

# The design difference

A survey of design and innovation  
amongst Ireland's SMEs

2007

Centre for  
**Design Innovation**



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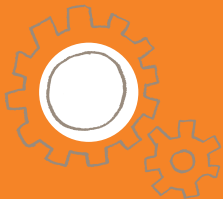
The research results of a survey of 405 companies in the Republic of Ireland and Northern Ireland.

# Irish companies that use design are more successful than those that do not.

This – in a nutshell – is the central finding of our design survey, the first survey to examine the complex relationship between design, innovation and business performance in Irish SMEs.

Why are companies that use design more successful than those that do not? We don't fully know why – yet – but the research tells us that

companies using design are less risk averse and more likely to be developing new products and services. It also tells us they're less likely to be competing on the basis of price. It suggests that they're growing and succeeding because they're innovating and moving. They're not waiting on the challenges of the global economy, they're using design to meet them head on.



# Yet, only 15% of Irish SMEs use design strategically.

This is the flipside to the central finding of our design survey. Despite widespread recognition that design substantially increases competitiveness, the majority of Irish SMEs are either unable or unwilling to integrate it strategically into their current business models.

There also lies the crux, the elemental challenge facing Irish business leaders and policymakers as they seek to push the Irish economy up 'the value chain'. Success hinges on bridging the gap between attitude and action, between understanding and exploiting the full benefits of design innovation.

# Design, innovation and growth are linked.

Sounds complex but the data paints a simple picture. Irish SMEs that use design innovate more than those not using design. Design-led SMEs are more likely to be developing new products and services; more likely to be improving existing ones and reducing costs.

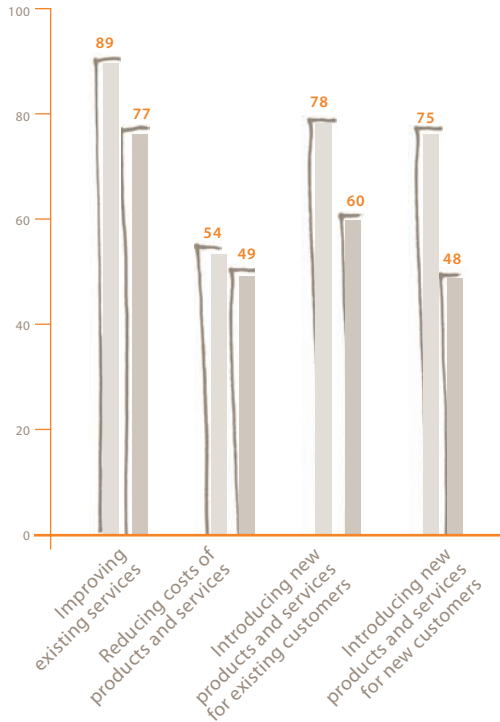
For example, 78% of SMEs that use design brought new products and services to market in the past three years. This compares with just 51% of SMEs not using design.

How is this linked to growth? 72% of businesses developing new products and services experienced growth. This compares with 56% of businesses that developed no new products and services.



**Which of the following innovation related activities has your company undertaken in the last 3 years?**

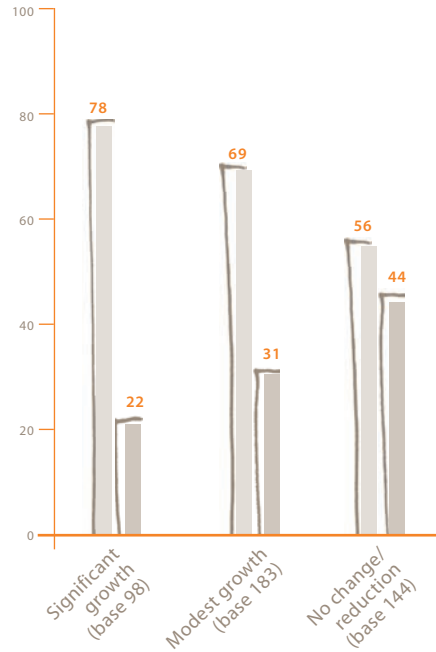
- Design is integral/ significant (base 257)
- Design is limited or has no role (base 162)



**Has your company developed any new products or services in the last three years?**

*(Responses shown in relation to growth in demand)*

- Yes (base 284)
- No (base 140)



**57%**

of Irish SMEs using design place innovation among their top three strategic priorities. This compares with only

**31%**

of SMEs not using design.

**75%**

of SMEs that use design engage in the most radical type of innovation – developing new products and services for new customers. This compares with

**48%**

of companies that do not use design.

# SMEs that innovate are less likely to compete on the basis of price.

Price always has a hand in selling. The research tells us that this hand gets smaller in the sales strategies of innovative Irish SMEs. In comparison to their less innovation-led counterparts, these companies sell more on the basis of added-value and innovation itself.

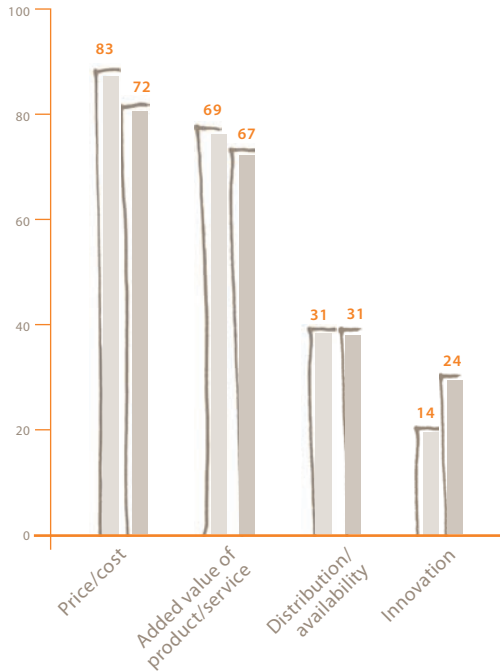
What does this mean? In the context of the global economy it means innovation reduces exposure to price pressures; it means innovation increases competitiveness.





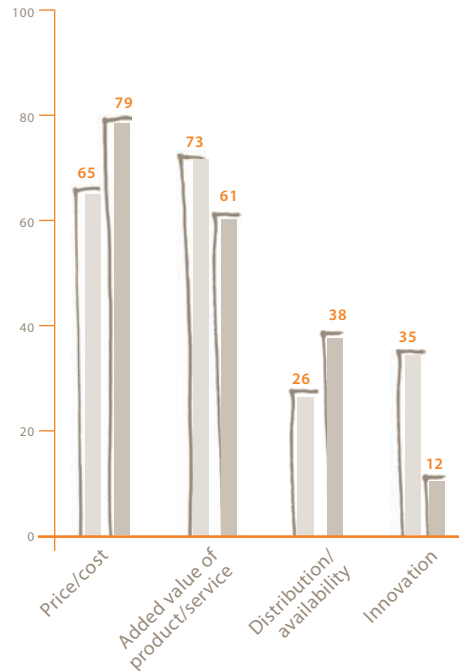
Which of the following attributes best describes the basis on which you think your customers make their purchases from you?

- Public (base 277)
- Private (base 405)



Which of the following attributes best describes the basis on which you think your private sector customers make their purchases from you?

- Innovation among top 3 strategies (base 223)
- Innovation not among top 3 strategies (base 182)



Companies selling to the private sector on the basis of innovation were

**2x**

more likely to experience growth in demand for their products and services than to experience no-growth.

Companies that rank innovation amongst their top three strategic priorities are

**3x**

more likely to be selling to the private sector on the basis of innovation than companies where innovation is not among the top three priorities.

# Growing companies say design & innovation sharpen their competitive edge.

To what degree design and innovation sharpen a company's competitive edge, depends greatly on the company's edge.

For example, 46% of companies experiencing a growth in demand for their products and services said innovation to a great extent enabled them to maintain competitiveness.

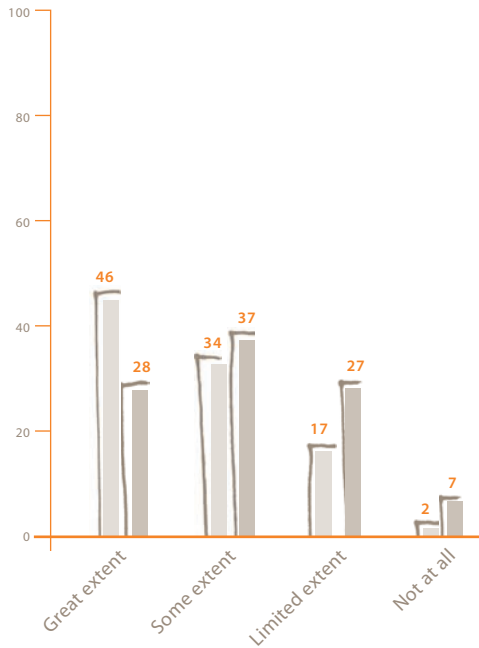
In contrast, only 28% of no-growth companies said the same.

Similarly, 47% of companies experiencing significant growth said design to a great extent enabled them to maintain competitiveness. This compares with only 30% of no-growth companies.



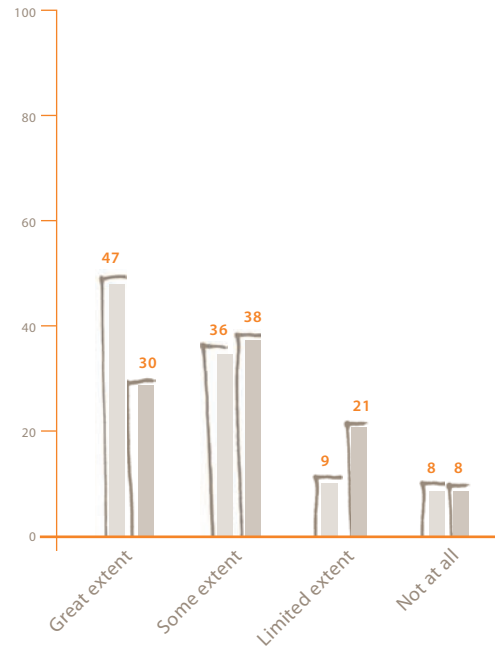
To what extent has innovation enabled your company to maintain a competitive advantage over the last 3 years?

- Growth in demand (base 281)
- No growth in demand (base 144)



To what extent has design enabled your company to maintain a competitive advantage over the last 3 years?

- Significant growth in demand (base 98)
- No growth in demand (base 144)



46%

of companies experiencing growth in demand say innovation to a great extent enabled them to maintain competitiveness compared to only

28%

of companies experiencing no growth

47%

of companies experiencing significant growth in demand say design to a great extent enabled them to maintain competitiveness compared to only

30%

of companies experiencing no growth

# The fastest growing companies are the ones investing in design

The levels of investment an Irish SME puts into design is a function of growth – sounds like relativity theory but it isn't.

Based on our research just 21% of Irish SMEs significantly increased their investment in design in the past year. When we looked at this in relation to growth, we found that 35% of SMEs

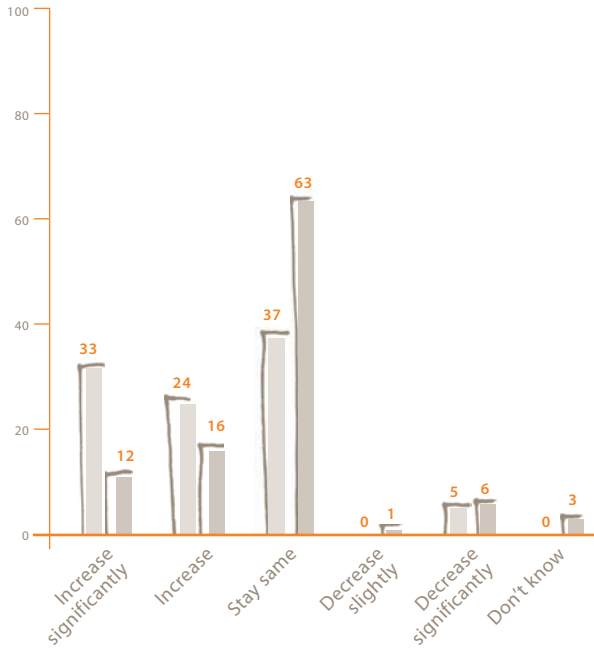
reporting increased turnover have significantly increased their investment in design.

Looking ahead one year, while 43% of all SMEs are planning to increase their investment in design, this compares with 60% for SMEs planning to grow rapidly in the next year.



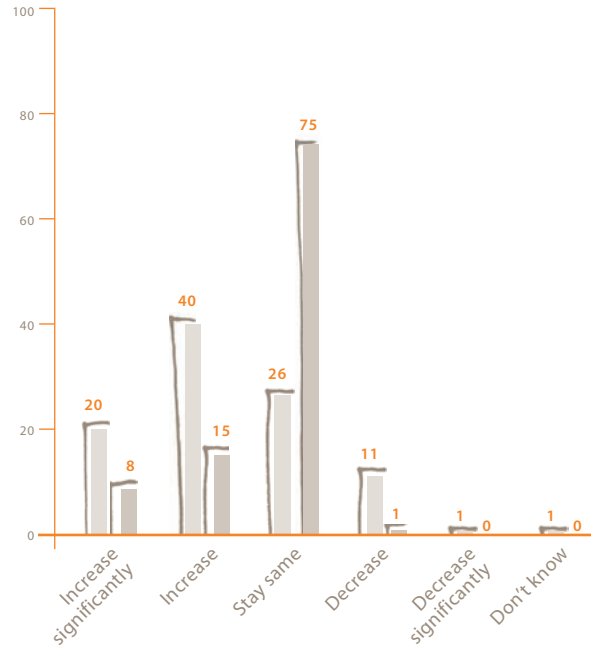
**In the past year, how has your company's investment in design changed relative to the previous year.**

- SMEs focused on growing rapidly (base 64)
- SMEs focused on survival, or stabilising output (base 92)



**How do you expect your company's investment in design in the coming year to change relative to the past year?**

- SMEs focused on growing rapidly (base 64)
- SMEs focused on survival, or stabilising output (base 92)



**74%**

of companies that use design report growth in demand for their products and services. This compares with only

**54%**

of companies not using design

**35%**

of SMEs reporting a large growth in turnover in the past year significantly increased their investment in design. Of those SMEs experiencing no growth in turnover, only

**14%**

significantly increased their investment in design.

# Some forms of design-use lead to more growth than others.

As the 'Design Ladder' on the facing page illustrates, there is an important distinction to be made between the different levels at which companies use design.

The higher the step on the ladder, the more strategic the design implementation within a company. Our research tells us that the more strategic the implementation is, the more likely a company is to experience growth.

Currently only 15% of Irish SMEs have achieved the highest rung of the ladder, meaning that many more could be targeting additional growth by climbing a little higher.



Climbing the design ladder

**1 Non Design** – design plays a negligible role in a company’s business.

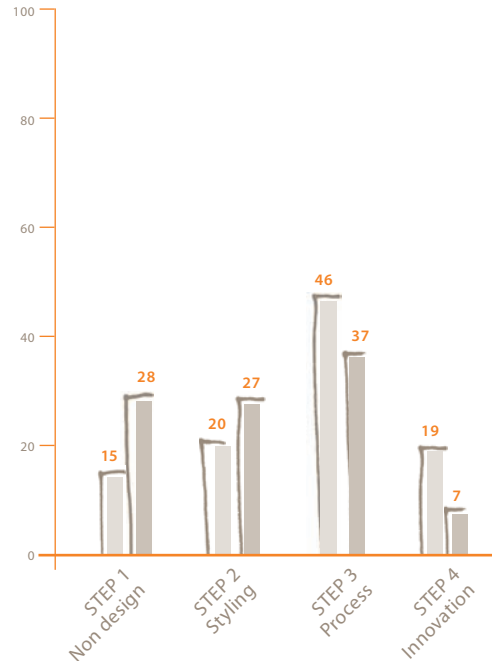
**2 Design as Styling** – design relates primarily to the external styling or form of a product.

**3 Design as Process** – design is used to improve efficiency in bringing products and services to market.

**4 Design as Innovation** – design drives all business activities to better satisfy user needs.

Design ladder by growth in demand.

- Growth in demand (base 281)
- No growth in demand (base 144)



SMEs strategically using design are more than

**2.5x**

more likely to experience growth in demand than no-growth.

Compare this with companies not using design. These companies are nearly

**4x**

more likely to experience no-growth than companies that use design strategically.

# What we think and do about design are two different things.

This is perhaps the most poignant finding of the design survey – the revelation of the puzzling gap between attitude and action.

While 78% of Irish SMEs think design is important for staying ahead of the competition, only 15% plan to significantly increase their investment in it.

Interesting in this context are those companies that said design played little or no role in their organisation. Not surprisingly, they were also most likely to fall into the group finding it harder to innovate and develop new ideas.

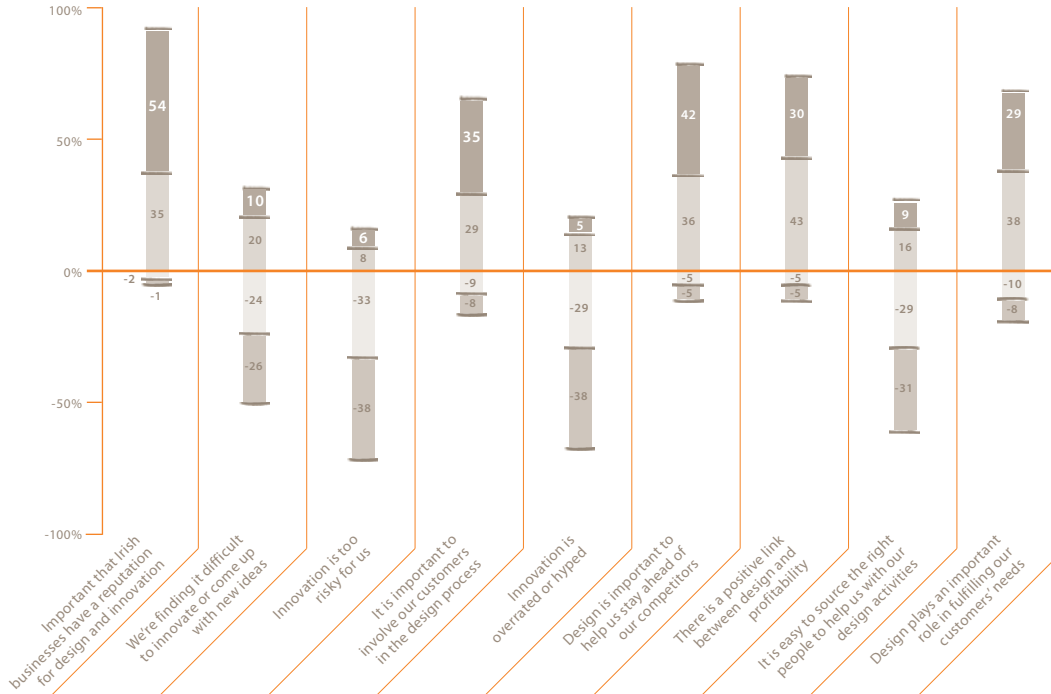




**To what extent do you agree or disagree with the following...?**

*(NB Neutral and 'dont know' responses are not presented in the graph.)*

- Totally agree
- Agree
- Disagree
- Totally disagree



**89%**

of Irish SMEs think it is important for Irish business to have a reputation for design and innovation

**78%**

think design has helped them stay ahead of their competitors

Only

**15%**

plan to significantly increase their future investment in design

# Why, when the benefits are so clear, do Irish SMEs not use design more effectively?

We don't know the complete answer to this question. The research suggests a combination of factors: aversion to risk, inadequate support mechanisms and limited design and innovation capability both within companies and nationally.

This, we do know – in the global context, the Irish economy is becoming less competitive; our ability to differentiate our products and services is declining. How much longer can we afford to ignore the importance of design?



## On Methodology

405 SMEs from the Republic of Ireland and Northern Ireland participated in the design survey. Our sample was designed to be representative of all SMEs (between 10 and 250 employees) and to allow analysis on the basis of sector, company size, and geographic region.

A team of researchers used Computer Assisted Telephone Interviews (CATI) to survey participating businesses. Questionnaires used in these interviews were developed on the basis of previously conducted qualitative research. Each interview took approximately 12 to 15 minutes to complete.

A sample questionnaire, a profile of respondents, a detailed description of research methodology, and the complete findings of the survey are available online at [www.designinnovation.ie](http://www.designinnovation.ie).

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The Centre for Design Innovation is the national centre of excellence for the research, understanding and promotion of the effective use of design and innovation in Ireland. It is an initiative of the Institute of Technology, Sligo and is funded by Enterprise Ireland under the Applied Research Enhancement scheme.

