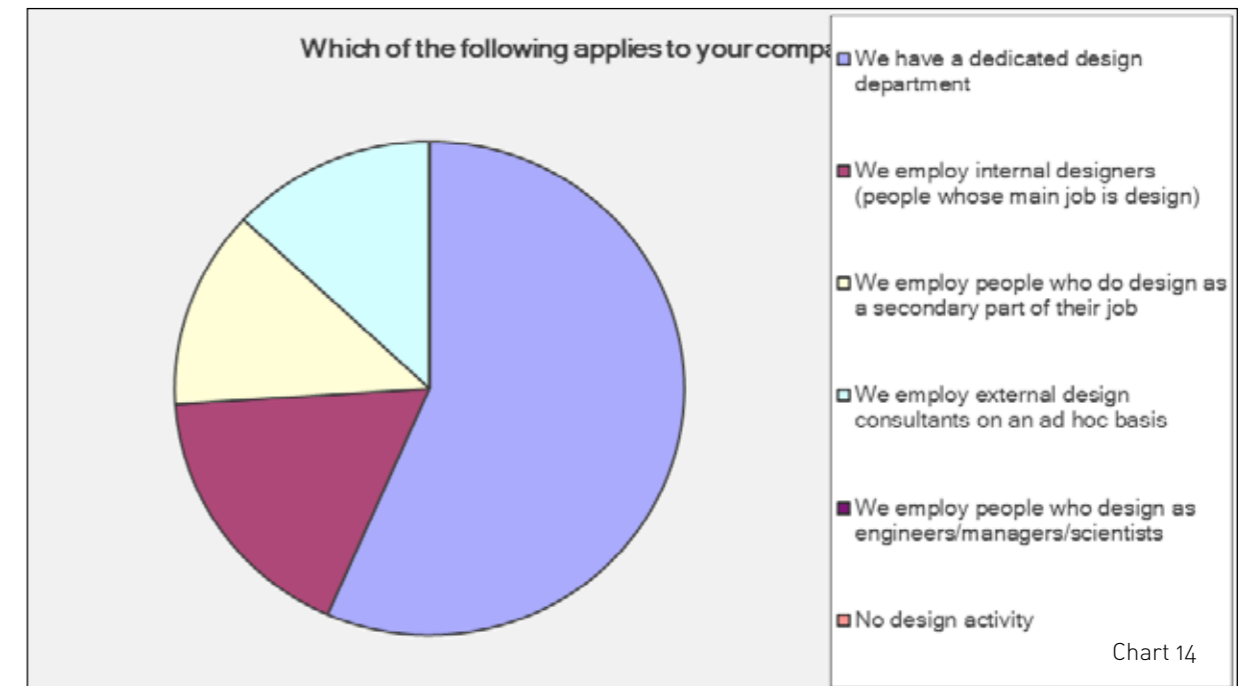


Chart 14

Investment in design was being increased significantly (10%+) by 44% of companies surveyed and slightly (1-10%) by 30%; staying roughly the same in a further 26% of cases.

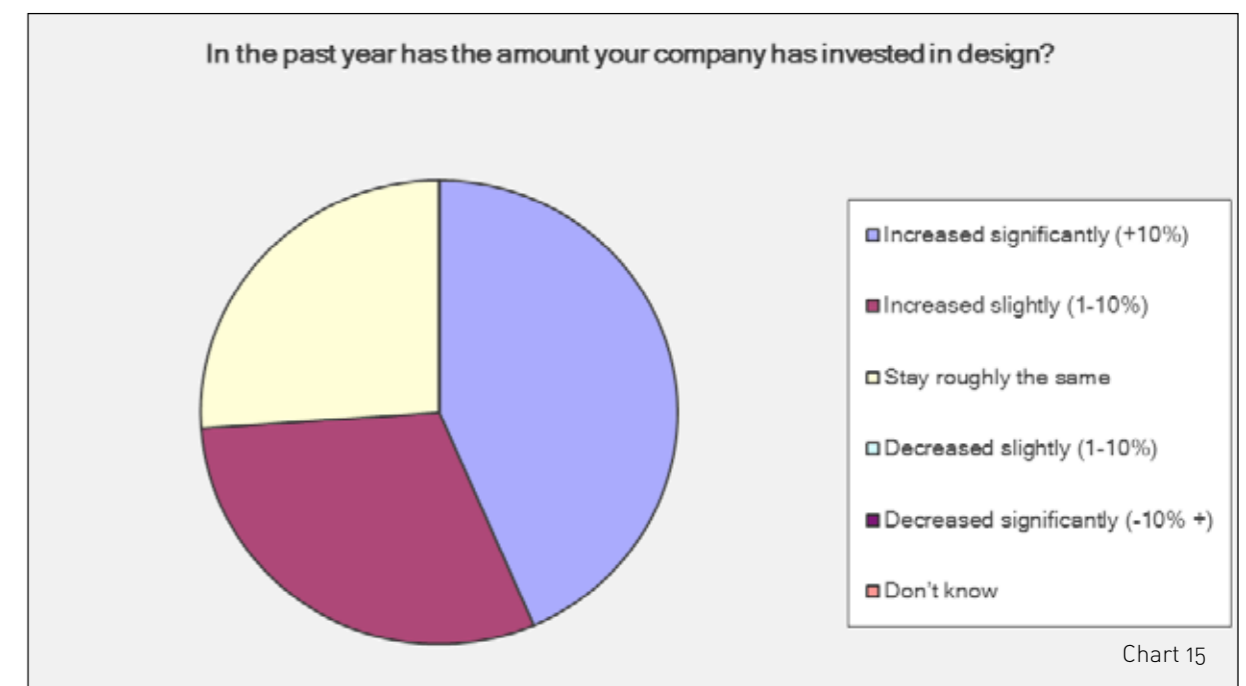
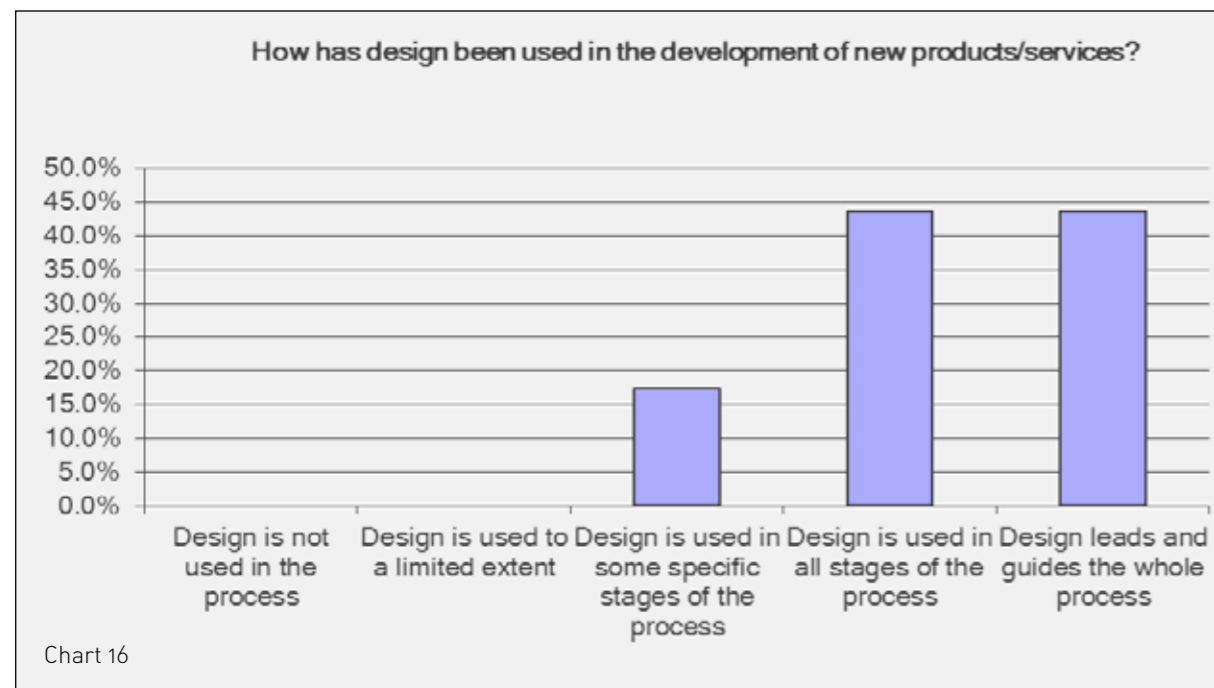


Chart 15

All companies had introduced new products and services within the past three years. 88% of companies used design throughout this process. For 44% of companies design 'leads and guides' this and for a further 44% design is 'used in all stages' of the new product/service development process.



Companies were assessed using the **Danish approach** as a means of gauging the sophistication of their use of design and where they stood within the 4 stages outlined within that approach. However as this was a pilot survey, both this tool and these results are seen as being at an early stage of development and understanding.

From the pilot sample **58% were rated as being at Stage 4** with design as integral to their approach to new product/service development.

Of these, **54% had experienced significant growth** in demand over the past year, with 24% having experienced modest growth, 15% no change in sales and 7% as having experiences a modest decrease over the past 12 months. These figures compared with the pilot sample as a whole showing 44% having experienced significantly increasing demand, 35% modest, 17% with no change and 4% having seen modest reductions in demand over the past year.

21% of the sample was ranked as being **Stage 3** and all these businesses had experienced modest growth. 21% of the sample was ranked as **Stage 2** and of these businesses 66% had experienced modest growth and 33% a modest reduction in demand.

From the Design Stage 4 companies within the sample **93% were planning for growth** - 62% for rapid growth, 31% for modest growth, 4% stabilising growth and 4% survival over next 12 months; these figures compared with whole sample figures of 46%, 32%, 18% and 5% respectively.

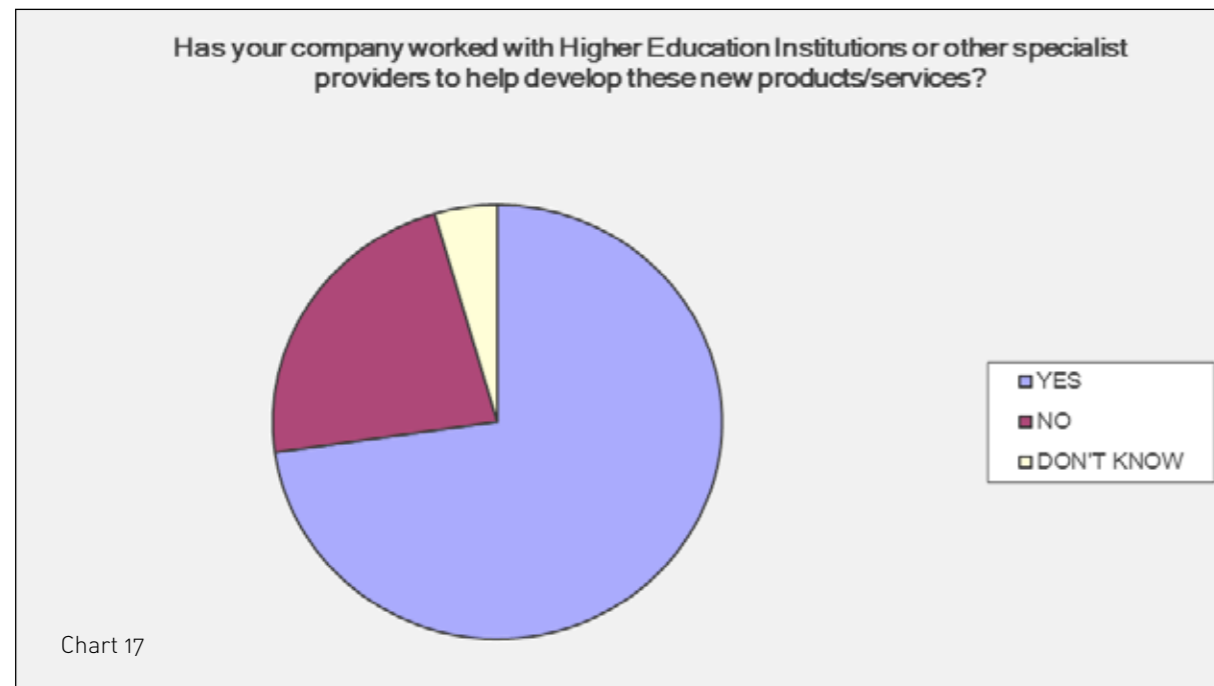
Of the Design Stage 4 companies **46% planned to increase innovation spend significantly**, 31% slightly and 23% planned to remain the same, compared with all sample comparatives of 30%, 52% and 17%.

61% of Design Stage 4 companies had significantly increased their investment in design, 23% slightly and 16% had made no changes to this investment over the past year compared to 44%, 30% and 26% respectively across the whole sample.

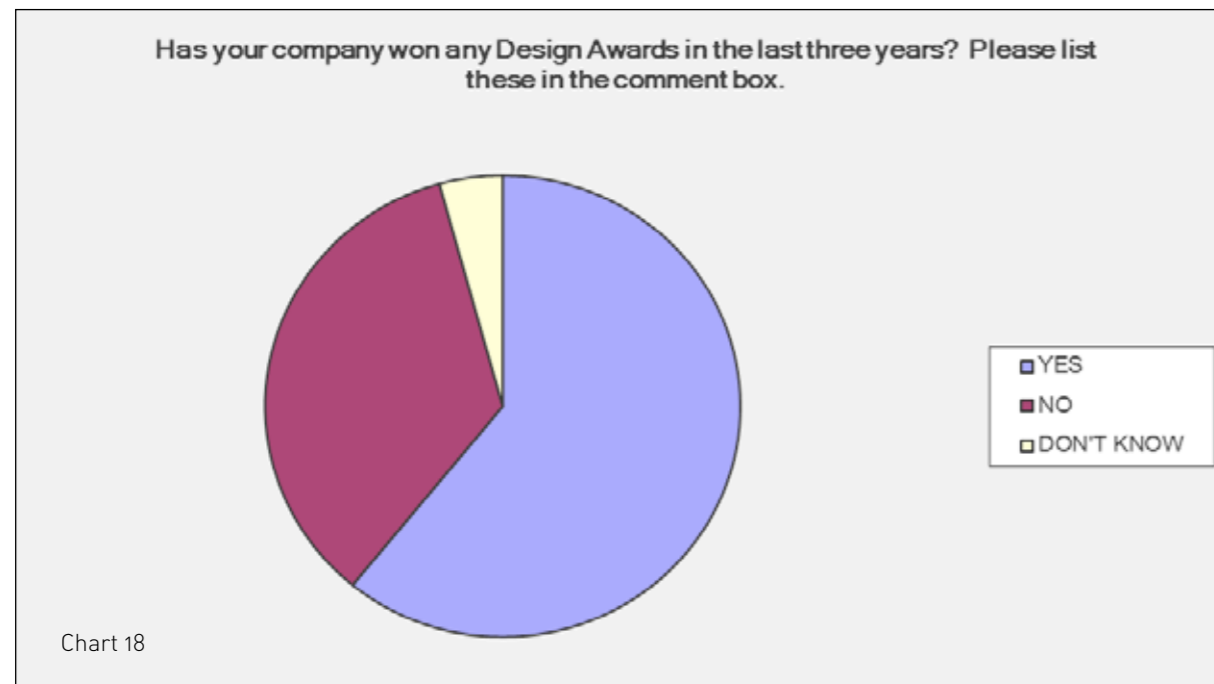
Half of these businesses ranked new product and service offers as contributing over 25% to turnover and around 40% commented on the significant contribution to profits that new products and services were generating. These businesses appeared to be significantly more likely to focus on sourcing from local suppliers and **62% of companies from this group had taken on new employees** in the past year, compared to 50% for the sample as a whole.

Collaboration, Exhibitions and Awards

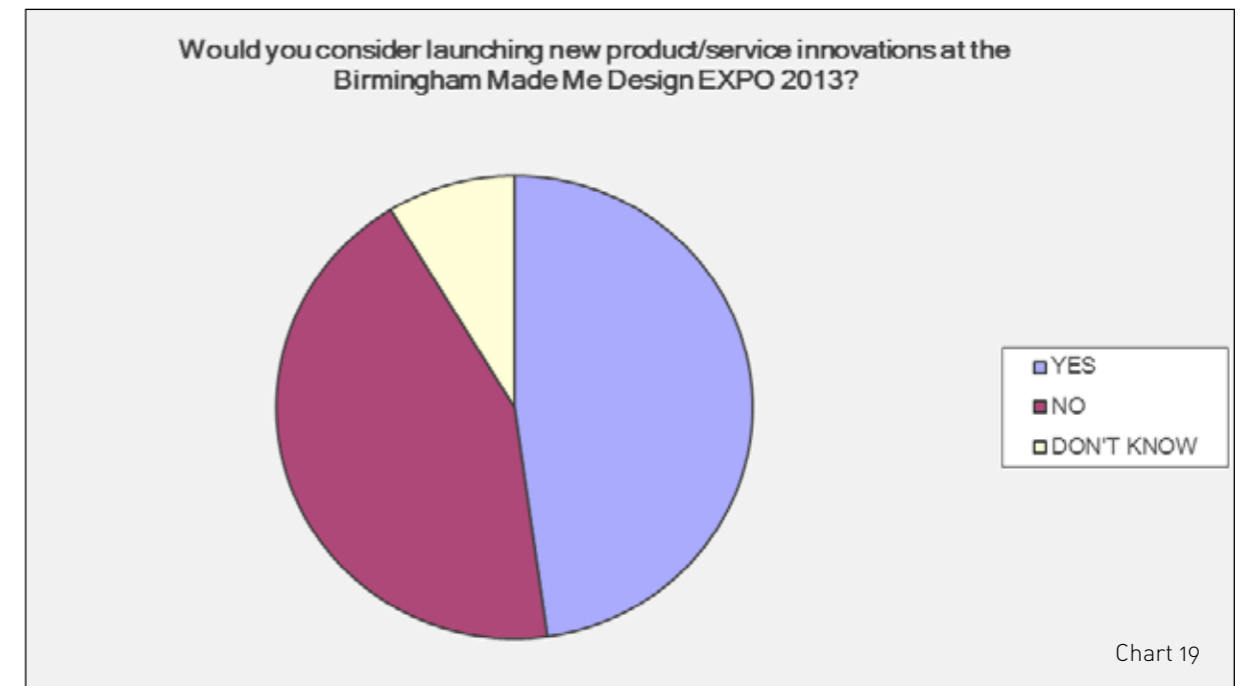
With collaboration capacity highlighted as a key characteristic of innovative and design-led companies it was interesting to note that 73% of respondents had worked with Higher Education Institutions.



61% of businesses within the sample had entered and won Design Awards, another criteria used to identify 'design-aware' businesses.

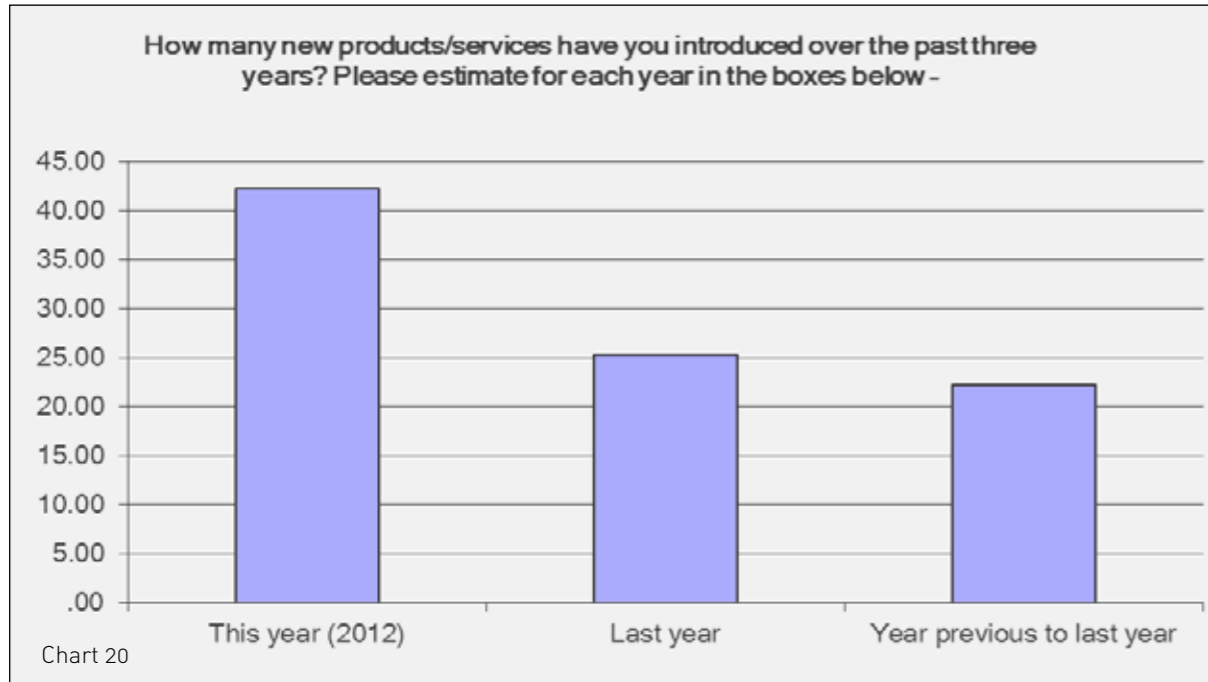


50% of companies were prepared to launch new product at the Birmingham Made Me Design EXPO 2013. These businesses included AGA Rangemaster, Vax, Green Room Retail, Acme Whistles, Pashley Cycles, Deakin & Francis, Plant & Moss and from outside the sample and region, Hille based in Wales with their strong design links to the West Midlands.

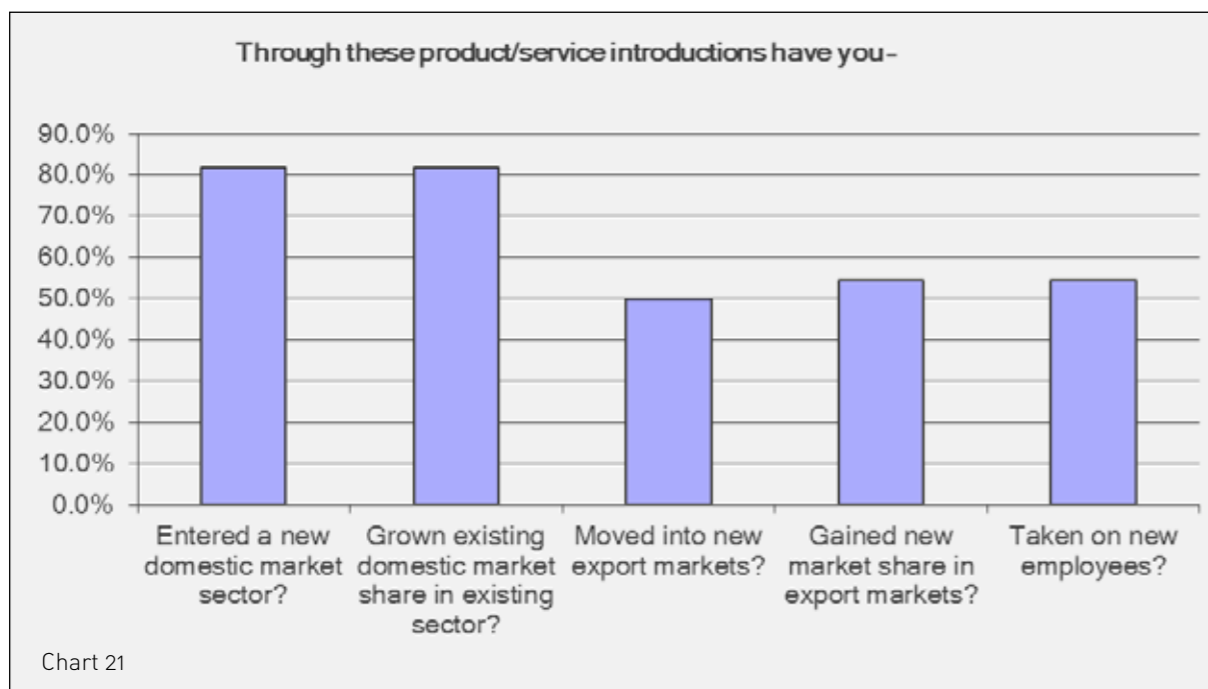


New Product and Service Introductions

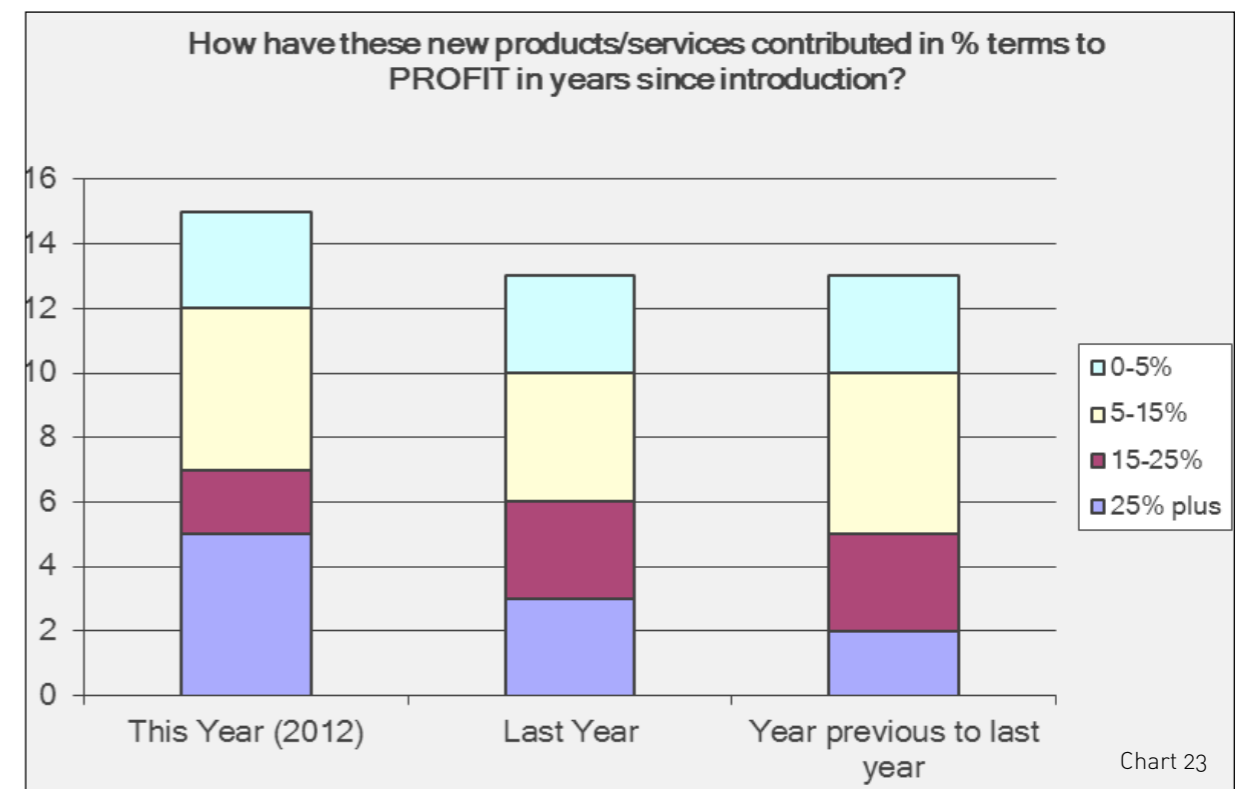
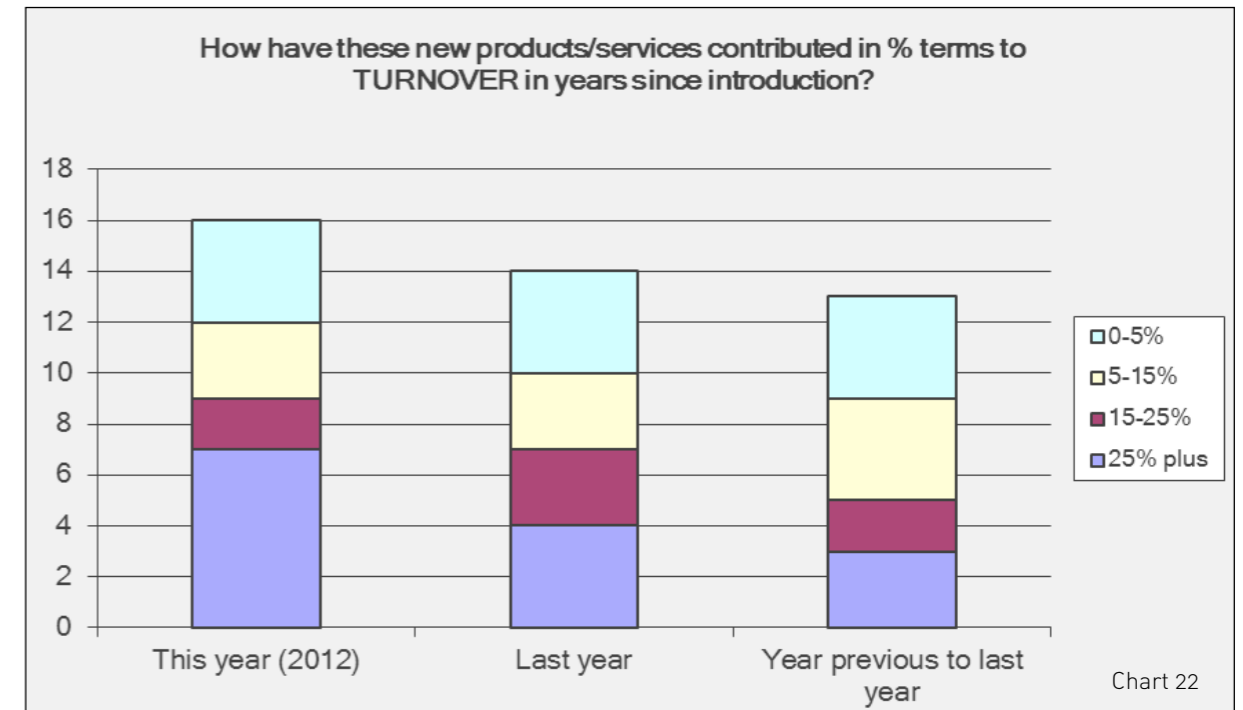
Substantial amounts of new product and service innovation are taking place amongst the businesses and within their supply chains supporting the introduction of thousands of new offers. For example, 15 companies had introduced almost 1400 new products in the past three years and across the sample it is estimated that around £3bn has been or is being invested in new offer development in the current year. There is evidence that new product introductions are accelerating amongst these businesses.



New product and service offers were enabling 80% of respondents to both enter new domestic markets and grow market share at home but around 50% of respondents had entered export markets and grown existing export market share on the back of new offers.



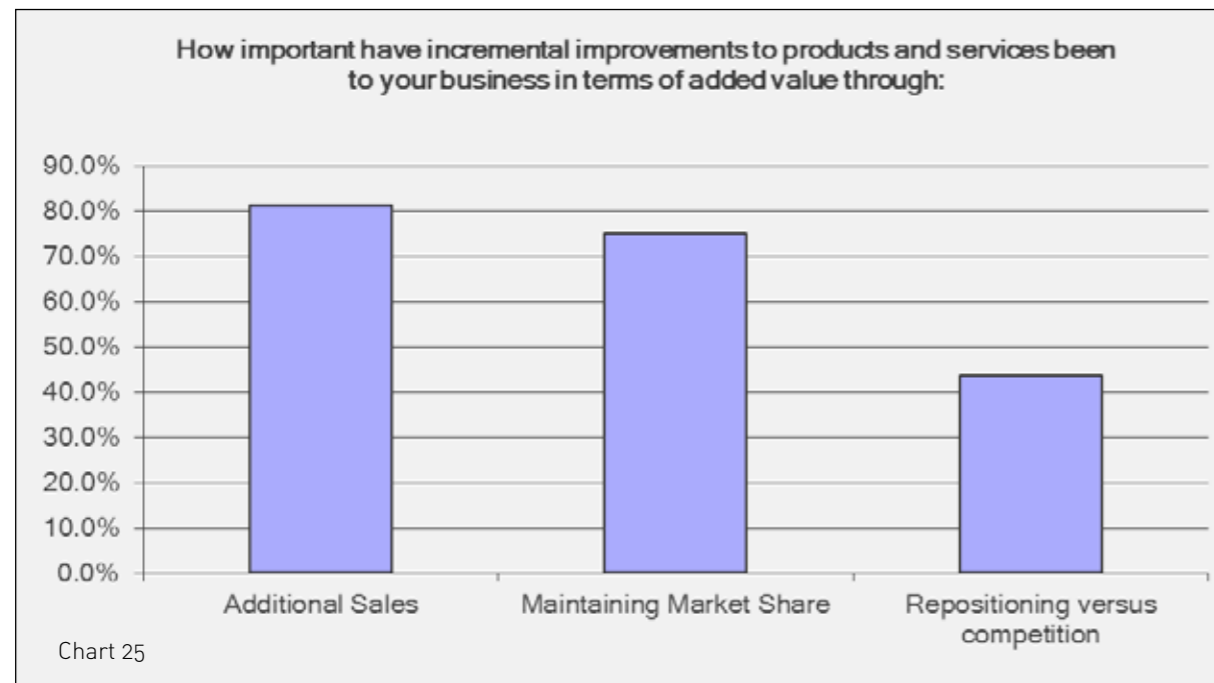
New products/services were making significant contributions to turnover and profits on an ongoing basis. In the majority of cases new products/services were contributing over 25% to both turnover and profits over the past year.



Businesses within local supply chains were accounting for 43% of product/service offer produced by respondents.



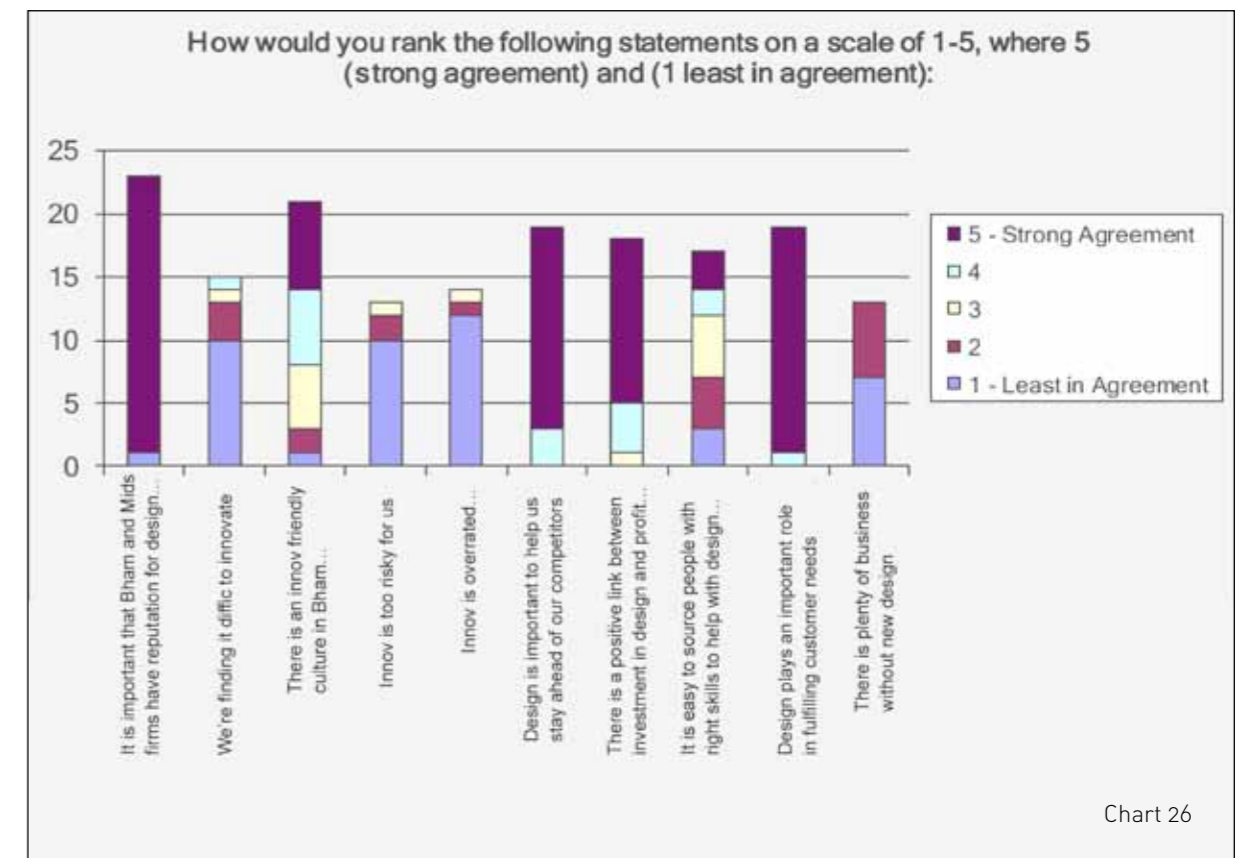
On-going incremental product/service improvements were seen as a vital part of business activity. Without these improvements businesses missed out of PR and marketing activity with consumers expecting product refresh and renewal programmes as a matter of course. They were delivering additional sales for over 80% of respondents, maintaining market share or enabling repositioning against competitors.



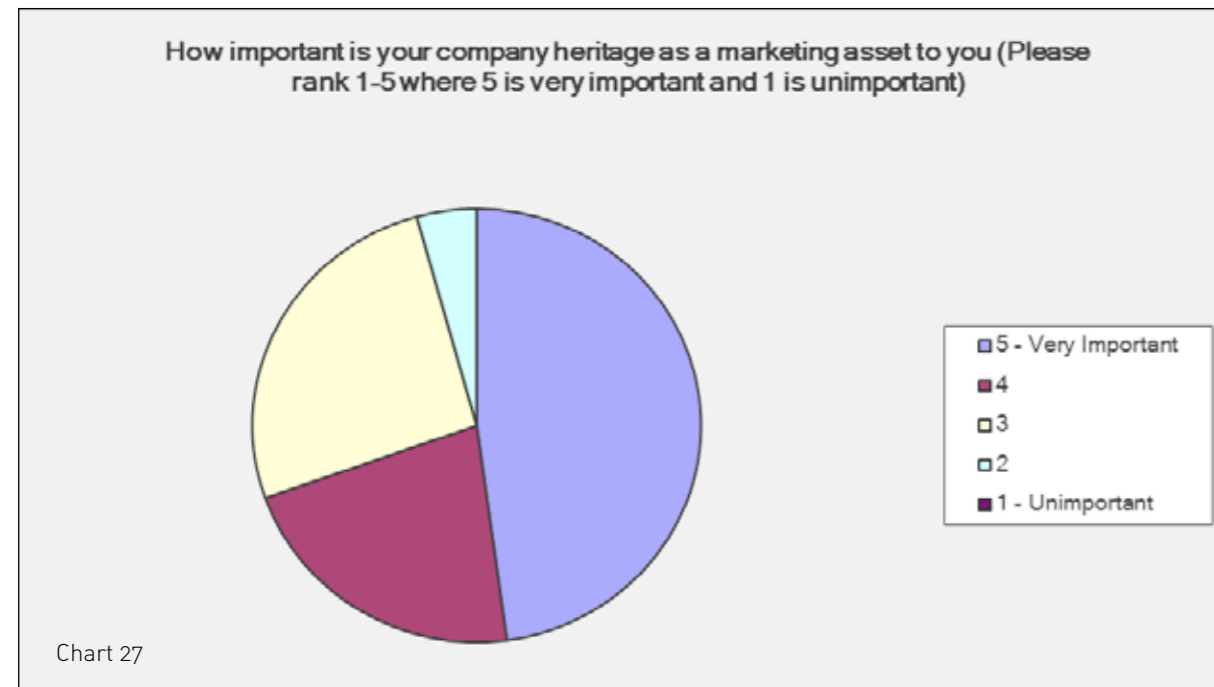
The Heritage Dividend

A striking feature of these brand, design and innovation led businesses was the importance of their heritage as a unique element of their provenance and authenticity in promoting their strengths. Their company heritage in turn led to a strong link with their geographic location and their shared heritage. Their strong sense of place meant they had a stake in the place and an interest in its success.

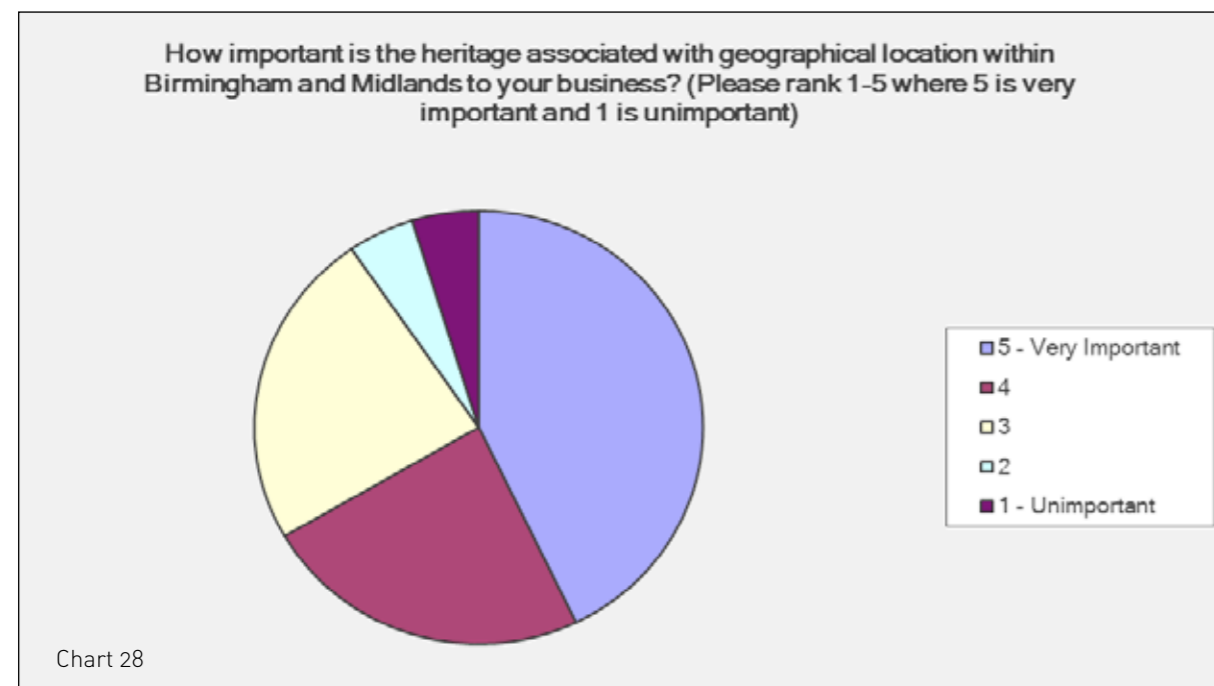
96% of respondents felt it was 'very important' that Birmingham and Midlands' firms have a reputation for design and innovation. 94% emphasised the importance of the role played by design in enabling them to fulfil their customers' needs with 71% stating there was an important link between investment in design and profitability.



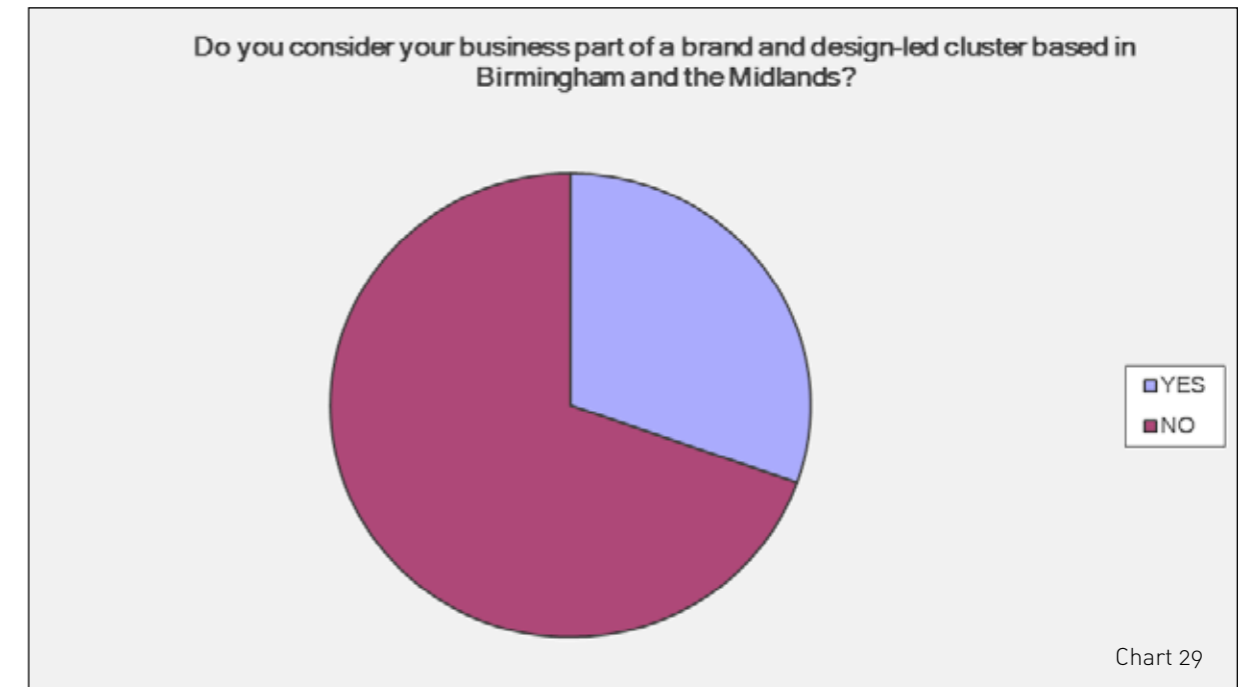
For almost 70% of firms company heritage was either a 'very important' or an 'important' marketing asset.



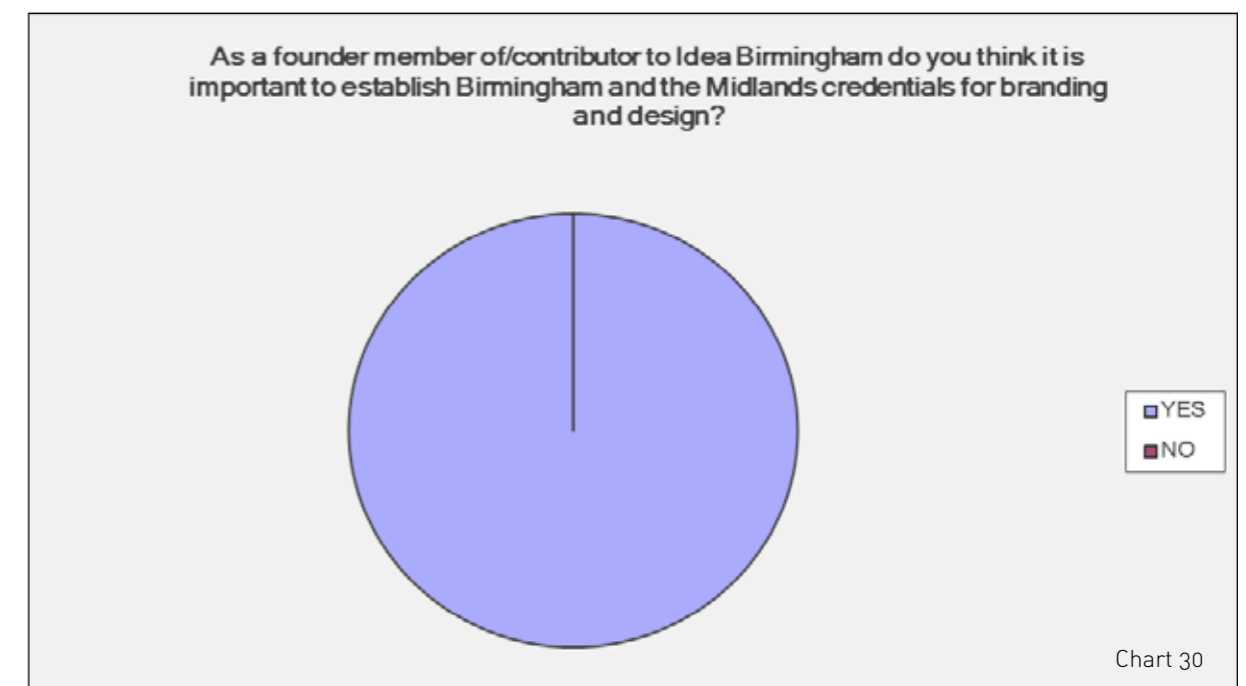
67% of businesses felt that the heritage associated with their geographical location in the Midlands was either very important or important to them.



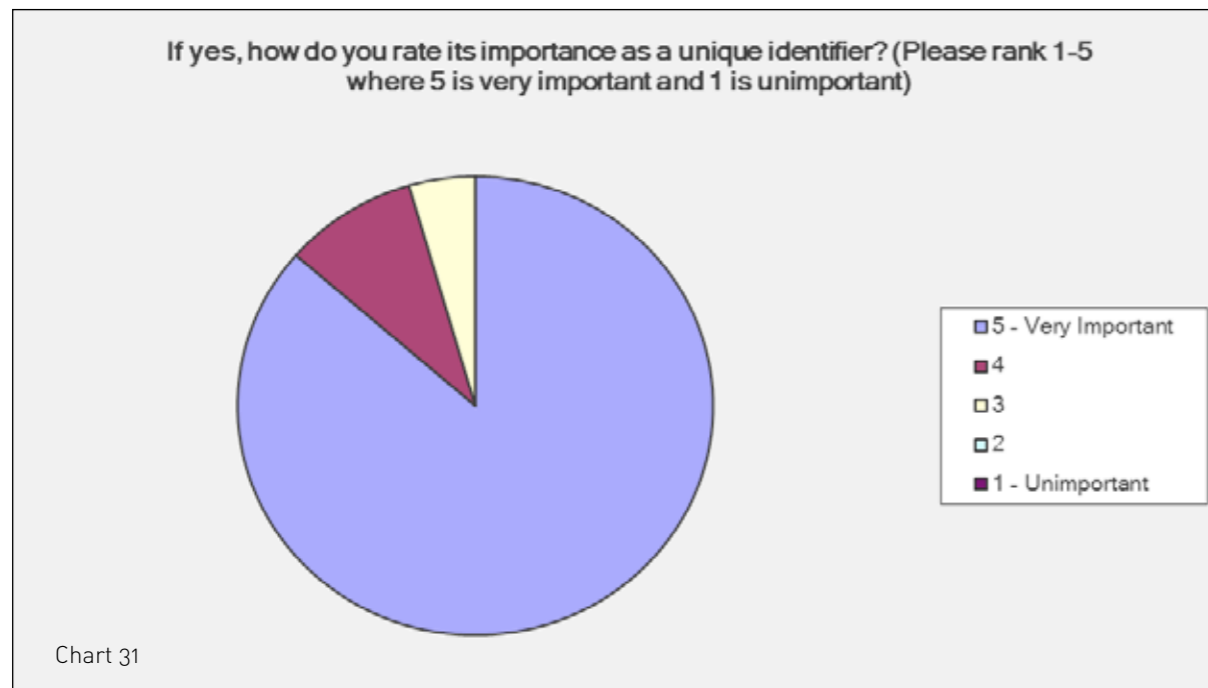
Whilst 70% did not currently see themselves as part of a design-led cluster in the Midlands they wanted to be part of this sort of network or eco-system and felt that inroads were being made as part of the Idea Birmingham and Birmingham Made Me Design EXPO and Awards.



All of the respondents felt it was important to establish Birmingham and the Midlands for its design credentials.



86% of respondents saw our design and innovation credentials as a unique identifier for the region.

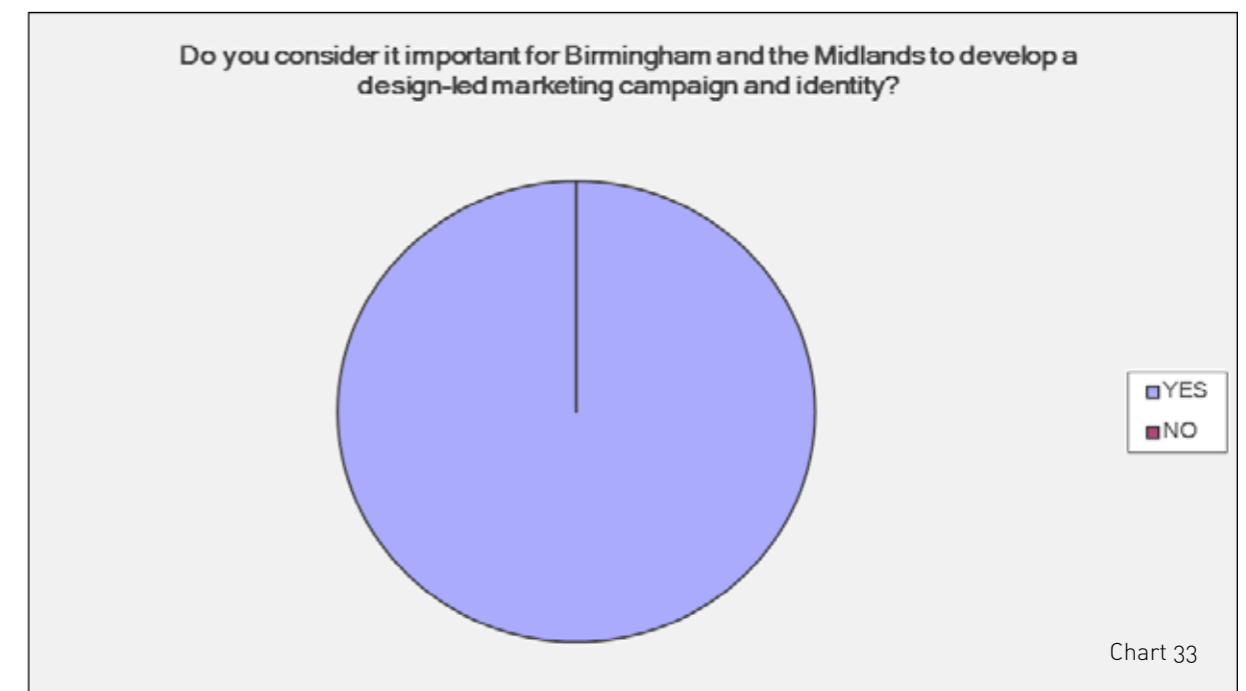


All companies thought Idea Birmingham had made a good start in the promotion of the region as the original design city through the Birmingham Made Me Design Expo.

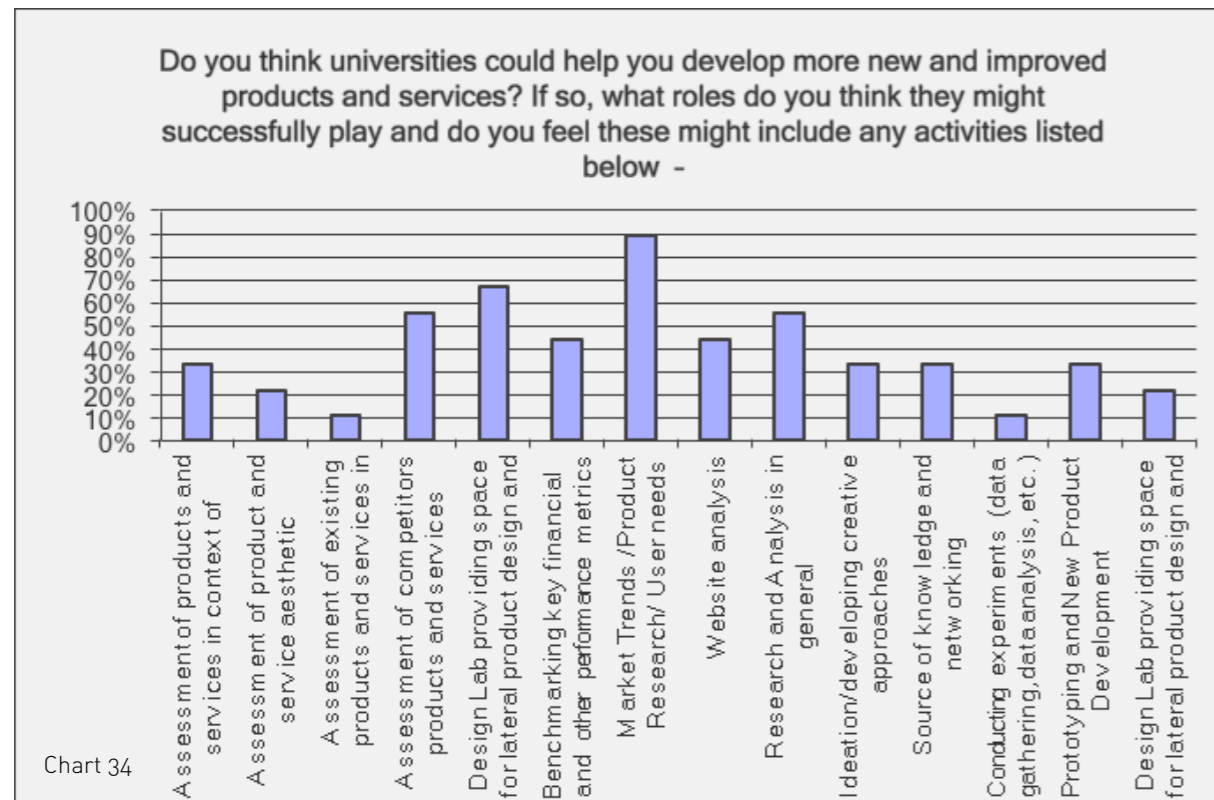


All companies wanted to see Birmingham and the Midlands developing a design-led marketing campaign and identity to promote the region's innovation and design credentials. Similarly all of the companies felt Birmingham was the appropriate branding for such a campaign to include organisations from the wider Midlands.

As one business located at the extremes of the Midlands commented, "If Birmingham was seen as the UK's answer to Milan that would be worth a great deal to us in attracting the kind of design talent that we can find hard to attract and retain at present."



It was felt that universities could be working more closely with businesses to assist in key areas such as competitor and product analysis, market and trends forecasting, Design Lab and lateral product/service experimentation and development opportunities, together with research and analysis in general as the top factors cited.



Following the pilot survey the intention is to develop this approach further in order to produce an annual survey assessing the design and innovation capacity of the Midlands and our ability to leverage this expertise to drive competitiveness, sales and profits, generating jobs within the businesses and through our supply chain, as well as gaining much deserved recognition for our region's unique selling features.

7. Recommendations

1. Design-led Strategic Marketing Campaign for Birmingham, gateway to the Midlands.

Companies around the Midlands, both respondents to the pilot survey and more widely, want to see Birmingham, as the gateway to the wider Midlands region, promoting itself through a design-led strategic marketing campaign. A campaign to speak with authority about our design and innovation strengths, achievements and culture, the aim would be to augment Birmingham's reputation, not currently seen as being in line with the reality of our position.

Businesses would like this activity to leverage more fully our brand capital through our authentic and 'living' heritage as a means of fuelling the regional design renaissance being led by companies including Jaguar Land Rover, JCB, Rolls Royce, GKN, Triumph Motorcycles and AGA Rangemaster. The cultural capital represented in our regional brands sums up the contribution of generations of employees to these businesses through their expertise and passion.

By promoting Birmingham as the 'Milan of the UK', the intention is to enhance Birmingham and the Midlands' prospects for attracting and retaining vital talent, promoting the city as a creative centre recognised, not only for its design flair and unique cultural assets across arts and industry, but as a place where productive and creative skills are combined to design and make products and service-led offers that transform the quality of life for people worldwide.

A vibrant online platform telling the City and region's story would form part of this campaign to include digital design galleries, promoting our design excellence and innovation achievements, those of the past, today, as well as those we are working on for the future, encompassing key areas of activity where the region has international strengths and is keen to attract talent and investment for the future.

Experts have recognised that design promotion can lead to design being taken more seriously as a transformational tool, as businesses, public and students become more familiar with, and educated in, quality design as well as design thinking and the impact these can have in both our businesses and on our lives.

Government should support this initiative intended to help diversify the UK economy away from over dependency on London and the South East, leading, in turn, to a strong independent identity for Birmingham as the gateway into the productive hub of the country based around the Midlands.

2. Developing a strong design and innovation eco-system with an entrepreneurial, multi-disciplinary culture at its heart in Birmingham and across the wider Midlands through the formation of an ID (Innovation Design) Leaders' Network.

Strong innovation eco-systems are built on the strength of relationships between the companies and institutions from public and private sectors and the trust that is built up over time between the partners. Supported by Universities, research centres and sources of knowledge this is about harnessing applied knowledge and skills expertise through collaborations and delivering value adding outcomes in terms of new businesses, products and services. Businesses see that they cannot possess all the knowledge required to drive competitiveness under one roof. They understand that through design and innovation approaches they can work more collaboratively together. Government support in assisting the development of such collaborative innovation eco-systems is a further step in the programmes of activity required to diversity the UK economy away from over dependency on London and the South East and to promote greater growth amongst productive elements of our economy. Associated support to drive innovative activities and behaviours including additional collaborations between universities and businesses include –

- Making the UK more globally competitive for innovation investment and activity, especially through tax incentives, such as simplifying and clarifying the R&D Tax credits to include design investment and in line with the recommendations made in 'Ingenious Britain'. This point has been stressed as a competitive issue by the businesses with a substantial proportion of turnover invested into R&D programmes contributing to the pilot survey
- Incentivising spillover technologies and innovations by encouraging knowledge transfer between sectors either through spinouts into different sectors of application, licenses, start-ups or by facilitating collaborative and experimental cultures between universities, businesses and the public sector
- Incentivising greater development of multi-disciplinary skills, such as engineering and technology skills combined with design, aesthetics and cultural appreciation with an understanding of business and markets
- Developing greater ease of access to a range of finance options more appropriate to differing business circumstances and stages of development

Diagram 2

Innovation Eco-System

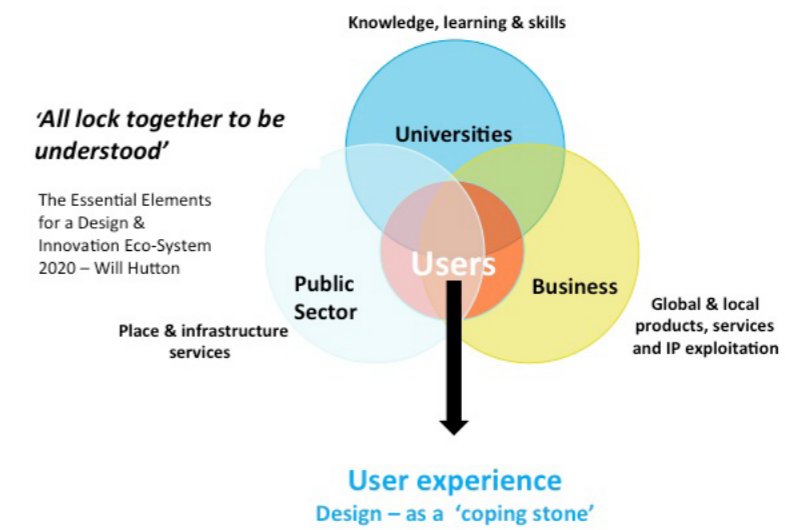


Diagram 3

Design Thinking – 'a methodology that imbues the full spectrum of innovation activities with a human-centred design ethos'

Innovation Approaches – Push vs Pull

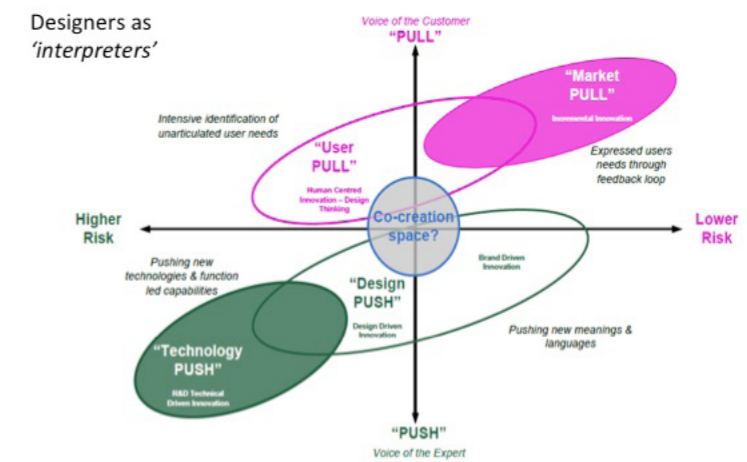


Figure 7. A Framework for Design Postures (adapted from Vergara, 2003)

Source: Understanding design driven innovation, Brookes, Little, Cassab, Geiger, 2011

3. Developing a new model for talent development through support for new business formation, including multi-disciplinary, collective activity combining entrepreneurship, technology and engineering as well as business disciplines and spearheading incubation, mentoring, and knowledge transfer.

The illustration below graphically sums up this approach through the development of the **ID (Innovation and Design) Leaders Network**.

By creating new learning content as part of the innovation eco-system, involving practical 'learning by doing' that is fun and engaging, including apprenticeships, design labs and prototyping, market research and trends analysis support, businesses will be engaged in co-creation, internships and work projects as a recognised part of module content, all focussed around enabling students to expand their horizons through trying out and experiencing designing, innovating and making for themselves.

Working with businesses based in the region and beyond, the idea is to develop the platform encouraging greater experimentation within a culture that is pushing learning boundaries forward.

Universities working with schools, from primary level onwards, and FE colleges can pilot this approach in conjunction with the on-going development of the Birmingham Made Me Awards, with new ideas being showcased annually as part of the Birmingham Made Me Design Expo as part of the Midlands' collaborative culture and another aspect of the innovation eco-system.

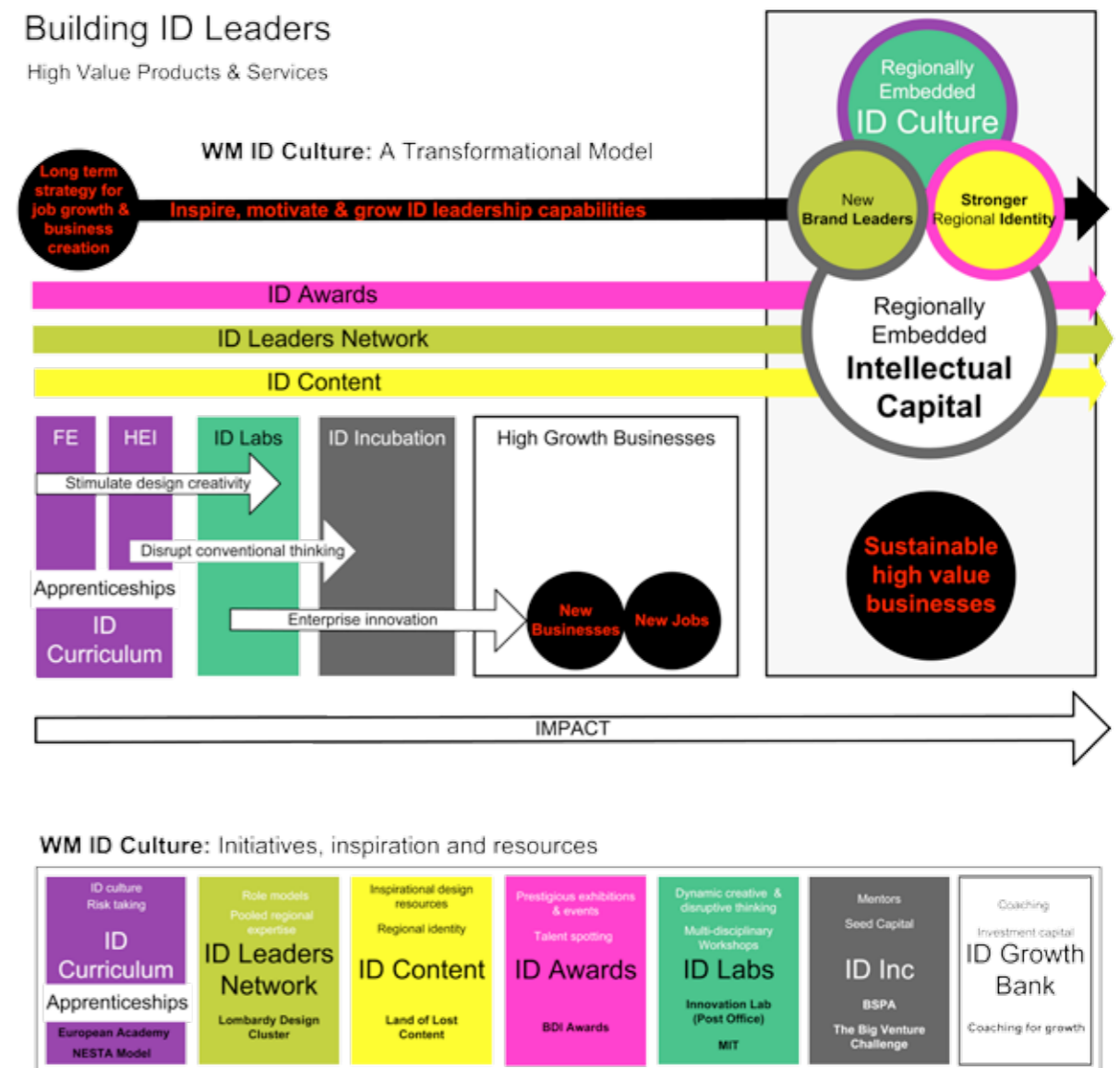


Diagram 4
graphic illustration, Iain Acton

Annex 1

Idea Birmingham: think and do tank agenda

Idea Birmingham was set up to harness the creative excellence and shared heritage of the Midlands.

To promote Birmingham's reputation and develop on-going collaborations between business and universities using design and innovation cultures and approaches as drivers of wealth creation, the 'think and do' tank, Idea Birmingham was created.

Aim: Established as a university-business collaboration Idea Birmingham was spearheaded by Birmingham City University working with internationally respected businesses, with support from Aston University and Birmingham City Council, to promote design-driven innovation and knowledge transfer, together with the recognition of vital, emerging talent necessary for innovation, renewal, job and wealth creation in the Midlands.

Strategic Objectives

- Position design-driven innovation and entrepreneurial collaboration at the heart of the region's growth strategy and economic success.
- Leverage the region's existing brand capital and cultural heritage to provide a strong marketing platform enhancing regional identity, promoting existing brands and supporting emerging brands.
- Through the ID (innovation Design) Leaders Network, develop a collaborative philosophy to encourage an entrepreneurial, multidisciplinary IDEA-based culture through skills and knowledge transfer to create growth.

Mission: Design Expo and Awards

- Within the next 5 years, put Birmingham and the Midlands firmly on the map by establishing an internationally-renowned Design Expo of innovative, authentic, regionally-based brands showcasing upcoming graduate and entrepreneurial talent driven by business and university collaborations, rewarding design excellence, user-focused innovation and commercially-viable, radical design visions that can be produced for sale.



Objectives: Year One

- Establish a robust, unique Design Expo format housing at least 20 large exhibits and generating a measurable and significant footfall during a week-long Design Expo, hosted at the Mailbox, Birmingham.
- Design a distinctive Awards concept to attract individual and collaborative submissions from companies, students and upcoming entrepreneurs providing entrants 'unfettered access' to a Midlands-based regional brand platform leading to new business opportunities and sales.
- Develop a sustainable Design Expo growth strategy and a success buzz to ensure strong stakeholder demand challenging out-dated perceptions of Birmingham and the Midlands.
- Establish a focus on excellence a momentum amongst West Midlands universities, FE Colleges and schools for a Design Expo as an alternative option to 'New Designers' and facilitating innovation and knowledge transfer opportunities to create real growth and jobs.

“Where Birmingham City University is so important to this and I really do congratulate them and I thank them for coming to the party – it’s that they’ve had this leadership initiative for sometime now and it’s about getting our younger people and businesses on the page of growing and developing a ‘Made in Birmingham’ mentality.”

^ **Lord Jones of Birmingham**



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