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GROWING DESIGN? CHALLENGES AND CONSTRAINTS FACING DESIGN CONSULTANCIES IN THREE ENGLISH CITY-REGIONS

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ABSTRACT

There is some debate as to whether creative industries can thrive in second-tier industrial city-regions, as well as in leading global cities. This paper uses the results of firm interviews with design consultancies to examine their experiences in three industrial cities in the UK: Manchester; Newcastle and Birmingham. It highlights the major constraints on growth in each city and it emphasises the quantity and quality of demand, and the availability of skilled labour. It considers the effects of design and cultural policy initiatives and finds that most measures are perceived to have had only ambiguous and minor supportive impacts.

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1. INTRODUCTION: DESIGN IN THE KNOWLEDGE ECONOMY

There is increasing recognition that long-term economic growth and welfare in contemporary industrialised economies will be more and more associated with their capability to generate, acquire and diffuse new knowledge (BRINKLEY, 2008; LEVER, 2002). In this context it has been recognised recently that types of creative industry play a key role in translating new types of knowledge into production and in stimulating and diffusing innovation (WORK FOUNDATION, 2007). There is growing evidence that creative industries play an important role in stimulating innovation in many parts of the economy as well as in diffusing and adapting innovations (BAKHSHI et al, 2008).

From our perspective, design represents a crucial part in this creative innovation system (VINODRAI et al, 2007). This is for several reasons. First, it has been repeatedly argued that the transformation to a knowledge economy has involved a new model of design. The trend away from a Fordist integrated model of the corporation towards post-Fordist networks, externalisation and outsourcing has been responsible for the growth of an independent design consultancy sector (WALSH, 1996). In the UK, the Design Council (2005) estimates that in 2005 there were 12,450 consultancies employing approximately 60 thousand people. Second, many analyses suggest that innovation processes are moving towards an open model of innovation in which collaborative exploration and design networks allow quicker and cheaper access to a wide range of knowledge and expertise (see DODGSON et al, 2005; CHESBROUGH, 2003; GANN and SALTER, 2000). These trends are encouraging the growth of a design consultancy sector made up of dedicated design firms (in a wide range fields such as product design, graphics, exhibitions, media and branding) and in this paper we focus on this sector, rather than the design activity that continues to be carried out 'in-house' by large corporations.

While the arrival of the knowledge economy has increased the significance of creative innovation systems, such systems show marked geographical unevenness. A substantial body of research shows that creative industries tend to concentrate in global cities and in the largest city-regions (SCOTT; 2000; 2006; PRATT, 1997; POWER and SCOTT, 2004). In the case of British design, the industry is strongly agglomerated in London and also in the Greater South East to a lesser degree (DESIGN COUNCIL, 2005: REIMER et al, 2008; DE PROPIS et al., 2009). According to the Government however, this regional concentration is by no means inevitable and permanent. Instead it has articulated a vision of the UK as the world's creative hub in which all big regional cities have a creative engine driving their economic growth. According to a recent government publication:

> "London, which accounts for nearly a third of all creative industry employment in the UK, has what may be the greatest concentration and range of creative industries of any city or region in the world. However, many important centres of activity in cities and regions all over the UK have the combination of specialist skills and critical mass to be global hubs in their own right" (DCMS/BERR/DIUS, 2008, 6.2 p 58).

Thus the recent DCMS/BERR/DIUS (2008) report promises to provide a network of regional beacons for creative industries. These sentiments echo SCOTT'S (2000) comments on the potential of regional creative centres:

> "Provided that the right mix of entrepreneurial know-how, creative energy, and public policy can be brought to bear on the relevant developmental issues, there is little reason why these cities cannot parlay their existing and latent cultural-products centres into major global industries" (2000, p. 209).

In Scott's view, the rise of a culturally-saturated knowledge economy is creating opportunities for specialised niche clusters of creative firms in second-tier regional cities to become significant global exporters (SCOTT, 2006).

The aim of this paper is to consider whether such optimism fits with the experiences of design firms in a selection of three large English regional cities – Birmingham, Manchester and Newcastle. The paper has two main aims. The first is to examine the development of design agencies in these cities. The key issue here is whether it is possible to identify common urban and regional conditions or externalities that influence the performance and capabilities of these firms. Discussions of city-region competitiveness suggest that it has multiple possible causes, but currently lacks clarity and empirical investigation (KITSON et al, 2004; BRISTOW, 2005). Most recent analyses make use of Porter's diamond-like conceptualization of interrelated elements - factor conditions; demand conditions; supply and related industries; firm strategy, structure and rivalry - which attempts to explain how location influences

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firm performance (e.g. BUTTOLPH, et. al. 2005). Of course, in addition to these relatively 'hard' conditions many geographical accounts have emphasised the importance of collective learning and untraded interdependencies, which may be of particular importance in cultural and creative sectors (for a summary see LAGENDJIK, 2006). Similarly, many studies of the performance of creative firms also emphasise the importance of 'soft' factors, especially knowledge networks and local synergies between creative individuals. The existing literature on design suggests that the localised exchange of knowledge between designers, and with other creative industry employees, may well be important. For example, UTTERBACK et al (2006) suggest that the localised exchange of tacit knowledge between designers and manufacturers is the key reason for the growth of design agglomerations. Other researchers also argue that dense networks and the local circulation of ideas between designers and related firms are essential to learning, variety and innovation (RANTISI, 2002:2004; VINODRAI, 2006). It has also been argued that the cultural inspiration and the resources supplied by a particular location are important to designers (DRAKE, 2003; MOLOTCH, 1996). However, other studies of creative sectors emphasise instead the importance of anchor employers and key public institutions (TUROK, 2003; BASSETT, 2002). Our intention is to analyse the experiences of, and constraints on, the growth of design consultancies in some detail. By doing so we hope to understand the relative importance of 'hard' and 'soft' factors in influencing firm performance and assess how far large regional cities do indeed provide a supportive context for the growth of this industry.

Our second aim is to examine how far institutional and industry initiatives and local creative policies have benefited this creative sector. Design industries have also become closely linked to culturally-led urban regeneration, broadly defined as, " the encouragement of a high-density mix of creative industry production and related consumption activities, often involving the renovation of historical, commercial and manufacturing premises on the edge of city centres" (PORTER and BROWN, 2007, p. 1327)[i]. Design is invoked in two ways in these policies. The first is directly concerned with urban form; the architecture of the city, and art galleries, exhibition centres and cultural amenities (WANSBOROUGH and MAGEEAN, 2000). This is primarily design as urban residents consume it (JULIER, 2005). A second type of design promotion addresses the dynamism of the design industries in a city or city-region (see BELL and JAYNE, 2003). In theory these two design-led policies are interrelated, and a stylish urban and local environment is certainly likely to be attractive to designers (LARNER et al, 2007). However, in practice the connections between design consumption and production have been difficult to achieve (BELL and JAYNE, 2003). Cultural cluster policies have usually attempted to combine both production and consumption by emphasising the benefits of local creative networks and inter-firm horizontal and vertical collaboration (MOMMAS, 2004). In the light of the literature on design, we might expect that such cluster-type networking measures would be helpful for designers. All three of our case-study cities have undergone property-led entrepreneurial urban regeneration with varying degrees of cultural inflection and creative sector networking initiatives (BAILEY at al, 2004; BROWN et al, 2000; CAMERON, 2003; MACE et al, 2007; PORTER and BARBER, 2007; QUILLEY, 2000; WARD, 2003). We might expect that such developments, by furthering creative buzz and cultural assets, would be important to local design firms, both by attracting designers and other creatives, and by providing sources of inspiration and knowledge. The paper seeks evidence on how far this has occurred.

In the next section we explain our case studies and our methodology. In section three we explain the major supply side conditions that have been important to the firms' development. Section four turns to questions of demand and knowledge sharing among regional design firms. Section five considers how far design associations and cultural policy initiatives have been conducive to the growth of design firms in these city-regions. It highlights the limited benefits and mixed evaluations of these policies and, on this basis, suggests that these policies may have been based on an inappropriate institutionalist model. In conclusion it argues that any attempt to understand, and support, the potential for the growth of design agglomerations in regional cities should focus on the distinctive characteristics and requirements of design firms.

2. DESIGN IN THREE CITIES

The design industry neatly illustrates the disruptive impact of the growth of the knowledge economy, as it is not covered at all well by standard industrial statistics. The UK Standard Industrial Classification system chops up design into numerous different categories[ii]. This obviously makes it harder to understand the regional distribution of the industry. In another paper however, we have used industry databases to draw a preliminary geography of the industry (see REIMER et al, 2008). According to the Design Council (2005) 42 percent of consultancies and 47 percent of all design businesses (including in-house design teams) are in London and the South East[iii], whereas 5 percent are based in the North West, 6 per cent in the West Midlands and only 2 percent in the North East. The British Design Innovation register of larger design companies[iv] shows notable regional clusters of firms in Manchester, Leeds, Leicester, Birmingham-Coventry-Warwick and Bristol. On this evidence, it appears that Manchester and Birmingham are probably among the strongest of regional design centres, whilst Newcastle has a smaller design industry.

The occupational results of the 2001 Census are also of some help here, although they do not distinguish between in-house designers and designers employed by design firms. Using results for the three SOC categories relevant to design, Figure 1 shows resident designers as a percentage of the resident population within London and our three city-regions[v]. It reveals that by far the highest rates of resident populations describing themselves as either graphic and product and clothing designers are in the London boroughs. It also shows that Birmingham has a notable strength in design related to engineering, although many registering their occupation as 'design and development engineer' category will, of course, be employed as engineers.[vi]. In contrast, Manchester had a reasonably high percentage of residents listing themselves as graphic and related designers. The occupational census results also show that the Tyne and Wear conurbation had low percentages of residents employed as designers of any sort.

INSERT FIGURE 1 ABOUT HERE

Our research has been based on interviews with lead designers and managers in design firms in these three cities in order to understand how their local, urban and regional contexts have shaped their growth. Using business directories we have interviewed a range of firms in different sizes and across three different design disciplines (product design, graphic and media, packaging, and events and exhibitions). Appendix 1 shows the age, sectors and sizes of the firms interviewed. We have interviewed fourteen firms in each of these three cities and the interviews lasted between 45 and 80 minutes. We have tried to cover a range of different types of firm in each city including several of the leading design firms in each location. We have made sure that our interviews included product agencies and we have tended to select a selection of larger companies as the design industry has a bifurcated structure with a few large firms and a mass of small firms. We have also, to date, completed 35 similar interviews with design firms in London and the South East. These interviews have sought to establish the perceptions of London designers regarding the potential of design industries in other cities. Our analysis of the interview material has identified key themes that are shared by many firms as well as key points of difference. In this paper we focus primarily on the former and use representative quotations to explain and illustrate these themes.

The Origins of Regional Design Agencies

In order to begin to understand growth processes, we began by examining the circumstances surrounding the founding of the sampled consultancies. In all three cities there were three main sets of circumstances associated with firm foundation.

The first was the tendency for designers to study in a region, and then start up a company in the relevant city. In total around a third of our interviewed firms had been started by individuals who had studied in the relevant region. For example, several of the Newcastle designers we interviewed had studied at Newcastle College or Northumbria University and had decided to establish their own business, often after working as freelancers for a period. Those who had studied at institutions in the North West, including Stockport, Preston and Blackpool, tended to gravitate to Manchester after graduation for career reasons. Some of the designers responsible for start-ups had worked as freelancers in the relevant city and had then decided to set up their own company after developing relationships with clients or meeting another designer with whom they felt able to work closely. We return to this educational effect in Section 3.

A second common type of event was the foundation of the company as a spin-off in response to frustration or dissatisfaction and change in larger companies, or as a result of company deaths, and redundancies (see WENTING, 2008) on the significance of spin-offs). Most of these moves were across design companies but there were also some cases where entrepreneurs had worked in advertising or media and then moved into design. Around half of the firms we talked to came out of larger firms or were created in response to particular redundancies or changes in management. This is not at all surprising as there is a high failure rate among small design firms and design teams periodically reinvent their identities and strategies by forming a new company.

The third type of event associated with the origins of these firms, which overlapped with firm spin-offs and change, was the relocation of designers to these cities as a result of family or relationship reasons. Often this involved return migration from

London whereby designers had moved to the capital soon after graduating but were now returning to the cities with family roots and connections, or where they had studied. A different set of moves followed from meeting a partner (of a personal rather than business kind) and moving to the city in which they are based. Interestingly, we found that these personal and relationship moves were much more important than the decisions of a type of mobile creative class seeking out bohemian creative environments (as envisaged by FLORIDA, 2002). Indeed, only one of the firms we talked to had deliberately chosen its city-region for business reasons alone. Having said that, of course, a 'bohemian pull' might be more responsible for migration of aspiring graduate designers to London, which we discuss in Section 3.

These insights into firm origins indicate that the mobility and locational decision-making of individual designers are fundamental to the strength of these creative centres, but that this decision making has been less footloose and bohemia-targeted than some accounts of the creative class suggest. Recent research has also argued that because creative entrepreneurs have a wide set of artistic, social and economic goals, they may lack a single-minded ambition to grow their businesses (NESTA 2006). However, this interpretation only applied to a minority of design firms in our city-regions, most were very keen that their firms prosper both in terms of financial health and quality of product. Instead, our interviews found an alternative view of business strategy and expansion which was widely articulated among many but not all respondents. This was their desire to expand and grow their business to a certain optimum size but not to exceed this. In order to explain this view we first need to consider the supply-side and market contexts in which these firms are operating.

3. LOCATION AND LABOUR

In general, it was noticeable that most firms were positive about their locations but they also highlighted some of the ways in which their growth had been constrained by local supply side factors. If we address the supportive factors first, then there was widespread agreement that location in a regional city provided a set of *cost advantages* over location in London. This was especially true for property costs which were commonly estimated to be at least five times higher in London. Several interviewees also claimed that London wages have to be higher to match living costs. As a consequence, the majority of regional agencies argued that they could 'go the extra mile', provide a better service and spend more time on projects. According to a graphics designer in Birmingham, for example:

> "it's all about return on investment and it's great having flowers in reception and champagne dinners and all this kind of stuff and we're having a great time down there, and charging fifteen hundred quid a day rates. Whereas you'd come up here and pay six hundred pounds and get more."

Related to this, the *availability of premises,* and older industrial buildings in particular, emerged as important to firms. Many design agencies believe stylish buildings are beneficial as they both provide a micro-environment conducive to imaginative design and can be used to impress clients. In Newcastle and Manchester the presence of design firms in old industrial buildings has mainly occurred through an ‘organic’ process of cheap industrial properties being sought after by design firms. In Birmingham it has been more of a planned process as many of the firms we talked to have at some stage been located in the Custard Factory or the Big Peg[vii]. We return to this point later under our discussion of design institutions and policy. The availability of older industrial premises is most important for those design agencies that value an inner city location. However, we also encountered another type of design firm that seemed to prefer a suburban location for ease of access for clients and for commuters. Indeed only a minority of our design agencies were located in recognised ‘cultural quarters’.

When we asked firms whether they felt that their local environment provided a source of creative ideas and inspiration for design, the responses were both mixed and variable. In general inner city firms in Manchester and Newcastle tended to point to the some of the intangible benefits of having a city centre location and the sense of energy that it both provided:

> “We like being in the city centre, I don’t know whether that’s Manchester, or being part of any sizeable city centre. I think designers sort of feed from an urban environment, where you can go out and there’s bookshops and galleries and other, probably do less than you want to, but just being in part of a vibrant centre does seem to complement designers’ thinking for some reason” (Manchester graphic designer).

The quality of the local environment was clearly an influence on the firms' general satisfaction with their location. For instance, many Manchester designers praised the independent and diverse atmosphere of the Northern Quarter:

> "Obviously the Northern Quarter's full of interesting bits of architecture and it's certainly not a kind of orange brick housing estate, it's got history and it's got fantastic bits of architecture and just kinds of bars and things that are brave enough to be creative in their interior design, so it's quite thought provoking" (Exhibition designer).

Birmingham firms, on the other hand, tended to be less cognisant of a local creative buzz. But in all three cities there were many ambivalent responses to the question about local inspiration and most respondents struggled to give us examples of where their locality had been a direct source of ideas. Instead, they typically began to talk about design libraries, the internet and travel as much more significant sources of inspiration and imaginative resources. For example, a graphic designer in Manchester explained:

> "I think most people travel a lot anyways so it doesn't make any difference. I think it shouldn't be just a local feeling of what you're getting. I think the reason what that happens in any city is that most people have been out from the city and draw ideas in, it doesn't necessarily just ferment in them in their locality".

While the local environment appeared to be a marginal source of ideas and inspiration, given alternative sources of design knowledge this was not seen as a crucial constraint on firms. Instead, by far the most important supply-side constraint experienced by most of our firms was a *shortage of skilled labour*. An average of eighty percent of firms in all three cities reported a significant problem in recruiting talented designers although, of course, the degree to which this was perceived varied between firms, with smaller less ambitious firms seeing this as much less of a problem. But a typical response to whether it was hard to recruit good people was:

> "But that's probably the biggest factor .. there are very few good people around, particularly in the North East. We've tried approaching people from London and you try and get people to move from a really established agency in London to come up to the North East … 'why should I come up to the North East?' So, it's only generally people, generally, that have visited or studied here and moved away and want to come back or people that have got a personal reason for moving to the region" (Newcastle branding designer).

In some ways this is quite surprising as all our study locations have local, or nearby, higher education institutions with design courses. However, firms were often scathing about the quality of graduates and their lack of basic drawing and communication skills and experience of designing in a pressured commercial environment:

> "We see a lot of graduates, a lot of them can't sell their ideas, they come with a portfolio, they can't talk about it, it's just as if they've

> never been exposed to people, you get exceptions, but good people, there's a huge, huge problem." (Graphic designer, Newcastle).

> "Educational standards have just absolutely plummeted in our industry. It's all about ticking boxes and not teaching people skills, giving them a nice little rolled up certificate at the end of their degree course, telling them they've done well, when in actual fact they've not got anything that's going to help them get a job in the real world. It's sad, we've been completely failed as an industry by educational institutions, there's very few people come through that door with portfolios that we can use. I'd say we're probably looking at 90 percent of people we could never work with" (Graphic designer, Manchester).

The dominant, though not unanimous view, (articulated by just over two-thirds of firms and echoed by many firms in London who have resorted to international recruitment of interns) is that as more and more students have entered design courses, the course quality has been reduced. While there is an oversupply of design graduates, few of these have the necessary drawing, analytical and business skills. Firms were frequently wary about taking on graduates as they believed they would require large amounts of mentoring and training from experienced colleagues. As a result many firms tend to recruit more experienced designers and in this sense the return flow of experienced designers from London due to family or lifestyle reasons is an important lifeline. Interestingly though, some regional firms argued that designers moving back from London had to retrain to be more generalist designers, rather than specialists, in order to contribute to the firm's varied demand.

A further problem is the difficulty of retaining the best design graduates in the regions. It was widely argued that regional firms need closer links with students in order to retain more of the best graduates in the region. Several of the larger London design firms have close links with design schools in the regions and are shown their best graduates. In addition we were repeatedly told that there is a perception among the most ambitious design graduates that succeeding in the industry demands moving to London. Figure 2 shows the proportion of graduates from design degree schools in recent years moving to London after graduating. Compared to other regions, the West Midlands and Manchester city-regions have high rates of design graduate retention, but only approximately 50% stay in these regions (six months after graduation). Although of course, this does not tell us whether these graduates are obtaining jobs in design or in other sectors. The rate for Tyne and Wear is about 40 percent after six months and many smaller regional cities retain only 20-30 percent of their design graduates. Having said that, if we standardise by total population, then the ability of smaller regional design centres such as Bath, Brighton, Leicester and Derby to retain a relatively high proportion of design graduates is evident (Figure 3). Several product design consultancies argued that the establishment of the in-house design teams of firms such as Nokia and Nissan in the South in recent years had made it harder for them to keep good junior talent. According to a leading product design agency in the West Midlands:

> "London over the last two years has become a central cultural capital for all the corporate design in-house departments. So if I'm Nokia I'm now set up in London, you find Samsung London, and everyone's done it. We've lost a lot of staff to then too, because they have clout. . I just couldn't hire people for a long time from an outstanding group because Nokia are putting 150 designers into London, you don't get many good designers around like that."

INSERT FIGURES 2 AND 3 NEAR HERE

In order to fully understand the pull of London and the typical characteristics of design careers in our city-regions, however, we need to pay close attention to the nature of design agency markets and the significant obstacles to firm development that exist on the demand side.

4. DEMAND AND CLIENT RELATIONS

Recent creative industries policies have reflected regional policy more generally and tended to emphasise the importance of the endogenous supply-side factors (e.g. DCMS/BERR/DIUS, 2008; DESIGN COUNCIL and CREATIVE AND CULTURAL SKILLS, 2008), however, this has downplayed the importance of demand conditions. In the first place, we should note that despite being relatively strong regional centres it would be an exaggeration to say that these cities are currently global hubs for design. The Design Council (2005) survey shows that the overwhelming majority of firms in these regions rely on regional and then national markets, and in our interviews most firms reported that between 60 and 90 percent of their market was regionally based. It also became clear that, as a general rule, smaller firms tend to have more local clients so that the city-region context provides a crucial context for the initial establishment and growth of design firms.

For many regional firms, the *lack of local demand* appeared to constrain earnings. The majority of firms argued that there was only so much work to go round in their local market. The majority of firms identified their regional market as a constraint, and we believe that it is particularly important determinant of the development of younger and less specialised design firms. While it is possible to have clients outside their region this is made more difficult and costly by the need to have occasional face-to-face meetings. Many interviewees said that they were prepared to travel across the country to meet clients but that it is only financially feasible on certain projects. Admittedly, many firms argued that new forms of electronic communication have reduced the need for regular face-to-face contact, particularly in web design. Nevertheless, design is a highly client-focused industry and it is very similar to other knowledge intensive services in that design firms are, above all, 'systems of persuasion' (ALVESSEN, 2005), based on relational exchanges (KEEBLE and NACHUM, 2002; WOOD, 1996). That is, they seek to persuade clients that they can deliver an innovative and effective product. This persuasion typically involves establishing a good personal connection with a client with the hope of repeat business and referrals.

Indeed, a consistent theme in our interviews is that the most new business derives from referrals and recommendations by existing clients. So this tends to reinforce the difficulty of gaining new business in cities outside of a region. Furthermore, long-term relationships with clients form significant barriers to gaining entry to a market in another region. In several instances, however, past clients had changed jobs and moved to another city and this had opened up a business opportunity. So while there are numerous cases of extra-regional contracts based on personal relationships, in general the availability of local clients was seen as a key constraint on business development. Newcastle firms strongly felt that the pool of potential clients was limited. In contrast, Birmingham firms appeared to feel that geographical proximity to clients was less of an issue because of their central national location; hence, larger Birmingham firms repeatedly pointed out that they could access clients in London. Importantly the shortage of potential clients makes it hard for regional non-product design firms to specialise in particular types of design:

> "You go to London, and there are companies that look at specialist areas of design, up here you just look at … everything is bundled together because its; a smaller marketplace".

Interestingly, in the case of product design agencies in our city-regions, it was the more specialised agencies that seemed to have made linkages with national and global clients. In these cases firms had made connections with large clients and had built up reputations based on their work with these customers. This provides some support for SCOTT'S (2000) emphasis on specialisation, but as we have seen this is extremely difficult for firms in non-product disciplines who tend to be generalists.

A related issue is that many design agencies believe that some clients use a London address as a as a signal of quality and reputation. They suggested that the locational cachet of a central London address is used as a screening device by potential clients. Indeed it was argued that even larger companies and public organisations based in the same city region preferred to use design agencies in London because of the perception that London agencies have proven their quality by surviving in a high-cost environment. According to a branding agency in Manchester, location can even influence a client's perception of a proposal and they are more sceptical of ideas emanating from small regional agencies.

The nature of demand has important consequences for our sampled firms. When questioned about their plans for expansion, many firms expressed the view that they were aiming at an optimum size of about 20-25 employees. They believed that very small firms were highly dependent on just one or two (often related) clients in the same sectors and so were very vulnerable to a downturn in particular areas. On the other hand, expanding above the optimum size was seen as excessively risky as it was feared that this would change the nature of the firm, reduce the quality of the labour force and undermine relationships with key clients. A subset of firms argued that they aspired to be 'boutique' agencies with intimate relations with their clients. This was summarised by an agency in Manchester who expressed:

> " a fear of becoming too big, where you become absolutely obsessed with running your business and not servicing your clients and not being as engaged as you'd like to be and I think there's a fear that that

> could be the outcome of becoming too a bigger organisation, administering your business, you're not close to your clients".

It is not just the quantity of demand that is important. It is also the perceived *quality of demand* for design. Both Newcastle and Manchester firms expressed some frustration with the degree of sophistication of demand. Firms argued that many local companies were 'conservative' and that their consciousness of the potential value of demand should be higher. For example, according to a Birmingham graphic designer:

> "You know when a company has grown to a great extent but on bad branding, they can't see what's wrong with their branding, because they have been successful regardless of it."

A recurrent theme in our findings is that because design is created through a process of negotiation and compromise, good design requires demanding clients. Several agencies working with the public sector also argued that public sector clients are excessively bureaucratic and fickle clients who were forced to follow paperwork, committee processes and competitive tendering procedures rather than developing longer term, trust-based, business relationships. In summary, these limitations in demand mean that the design sectors in the case-study cities are highly competitive and some firms are prepared to undercut their rivals and adopt free pitching to clients. In this context it is far from easy to develop policies that support and advance the sector.

5. POLICY AND INSTITUTIONAL SUPPPORT

As we have noted, the promotion of cultural clusters and cultural urban regeneration has often been packaged as the construction of a more design-led urban environment (JULIER, 2005). What is less clear, however, is whether such regeneration has actually improved the context for design businesses themselves (BELL and JAYNE, 2003). Cultural clusters and quarters have been promoted in a very wide range of urban locations with little regard for their pre-existing specialisation in creative sectors (OAKLEY, 2004). In many cases, such policies are influenced by institutionalist thinking which encourages the development of networking between actors in order to share knowledge and support collective learning (MOMMAS, 2004). It also assumes that the public provision of public cultural facilities and amenities will help to stimulate the growth of a local creative buzz. All three of our regional cities has been subject to such redevelopment in some varied form (for example see: BAILEY et al, 2004; BROWN et al, 2000; CAMERON, 2003; MACE et al, 2007; PORTER and BARBER, 2007; QUILLEY, 2000; WARD, 2003). Their cultural regeneration strategies have varied with the degree to which they have relied on property led cultural incubators (such as the Custard Factory and Big Peg in Birmingham), spillovers from large flagship developments (the Sage and Baltic Galleries in Newcastle-Gateshead), or supporting more bottom-up cultural quarters (The Northern Quarter in Manchester). A full assessment of these strategies is beyond the scope of the paper. Despite the background differences, however, all three cities have lacked a well developed and sustained system of policy support for design firms. Hence, when we asked design firms about local and regional support measures their responses revealed a similar emphasis on efforts to promote of creative and design-specific networks and associations.

Our interviews therefore sought to establish firms' perceptions of these measures, focusing on two main types of support. The first are design-specific initiatives intended to develop a design (and in some cases related branding and advertising) community and to promote its firms. These measures involved both national organisations such as the Design Council, Design Business Association (DBA), British Design Innovation (BDI)[viii] and local urban and regional design initiatives. The second type of initiative includes those more general policies designed to further creative sector synergies and networking. In general, we found that both classes of initiative were described in critical terms and very few firms were highly enthusiastic about their effects. However, with some exceptions, it appeared that the first type of policy was regarded as more useful than the latter. We discuss each in turn and explain this claim.

In recent years, and in accord with moves to encourage the Regional Development Agencies to provide foci and centres for the creative sector (DCMS/BERR/DIUS 2008), industry and government strategies in design have moved towards regional delivery. The Design Business Association established regional heads in 2005 and schedules regional training workshops. In addition there are a variety of regional design associations operative in our city regions. At the same time, policy towards the design sector has in the last decade shifted towards raising the demand for design services. In line with the Cox Review (HM TREASURY, 2005), the Design Council has argued that greater use of design would raise the competitiveness of British firms. The main outcome of this thinking is the 'Designing Demand' programme which is part-funded and delivered by Regional Development Agencies and aims to reach

6,000 SMEs by 2010. The programme connects SMEs with a small number of experienced design firms, or ambassadors, via varying series of workshops and advisory sessions.

Despite these very recent moves, our interviews found that while some design firms had benefited from policy and industry associations, just short of three quarters of firms argued that their impacts have been very limited. While some firms described their membership of the DBA and BDI as highly useful in connecting with potential clients and with other business services, other firms saw these agencies as too expensive and London-centric. All of our respondents were aware of city-region design initiatives although only a minority were directly involved. In general, city-region design institutions are apparently much more active in the North East and visible in Manchester than in Newcastle and Birmingham. Few Birmingham firms showed any interest in city-region policy or support, and many looked instead to the Chamber of Commerce for networking opportunities. Manchester firms, on the other hand, highlighted that the DBA had its northern office and provided training programmes in the city, and also that DandAD[ix] North had organised events and an exhibition in the city. In Newcastle a minority of firms were aware of the local ‘A-Design’ association that is attempting to raise collective awareness and presence. Some firms argued that networking was important to keep aware of what everyone else is doing, and also by possibly advocating more professional standards of behaviour in the industry. For example, a Manchester graphic designer stated:

> “Just to see what’s going on in industry more than anything and it’s more the awards more than anything, but you get to see what the

current trends are and who's producing what, etc. I think just to stay on top of things really, just make sure that we're on the cutting edge of what's going on more than anything."

However, many were sceptical about networking, as it tended to involve too many awards and self-congratulation and too little benefit:

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"I just haven't got the time to network and it was mainly networking with start-ups and it felt like after a while it was about, it was just sort of internal back-slapping and everyone is doing well aren't we, but no new business or anything like that" (Graphic designer, Birmingham).

One way in which policy initiatives have tried to raise design profile is through events and festivals that showcase design. However, we encountered considerable confusion about the purposes and aims of these events. Some felt that short design exhibitions would not work as a way of getting new business. The Design Council's DOTT event[x] in Newcastle, for example, was criticised for being 'parachuted in' and not sufficiently attuned to the character of the local economy. It was widely felt that temporary design festivals tended to be dominated by creative sector employees and students rather than the local business sector. For example, commenting on the annual Plus Festival of Design in Birmingham, one … designer remarked:

"You've got to remember that we're businesses. The design businesses, that's a business, so we must have corporate people

> coming to the event to make it worth while and I don't think there's enough focus on that, to basically say 'look how good I am'" (Designer, Birmingham).

It appeared that the notion of a design community is fundamentally constrained by the competitive nature of the sector. While open innovation may be evident in world-leading engineering and product design agencies, this does not mean that such methods are typical of most firms. One product firm in the North East envisaged agencies scrabbling over clients:

> "They're all working their nuts off all the time they don't have time to do much socialising and when they do, it's more targeted at getting more business than it is at schmoozing with the agency down the road. The likelihood of ever doing any inter-trading is zero; you are not likely to do it. If anything, if I was to have more work than I could handle and I couldn't service it with freelance, I would be more likely to take it to a geographically remote agency, so that there was less chance when I cut them loose that I would strengthen the competition, but I'm still dammed unlikely to do it, in the first place, you know, we'd be more likely almost to turn away the work, than we would to probably share it with another agency."

While many firms reported some sort of occasional involvement with creative networking events, most were ambivalent about their effects. Many firms were sceptical of cultural regeneration type policies and, in particular, whether the investment of precious time would provide an adequate return. Reflecting their strong client orientation, very few firms argued that networking with other designers or creative employees is important to their business practices. The one type of cultural development that had played an important part in firm development in Birmingham, however, was the Custard Factory. The availability of premises had been important, but, even here, it was noticeable that firms said that interaction with other creative workers had been limited. For example, a designer commented:

> "It is probably one of the cheapest places in Birmingham. We looked at quite a few places to rent, and so from that angle it's great. But I don't think there's, once you're in, there's not a lot of, there's no sort of creative support or encouragement or anything like that really."

A strongly critical, but not unusual, response from a Manchester agency argued that cultural industry initiatives failed to help product design:

> "In Manchester for example, we've got publicly funded bodies who apparently promote the cultural industries and our sector. I just don't see any benefit they've brought. They employ a lot of people, but what they've done for me, or how they could demonstrate that they've benefited the economy, I don't know."

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Despite variations between individual firms we can distinguish some common themes in the responses to cultural policy initiatives. First, most firms were appreciative of urban regeneration and the ways in which new cultural facilities were part of the re-branding and marketing of their cities. But on the other hand, they did not describe these new facilities as important sources of design inspiration. Here they talked more about the internet, travel and other leisure time experiences. Second, it is clear that design firms hold mixed views about the value of participation in design networks. Third, where policy initiatives have provided cheap premises this has been of direct benefit to some start-ups. However, there is little evidence that supportive design institutions are a significant determinant of the strength of local design economies. While the focus of the 'Designing Demand' programme conforms to some degree with our understanding of key constraints, we came across some disappointment with the scale and implementation of the programme. The programme primarily benefits SMEs in all sectors rather than significantly raising demand for design services. Regional design firms felt that the opportunity for involvement in the programme was too narrow, as a limited number of 'design associates' act as gatekeepers. Furthermore, the same package is being delivered by London development agencies so it is not a policy which will strengthen the design ecosystems relative to that in the capital.

6. CONCLUSIONS

Our results for three major British regional cities indicate that while design agencies are clearly a part of the creative sector, the subfield of design has distinctive and specific characteristics. At one level, design agencies are part of the service component of the creative sector and its practices are clearly different from the processes seen in other cultural industries, such as the production of cultural experience or the distribution of cultural content. Design agencies are business services and clearly similar in some ways to other knowledge intensive services that focus on meeting clients' needs (KEEBLE and NACHUM, 2002; WOOD, 1996). As such, design agencies benefit from urbanization economies and market-based agglomeration economies where clusters of firms act to attract and reassure clients. We were somewhat surprised by the way in which design agencies emphasised the importance of 'harder' factors to their competitiveness such as infrastructure, property and labour supply. But this did not mean that intangible factors and especially the exchange of knowledge were unimportant. Instead, we found that these factors revolved around knowledge exchange with clients and in this sense the market is a crucial regional determinant of firm viability as it is simultaneously 'hard' and 'soft'. This suggests that firm capabilities and market routines in these agencies are also to some degree design-specific and distinct from those seen in other creative and business services sectors such as advertising, architecture and public relations. Furthermore, there are also important differences in business ecologies between types of design, such as fashion, in-house design, and consultancy work. These differences mean that in both theoretical and policy terms there are limits to the possibility of making credible generalisations about the operations or needs of a generic creative economy.

For these reasons, a regional institutionalist model of creative cluster policy based on inter-firm synergies, collaboration and networking between creatives and developing local cultural resources has had little direct effect in supporting the design sector in regional cities. Of course, these policies have so far only been implemented ephemerally and unevenly, and it is possible that such efforts may have longer term and difficult to trace benefits in terms of attracting and retaining skilled labour in these city regions, or possibly by increasing the circulation of designers through local firms (see VINODRAI, 2006) . Certainly our reliance on one-off interviews may have not been conducive to identifying such dynamic effects. But our evidence concurs with British Design Innovation's (2007, p.2) conclusion that "despite the significant public investment in consultations focussed on seeking to understand creative industries and their needs, the under-resourced and time-starved design sector itself is struggling to engage or understand their benefit." Therefore, we would argue that effective local policy should be better designed to address specific problems we have identified in terms of markets, graduate retention and human capital.

Our findings suggest that there are vicious circles acting in the design field in our cities which make it difficult for these sectors to grow into the niche global creative clusters envisaged in government strategies. In particular, as a result of limited markets, aspiring designers often hit a ceiling within firms and leave to start up their own design businesses. Because of low entry costs, the design agency field is intensely competitive and there are restrictions on the opportunities to shift into higher-quality markets or share good practice. Despite this, some successful firms undoubtedly escape these dynamics through working with influential clients and their referrals. A full understanding of this process requires more detailed research into the evolution of firm capabilities and their co-evolution with projects, clients and referrals. We have seen that it is undoubtedly possible (if difficult) for design firms in our cities, in both product and other sectors, to develop types of specialisation and to win business from clients in other regions, including London, as well as overseas. But in the context of recent trends in spending on design services, and in the light of the current economic recession, then it is unrealistic and exaggerated to suggest design consultancies in our cities are currently on course to develop into significant global clusters or hubs for design.

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APPENDIX 1: Firms interviewed

Discipline	**Graphics**	**Product**	**Interior**	**Exhibition**	**Total**
Birmingham	10	1	2	1	14
Manchester	13	1	0	1	15
Newcastle	11	3	0	0	14
Total	34	5	2	2	43

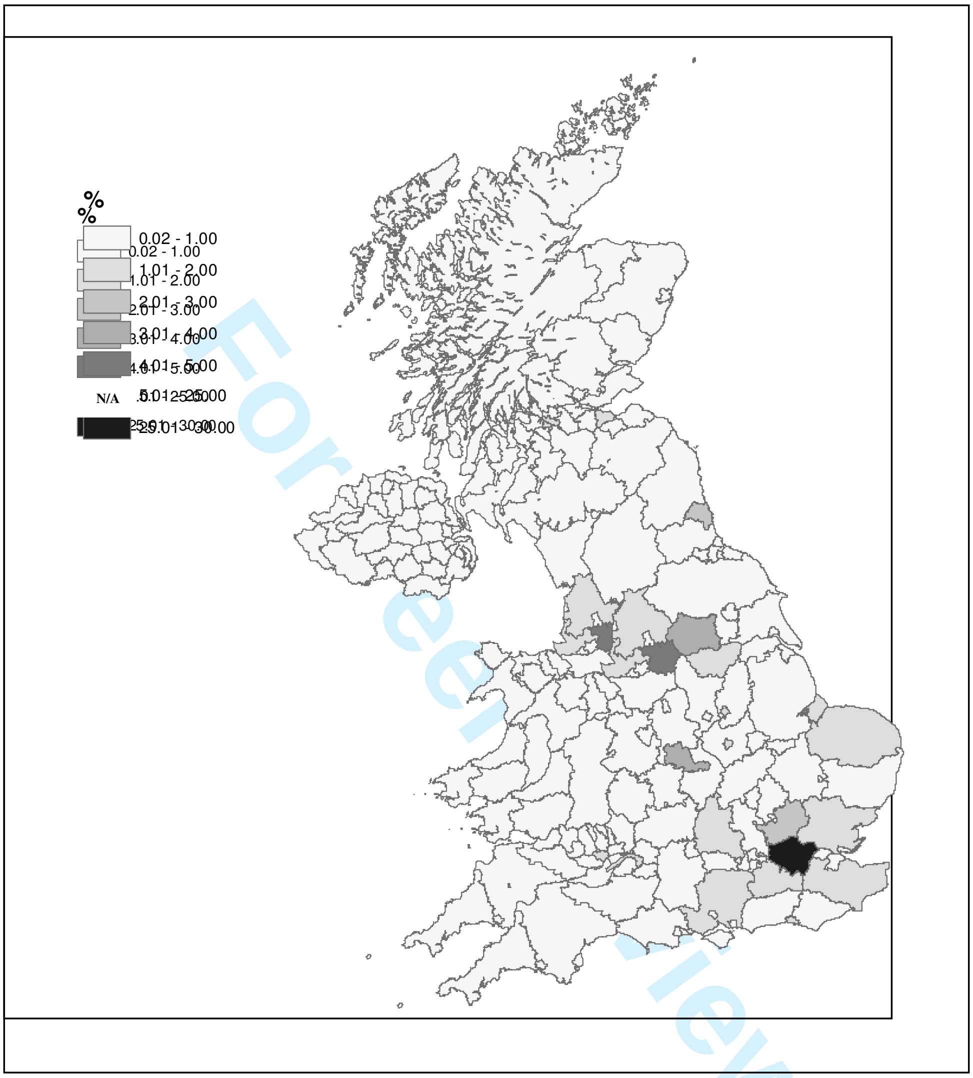
Size (employees)	**0-4**	**5-8**	**9-12**	**13-16**	**17-20**	**21 over**
Birmingham	7	3	0	0	1	3
Manchester	6	2	3	1	0	3
Newcastle	4	6	1	0	2	1
Total	17	11	4	1	3	7

Fig. 1: Designers as PercentagePer Thousand of Resident Population, 2001

	Design and Development Engineers	Graphic designers	Product, clothing and related designers
London	(3,943) **1.1**	(19,079) **5.8**	(14,462) **4.6**
Tyne and Wear	(1,200) **1.7**	(1,326) **1.8**	(691) **1.1**
Birmingham	(5,714) **4.2**	(3,388) **2.3**	(1,994) **1.5**
Manchester	(2,398) **2.4**	(2,801) **2.7**	(1,665) **1.6**

Absolute numbers are in brackets
Conurbations have been constructed by amalgamation of unitary authority areas.
(Source: Census 2001, occupational classes)

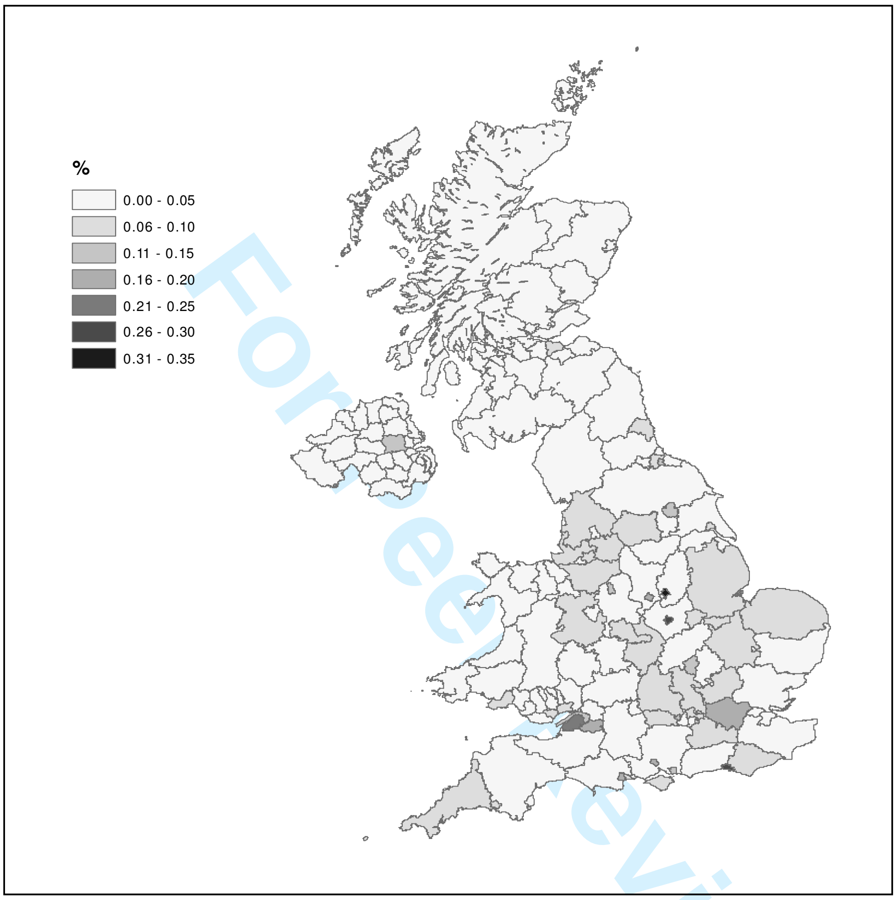
FIGURE 2: Destinations of design graduates* (2002-05)
Percentages of all design graduates



Sources: HESA Destination of Leavers Survey; 2002/03, 2003/04 and 2004/05.

* Graduating from full-time undergraduate programmes in ‘design studies, ‘creative arts and design and ‘others in creative arts and design’. Destination recorded ~ 6 months after graduation.

FIGURE 3: Destinations of design graduates*, (2002-05)
Percentages all design graduates by population



Sources: HESA Destination of Leavers Survey; 2002/03, 2003/04 and 2004/05.

* Graduating from full-time undergraduate programmes in 'design studies, 'creative arts and design and 'others in creative arts and design'. Destination recorded ~ 6 months after graduation.

[i] Cultural regeneration policies take many forms; they may be broad support for culture as it is produced, and/ or, culture as it is consumed; they may be very broad city-wide policies or they may focus specifically upon a specific cultural quarter (MILES and PADDISON, 2005; MOMMAS, 2004). .

[ii] At present the UK SIC codes are anachronistic and lack a clear category for design firms who are allocated to numerous sub-categories. As a consequence the DCMS was forced to use an estimated percentage of 7484 *Other business activities not elsewhere classified* as a proxy for the size of the design sector. A revision of the SIC system is planned and this will aim to provide a better representation of design.

[iii] The concentration of the largest consultancies (those over 250 employees) is even greater with 67% based in London and the South East in 2005 (DESIGN COUNCIL, 2005)

[iv] The British Design Innovation database is based on a promotional membership register of design companies. It is not comprehensive but includes a high proportion of larger and exporting companies (See REIMER et al, 2008).

[v] The city regions have been constructed by amalgamation of unitary authority areas in order to capture commuting effects.

[vi] The Design Council also notes that the West Midlands has a relative strength in product and industrial design as it contained 12perecnt of design businesses in this sector in 2005 (compared to 41 percent in London and the South East, and only 2 percent in the North East).

[vii] The 5 acre Custard Factory complex was first developed in 1988 and now consists of over 150 creative industries in fields such as visual arts, music, printing and graphic design. However, until recently development of the area has been inhibited by the city council’s focus upon flagship developments such as the International

Convention Centre (PORTER and BARBER, 2007). The Big Peg is a large office block in the heart of Birmingham's historic jewellery quarter. It was erected in 1960 but recently refurbished to provide accommodation for artistic, media and creative industries as well as jewellery workers (a 'peg' being a traditional term for jewellery workers' cramped operating spaces).

[viii] There are two main promotional and supportive membership organisations, the Design Business Association (DBA) and the British Design Innovation (BDI), open to design consultancies. In addition the Design Council is a state-funded promotional and educational organisation.

[ix] [ix] DandAD is an educational charity founded in 1962 and headquartered in London that is designed to support education and enterprise in design and advertising. In March 2006 it opened a Northern branch in Manchester.

[x] DOTT Design of the Times is an annual design exhibition organised by the Design Council and aimed at raising the profile of design, first held in Newcastle in 2007.