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A Report on the
Design Sub-Sector in London

A Report on the Design Sub-Sector in London

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Creative Industries Observatory

Housed in the School of Creative Enterprise at the London College of Communication (University of the Arts), the Creative Industries Observatory (CIO) is a leading contributor to academic research and analysis within the creative industries, and a source of information for the increasingly influential group of sub-sectors that characterise the modern knowledge economy. The CIO was set up in conjunction with 'Creative Capital World City' (CCWC) – a project funded by the Higher Education Innovation Fund (HEIF) aimed at supporting the creative industries in key world markets, including THE UK, India and China.

The CIO is an international and multi-disciplinary team with a range of expertise and experience across academic disciplines and industry sub-sectors. We focus on strategic, structural and definitional issues relevant to the creative industries.

This report is one in a series designed to give policy makers, business leaders, practitioners and researchers a comprehensive overview and in-depth analysis of the core activities and key characteristics across thirteen creative sub-sectors in developed and emerging global cities. The report is designed to allow you to identify information that is relevant to your needs quickly and effectively, as well as cross-reference between topics and creative sub-sectors.

CIO reports are designed to provide a snapshot of each sub-sector in each city. **This report focuses on the design sub-sector in London.**

University of the Arts London
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Introduction

Design is an amorphous concept. It can refer to the development of a plan, or a process or structure (verb), whilst also the result in the form of a model or a product (noun), as well as the look of that result (noun). The design industry is complex in that it 'occurs at a point of intersection or mediation between different spheres, that is, between art and industry, creativity and commerce, manufacturers and consumers. It is concerned with style and utility, material artefacts and human desires, the realms of the ideological, the political and the economic'[2]. The activity of design is difficult to compartmentalise as it plays not only an important, but often a critical part in many professional fields. For example, it is an important aspect of both services and manufacturing sectors, which are often treated distinctly. This report shows how design practitioners can also be seen across a spectrum of professions, from industrial design, at the engineering end[3], to graphic design at the artistic end[4]. Design is, therefore, at the intersection of art and engineering, or the bridge between the scientific and aesthetic; the quantifiable and evaluative[5].

In this report, we start from the categorization of design used by the UK government's Department for Culture, Media and Sport (DCMS). The DCMS' design categories are used as a starting point but evaluated and extended in Chapter 4 of this report.

DCMS defines design and its activities as "industry, interior and environment design and design consultancy", specifying that "services provided by the design consultancy sector include brand and corporate identity, exhibitions, information design, literature, multimedia, new product development, packaging and websites" [6]. These activities are chosen because they are creative, historically established and also economically important – and provide the foundation for including design as one of 13 creative industry sub-sectors.

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[1] *Oxford concise English dictionary* (2006). Oxford University Press, Oxford.

[2] Walker, J.A. (1989) *Design history and the history of design*. Pluto Press, London.

[3] Lesko, J. (1999) *Industrial design: materials and manufacturing*. John Wiley and Sons, London.

[4] Fletcher, A. (2001) *The art of looking sideways.* Phaidon Press Ltd, London.

[5] Flusser, V. (1999) *The shape of things: the philosophy of design.* Reaktion books, London.

[6] DCMS (2007) *Staying ahead.* Available at www.culture.gov.uk

The overall aim of this report is to provide a strategic, structural and definitional analysis specific to the design industry – with a focus on London. The report proceeds as follows:

Section 2 provides a concise historical overview of British design up to the present day. We highlight what differentiates British design and makes it so special and exciting while also noting key challenges faced by the sub-sector today. Section 3 outlines the methodology used in this report, making it comparable to other CIO reports. Section 4 provides details of the sub-sector's structure, including gender, unpacking the Standard Industrial Classification (SIC) codes that are usually associated with the 'core' and 'related' activities of the design sub-sector, and extending the definitional framework. In Section 5 we provide financial and economic data for the sub-sector, with more extensive focus on the top 100 design firms in London. In section 6 we map the design sub-sector in London, considering the location of the top 100 firms and how this sub-sector compares to other creative sub-sectors. Section 7 provides an analysis of social connections that characterise the design sub-sector – including a case study. In section 8 we conclude and provide further thought on the wider observations of the report's findings and the role, function and future of the design sub-sector.

In summary this report aims to:
- Provide a concise overview of the British design industry
- Unpack definitions and provide facts and figures on the organisational structure of London's design industry.
- Provide detailed economic and financial data, and analysis on the top design companies in London.
- Map London's design industry.
- Provide data on the social characteristics and network structure of London's design industry.

While this report (part of an ongoing series) focuses on London, our aim is to provide comparable reports for other sub-sectors and international cities, including Beijing, Shanghai and New Delhi which are subject of future and ongoing research at CIO.

Definitions

- For the purpose of this report we use the EU definition[7] of company size, given in **Table 1.1**:

Company Size	Staff	Turnover
Micro	<10	< £1.5 m
Small	<50	< £8 m
Medium	<250	< £40 m
Large	250+	£40m +

Table 1.1: European Union definition of company size

- The term 'freelancer' is used to denote a single economic operative.
- London's geographical boundary is limited to the 'inner boroughs', and where applicable, the areas with London postcodes.

Also, information regarding company names as well as the name of individual board members is provided in some cases, particularly the network diagrams. This information is publicly available information and is displayed for research purposes.

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[7] EU Enterprise and Industry (2008) *SME definition.* Available at http://ec.europa.eu/enterprise.

Currency has been converted approximately as €1 = £0.8 (correct as of 15 May 2008).

2

History of the British Design Industry

During the Renaissance, artists engaged in design as an integral part of their creative activities, but 'design' in isolation was not considered a professional activity *per se*. The profession of 'designer', or trained specialist employed by manufacturers, emerged as a result of the growing specialization of functions that occurred during the industrial revolution, which began in Britain in the late 18th Century[8]. The history of design is often said to have developed in parallel to the transition from a feudal to a capitalist mode of production, and the subsequent progress of industry as well as growth of engineering, technology and communication sectors[9]. This historical association of design and designers with manufacturing and production is one characteristic that differentiates this industry from many other creative sub-sectors.

Since the second half of the 18th Century, mechanization and mass production and consumption were driven by the growth of the British population and its purchasing power. These socio-economic changes had a profound impact on the central importance of design as an activity and on the emergence of the design profession. For example, pioneering firms, such as Thomas Chippendale, targeted furniture and ceramics specifically towards the newly affluent British middle classes, rather than working solely for aristocratic private (and often one-off) commissions that had previously been the norm. In spite of their links with manufacturing, designers actively set themselves apart from the production and manufacturing process, by making the designed, the unique and value-added, and integral part of economic activity[10].

The rise of a new entrepreneurial class was also key to the reorganization of production and sales. The needs of the emerging and growing mass market were met with uniform products that were manufactured in factories (instead of traditional workshops) and then distributed by means of new transport systems and infrastructures, such as the extensive network of man-made canals, which still remain a feature of so many British cities including London[11]. Additionally, (weather proof) indoor retail and shopping arcades started to replace traditional street markets, with shops expanding in size and variety. The first department stores, such as Harrods and Liberty's, opened in London in the 1849 and 1875 respectively[12]. These new production,

[8] Hobsbawm, E. (1962) *The age of revolution: Europe 1789–1848*. Weidenfeld & Nicolson, London.

[9] Walker, J.A. (1989) *Design history and the history of design*. Pluto Press, London.

[10] Sparke, P. (1986) *An introduction to design and culture: 1900 to present*. Routledge, London.

[11] Sparke, P. (1987) *Design in context*. Book Club Associates, London.

[12] Gould, H. (2006) *Trade and industrialisation 1750-1900*. Available at http://www.museumoflondon.org.uk

distribution and retailing methods justified the rise of London as an internationally reputed industrial and commercial centre where the consumption of designed goods met a range of market needs[13].

Subsequently, new production techniques began to have an impact on the final look and feel of products. A group of designers led by Henry Cole campaigned for an improvement in design standards and its adaptation to the needs of mass manufacture[14]. Accordingly, in order to combat the decline of 'industrial creative practices' (or design in manufacturing), in 1837 the government founded the first dedicated art school supported by the state, the so-called Government School of Design (a precedent of the Royal College of Art, which was established by the end of the 19th Century). The school was founded specifically to train future designers in the latest techniques[15]. Industrial design was also the subject of academic discussion at the Royal Society of Arts, where a lecture programme was established for the debate of contemporary issues concerning Design[16]. In 1851 the Society supported the internationally acclaimed *Great Exhibition of the Works of Industry of all Nations*, which was the first major international exhibition to be held in London and attracted people from all over the world in a great celebration of both British industry and design. The best of British design was coupled with the best of British technology and innovation at the Great Exhibition, which showcased the products of a pioneering industrial nation, epitomized in the purpose-built exhibition hall designed by Joseph Paxton, the Crystal Palace[17].

By the end of the 19th Century John Ruskin and William Morris led a movement that reacted to the glorification of the industrial process. The Arts & Crafts movement promoted craftsmanship in order to counter the negative social effects of the industrial revolution and the segregation of art and labour[18]. Interestingly, the Arts & Crafts movement also became increasingly concerned with the promotion of high-quality design and standards for factory products, in addition to their focus on aesthetic awareness and individual craftsmanship[19]. The Arts & Crafts movement eventually became associated with the image of British modernity[20] and has remained an important influence on British design and its perception internationally.

The conviction that improving the design standards of factory products was a national priority led to the foundation of the Design and Industries Association (DIA) in 1915. The Association

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[13] Sparke, P. (1986) *An introduction to design and culture: 1900 to present.* Routledge, London.

[14] Sparke, P. (1987) *Design in context.* Book Club Associates, London

[15] Frayling, C. (1987) *The Royal College of Art: one hundred and fifty years of art and design.* Barrie & Jenkins, London.

[16] Archives in London and the M25 Area (1634-2002) *Royal Society of Arts.* Available at http://www.aim25.ac.uk

[17] Sparke, P. (1986) *An introduction to design and culture: 1900 to present.* Routledge, London.

[18] Schmeichen J.A. (1995) 'Reconsidering the factory, art-labor, and the schools of Design in nineteenth-Century Britain' in *Design history: an anthology.* MIT Press, Cambridge.

[19] Woodham, J.M. (1997) *Twentieth-century design.* Oxford University Press, Oxford.

[20] Sparke, P. (1986) *An introduction to design and culture: 1900 to present.* Routledge, London.

attracted the government's interest and support especially after German excellence in Design was compared with the then British standards. The government established the British Institute of Industrial Art with the purpose of controlling the practice of design, while the Federation of British Industries founded an Industrial Art Committee and a Designers' Register. The campaign for an efficient British style (equivalent to 'good design') constituted an attempt to impose a modern aesthetic, acceptable for business and industry in the context of a mass production market[21].

Design began to be formally organised as a profession during the years between the world wars. The Society of Industrial Artists and a National Register of Industrial Art Designers were established in 1930s, as well as the Council of Art and Industry. In 1944 the latter became the Council of Industrial Design (CoID), which is a direct precedent of the Design Council[22], and the Royal College of Art was reorganised to accommodate specific design education[23].

With the advent of the Second World War, influential members of DIA were appointed to monitor the wartime design industry. Due to the need to ration materials, utility furniture and textiles were produced in Britain until 1951, as the efficiency in production became of paramount concern. Modern design (as promoted by DIA) was imposed by the state and the Royal College of Art provided education in design for mass production[24] with the purpose of distributing high quality commodities at low prices on the basis of need[25]. In order to attract the attention of manufacturers and distributors, and also to stimulate public recognition of the role of modern design, CoID organized the exhibition 'Britain Can Make It' in 1946[26]. In spite of all the institutional efforts to promote the benefits of modern design, it never became popular in Britain where the pre-industrial heritage popularized by the Arts & Crafts movement endured amongst consumers. From 1940s, conservative and historical design goods, such as Laura Ashley's patterned products (evocative of the countryside living and the Victorian era[27]), became representative of Englishness and persisted into the 20th Century[28].

From a production point of view, computer technology was applied to the automation of production from the mid-1940s[29]. Furthermore, designers and engineers continued to work together to supply the emergent electrical utility items market, creating modern designs for the contemporary lifestyle. The first design consultancies, such as the multidisciplinary Industrial

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[21] MacCarthy, F. (1982) *British design since 1880: a visual history*. Lund Humphries, London.

[22] Design Council (2008) *Our history*. Available at http://www.designcouncil.org.uk

[23] MacCarthy, F. (1982) *British design since 1880: a visual history*. Lund Humphries, London.

[24] Archives in London and the M25 Area (1634-2002) *Royal Society of Arts*. Available at http://www.aim25.ac.uk

[25] Livingston, A. (1992) *The Thames and Hudson encyclopaedia of graphic design and designers*. Thames and Hudson, London.

[26] MacCarthy, F. (1982) *British design since 1880*. Lund Humphries Publishers, London

[27] Laura Ashley (n.d.) *Origins*. Available at http://www.lauraashley.com

[28] Woodham, J.M. (1997) *Twentieth-century design*. Oxford University Press, Oxford.

[29] Sparke, P. (1987) *Design in context*. Bloomsbury Publishing, London.

Design Partnership (1935), and multinational corporations, such as the Conran Design Group (1956), were active in London as Europe progressively recovered from the war[30].

British design embodied the values of 'good design' and high culture until the 1950s, in contrast to the commercial orientation of American design[31]. However, in Britain, the members of the Independent Group started to claim the value of 'kitsch' (defined as the opposite to 'good design'[32]), which led the way to the emergence of the pop movement and subsequent celebration of mass consumer culture. Despite the 'dangling economy'[33] of London up to 1970s, designer products penetrated all layers of British society. As a result, consumer types were varied, and design activities had to move from standardised artefacts to culturally determined products (for instance, to supply the emergent teenage market)[34]. Accordingly, some stores were enlarged and modernized (as was the case of Habitat, founded by Terence Conran in 1964, that offered new generations of customers 'a democratic ideal of contemporary design at affordable prices'[35]), while other shops were marketed as small, personal design businesses[36]. Moreover, some shops were aligned with the Crafts revival that re-emerged in 1970s Britain, supported by the foundation of the Crafts Council in 1975[37]. The values of British popular traditions were promoted in parallel to modern and technological aesthetics, and thus, the National Trust opened its first shops with the aim of selling quality products inspired by the history of their national sites[38].

Since the 1950s, the British market became plural and so did design education. Art schools provided specialized design instruction (for instance, in graphic, product and industrial design), but also many polytechnics were formed during the expansion of higher education in the 1960s. Additionally, as a result of the National Advisory Council report on Art Education, academic studies were increasingly incorporated into the design curriculum. This is consistent with the fact that specific marketing and managerial skills were developed for the field of Design (for instance, the idea of the designer as a creator of a particular lifestyle) and related studies became a key issue for the design industry (for example, the study of consumption, an activity generally associated to the advertising field)[39]. Even more so, recent technological advances (particularly in

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[30] MacCarthy, F. (1982) *British design since 1880*. Lund Humphries Publishers, London

[31] MacCarthy, F. (1982) *British design since 1880*. Lund Humphries Publishers, London

[32] Livingston, A. (1992) *The Thames and Hudson encyclopaedia of graphic design and designers*. Thames and Hudson, London.

[33] Porter, R. (1994) *London. A social history*. Penguin Books, London.

[34] Woodham, J.M. (1997) *Twentieth-century design*. Oxford University Press, Oxford.

[35] Habitat (n.d.) *Heritage*. Available at http://www.habitat.co.uk

[36] Sparke, P. (1987) *Design in context*. Bloomsbury Publishing, London.

[37] Livingston, A. (1992) *The Thames and Hudson encyclopaedia of graphic design and designers*. Thames and Hudson, London.

[38] Woodham, J.M. (1997) *Twentieth-century design*. Oxford University Press, Oxford.

[39] Jackson, A. (n.d.) *From solving problems to selling product: the changing role of designers in post-war Britain*. Available at http://vads.ahds.ac.uk/learning/

the field of electronics) have enabled new design practices to emerge, connected to a whole host of new products and services[40].

CoID (renamed Design Council in the early 1970s) also incorporated technological and educational concerns to the institutional agenda. Additionally, under the direction of Ivor Owen, the Design Council started to emphasize the economic role of design[41] in light of the spreading of the concept of vertical integration[42].

From a governmental point of view, since the word design has become synonymous with 'good looking' and 'value added' product[43], the design industry has been promoted in Britain as 'a vital factor in the economic success of businesses and nations', as well as a 'means of social control and harmony'[44].

From the mid 1990's the emergence of web-based technologies has had a further dramatic technological effect on design industry and design profession. On the one hand these have provided designers with new technological platforms that have enabled them to share ideas and knowledge, discover new markets and create opportunities. However, the Internet has also presented new challenges in terms of protection of intellectual property and copying design ideas. The growth of global competition and sourcing of design and designers internationally is also a key challenge facing designers today.

The current state of British design

Although the field of design is very broad, there are certain culturally distinct features and trends within contemporary British design. These trends or themes distinguish British design from designs originated in other countries with different design traditions. Thackara (1986) categorised these design themes as:

 "resourceful design": the British design industry has a large proportion of designers who are freelance (47,400) or work within a consultancy (12,450 consultancies)[45], whereas historically and in many other countries most designers have worked within design departments of manufacturing companies. The large proportion of freelance and consultancy based designers has led to "design

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[40] Raizman, D. (2003) *The history of modern design.* Laurence King Publishing, New York.

[41] Design Council (2008) *Our history.* Available at http://www.designcouncil.org.uk

[42] Sparke, P. (1987) *Design in context.* Bloomsbury Publishing, London.

[43] Jackson, A. (n.d.) *From solving problems to selling product: the changing role of designers in post-war Britain.* Available at http://vads.ahds.ac.uk/learning/

[44] Sparke, P. (1987) *Design in context.* Bloomsbury Publishing, London.

[45] Thackara, J. (1986) *New British design* Thames and Hudson, London.

aware clients commissioning designers whose critical approach to the project will form an important role which the client expects as part of the design solution"[46].

"multiculturalism": Britain, and in particular London, is very multi-cultural. For example, in London, people from an Asian background account for 11.5% of the city's total population[47]. London's appeal, as a creative and economic centre, has enticed people from all over the world and has ultimately helped the design industry grow. It has enabled the designs that are created in London to be widely influenced and arguably more innovative. Additionally the success of Britain's educational system has attracted many student designers from around the world, who after graduation, often stay in the UK. The Chinese Academy of Social Sciences stated that 1.06 million Chinese people had gone abroad to study since 1978, but only 275,000 had returned[48].

"cross-disciplinary":   design is a field of creativity that crosses many boundaries. It has elements of both the artistic and the scientific. In Britain, the boundaries for what is considered 'design' are expanding and new design disciplines are being acknowledged. "Interaction design", for example, which combines the fields of physical computing, psychology and sociology amongst others, is not listed as a DCMS design activity but is taught as a degree subject in many universities[49]. The design industry in Britain is also supported by a strong and diverse educational system[50].

In spite of its distinctive strengths and competitive advantages, there are a number of areas in which the British design industry is potentially vulnerable. Barley, Field and Fischer[51] suggest that there are three main threats to the design industry in UK:

1. A "brain drain" caused by many British designers joining multinationals overseas.
2. A need to be responsive to current social and economic challenges, in particular to the UK weakening manufacturing sector, which has historically required a high level of design input.
3. A need to be distributed throughout Britain, so that the strength of London's design industry "reinforces rather than detracts" [52].

The rich history and distinctive features of British design today explain why the industry is well positioned as a global leader. Design professionals active in London and across the UK produce

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[46] Thackara, J. (1986) *New British design* Thames and Hudson, London.

[47] Greater London Authority (2003) *Play it right: Asian creative industries in London.* GLA, London.

[48] Watts, J. (2007) 'China fears brain drain as its overseas students stay put' in http://www.guardian.co.uk

[49] Thackara, J. (1986). *New British design.* Thames and Hudson, London.

[50] For example illustrated by the development of a Government School of Design in 1837.

[51] Barley, N., Field, M., Fischer, V. (2000) *Lost and found: critical voices in new British design.* Design Council, London.

[52] Barley, N., Field, M., Fischer, V. (2000) *Lost and found: critical voices in new British design.* Design Council, London.

globally recognised brands, products and services. They embrace technological challenges that ground the next generation of designers in a range of educational opportunities. Professional bodies, such as the UK Design Council, are currently commissioning studies to better understand and support the needs of the design community – which, although often fragmented and highly diverse, represents a significant force in the British economy and a key actor in the UK's global competitiveness.

3

Methodology

The CIO database of creative industries organizations in London was constructed using three sources: (1) data from the DASH database[53] (provided by Bureau Van Dijk), which uses details of the business accounts of UK companies, as recorded by Companies House and crosschecked by Bureau Van Dijk; (2) sub-sector specific datasets purchased from or provided by industry participants and professional bodies within the creative industries; and (3) data from sub-sector specific directories and manuals which include freelancers and many smaller organizations. These sources were complied, cleaned and crosschecked by CIO Analysts, with all duplicated records removed. The final CIO database, completed in March 2008, included over 63,000 records of individual creative industries organizations in London, of which 4,149 are in the design sub-sector. These are broken down by source in **Table 3.1** below.

DASH	Datasets	Directories[54]	Total
3284	0	1032	4159

Table 3.1: Number of design companies extracted by source

The most detailed set of records was extracted from the first source described above, the DASH database. The initial search criteria used to obtain this comprehensive population of creative industries organizations (by sub-sector) were as follows:

(a) **Keywords**: A list of 'keywords' specific to each sub-sector of the creative industries was used to search the field 'line of business' and 'company name'. The *DCMS Creative Industries Mapping Documents* (1998 & 2001) specification of 'core' activities was used as an initial guide for the selection of these sub-sector specific keywords. However, because of some inconsistencies found in the DCMS documents[55], the final selection of key words was also informed by expert judgment of individuals with operational knowledge of the design sub-sector

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[53] DASH is a comprehensive database of companies, directors and shareholders. Reports are included for 3.6 million companies (1.3 million of which are primary records), 7 million directors (3 million of which are primary records) and 3.3 million shareholders. Information available at http://www.bvdep.com

[54] Directories used included *The Creative Handbook 2007* and *The White Book 2007.*

[55] E.g. the *DCMS Creative Industries Mapping Documents* (1998 & 2001) do not acknowledge creative activities in the Arts sub-sector.

(b) **SIC codes**: Where a distinct and readily identifiable SIC code existed for the sub-sector[56] it was used in the field 'SIC code' of the advanced search function. The *CIO Definitional Framework* was used as a starting point for the selection of relevant SIC codes for each creative industries sub-sector.

(c) **Location**: "Inner" London[57] was specified as the search criteria in the 'geographical area' field of the advanced search.[58]

The population obtained as a result of the criteria above was still deficient for the following reasons:

(1) a number of unrelated companies were captured because of their registration under a generic or incorrect SIC code;

(2) businesses not related to the creative industries were captured due to the use of keywords with multiple meanings; and

(3) a number of captured organizations were not relevant to the creative industries as a consequence of inconsistencies in the DASH advanced search engine[59].

Because of these limitations, the database was then thoroughly checked and cleaned manually by a team of six researchers using the criteria described above. Additionally, a record was retained in the final content of the database if

(a) the organization's 'line of business' matched with the definition of 'creative industries' given by the *DCMS Creative Industries Mapping Documents* (1998 & 2001)[60];

(b) the organization's 'line of business' specified activities listed as 'core' in the *DCMS Creative Industries Mapping Documents* (1998 & 2001);

(c) the organization's 'line of business' included activities present in the *CIO Definitional Framework*[61]; or

(d) the organization's 'line of business' was 'not ascertained' or 'unknown'[62].

However a record was removed if:

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[56] E.g. the sector Advertising has a clearly defined sub-sector specific code (SIC2003 7440) described as 'advertising' activities. However as a sub-sector of the creative industries it is nearly unique in such a direct match.

[57] According to the Office for National Statistics the following boroughs constitute the area of Inner London: Candem, City of London, City of Westminster, Greenwich, Hackney, Hammersmith & Fulham, Haringey, Islington, Kensington & Chelsea, Lambeth, Lewisham, Southwark, Tower Hamlets, Wandsworth. See the map available at www.statistics.gov.uk/geography/downloads/london_boro.pdf

[58] This decision was the result of a number of unsuccessful data exports from DASH. The use of the criteria 'outer London' resulted in a population formed by numerous businesses not located in the outskirts of the city of London, but in other counties such as Cambridgeshire, Essex, etc.

[59] This issue was discussed with the DASH provider Bureau Van Dijk, but the technical errors were not resolved in time for completion of this research.

[60] The definition of the creative industries provided by DCMS in the *Creative Industries Mapping Document 1998* stated that they are "those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property".

[61] E.g. organizations dedicated to manufacturing activities, to retail activities and to the refinement or finishing of inputs/outputs.

[62] These records automatically exported from DASH were retained for the purpose of inclusion.

(a) the organization's 'line of business' did not match any of the four retention criteria just specified; or

(b) the organization's 'line of business' specified that a company was 'dormant' or had 'ceased trading'.

In this report, and for consistency with other CIO reports, the **top 100 (in terms of turnover)** companies have been used for the analysis (unless otherwise stated). Unlike many of the smaller firms which are often organised as temporary or project orientated entities, the information regarding these companies is highly reliable and stable in the long term – providing the opportunity for analysis and comparison over time as well as with firms across other creative industry sub-sectors.

4

Organisation and Industry Structure

Although an integral part of the creative industries, the design sector is extremely diverse and highly fragmented. It is therefore extremely difficult to generalise across the industry and provide a picture of its 'typical' organizational structure. Like other creative industry sub-sectors, many of the companies that exist in the 'design industry' are both small and young[63]. However, there are also a number of large and established companies that have carved out distinct niches for themselves, operating, for example, in interior design, landscape design or print design. The following section presents a brief overview of the descriptive statistics regarding the structure of **top 100 (in terms of turnover)** design businesses in London:

- The average age of these companies is **23 years** (average year started in **1985**), with 8 companies established since 2000.

- The average number of people employed is **81 employees**.

- According to the Design Council, there are approximately 16,500 freelance designers operating in the capital[64]. However, from the CIO database (based on Companies House data) it is estimated that there are just **3,946 freelancers**, which constitute 95% of the database[65].

- There is a total of **27,400 employees** in the **4,159 design companies** present in the CIO database[66].

The data indicates that there is a small number of large companies but a plethora of small and freelance companies (95% according to the CIO database). These larger companies tend to focus on a specific area of design, such as interior and furniture design. This is in contrast to the designers based in micro-firms or freelancers, who tend to work across a multitude of design disciplines. For example, 50% of all businesses working in communications, also work in digital

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[63] Design Council (2005) *The business of design.* Available at http:// www.designcouncil.org.uk

[64] Design Council (2005) *The business of design.* Available at http://www.designcouncil.org.uk

[65] Estimated as missing values: for companies with no entry in the 'number of employees' the field was marked as 1.

[66] Estimated as missing values: for companies with no entry in the 'number of employees' the field was marked as 1.

and multimedia design. On the other hand 57% of product and industrial designers only work in that discipline[67].

Our cross sub-sector research, presented in an accompanying report[68], also shows that design, above any other sub-sector, has significant overlaps with other creative industries. That is, organizations and individuals who consider themselves as designers, also associate themselves with other DCMS defined 'creative industries' as well as with other sectors of the economy. This overlap of the design industry, and implied embeddedness of design professionals within a plethora of other sectors, is an important avenue of future research.

Gender divide

The male/female ratio is also an important structural characteristic, and prior research suggests that Design is a discipline with specific gender divisions according to the type of design activity carried out[69]. For example, figures in undergraduate design courses show that females are consistently over-represented on fashion and jewellery design courses, and under-represented in product and furniture design[70].

Figure 4.1 illustrates the composition of the boards of directors by gender of the **top 20 companies** per creative industry sub-sector. It demonstrates that the boardrooms of the top design firms are dominated by male directors (with 102 male directors and 8 female directors), although fashion design (which is considered a separate category within the DCMS classification) has a larger proportion of females than the rest of the sub-sectors. Furthermore many of the top 20 design firms are related to the field of construction, or are quite technical in nature (see following section). The most technical sub-sectors seem to have the lowest proportion of females on their boards, as noted in the software sub-sector with only 3% of board members being female.

It seems as a general trend with all creative industries, that the 'traditionally male' sub-sectors often have the lowest female proportion on their boards, for example, **software with 3%** and **architecture with 6%.** In contrast, more seemingly 'female professions' such as **performing arts and arts and antiques have 20% and 19%** female board membership respectively. Although it is difficult to establish how many women have joined creative businesses, the number of female

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[67] Design Council (2005) *The business of design.* Available at http://www.designcouncil.org.uk

[68] Joel, S., Liu, K. & Roodhouse, S. (2008) *Professorial platforms: The London creative industries.* London College of Communication, London.

[69] Clegg, S. & Mayfield, W. (1999) 'Gendered by design: how women's place in design is still defined by gender' in *Design Issues*, 15 (3): 3 –14.

[70] Clegg, S. & Mayfield, W. (1999) 'Gendered by design: how women's place in design is still defined by gender' in *Design Issues*, 15 (3): 3 –14.

employees entering into a sub-sector may be directly related to the number of female directors. It is also possible that women choose careers that support their female identity and life style.

The low proportion of female directors in the design sub-sector is a trend that many industries face. In 1993, for example, women held only 5.9% of total directorships of Fortune 500 industrial firms[71]. In the UK, only 9% of non-executive directors from the top 100 quoted companies were female[72]. In 2008, the Rt Hon Margaret Hodge stated that the creative industries were behind other sectors in terms of equality and that a barrier existed which stopped women reaching board membership[73].
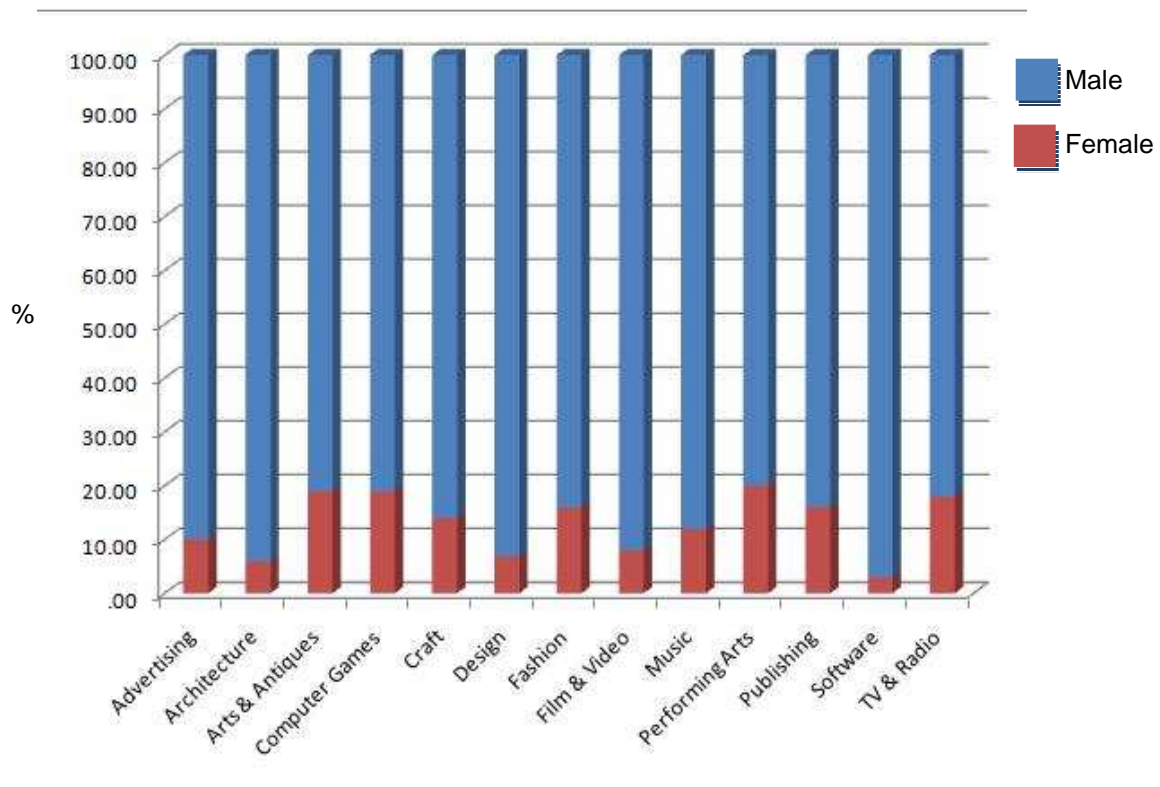

**Figure 4.1: Percentage of females at the boards of directors
of the top 20 firms of each creative sub-sector in London**

Diversity in the boardroom is a hotly debated issue because white, male directors overwhelmingly dominate this most senior level of corporate management, which is not representative of the proportion of males to females in the general population. The low proportion of female directors remains low across many fields, and shows no sign of increase. The FTSE 250 companies

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[71] Catalyst (2004) *The bottom line: connecting corporate performance and gender diversity.* Catalyst, New York.

[72] Li, C.A. & Wearing, R.T. (2001) *The glass ceiling and directors of large UK quoted companies.* University of Essex Working Paper, 01/08 (May).

[73] Cumming, L. (2008) 'Hodge is wrong about women in the arts' in http://blogs.guardian.co.uk

projected a decline in the number of head of function jobs between 2002 and 2006[74]. In order to rectify the low proportion of female representation on company boards, some governments have brought in a legislation that enforces a certain proportion of female board membership. In Norway, for example, legislation requires at least 40% of public limited companies to be female in composition[75]. **Figure 4.2** further illustrates the scarcity of females on the top 20 design boards of directors. All male board members are denoted in blue nodes whereas female board members are in red.
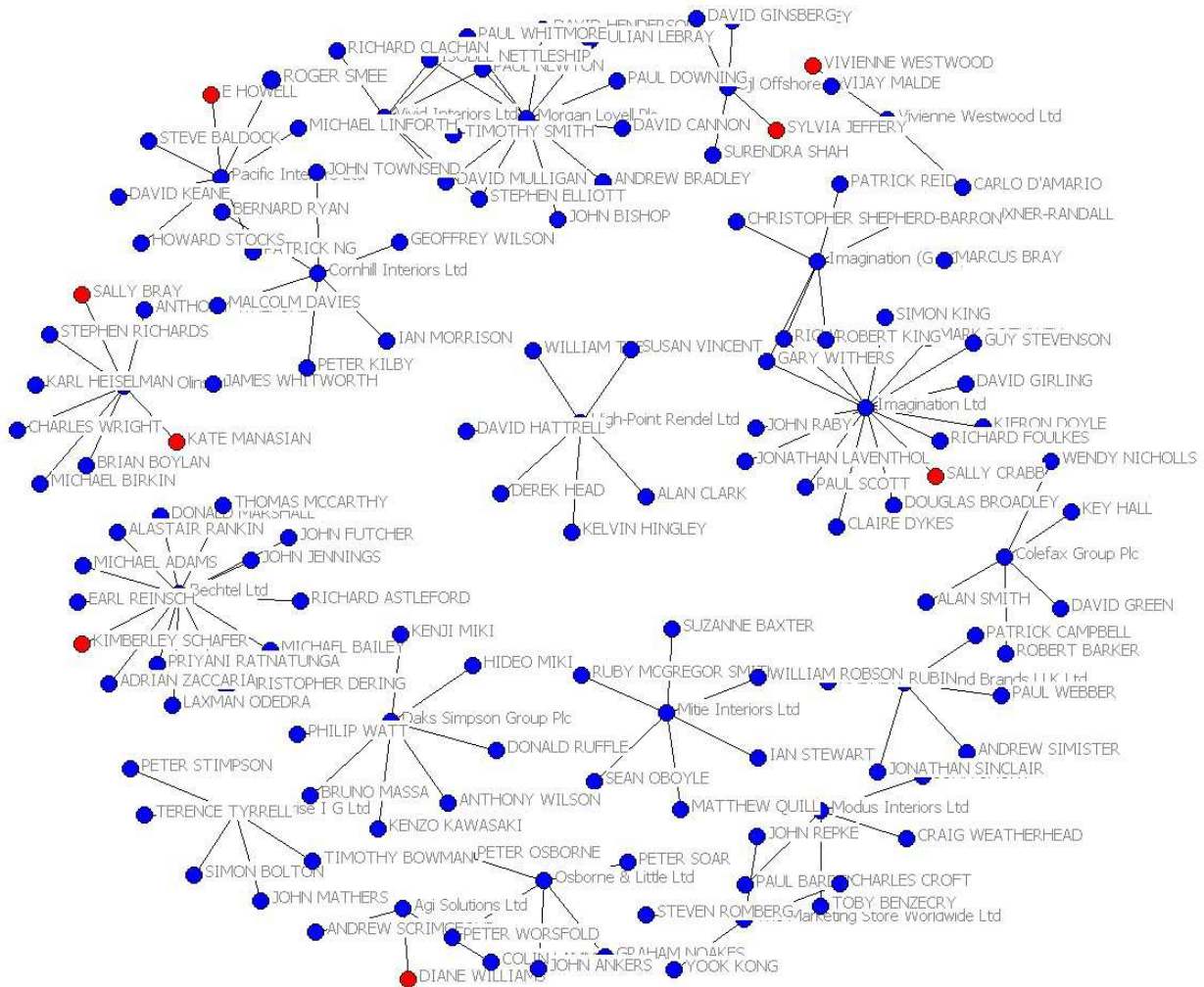
**Figure 4.2: Network of the boards of directors
of the top 20 design companies in London with gender distinctions**

Figure 4.2 uncovers where those female directors reside in the network. The figure evidences that the females on boards of directors of the top design companies in London do not hold influential positions that cross between companies. There are no interlocking female directors

[74] Greater London Authority (2008) *Women in London's economy.* GLA, London.

[75] Greater London Authority (2008) *Women in London's economy.* GLA, London.

(cut-points) for the design sub-sector, although actually there are very few inter-locking directorates across the sub-sector in general. For more information on inter-locking board directorates, see section 7 of this report.

Structural definitions

In 1998 and 2001, DCMS attempted to disaggregate the creative industries into 13 sub-sectors and their activities into their '*core'* and '*related*' to the sub-sector. In the second of the *DCMS Creative Industries Mapping Documents* (1998 & 2001)[76], the design sub-sector was broken down as shown in **Table 4.1**:

Core activities	Related activities
Design consultancies[77] Design components of industry Interior and environment design	Fine art Craft (small-scale furniture makers) Graphic design Multimedia, website and digital media design Research and development within industry Television graphics Manufacturing industry design Interactive and digital TV design Modelling and prototype making Retail (related industry)

Table 4.1: DCMS definitions of core and related activities in the design industry

In spite of this classification neither of the *DCMS Creative Industries Mapping Documents* (1998 & 2001) provide a coherent explanation of what is understood as a core or related activity.

CIO interprets "core" activities as those activities without which subsequent activities in the sub-sector could not exist, and are therefore *necessary* although not sufficient to the sub-sector. This criterion is consistent with the DCMS definition of the creative industries as "those activities which have their origin in individual creativity, skill and talent, and which have a potential for wealth and job creation through the generation and exploitation of intellectual property"[78]. On the other hand, "related" activities are understood as those that are dependant on core and constitute secondary sources of revenue, derived from core activities.

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[76] DCMS (2001) *Creative industries mapping document*. Available at http://www.culture.gov.uk

[77] Services include e.g. brand identity, information design and new product development.

[78] DCMS (1998) *Creative industries mapping document*. Available at http://www.culture.gov.uk

Two main criteria that have driven the development of a definitional framework for the design sub-sector at CIO. These are the following:

1. Matching of the UK SIC codes to the 'core activities' and 'related activities' identified by both *DCMS Creative Industries Mapping Documents* (1998 & 2001);

2. Applying the UK SIC codes to the original definition of creative industries given by the *DCMS Creative Industries Mapping Documents* (1998 & 2001), taking original creativity, generation of intellectual property and potential for wealth and job creation as the key elements.

According to the criteria above, the initial phase in constructing the definitional framework consisted of matching the core and related activities listed for the design sub-sector with appropriate UK SIC 2007 codes. For this process, the definitions and descriptions given in the explanatory notes provided by the Office for National Statistics (ONS) were followed[79], and where a representative SIC code was not found for a particular activity, this was noted[80].

CIO DEFINITIONAL FRAMEWORK FOR DESIGN

Core and Related Activities (*DCMS Mapping Documents 1998;2001*)	SIC Codes Identified by the CIO (*UK Standard Industrial Classification 2007*)
Core activities — Design consultancies (services include: e.g. brand information design, new product development) Design components of industry Interior and environment design	74.10 Specialised design activities
Related activities — Fine art Craft (e.g. small-scale furniture makers)	90.03 Artistic creation
Graphic design Multimedia, web site and digital media design Research and development within industry	74.10 Specialised design activities
Television graphics	No clear SIC code correspondence
Interactive and digital TV design	No clear SIC code correspondence
Manufacturing industry design	31. Manufacture of furniture 32. Other manufacturing
Modelling and prototype making	No clear SIC code correspondence
Retail (related industry)	47.19 Other retail sale in non-specialised stores; 47.59 Retail sale of furniture, lighting equipment and other household articles in specialised stores

Table 4.2: Summary of core and related activities versus UK SIC 2007

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[79] Office for National Statistics (2007) *The 2007 revision of the UK Standard Industrial Classification of economic activities*. Available at http://www.statistics.gov.uk

[80] For example, related activities such as "Television graphics" or "Interactive and Digital TV design" are not clearly represented by any UK SIC 2007 codes.

Table 4.2 summarises the core and related activities of the design sub-sector as initially defined in the *DCMS Creative Industries Mapping Documents* (1998 & 2001). In parallel, CIO has specified the SIC codes which best map onto these activities (or noted where such code does not exist). As with other creative industries sub-sectors, the matching process revealed that a number of design activities are not accounted for in the existing set of SIC codes.

Following the initial phase just described, representative bodies of the creative industries were contacted to be sent a draft of the *CIO Definitional Framework* for comment and critique. The use of expert judgement to test the selection of SIC codes ensured that the framework was vetted and validated by a professional industry body and expert opinion. Unlike a top-down approach where the codes are just applied to the sub-sector, validation was an important method of this research that supported the development of definitions (which were used for subsequent data collection, analysis and mapping) that would make sense to the design businesses and designers themselves.

The Design Council was identified as the national strategic body for the design industry, as it promotes the use of design amongst businesses and public services, and provides support to design professionals. The results of the consultation with the Design Council established the *CIO Definitional Framework for Design* as shown in **Table 4.3**.

CIO DEFINITIONAL FRAMEWORK FOR DESIGN

Activities	Corresponding UK SIC 2007 codes
Communication (graphic, brand, printing, information design, corporate identity)	18.12/9 Printing (other than printing of newspapers and printing on labels and tags) n.e.c. 73.11 Advertising agencies 74.10 Specialised design activities (graphic)
Product and Industrial Design (Consumer and house products, furniture, industrial e.g. automotive,	71.12/9 Other engineering activities (engineering design) 74.10 Specialised design activities
Interior and Exhibition (retail design, work place design, display systems)	74.10 Specialised design activities 82.30/1 Activities of exhibition and fair organisers
Fashion and Textile	74.10 Specialised design activities
Digital and Multimedia (web site animation, film and TV, digital and interaction)	59.11 Motion picture, video and television programme production activities 62.01 Computer programming activities 90.03 Artistic creation
Service Design (developmental area)	*No clear corresponding SIC codes*

(Core activities shown as a vertical label beside all rows)

☐ UK SIC 2007 codes chosen by CIO and approved by the Design Council

Bold Additions by the Design Council

Table 4.3: CIO Definitional Framework for Design

In consultation with the industry, the *CIO Definitional Framework for Design* has **resulted in an amended set of core activities and a lack of related activities.** The Design Council has highlighted the complex structure of the industry, as it has significant activities that overlap with other creative sub-sectors including fashion, advertising and architecture. The core activities validated by the Design Council are summarised in **Table 4.3.** together with the corresponding SIC codes per activity.

The 4-digit level UK SIC code that appears most frequently in the above framework is **74.10** 'Specialised design activities'*,* which includes:

- **Fashion design** related to textiles, wearing apparel, shoes, jewellery, furniture and other interior decoration and fashion goods, as well as other personal or household goods;
- **Industrial design**, such as creation and development of designs and specifications that optimise the use, value and appearance of products, including the determination of the materials, mechanism, shape, colour and surface finishes of the product, taking into consideration human characteristics and needs, safety, market appeal in distribution, use and maintenance[81].

It should also be noted that 'service design' has been identified as a new area of activity in development by the Design Council, which has not been mapped by either the UK SIC 2007 or the *DCMS Creative Industries Mapping Documents* (1998 & 2001).

This revised definitional framework provides the basis for the selection of companies in this report and across the CIO data, and the ability to relate the findings to other SIC databases. In spite of the strong links and occasional overlap with the other sub-sectors (also highlighted by the Design Council and subsequently by CIO research), fashion, advertisement and architecture are treated as separate sub-sectors under the DCMS definition and the corresponding CIO report.

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[81] United Nations Statistic Division (2007) *ISIC detailed structure and explanatory notes.* Available at http://unstats.un.org

5

Financial and Economic Analysis

Today the British design industry is estimated to be the largest in Europe with a total turnover of £11.6 billion reported for 2004/05. Of that, £5.5 billion is attributed to in-house design teams, £5.1 billion to design consultancies, and £2 billion to freelance and individual (non-employing) designers[82]. Remarkably more than half of all UK design businesses work in communications, digital and multimedia design. The more recent British Design Industry (BDI) valuation survey of 2005 to 2006[83] reports an industry turnover of £4.3 billion, with a London turnover of almost half at £2 billion. However, the BDI data is limited in that it is based on a membership survey, which may not accurately reflect industry-wide trends. The Design Council on the other hand includes freelance designers and in-house design teams as well as design consultancies in its research, providing wider design industry catchments[84].

In spite of its economic, social and cultural importance, there is a lack of official economic data available due to the young, fragmented and highly heterogeneous nature of the industry[85]. In this regard, there was a generalised SIC code corresponding to the whole design sub-sector (used to produce economic estimates) until the updated SIC classification model was introduced in 2007[86] (see section 4 of this report). In 2005, the Design Council[87] conducted a comprehensive research survey of the industry, based on 2,433 telephone interviews with freelancers and designers from design consultancies and in-house teams. The data was weighted to reflect the distribution of design activities across the UK, hence, arguably statistically representative. It described the industry as follows: 77% of design businesses had an annual turnover of less than £100,000; and 43% accounted an increase in their turnover in relation to the previous year, while 19% reported a decrease. The report, however, gave a rather gloomy picture of the industry, suggesting that the design sub-sector was dominated by small firms, with less than half reporting growth and many stating decline.

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[82] Design Council (2005) *The business of design*. Available at http://www.designcouncil.org.uk

DCMS (2007) *Staying ahead*. Available at http://www.culture.gov.uk

[83] BDI (2006) *The British design industry valuation survey*. Available at http://www.britishdesigninnovation.org

[84] DCMS (2007) *Creative industries economic estimates statistical bulletin*. Available at http://www.culture.gov.uk

[85] Design Council (2008) *Design blueprint*. Available at http://www.designcouncil.org.uk

Pinch, S., Reimer, S. & Sunley, P. (2008) 'Design spaces: geographies of knowledges and creativity in British design agencies' in *Geografiska Annaler B*, 90(2): 151-172.

[86] DCMS (2007) *Creative industries economic estimates statistical bulletin*. Available at http://www.culture.gov.uk

[87] Design Council (2005) *The business of design*. Available at http://www.designcouncil.org.uk

Nonetheless, the financial outlook for the industry was positive in general, as designers saw an increase in demand and also expected their turnover to grow. One reason for an increase in demand is the nature and intensity of competition as it stimulates innovation, encourages efficiency and drives down prices. The majority of design businesses – of which 31% are based in London (that is 20,436 businesses, including freelancers[88]) – reported that the competition in the design industry had increased both nationally and internationally. Nearly half of the design consultancies and freelancers stated that their main source of competition was local or regional, one third pointed out that it was within the UK, and 17% reported that their main competition was from outside the UK[89].

Concentrating on the **top 100 design companies in London** (as identified in the CIO database, which has been described in section 3) provides a useful additional insight. **Table 5.1** summarizes some basic information on the top 100 design companies in London. The majority of design companies are private limited in their legal form. The average total turnover is £12.8 million, although a significant variation is reflected in the large range between the minimum and maximum values and the large standard deviation, which is a pattern that also applies to the number of employees. Top design companies in London are very much UK focused, with only 17 out of 100 design companies having their immediate parent companies outside the UK (see map 5.1), while their average number of subsidiaries is less than 1.

Legal Forms	93 Private Limited (ltd)
	1 Private Limited by Guarantee
	6 Public Limited (Plc)
Average total turnover (£m)	12.8 million (Min: 3m, Max: 270m, Std: 29.18)
Average Profit margin	5.7%
Average number of employees	81.14 (Min: 5, Max: 1167, Std: 140.496)
Average number of subsidiaries	0.53 (Min:0, Max: 4, Std: 0.958)
Immediate Parent Country	United Kingdom: 84
	Denmark: 4
	France: 3
	Luxembourg: 3
	Republic of Ireland: 2
	Germany, USA, The Netherlands, Switzerland: 1
Average number of directors	4.72 (Min: 1, Max: 18, Std: 2.924)

Table 5.1: Summary of the top 20 design firms in London

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[88] Design Council (2005) *The business of design*. Available at http://www.designcouncil.org.uk

[89] Design Council (2005) *The business of design*. Available at http://www.designcouncil.org.uk

Figures 5.1a and **5.1b** illustrate the distribution of the top 100 companies in terms of turnover and number of employees. Both figures show that the top companies are mainly medium and large size, with all but 1 of the companies' turnover being less than £100 million, and again all but 1 company employing less than 500 people. In both cases, there is a 'run-away' company located at the 'end of tail', which is also clearly represented in **Figure 5.2**.
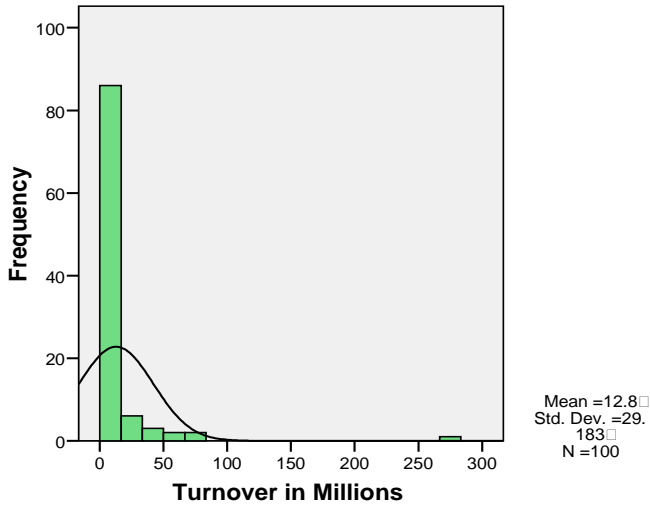

Figure 5.1a: Distribution of the turnover
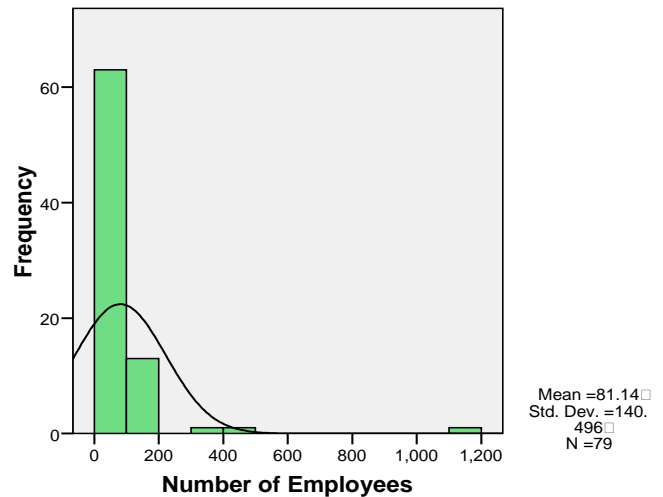of the top 100 design firms in London

Figure 5.1b: Distribution of the number of
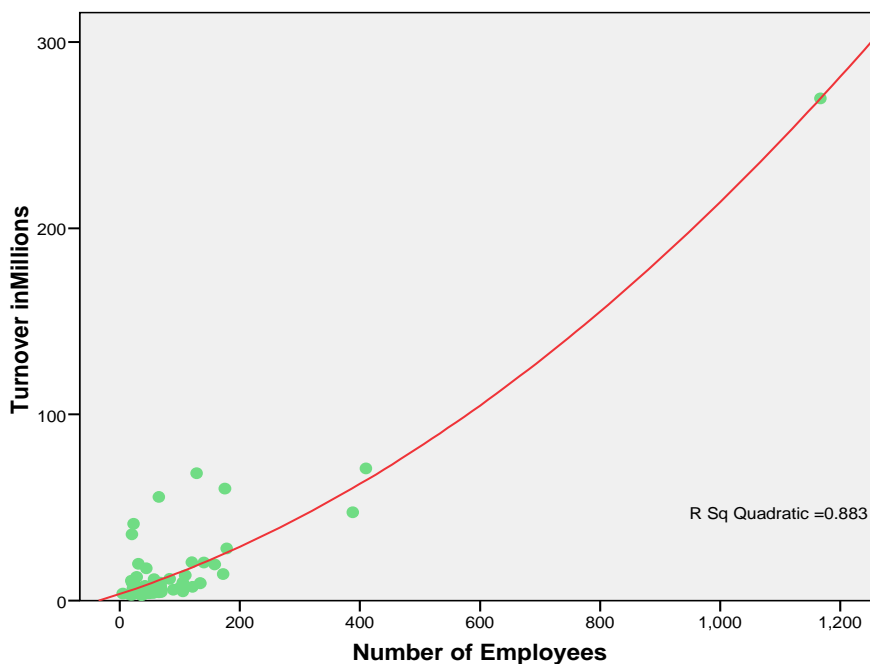employees of the top 100 design firms in London

**Figure 5.2: Correlation between turnover and number of employees
of the top 100 design firms in London**

Further analysis of **Figure 5.2** shows that there are two further companies that employ approximately 400 employees, roughly double than the next largest companies. Ordinarily,

this type of industry structure would be considered a monopoly, but if the data is broken down and the individual companies are identified and analysed, it can be seen that the largest company operates primarily in the field of construction. It is a large multi-national company that deals in the design *and construction* of major projects around the globe including bridges, power plants and telecommunication infrastructure. The multi-faceted nature of design (as discussed in section 1 and 2) means that there is a heterogeneous spread of company types, with a range of products and services including the more commonly recognised ones, such as fashion, interior, building and landscape design, but also companies operating in areas like construction. Therefore it would not be appropriate to remove this 'outlier' company from the sample, as the variety of companies fairly reflects the mixture of company types in the design sub-sector. CIO's research into the design industry has revealed that there are a number of companies that are operating in a niche market and, as a result, make large profits by becoming the sole provider of design services for that market (for example, construction) and also the only manufacturer of the product in many cases. This is certainly the case for the largest company in the database, which has gone on to diversify and operate in the realms of engineering and project management – profitable industries if successful, which has been proved to be the case for this particular firm[90].

The analysis shows that the London design industry is very diverse in terms of design specialities of the top 100 firms. The company that conducts engineering activities stands out as an exceptional case because of the longevity of the company and the nature of the global engineering/construction industry – architecture as a sub-sector contains a number of these types of companies also. However, if this company would be excluded from the dataset, the picture would still be that of a diverse and multifarious industry with a large number of medium-seized companies and a strict non-monopolistic industrial structure.

The findings of this report therefore support prior research and the findings of the Design Council and DBI (discussed in section 2, 4 and 6) that the heterogeneous nature of design activities explains why the industry includes a large number of small to medium sized companies, as well as some dominant players which often operate in highly differentiated, niche areas.

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[90] Information is sourced from the Annual Report of the company in question.

6 Geographical Analysis

The multi-faceted and heterogeneous nature of the design industry coupled with a large number of small and medium enterprises (SMEs) as well as freelancers justify that many designer professionals operate out of their homes.[91] This trend has been facilitated by advances in technology and communications (especially the Internet) and further driven by increasing rental prices, which have forced many designers and small firms out of the city centre. Occasionally, local councils or universities offer studio spaces at subsidised rental rates. However this type of support and subsidy is fragmented. It has been suggested that this sort of subsidy to the design sub-sector is more characteristic of the design industry outside of London, particularly the Northern regions, creating a notable North-South divide in terms of structure and organisation of the design industry[92].

In spite of the lack of subsidy and cohesiveness of the sub-sector, prior research suggests that London has a concentration of design industry agencies, which is shown in **Figure 6.1**[93]:
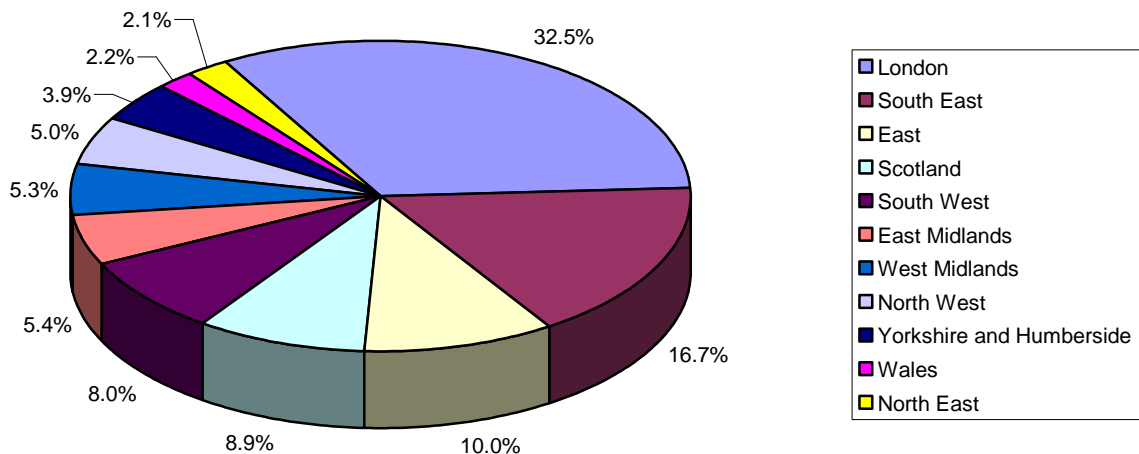

Legend:
- London
- South East
- East
- Scotland
- South West
- East Midlands
- West Midlands
- North West
- Yorkshire and Humberside
- Wales
- North East

Values shown: 32.5%, 16.7%, 10.0%, 8.9%, 8.0%, 5.4%, 5.3%, 5.0%, 3.9%, 2.2%, 2.1%

Figure 6.1: Percentage of design agencies in UK regions

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[91] Design Council (2005) *The business of design*. Available at http://www.designconcil.org.uk

[92] Bell, D. & Jayne, M. (2003) 'Assessing the role of design in local and regional economies' in *International Journal of Cultural Policy*, 9: 265-284.

Pinch, S., Reimer, S. & Sunley, P. (2008) 'Design spaces: geographies of knowledges and creativity in British design agencies' in *Geografiska Annaler B*, 90(2): 151-172.

[93] British Design Innovation (2005) *Design Industry Valuation Survey 2004-2005*. Available at http://www.britishdesigninnovation.org

Prior research has also shown that 51% of freelancers in the UK operate in London[94]. In addition, CIO research (based on the large-scale database of design companies described in section 3) suggests that there is a significant number of established design firms in London with relatively large numbers of full-time employees (over 100) and international operations. They tend to be clustered in central areas of London, such as W1 postal code. However, design firms can also be seen to cluster in the EC1/EC2 area, and spilling out to the west of the city centre toward Hammersmith and Fulham (see Map 6.1). This is an occurrence that seems to align with concurrent research undertaken by the University of Southampton where, mapping the location of businesses in the BDI membership directory, it was found that "there are discernable agglomerations centred upon Clerkenwell/Old Street and the West End, with the latter cluster extending westward towards Hammersmith and Chiswick"[95]. This can be seen below in **Map 6.1**.
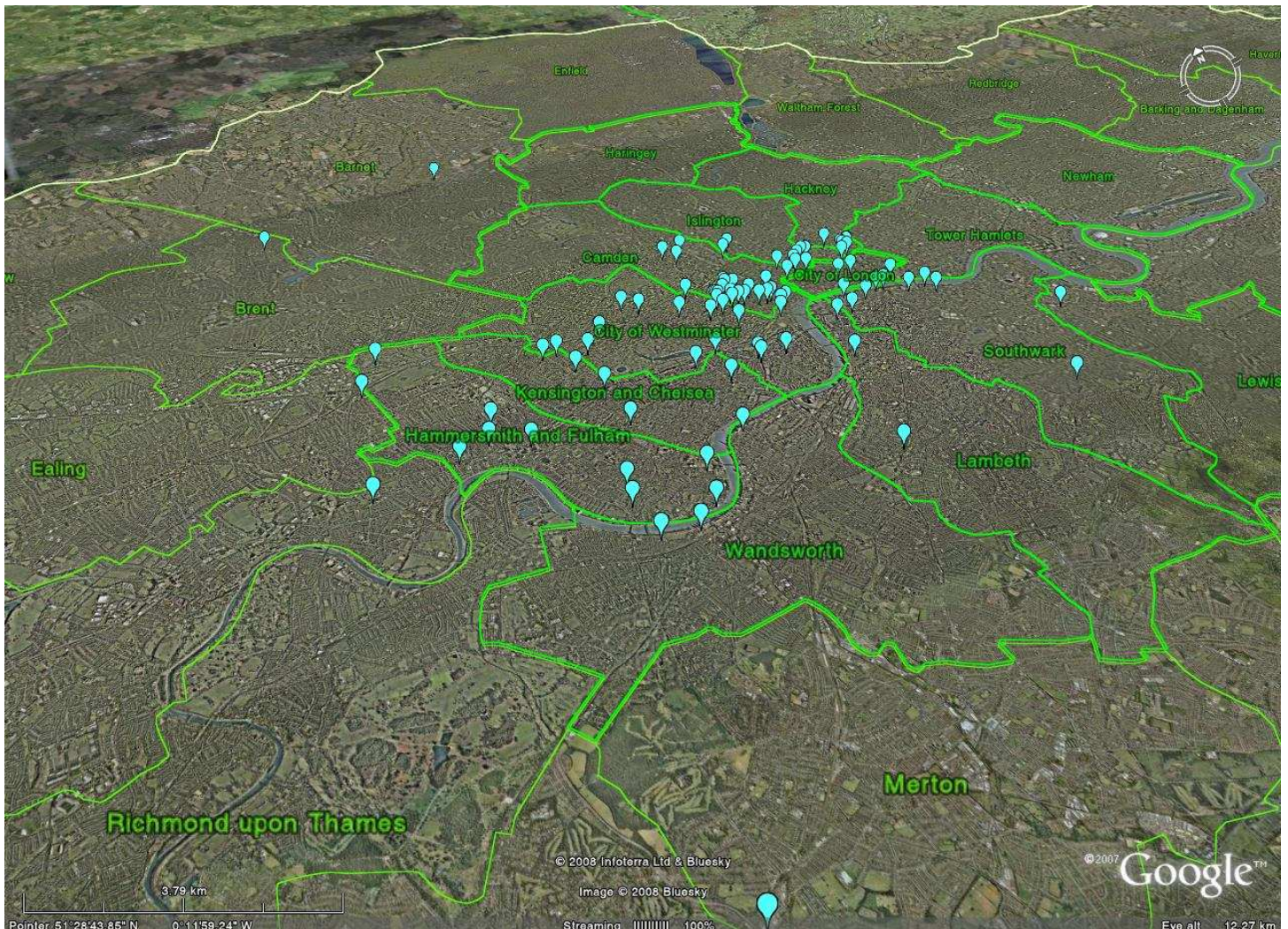
Map 6.1: Top 100 design firms in London by borough

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[94] Design Council (2005) *The business of Design*. Available at http://www.designconcil.org.uk

[95] Pinch, S., Reimer, S. & Sunley, P. (2008) 'Design Spaces: Geographies of knowledges and creativity in British design agencies' in *Geografiska Annaler B*, 90(2): 151-172.

As **Map 6.1** is of the top 100 design firms (by turnover) in the CIO database, micro-firms and freelancers are not represented here. However the top 100 give an indication of the density of the cluster of design firms, especially when they are compared to other creative industry sub-sectors (profiled in other CIO reports).

Map 6.2 illustrates the central clustering of large design businesses in detail. The map shows that there are 2 distinct clusters around the West End area (particularly Oxford Street and Bond Street) of London and the EC1/EC2 area (in around the square mile). The South Bank area of Southwark, home to many of London's cultural landmarks, is also an area where there is a presence of these companies. Compared to other sub-sectors of the creative industries, Design is fairly dispersed across the city, with less propensity to cluster than (for example) film and crafts[96]. The presence of design firms in the South Bank area is of particular interest, as no other sub-sector (apart from Publishing) has a strong presence in this area (see bottom right corner of **Map 6.2**). The South Bank is known for its cultural milieu and its housing, as well as many of the museums, cinemas, festival halls and general cultural events for which London is known internationally. Designers have often quoted how much external influences, such as these cultural landmarks and institutions, are important to their output[97], which possibly explains the tendency for design firms to locate in this area. Also, design is a service industry that provides design capabilities to major international businesses[98], and so, locating near the market could be the reason for the agglomeration of design firms in the South Bank and Square Mile areas. It would appear from previous research conducted by the Design Council and BDI that London is the hub of design activities in the UK, and the research undertaken in this report supports these findings.

By mapping the top 100 design firms in London, the results seem to confirm previous research on the distribution of firms and clustering in London. While design has proved to be one of the 'weakest' creative industries sub-sectors in terms of clustering tendencies (i.e. more dispersed throughout the city), it nevertheless shows how emplacement in the city centre, sources of inspiration and the creative milieu are still important location decisions, despite the ease with which the design practice could be undertaken at home or in the urban fringes with lower rental levels. Although there are instances of this occurring (particularly in regard to 'cutting edge' design techniques and fashions[99]), our evidence shows that 'high-end' (internationally focused) design business continues to operate in the city centre.

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[96] Creative Industries Observatory (2008) *Film in London.* CIO, London.

[97] Landry, C. (2000) *The Creative City: A toolkit for Urban Innovators.* Earthscan Publications, London.

  Florida, R. (2002) *The Rise of the Creative Class.* Basic Books, New York.

[98] Bell, D. & Jayne, M. (2003) 'Assessing the role of design in local and regional economies' in *International Journal of Cultural Policy*, 9: 265-284.

[99] Lash, S. & Lury, C. (2007) *Global Culture Industry.* Polity, New York.
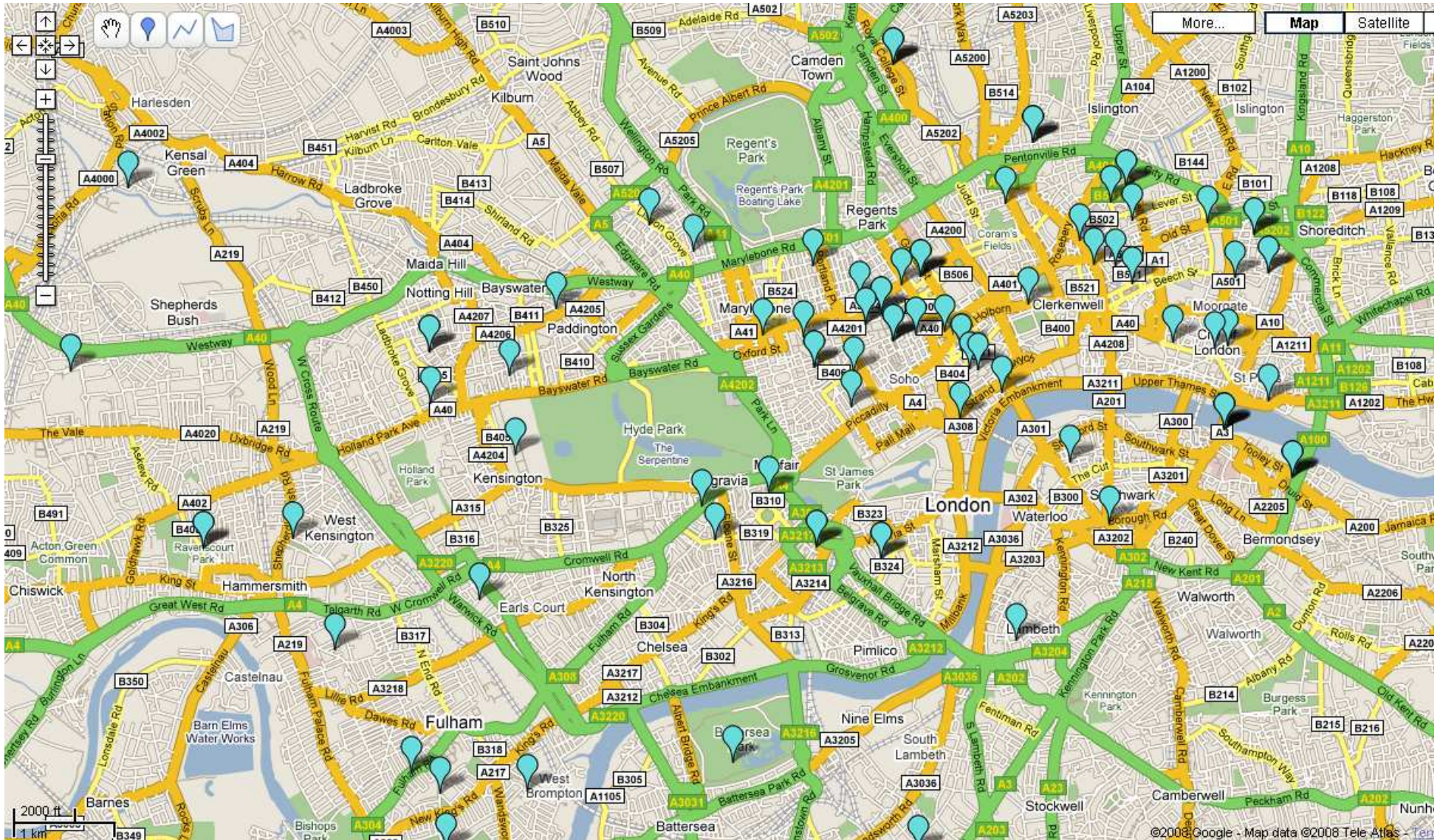
Map 6.2: Clusters of design firms in central London (blue pins represent 1 company)

7

Social Analysis and Network Structures

Interlocking directorates and design

The relationships or networks of people form an important part of organisational life and help characterise particular sub-sectors of the creative industries and differentiate them from others. Understanding inter-organisational networks, for example through a board of directors, can highlight industrial alliances, strategic partnerships and relationships between companies in the supply chain. From an internal perspective, understanding the connectivity of personnel can improve task completion by improving effective flows of information. It can also enhance career and personal development by assessing each individual's role within an organisation. It is within this context that consideration has been given to the relationship between the top 20 companies and boards of directors of the CIO database (described in section 3). Social network analysis is used here to evaluate the patterns that exist within groups of people, which are key companies and their boards of directors and executives in this case.
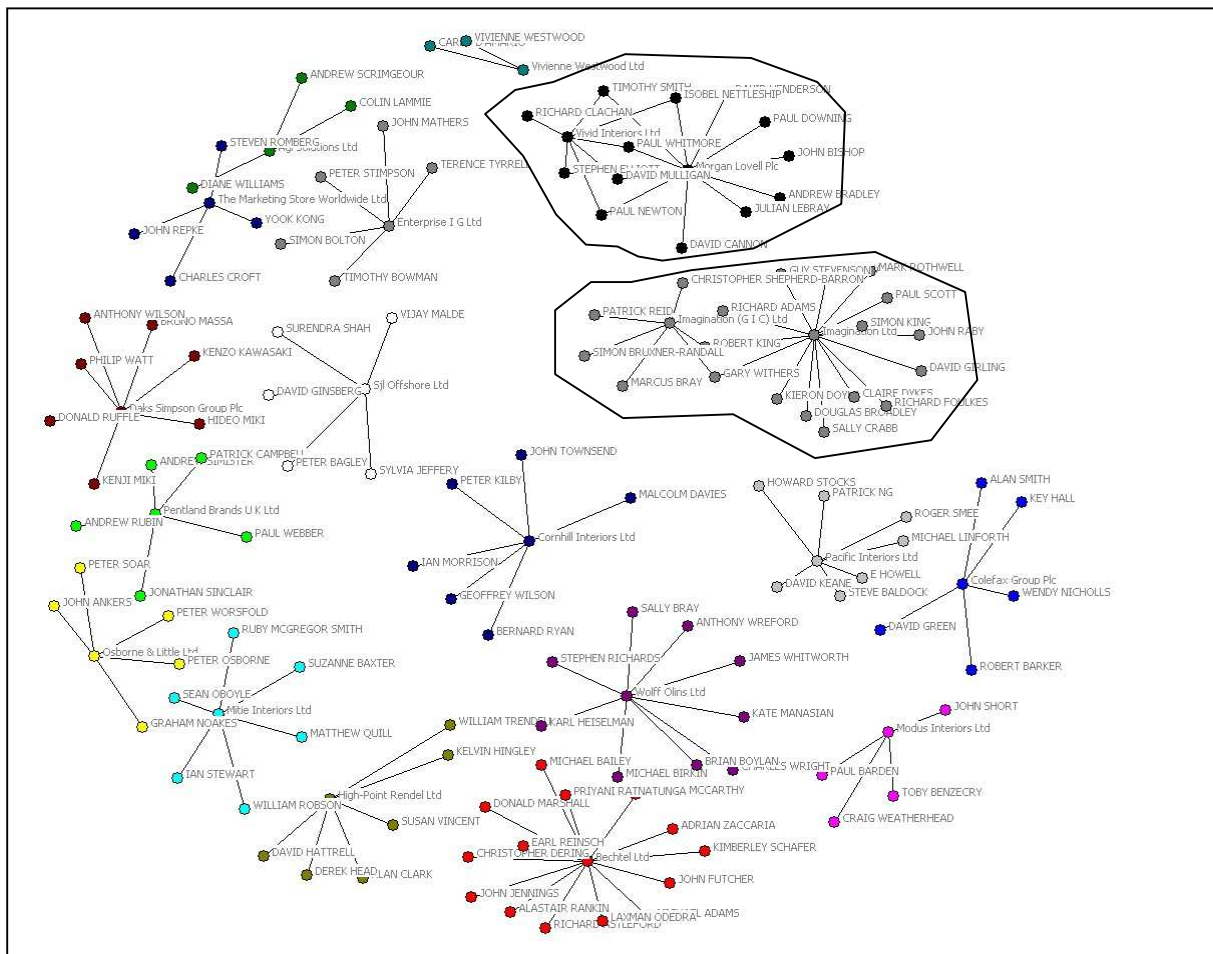

Figure 7.1: Network of the boards of directors of the top 20 design firms in London

Interlocking directorates "arise when two companies share one or more director"[100]. Such interlocking directorates have been identified in prior research as "one of the major structural features of integrating corporate capitalists"[101]. The creative industries are no exception to this, and it is arguably the case that high-level creative industry decisions are kept within a few selected individuals. **Figure 7.1** illustrates the **top 20 design companies** in London and the boards of directors who sit on each of these companies.

Due to the deliberate use of the top 20 companies it can be seen how the networks manifest themselves within the biggest companies in London, yet the overall network is a dataset small enough to remain manageable to highlight key network features. Including more companies would increase the number of directors exponentially, and so, the visualisation of the networks would become confusing and loose its capabilities to highlight industry connectivity.

Figure 7.1 proves that there are very few interlocking directors within the top 20 design companies, as all companies seem very much self-contained (see also **Figure 4.2** for the gender divide in board directors). There are a couple of exceptions to this though: firstly, Imagination Ltd and Imagination (GIC) Ltd (the area circled with dark grey nodes), and secondly, the group consisting of Morgan Lovell Plc and Vivid Interiors (the area circled with black nodes). These interlocking directorates seem to be exceptions to the general pattern of board isolation with little crossover. This may be a consequence of the large size of the companies in question. Also, the varied nature of the design activities justify that board members of each company may have particular knowledge of only one area of specialization. For example a board member of an interior design company may have the expertise to sit on another interior design company's board, and maybe even a fashion design company, but would be less inclined to sit on the board of a construction/architecture or landscape design company.

In order to understand a smaller group and to see what connects one individual to another within the field of design, a study of the Design and Art Direction (D&AD) award executives has been undertaken. It is possible that the connections that exist may be applied to the design sub-sector in general.

Figure 7.2 includes all D&AD executives listed on the organisational website[102]. Also, as there is a biography of each executive on the website, any re-occurring association between the executives has been charted to enable the above network diagram to be produced.

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[100] Kono, C., Palmer, D., Friedland, R., Zafonte, M. (1998) 'Lost in space: the geography of corporate interlocking directorates' in *The American Journal of Sociology*, 103(4): 863-911

[101] Kono, C., Palmer, D., Friedland, R., Zafonte, M. (1998) 'Lost in space: the geography of corporate interlocking directorates' in *The American Journal of Sociology*, 103(4): 863-911

[102] Design & Art Direction (n.d.) *D&AD executive*. Available at http://www.dandad.org

CASE STUDY

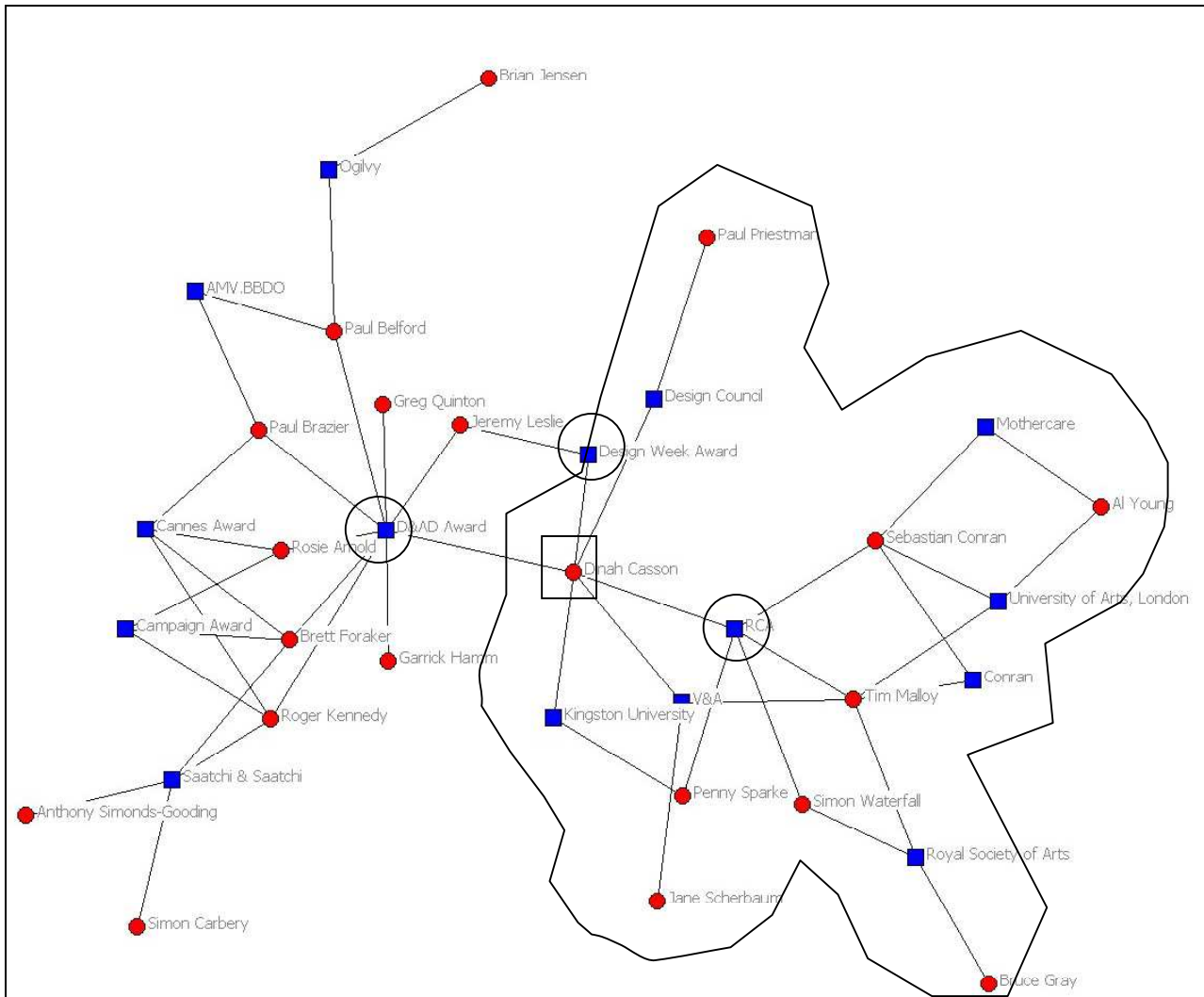**The D&AD executive**

Figure 7.2: D&AD executive network

The following is a list of re-occurring associations:

- Royal College of Art
- Kingston University
- University of the Arts, London
- Previously winning a D&AD award
- Previously winning a Campaign award
- Previously winning a Cannes award
- Previously winning a Design Week Award
- Saatchi & Saatchi

- Mothercare
- Ogilvy
- Conran
- AMV.BBDO
- Design Council
- Royal Society of Arts
- Victoria and Albert Museum

Figure 7.2 suggests that there are two groupings: one group is more university, museum or council based (with a couple of exceptions), with the Royal College of Art and the V&A featuring highly (this group is circled); and the other grouping consists of companies and awarding bodies, such as D&AD yellow pencil or Cannes Lion Award. This distinction gives the D&AD executive a balanced overview between academic and professional fields of engagement. Within the D&AD executive, Dinah Casson (squared node) is seen as highly centralised because she spans the academic grouping and the professional grouping by having previously won D&AD and Design Week awards (circled nodes) as well as being a design course leader at the Royal College of Art (circled node).

Although the D&AD case is only in reference to a small number of individuals, the findings can be broadened and hence questions that relate to the industry as a whole can be proposed. The D&AD case shows strong affiliations to certain academic institutions, and it may also be the case that many of the interlocking directors from the top design companies also have affiliations to these same universities. Whilst illustrative, this case study is limited as it focuses on one company, although further research might consider the comparison between and across cases, and could be of significant benefit for individual companies in identifying organizational strengths and weaknesses.

Overall, our research shows that the top 20 design companies are only accessing a very limited pool of talent at the directorate level, as the majority of directors are male. Also the number of interlocking directorates is scarce within the top 20 companies, which indicates limited cross-fertilisation within the design sub-sector. Although a relatively small number of companies has been used in this analysis, finding people who sit on multiple company boards was always unlikely, as research into inter-locking directorates generally looks at the industry as a whole. To address this, a case study has been used to look at a micro community.

The D&AD network of executives was analysed to see whether there was any re-occurring connections between a smaller group of people. This network analysis shows the D&AD executive fell into two categories: a university/museum side and an award receiving/ professional side. The implication of this is that the D&AD awarding body will be able to judge

design work for both its commercial appeal and blue-sky research. The analysis also showed that many executive members had also previously won a D&AD award, and that many people had links to the Royal College of Art, which has implications for the role of educational institutions in strengthening ties in a network.

8

Conclusions, Key Findings and Observations

The design industry in the UK is well established and has a long and distinguished history. There is a well-developed educational system in support of this activity, and increasingly, design is associated with lifestyles, social concerns, as well as supporting business competitiveness. It is therefore an important component of the creative industries and the wider UK knowledge economy. As a result, it deserves to be understood, particularly in terms of its underlying structures, its location and geographic specificities, the distribution of employment and economic activity of its largest businesses and the social characteristics of its networks. Such a detailed understanding can both inform future policy as well as enable design industry participants to successfully generate and extract creative, social and economic value from the environment.

There is widespread recognition that many of the creative industries are dominated by freelancers and SMEs. However, this report also aims to provide comparative data and analysis of the largest design businesses located in London, thereby providing a new insight into the sub-sector. The report challenges previously established definitional boundaries by incorporating in our analysis a fuller and more representative range of design activities and companies engaged in design, including, for example, construction businesses heavily involved in different forms of design. In addition, it should be noted that, the design sub-sector is often misrepresented by existing SIC codes and defined differently by different institutions. For example, in the DCMS definition, fashion design is excluded from the design industry, being recognized as a separate sub-sector in its own right, whilst the Design Council considers fashion and textile as core activities of the design sub-sector.

What is particularly interesting is that the top 100 companies are engaged in a range of core activities and that they are clearly clustered in the centre of the city (W1) with groupings in the City and South Bank. This is no great surprise as design is generally a business to business activity; secondly these large firms also wish to operate internationally and therefore access those markets by being in a global city with access to good lines of communication, cutting edge technology and other international businesses.

The cultural milieu and the social interaction through networks forms another important part of the design industry in London. When consideration is given to the directors at some of the largest firms, it is noticeable that they are dominated by men with poor levels of interactivity

between the boards of these businesses. In other words, it is an isolated, male dominated world at board level despite the fact that female graduates in many design specialities dominate educational institutions. Clearly, these large businesses are not tapping into or growing their talent pool, which will inevitably have consequences for the future. The relatively little network interaction between companies suggests that there is little intelligence sharing, and that for all its homogeneity it is essentially a world of individual companies with distinct cultures. However, when consideration is given to the interactions around the professional body D&AD, it is clear that certain institutions and organisations are particularly influential. It could be suggested that a third of these organisations are providing the connectivity between businesses.

In terms of financial and economic data, the Design Council, DCMS and BDI have generated a range of data describing the industry. This report includes a brief summary of that information and prior research on the sub-sector, which provides a context for further consideration of the activities of design enterprises in London. It suggests that the sub-sector is performing positively with evidence of increasing demand. However it is worth noting that the vast majority of the largest London businesses are UK owned, generate an average of 5.7% profit margin, do not employ high numbers of staff, and are generally limited companies. This has implications for inward investment policies and exporting. There is an argument that given the high preponderance of UK owned companies, efforts should be made to support these firms in their exporting activities as a means of strengthening the design sub-sector, the position of London and the UK. On the other hand, it is possible to consider inward investment to augment the UK businesses; however this may generate unnecessary competition, but reinforce the global position of London as a world city.

Report Observations

The following section summarises key findings and makes policy recommendations as well as proposing important areas for future research and analysis.

- In spite of general agreement and acknowledgement that the activity of Design should be included within the scope of creative industries, compartmentalising and categorising 'design' per se is fraught with difficulties. Defining a distinct 'design sub-sector' is a challenge because design activities are central to the production, manufacture, and provision of so many goods and services in the modern economy that characterises London and the UK. Design spans, and is often embedded in, many other areas of economic activity.

- Similarly, design professionals play a role across a range of sectors either as full-time or part-time employees or as freelance and project-based consultants. This presents

some significant challenges not only in terms of identifying their 'occupation' but in decoupling their economic contribution to the design sub-sector from other sectors in the economy.

Observation 1

The design sub-sector, above all other creative industries, suggests the need to refrain from strict compartmentalisation of creative sub-sectors and to conduct significant further research on the linkages and overlaps between this industry and other creative industries and the economy.

*   *   *

- This report describes how the design profession is historically rooted in the industrial revolution and the growth of manufacturing. As such, it remains inextricably linked with the creative (and the production) process. Good design is often not just about beautiful, but also about useful and functional things manufactured (as well as packed and delivered) in an optimal way.

- The history of design is characterised by an exciting tension between providing well-designed products at affordable prices to mass-market consumers, and the individual craftsmanship associated with the production of high-end one-off pieces. Here we can see the various discourses concerned with high and low culture played out.

- Unlike their creative counterparts who might work in isolation, design professionals usually work along-side other practitioners, embedded within an industry or sector where they provide specific expertise and knowledge in the production of that sector's products and services. Designers do not just work with other creative practitioners, but also commonly alongside science, technology and engineering professionals, as part of a team.

Observation 2

Support of the design profession needs to appreciate the interdependencies and relationships that design professionals have with other professions. More research needs to be done in understanding how the design professional works as an integral part of a team within a dynamic process.

*   *   *

- Stereotypical dichotomies that pit 'art' against 'commerce' do not seem as relevant in a creative sub-sector that is characterized by its interdependence with other economic sectors.

- Perhaps more than any other sub-sector of the creative industries, the design sub-sector can be seen as a model for a creative industry in which there is a synergistic co-existence of creative and commercial concerns.

Observation 3

A holistic understanding of the relationship between art and commerce, which is exemplified in this sub-sector, warrants closer investigation. Best practices and examples from the design sub-sector might help inform the development of a more synergistic relationship between aesthetic and commercial requirements in other creative industries.

*   *   *

- Because of its links with the production process and its distinct position within the value chain, good design and successful designers require an understanding of the latest technology, its scope, its applications and its power. For example, use of computer-aided design (CAD) has revolutionised many types of design, both in terms of speed, efficiency and client presentations/relations.

- In a mutually re-enforcing loop, technology itself is made more powerful (and useful) by good design – for example, the design of high quality graphic user interfaces (GUI's).

- The inter-relation between technology and design is at the heart of the innovation capacity of many firms, and deserves significant further attention.

Observation 4

Policy makers, practitioners and researchers need to take into account the re-enforcing and dynamic relationship between design and technology. Much more research should be done in this area.

Policy makers and professional bodies need to consider how best to keep existing designers abreast of technological development, and educational institutions need to train the next

generation of technology-savvy designers. The link between technology and design has been, and will continue to be, a key source of competitive advantage of both organisational and national level.

<p style="text-align:center">*   *   *</p>

- This report provides a range of evidence for the heterogeneous nature of the design sub-sector and activities undertaken by design professionals.

- The diverse nature of the sub-sector means that prior analysis of the industry may not have adequately accounted for the range of design activities in terms of existing SIC codes. This report makes an effort to better represent the sub-sector by drawing on industry expertise and re-assessing relevant SIC codes with a new *CIO Definitional Framework*.

- This report also uses social network analysis to show how many design companies are weakly linked to other design companies. Related research shows that many share activities more with representative of other sub-sectors than with their own.

- The design sub-sector is one of the 'weakest' in terms of social clustering tendencies within the creative industries. This report shows that there are very few shared directors within the top 20 design companies, and how each company seems very much self-contained.

- This characteristic is visible in the very loosely networked structure of the industry.

Observation 5

Further analysis should compare the degree of heterogeneity within creative industry sub-sectors, as well as network density and geographic spread. Future policy might consider how to develop a stronger set of ties and relationships within the sub-sector in order to strengthen the network as a whole, and policy recommendations should certainly begin with a realistic appreciation of the strength of associations between existing players. Future policy and research should also consider the networks and strength of ties that exist between this sub-sector and others within the creative industries and beyond - nationally and internationally.

<p style="text-align:center">*   *   *</p>

- This report shows how the design industry includes both a large number of small to medium sized enterprises, as well as a small number of large, dominant firms. A picture emerges of a highly segmented sub-sector where many of these have carved out distinctive niches and trade on areas of specialization and expertise.

- This report illustrates how the design industry as a whole is fairly dispersed across the city, with a low propensity to cluster. Nonetheless, there is evidence to suggest that being in the city centre, with postal codes such as W1 and EC1/EC2, provides network benefits and opportunities for interaction within a creative milieu, which are still important to location decisions.

- High city-centre housing prices, however, coupled with advances in information and communication technologies justify the fact that many freelancers and SMEs are moving out of the city centre and/or work from home. While there may be positive consequences derived from more flexible work routines and opportunities for work-life balance, there may also be negative effects related to designers inability to physically cluster and reap the benefits and synergies of face-to face interaction provided by such clusters.

- In spite of some evidence of flexible work arrangements, the design sub-sector shares characteristics with other creative industries in terms of under-representation of females at senior levels. This presents challenges in terms of eradicating the gender divide and limiting access to the talent pool.

- This research suggests that unlike other creative industries practitioners, designers are also a fragmented and highly heterogeneous group with a range of work practices, organizational structures and financial rewards.

Observation 6

The characteristics of the design sub-sector presented in this report provide some interesting challenges for educational institutions, policy makers and professional representative bodies, which need to be addressed by policy makers, practitioners and the research community.

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