

SUBMISSION FROM PROFESSOR GEORGINA FOLLETT, DESIGN IN ACTION

1 Introduction

Design in Action (DiA) is Scotland's Knowledge Exchange Hub for the Creative Industries. DiA is funded by the Arts and Humanities Research Council. The project is a partnership of all of Scotland's colleges of art and design (DJCAD, ECA GSA, Gray's) along with the University of Abertay and the University of St Andrews. DiA exists to create economic value through innovative knowledge exchange. The application of design techniques allows SMEs to develop new products, processes, services and experiences.

2 Economic outlook

The **UK economy** has returned to slow growth after the great recession sparked by the global financial crisis of 2008. Good news stories in the recovery have been few and far between. The success of our creative industries is certainly one such success.

- GVA of the Creative Industries has increased by 15.6 per cent since 2008, compared with an increase of 5.4 per cent for the UK Economy as a whole. (ONS)
- Between 2011 and 2012 employment in the CIs grew by 8.6% compared to 0.7% in the economy as a whole. (DCMS)

3 Scottish SMEs account for around 99% of private sector firms. Small SMEs and micro-businesses are pre-dominant and the national enterprise agency is not geared towards this end of the sector. Most CI businesses operate well below growth company thresholds.

Scotland's **Innovation R&D gap** remains a key strategic weakness in our economy. Our rates of business investment in research and development are among the lowest of any developed nation. In contrast our rates of investment in higher education research are among the highest in the OECD. Effective knowledge exchange is the key to translating this research into economic value.

4 Design in Action

Design in Action produces residential innovation events titled Chiasma. Academics scope economic opportunities in key growth sectors and produce a competitive public call. Successful applicants are brought together from business, academia, and design over three intensive days to develop commercial concepts. The best of these concepts are seed-funded up to £20,000 by an expert panel.

Successes to date:

- Grown a network of 500 + SMEs in Scotland.

- Working closely with 12 companies on close-to market products.
- One company launch now valued at over £1.1m - Beer52.com.

5 Failure of Scotland's agencies to fund and engage

The work of DiA is finding what now appear to be long-term systemic failures on the part of appropriate funding agencies to support innovation and growth in the creative industries. Most CIs fall below the regular £400k turnover threshold for account management support for high growth companies under Scottish Enterprise guidelines. This is the nature of the sector rather than a limited ambition or capacity on behalf of the participants. Given proven sector growth rates and Scotland's strong expertise in relevant skills and knowledge there are questions as to whether the model should be adjusted to ensure more companies do not fall short of appropriate support. There is a gap between business gateway and account managed support that many potentially successful enterprises are falling into.

The Scottish Funding Council has a decade long track record of failure to support creative industries in the manner it does STEM priorities. From pooling bids to Innovation Centres there has been an inability to understand the sector or to devise ways in which significant national HE resources in the arts and humanities might be translated into broader impact. In the case of the Innovation Centres initiative a call was announced in 2012 stipulating Creative Industries as a key sector. Over two years on other ICs have been launched and only recent action has been taken to address the great potential in this area by SFC, at a very modest investment in comparison to stem. There appears to be a lack of expertise and, perhaps as a result, certainly the confidence to take action.

Creative Scotland work with Creative Industries but do not have the resources of necessary scale to achieve the kind of impact that either SE or SFC might. This story of falling between the cracks is the most regular refrain from businesses in the sector. Creative Industries can be an even greater player in Scotland if they are given support and opportunities commensurate to their potential. Currently they are not.

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