

December 2004

# Design for Latvia

## Appendices

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## Appendices

- 7 Three pilot projects, 3
  - 7.1 Triteks, 4
  - 7.2 Nakts Mebeles, 6
  - 7.3 Dambis, 8
  
- 8 Seminar: Design for Business, 10
  - 8.1 Program and lecturers, 11
  - 8.2 Selected lectures, 14
    - 8.2.1. The big idea / Design and economy, 14
    - 8.2.2. Strategic design, 21
    - 8.2.3. Your company in the new economy, 26
    - 8.2.4. The experience economy, 28
    - 8.2.5. The dream society, 30
    - 8.2.6. Branding, 32
    - 8.2.7. Climbing the design maturity scale, 42
    - 8.2.8. From design research to design success, 44
  - 8.3 Seminar evaluation, 49
  
- 9 Conference: Design Policy for Competitive Advantage, 50
  - 9.1 Program and lecturers, 51
  - 9.2 Selected lectures, 55
  - 9.3 Seminar evaluation, 66
  
- 10 Cases, 67
  - 10.1 Latvian cases, 67
    - 10.1.1 Bergs, 68
    - 10.1.2 BFDF, 71
    - 10.1.3 Coffee Nation, 73
    - 10.1.4 Latvijas Banka, 76
    - 10.1.5 Lauma, 78
    - 10.1.6 Studija Naturals, 80
    - 10.1.7 VEF Radiotehnika RRR, 83
  - 10.2 International cases, 85
    - 10.2.1 Kompan, 85
    - 10.2.2 Lampas, 88
    - 10.2.3 Lindberg Optik, 90
    - 10.2.4 Montana, 92
    - 10.2.5 NovoPen, 94
    - 10.2.6 Ole Mathiesen, 97
    - 10.2.7 Ordning och Reda, 99
  
- 11 Project website, 102
  
- 12 EU application, 103
  
- 13 Sources, 126

17902\_041208app\_1352

29/03/06

3/184

## 7 Three pilot projects

In the period January - August 2004 three pilot projects were conducted by Design for Latvia consultant Jørgen Bruhn.

The three host companies were selected at a meeting at the Ministry of Economics January 2004. The three chosen companies were

- Triteks
- Nakts Mebeles
- Dambis

The consultant visited each company six times. After each visit the consultant wrote minutes of the meeting for the approval of the company. After concluding the projects, the consultant wrote the final reports also to be approved by the clients.

All three clients have expressed great satisfaction with the process and a commitment to use systematic product development and design in the future. The three projects were reviewed at the Design for Business seminar 7/8 October 2004 at Dikli Pils. Representatives of the three companies expressed their satisfaction with the process.

The three final reports are shown below.

## 7.1 Triteks

Final report by Jørgen Bruhn

The following comments are based upon the six meetings we have had and on the work presented to me. I have tried to compare this project with the ideal course for such a product development project - as I see it.

It is important for me to stress that these comments are not meant as criticism of anybody - neither person nor company. They are my personal evaluation and recommendations to the management of Triteks, and part of my way of passing on my personal experience and know-how within this area.

### Project team

Under normal circumstances there would have been a project team, which would meet all together at 'formal' project meetings. It is my recommendation that such a project team (with representation from sales/marketing, production and design) should be established when starting a new product development project.

### Economy

I do not know the price for making prototypes in Triteks. But normally there would have been made more sketches and calculations prior to making a prototype.

### Designer

It was hard to find a designer, and I have only seen a little of what she has been doing.

It is my understanding that the designer has a good understanding of the problem to be solved and of the production/technical issues - and that is important. May be we should have spent a little more time by briefing the designer prior to her start of the project. - It is under normal circumstances a very good idea to have a clear briefing to the designer.

### Value Analysis

There has not - to my knowledge - been carried out any Value Analysis of the project, in order to find out if functions or aesthetic design should be modified in order to optimise price/function. There might have been some calculations I have not heard about, but it is my impression that decisions in this project have been made upon feelings more than facts.

17902\_041208app\_1352

29/03/06

5/184

#### Tests

It is my understanding that it was the intention to carry out a kind of test, and I do hope that it has been successful as well as helpful. My advice is to increase the test procedure in coming product development projects.

#### Time to market

We are in a time where time-to-market is decreasing every month. It is therefore important that a company can act fast in product development and implementation.

I know that there were special reasons for the slow start of this project, but in all fairness

I must say that a higher speed would have been profitable for the company Triteks.

17902\_041208app\_1352

29/03/06

6/184

Final advise

There is no doubt: Triteks are doing well - and the company will continue to grow under the present management. But it is important for me to stress the necessity of having a clear plan for all new product development projects. It is my feeling though that it could be even better if consumers and employees were involved in the product development process.

Jørgen Bruhn

August 2004

## 7.2 Nakts Mebeles

Final report by Jørgen Bruhn

The following comments are based upon the six meetings we have had and on the work presented to me. I have tried to compare this project with the ideal course for such a product development project - as I see it.

It is important for me to stress that these comments are not meant as criticism of anybody - neither person nor company. They are my personal evaluation and recommendations to the management of Nakts Mebeles, and part of my way of passing on my personal experience and know-how within this area.

### Project team

Under normal circumstances there would have been a project team, which would meet all together at 'formal' project meetings. I know that there are geographical (and in this case may be also linguistic) problems so deal with. But..

### Economy

I do not know the price for making prototypes in Nakts Mebeles. But normally there would have been made more sketches and calculations prior to making a prototype.

### Designer

I was pleased that we immediately had a designer attached to the project. It is also my impression that there was a good cooperation between designer and company (Juris Grikis).

It was my impression that the briefing was helpful. It could have been beneficial for all parties if all drawings and sketches were made via computer.

### Value Analysis

There has not - to my knowledge - been carried out any Value Analysis of the project, in order to find out if functions or aesthetic design should be modified in order to optimise price/function. There might have been some calculations I have not heard about, but it is my impression that decisions in this project have been made upon feelings more than facts.

### Tests

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29/03/06

8/184

It is my understanding that the test carried out was to some extent helpful. My advice is to increase the test procedure in coming product development projects.

Time to market

All over the world time-to-market is reduced. There is a need for quick response and fast changeover. I did experience a very fast process at Nakts Mebeles - due to high priority for this particular project, and due to Juris Grikis' decision power.



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29/03/06

9/184

Final advise

There is no doubt: Nakts Mebeles are doing well - and the company will continue to grow under the present management.

It is my feeling though that it could be even better if consumers and employees were involved in the product development process.

Jørgen Bruhn

August 2004

### 7.3 Dambis

Final report by Jørgen Bruhn

The following comments are based upon the six meetings we have had and on the work presented to me. I have tried to compare the waste bin project with the ideal course for such a product development project - as I see it.

It is important for me to stress that these comments are not meant as criticism of anybody - neither person nor company. They are my personal evaluation and recommendations to the management of Dambis, and part of my way of passing on my personal experience and know-how within this area.

Project team

I really appreciated that Dambis established a project team, with a skilled project manager and qualified members. In many companies such a project team would have more decision-power than I experienced was the case for this project team.

Economy

It was my feeling that the chosen project was relevant and that it also contained the economical potential - although the economical consequences within the project were not clear from the beginning.

Designer

I was however confused and disappointed when I realized that there was no money to hire a professional industrial designer to the project. I even tried to establish contact to a Danish designer who could participate on a royalty basis (but with travel expenses paid).

It was decided to let the technical assistant act as designer - and the project team members participated in a kind of brainstorm session where we came up with some useful inputs to the product.

It is important though that the industrial designer is involved in the entire process. The designer has not only the task to provide the product with colour and other artistic details.

To my knowledge there have not been made any attempts to combine manufacturing processes (including logistic

17902\_041208app\_1352

29/03/06

11/184

challenges) with the physical development of the waste bin (apart from stating that the waste bins should be easy to transport). That would have been one of the tasks for the industrial designer. On the other hand I also learned that new product manager Madis Menke produced a document with much of this information.

#### Value Analysis

There has not - to my knowledge - been carried out any Value Analysis of the project, in order to find out if functions or aesthetic design should be modified in order to optimise price/function.

Decisions have been made upon feelings more than facts.

Tests

We have not been through a fair test procedure. We have not asked the consumers or the purchasers about their opinions - and we do not know what the purchasers are willing to pay for the waste bin.

Time to market

All over the world time-to-market is reduced. There is a need for quick response and fast changeover. In the actual case I did not experience a very fast process at Dambis - probably due to low priority for this particular project, and due to a complex organisation.

Final advise

My advise to Dambis is only to start projects they really believe in - and are willing to support. Do not to start projects - if you do not want them by heart. I have the deepest respect for the fact that schedules may be changed and that other projects can have higher priority than the actual project, but it is very frustrating for the project team members if they feel that they do not have total support from top management.

And inevitable: if you start a product development project, hire a skilled designer to participate in that project.

Jørgen Bruhn

August 2004

17902\_041208app\_1352

29/03/06

13/184

## 8 Seminar: Design for Business

Friday/Saturday 7/8 October 2004, a seminar 'Design for Business' was arranged at Dikli Pils Manor House 130 kilometres from Riga. The far away venue was chosen to secure an undisturbed 'captive audience'. Both participants and lecturers appreciated this idea.

Participants paid a fee 40 LVL covering the accommodation costs and a bus ride from and to Riga. The seminar was sold out with over 30 participants. No applications were rejected. All lectures were given in English and simultaneously translated into Latvian. Relatively few of the participants - sometimes as few as five - used the headphones to listen to the translation.

The faculty of the seminar included:

- Per Mollerup, co-chair
- Ken Friedman, co-chair
- Jørgen Bruhn
- Emils Rode

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29/03/06

14/184

## 8.1 Program and lecturers

Friday

08 October 2004

- |           |   |
|-----------|---|
| 1400-1500 | Who is here and why?<br>Goals, contents, stakeholders<br>Per Mollerup<br>Ken Friedman   |
| 1500-1700 | The big idea / Design and economy<br><br>What is design?<br>Why design?<br>Added value and the value chain<br>Differentiation strategy<br>Exercise / Coffee<br>Per Mollerup |
| 1700-1745 | Strategic design<br>Design as a corporate resource<br>What is strategy?<br>Design strategy<br>Design and goals<br>Ken Friedman  |
| 1845      | Dinner  |
| 2000-2100 | Three Latvian pilot projects<br>Textiles, furniture, metal/engineering<br>Jørgen Bruhn  |
| 2100-2200 | Your company in the new economy<br><br>Five world economies<br>The experience economy<br>The dream society<br>Ken Friedman<br>Per Mollerup                                  |



17902\_041208app\_1352

29/03/06

16/184

Ken Friedman

Good-bye



17902\_041208app\_1352

29/03/06

17/184

### Lecturers

Per Mollerup, Dr.Tech.

Director, Mollerup Designlab A/S, Designers and Consultants, Copenhagen.

Author of books on design including Marks of Excellence (Phaidon Press, London).

Project manager, Design for Latvia.

Ken Friedman, Ph.D.

Professor of Leadership and Strategic Design, Norwegian School of Management, Oslo, and Denmark's Design School, Copenhagen.

Author of books and papers on design research, the information society, and the knowledge economy.

Project consultant, Design for Latvia.

Jørgen Bruhn

Director, B-Creative, Design Management, Billund, Denmark.

Former Director of Product Development, LEGO.

Project researcher, Design for Latvia.

Emils Rode, MBA

Managing Director, Rode & Weiland, Strategy Consultants, Riga.

Project researcher, Design for Latvia.

## 8.2 Selected lectures

### 8.2.1 The big idea / Design and economy

Per Mollerup, Dr.Tech.

#### Design is when...

##### Definition

Before discussing why we should engage in design, it might be a good idea to define what we mean when we talk about design.

The term 'design' covers both a process and the product that results from the process. The process deals with shaping manmade objects for useful purposes.

Both 'shaping' and 'objects' should be taken in the widest sense of these words.

The term 'shaping' includes the planning and the actual shaping of something.

The term 'objects' can cover such disparate items as products, communications and interiors.

The word 'manmade' is used in this definition to exclude nature. A stone found on the beach is not designed.

The phrase 'useful purposes' is used in this definition to exclude free art.

Guernica and other paintings by Pablo Picasso are not designed.

Our definition clearly includes much more than fast cars, fashion and beautiful objects for the home. In principle, it includes every manmade object with a useful purpose.

Formally, this definition also includes architecture. However, we will leave that out for practical reasons. What we discuss at this seminar is not whether to use or not to use design - you cannot avoid design - but using design in a certain, conscious way.

Nobel Laureate Herbert Simon defined that conscious way when he said that design devises actions aimed at changing existing situations into preferred ones.

17902\_041208app\_1352

29/03/06

19/184

Edward de Bono, the British author of many books about thinking, is in line with Herbert Simon when he states that design is all about adding value.

### Why design?

There can be many reasons for engaging seriously in design.

One reason can be the sheer pleasure of dealing with beautiful objects. That is the hedonistic reason.

Another reason can be that designing good, beautiful and functional products, communications and interiors improves the quality of life for everybody involved: designers manufacturers and users. That is the altruistic reason.

A third reason for engaging in design is to make profit. That is the business reason.

At this seminar we are motivated by the business reason. This may also promote hedonistic and altruistic purposes. They will be positive side effects.

### Added value

Design is all about adding value. Good design makes business by making better products and services, communications and companies. Good design adds value. When that happens, customers will pay more or buy more at a given price. That a well-designed car sells better than a badly designed car is obvious. However, that simple statement doesn't reveal the many ways that good design can contribute to a company's competitiveness by adding value.

The concept of added value is simple. Added value is defined as the difference between the costs of raw materials and the sales price of finished products.

A saw mill that buys timber logs from the forest owner, cuts them into lumber and sells the lumber, adds only little value.

A furniture manufacturer that makes chairs out of the lumber, adds much more value.

However, the furniture manufacturer is not necessarily more profitable than the saw mill. The profit of both companies depends also on other costs than the costs of raw materials and it depends on the sales revenue. The crux of the matter is not the added value per se, but the difference between sales revenue and total costs. However desirable added value is, it is - seen in isolation - no reliable measure for profitability. Added value must always be seen together with all involved costs.

Added value should only be sought when it is greater than the costs involved. The trick is to identify products and productions and markets with profitable opportunities for added value. One big problem inherent in immature economies is that - because they lack maturity - they often fail to capture the profitable opportunities for added value but sell raw materials and raw labour out of the country in severe price competition with other low wage countries. They leave opportunities for further elaboration, differentiation and added value to their customers.

A Latvian company produces canned fish and exports the unlabeled canned fish to a Norwegian company. The Norwegian company labels the cans with its own brand and resells the fish at a price several times higher than the price it paid to the Latvian seller. Is the big profit in Latvia or in Norway? The truth is that Norway itself sells the major part of its own salmon production to other countries that brand the salmon and sell it with considerable mark-ups. Upgrading anonymous commodities to branded goods is one way of adding value.

Latvian furniture factories do a lot of subcontracting for foreign furniture clients. Latvian furniture manufacturers also sell their unbranded furniture to foreign buyers who resell the furniture under their own brands. Sometimes these foreign buyers will provide the Latvian furniture manufacturer with the design for the furniture in question. To the Latvian furniture manufacturer it may appear easy to sell the full production to very few clients and not to have problems with design and designers.

The truth is that these Latvian furniture companies capture too little added value. They pass profitable opportunities on to their customers. These furniture

manufacturers travel in the back seat. Design and branding are means that could move them to the front seat to take responsibility for their own future.

The truth also is that these furniture companies are in a weak strategic position. They compete on price. When the customer can buy cheaper elsewhere, he will move on. Since Latvian wages will rise in future, subcontract customers will flock in great numbers to nations with lower wages. To add value by design is one way of escaping that fate.

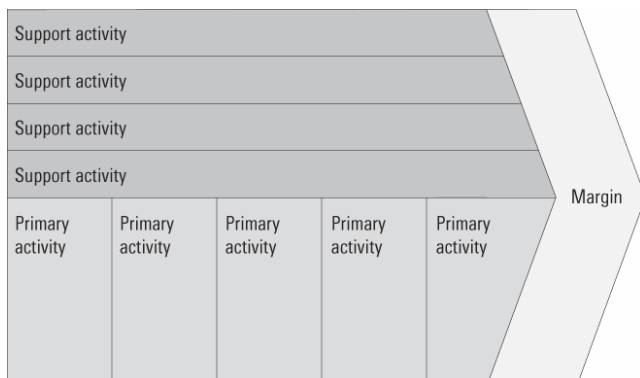
### The value chain

The best known model for showing how value is created in a company is the so-called value chain created by Harvard Business School Professor Michael Porter. The value chain is a tool for analysing where costs occur and where value is created in a company. We shall use it to show where design may create value in a company.

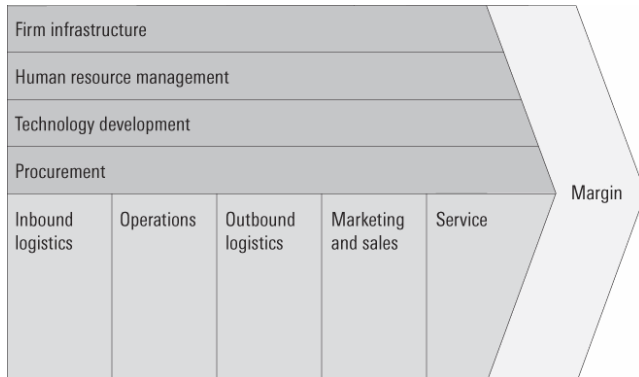
*There are a couple of advantages connected with using Michael Porter's value chain:*

- One advantage is obviously that it is a robust model that becomes even better when we adapt it for our purpose.
- Another advantage is that it is well described in Michael Porter's book on Competitive Advantage.

The value chain comprises nine generic value activities and a margin. The nine generic value activities include five primary activities and four support activities.



The costs of the nine value activities plus the margin make the revenue of the business unit considered.



The five primary activities are inbound logistics, operations, outbound logistics, marketing and sales, and service.

- Inbound logistics deal with the physical handling of raw materials and other input to the production process.
- Operations means production.
- Outbound logistics deal with the physical handling of finished products.
- Marketing and sales include all activities, which induce buyers to buy and help them to do so.
- Service deals with activities that facilitate the buyer's use of the product.

The four support activities are firm infrastructure, human resource management, technology development and procurement. The four support activities support the five primary activities as well as the other support activities.

- Firm infrastructure covers all the management and administrative functions that make it possible for the company to function as a company.
- Human resource management includes all activities connected with recruiting, hiring, and managing the personnel.

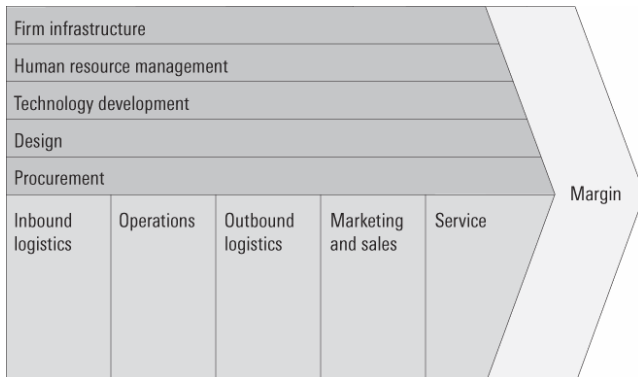
- Technology development deals with both the process and the product. For the lack of a better home, design is also placed here.

- Procurement covers the activities of buying input to the company.

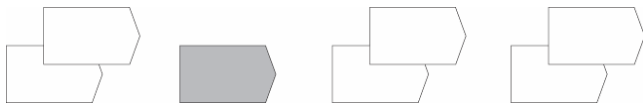
It should be stressed that the value activities, be they primary activities or support activities are activities. We are not talking about products and states but actions.

Michael Porter's value chain is best at describing manufacturing companies. Other economists have made other models that describe various types of service businesses.

For our purpose we will expand the value chain with an extra support activity. In Porter's value chain, design is part of technology development. We shall isolate design as a fifth support activity.



However important, your company's value chain doesn't stand alone. It is part of a larger value system.



Upstream, your value chain is connected with suppliers' value chains.

Downstream, your value chain is connected with buyers' value systems.

If you do not sell directly to the final buyer there is a channel between you and the final buyer. The channel also has a value system. Now, for a full analysis of your competitive situation you must think of the full value system.

Think of a dairy, a milk and cheese factory.

The considerations concerning costs and differentiation of the dairy should include the upstream as well as the downstream parts of the value system.

Upstream, the dairy should think about the value chain of the farmers, and the transportation link between the farmer and the dairy. Years ago, an anonymous van would pick up a number of containers waiting at the wayside. Today a highly profiled road tanker will suck the milk directly from a the farm's milking aggregate. As it travels around, calling on farmers to collect milk, many wayfarers notice the tanker and advertising starts before the milk hits the dairy. Also, the tank van reduces the logistic costs of the farmer.

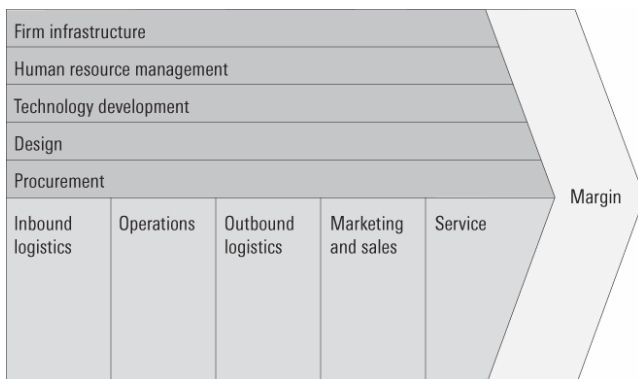


Downstream, the milk, butter, and cheese people shouldn't stop their analysis where the trucks leave the dairy with the products ready for cooking, drinking and eating. They should be very interested in the supermarket's value chain and definitely in the consumers' value chain. How are the dairy products received, stored, advertised and sold in the supermarket? Is value added? How do they fit in the consumer's life?

### Exercise

Each participant makes a value chain for his own company and thinks about where and how value is created or COULD be created by design.

Each group discusses one member's value chain and reports in plenum.



### Two types of competitive advantage

Michael Porter uses his model to analyse where competitive advantage is created in the company. Competitive advantage always consists of at least one of two elements. One is price. The other is differentiation.

If competing on price, the company will sell its products at lower prices than other companies will sell the same product.

In competing on differentiation, the company will make its products different from other products in ways that buyers find attractive.

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29/03/06

26/184

As a rule you cannot compete on both fronts at the same time. You must make a choice.

As a strategy, low price has only one winner, the company with the lowest costs.

As a strategy, differentiation can have a number of winners as different companies can emphasize different qualities.

Differentiation is not the same as making things different. To be different is not enough. You must be different in a certain way. Differentiation means the company based on analysis decides how it can make its products different in ways that the customers find so attractive that they will pay more than the extra costs involved in differentiating the product.

At this seminar we shall focus on differentiation. Also, we shall focus on design as the driver of differentiation. Differentiation means added value. Design is all about adding value. By the help of design you will move from the back seat to the front seat and become responsible of your own destiny.

Competing on price and competing on differentiation are two opposite strategies. Porter suggests a third strategy, focus, where the company focuses on a special segment of the market. To put it in another way the company has a limited scope. Instead of selling all kinds of paper to all kinds of customers, one paper mill concentrates on ultra thin paper used for printing bibles. Even companies which follow a focus strategy will emphasize price or differentiation.

Arguments for differentiation strategy

- For most companies, differentiation means greater profit.
- Differentiation will divert the buyer's attention from the price.
- Many companies can differentiate and make profit at the same time.
- Differentiation makes a company less vulnerable. Only one company makes that product

The value chain model helps us to identify all areas where differentiation is both possible and profitable.

#### Further reading

Porter, Michael E.  
Competitive Advantage  
Free Press, New York, 1985

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29/03/06

28/184

### 8.2.2 Strategic design

Ken Friedman, Professor, Ph.D.

The practice of design predates all the professions we practice today. In fact, the practice of design - making things with a useful goal in mind - predates the human race.

Winston Churchill used to say, "We make our tools, and then our tools make us." True enough.

Our remote ancestors practiced design over two and a half million years ago when homo habilis manufactured the first rough tools. In a sense, human beings were designing even before we began to walk upright. Four hundred thousand years ago, we moved into the manufacture of spears. By forty thousand years ago, we had moved up to specialized tools. It wasn't many thousand years before we were playing flutes, making art and manufacturing needles to sew the garments of the earliest fashion designers.

On the one hand, design helped to make us human. On the other, the act of designing has in some way been so closely linked to human culture that we have not always given it the thought it deserves.

The verb design describes a process of thought and planning. This verb takes precedence over all other meanings of the term. The verb "design" had a place in the English language by the early 1500s. It meant: to conceive or plan in the mind; to have as a specific purpose; and to devise for a specific goal.

Although the word design refers primarily to process rather than product, it has become popular shorthand for designed artifacts. This shorthand covers meaningful artifacts as well as the merely fashionable or trendy. As I see it, design is a process. I will not use the word design to designate the outcome of the design process. The outcome of the design process may be a product or a service but the outcome itself is not "design."

The term design as a verb or a process description noun frames design as a dynamic process. This means that design can be used to structure an activity framework. Design as an activity framework translates utilitarian, symbolic, and psychological needs into functions. The

design function translates needs and wants into ideas, and it translates these ideas into the structural description entities to produce required functions that satisfy needs.

As such, design always serves strategic goals on some level, large or small.

Nobel laureate Herbert Simon defined design as "[devising] courses of action aimed at changing existing situations into preferred ones."

The different forms of professional design practice require a process incorporating the strategic and managerial aspects of design as well as the hands-on developmental application of design. These move from thinking, research, and planning at one end of the process to physical manufacture, assembly, packaging, and presentation at the other.

For business firms, design is a comprehensive part of an integrated process that links selecting challenges and solving problems to developing products and marketing them successfully.

There is no magic bullet for this process. Empirical research demonstrates the difficulty of developing and launching successful products. One study found that only 57% of new product ideas move beyond the proposal stage to achieve technical objectives. Only 31% enter full-scale marketing. Even more troubling, only 12% earn a profit. According to some experts, over 80% of all new products fail when they are launched and another 10% fail within five years.

All manufacturing and service companies face ten major challenges today. Three are performance challenges, four involve substantive challenges, and three are contextual challenges. The performance challenges are to:

1. Act on the physical world.
2. Address human needs.
3. Generate the built environment.

The four substantive challenges involve:

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29/03/06

30/184

4. Increasingly ambiguous boundaries between artifacts, structures, and processes.
5. Increasingly large-scale social, economic, and industrial frames.
6. An increasingly complex environment of needs, requirements, and constraints.
7. Information content that often exceeds the value of physical substance.

In an integrated knowledge economy, firms also face three contextual challenges.

These are:

8. A complex environment in which many projects or products cross the boundaries of several organizations, stakeholder, producer, and user groups.
9. Projects or products that must meet the expectations of many organizations, stakeholders, producers, and users.
10. Demands at every level of production, distribution, reception, and control.

These are the same challenges that designers must address. One reason this is so is that designers ultimately serve the same customers, clients, and end-users that product and service providers serve.

These ten challenges require a qualitatively different approach to professional practice than was needed in earlier times. Past environments were simpler. They made simpler demands. Individual experience and personal development were sufficient for depth and substance in professional practice. While experience and development are still necessary, they are no longer sufficient. Most of today's challenges require analytic and synthetic planning skills that cannot be developed through the practice of manufacturing, engineering, or management alone.

In this context, design becomes a unique strategic resource helping to link and structure the functions of the firm.

The strength of global capitalism and global markets will change the face of business even more dramatically in the next decade than it did during the past decade. The growth of China, the expansion of Europe, the development of 'Bottom of Pyramid' markets in smaller developing nations as well as in large poor nations are only the beginning.

These changes mean new opportunities and more competition. Nations are embracing open trade, free enterprise, and privatization to stimulate economic growth. Transition economies are experiencing the rapid formation of new businesses, and some will compete with the great corporations of Europe and the United States. This will be even more interesting than ever before as advances in communications and transportation shorten the time required for foreign firms to penetrate domestic and foreign markets everywhere.

The movement to a global market will be accelerated by the continued decline in trade barriers. International trade accords, under the auspices of GATT and the WTO, have successively lowered tariffs. Barriers will continue to fall, and in the future, tariffs will account for only a small percentage of the value of goods traded in industrial countries. Corporations everywhere will now have to learn new practices as they react to deregulation and new competitors.

Today, multinationals account for an overwhelming share of the international movement of products, services, finance, and technology. In the future, these corporations and other firms will continue to enter

overseas markets by mergers, alliances, and joint ventures. Multinational firms will expand during the next decade, and they will play a critical role in developing trade. Other businesses, operating in stagnant domestic markets, will have to learn about foreign economies and decide which markets offer growth opportunities.

Cross-border investments will continue to grow everywhere. For years, foreign firms manufactured products in Europe and the United States to compete with domestic firms.

In recent years, foreign penetration into the world's markets has gone beyond products. Foreign competitors have moved into the trade and service sectors, resulting in new competition for firms in banking, retailing, advertising, and real estate. Foreign presence in the service sectors will continue to increase, particularly in education, financial services, communications, tourism, and health care. To counter this foreign presence, firms everywhere will have to be more competitive in domestic markets while improve their skills in the foreign markets they attempt to enter.

Firms will need to do more than they have done before for success in such a complex global marketplace. While there are no magic bullets, there are skills, approaches, and wide ranges of knowledge that can help Latvian firms to survive and prosper in a changing global market.

One of these is design.

The purpose of this seminar is to examine design as an integrated strategic resource shaping and supporting the overall performance of your firm.

The key issue in strategy is purposeful goal. This is what makes a concept strategic.

In war, the difference between a strategic missile and other kinds of missile is the power to hit a selected target. For many purposes, a strategic missile may actually be smaller or less powerful than other kinds of weapon.

Take the example of a balloon sitting on the floor of a room. A cannonball would be heavy and powerful, but



dropping a cannonball on the balloon would not break the balloon. It would roll off. In this case, the strategic weapon would be a needle.

To work strategically with design, we do more than employ designers or incorporate the design function into the business firm. We ask how design can serve the specific purposes of the company, and we use the design process toward selective strategic purposes.

Despite the diligent search for effective strategies, strategy in business remains a matter of risk. In business, we can never be certain that any specific constructive factor will change the bottom line. Nevertheless, we are accumulating circumstantial evidence for design as a way to add value to products and services.

Companies add value through design in many ways.

They brand their products and services. They brand the company through corporate identification programs. In building brands, they add value by reducing costs.

Companies use design to make products and services work better. They use design to make products and services more attractive and appealing, and they use design to increase market share by building more successful product lines.

To begin adding value through design, it helps to focus on a few basic questions.

To begin thinking strategically, we focus on what a company makes and does. We ask about goals.

This sets the frame, placing us in a real context.

Then, we begin to ask what we might do within the context. This starts with imagination. Even though we may not yet have the financial resources or expertise we need for the next step, we ask how to use design to improve the company's current range of products and services.

To think about future strategy, we ask what new products and services we might develop to expand.

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29/03/06

34/184

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### 8.2.3 Your company in the new economy

Ken Friedman, Professor, Ph.D.

Latvia is an economy in transition. For many, the Latvian economy began with the rebirth of an independent Latvia at the start of the 1990s. Leaving the centralized command economy of the Soviet bloc brought challenges as well as opportunities. Today, as part of the European Union, the opportunities of larger markets and increasingly free trade are balanced by the demanding challenges of increasingly integrated participation in the global economy.

Globalization is one of the most discussed but least understood forces in the world today. While globalization involves increasing competition and expanding business networks, it also involves the spread of democracy and the development of resources. A balanced view of globalization reveals both trends.

One force that leads to globalization is the fact that economies and political units are larger than ever before. So are the networks of actors that operate within them. Another is the shift of economies from lightly worked natural goods to an increasingly complex range of manufactured goods and services.

In 1940, the Australian economist Colin Clark identified three classes of economic sector: primary, secondary, and tertiary. The primary sector extracts wealth from nature. This includes agriculture, livestock, farming, hunting and trapping, fishing and forestry. Secondary industries transform extracted material through manufacturing, building, construction, mining, and power production. Tertiary industries are organized around services, including commerce and distribution, transport, public administration, personal and professional services.

Daniel Bell rebuilt Clark's structure to describe what became known as the post-industrial society, refining Clark's concept of service industries into three distinct sectors, a tertiary sector including transportation and utilities, a quarternary sector including trading and finance, and a quinary sector including health, education, research, and recreation.

The most visible aspect of today's global knowledge economy is the fact that the greatest value is added to

products and services through human activity. For this reason, the competitive strategy of corporations - and of regions or nations - involves finding ways to develop industries that add the greatest value to national economies. In a world where design represents an opportunity to add value to products and services at a relatively low marginal cost, design is a central tool for creating competitive advantage.

The importance of design against this background becomes clear in viewing the increasing interest in design, design research, and design education in many parts of the world. Interestingly, these new developments are as visible in developed nations seeking to maintain their standing as they are in developing nations seeking economic growth. Even more important, we see these trends in the way that scientific and educational reports place design development in the economic context of globalization.

To understand what this means, it is useful to reflect on the dominant economic sectors for Latvia. For every nation, old economies and new are interwoven. The proportions change over time. A little more than a century ago, well over 90% of all the world's people were still engaged in the primary economy. This was still true even though the secondary economy of manufacturing and industry was many centuries old, and even though service was an increasingly important component for all manufacturing economies. The primary sector is still necessary for every industrial nation. Today, however, a handful of farmers and fishers feed the rest of us while most others work in the secondary sector or the other sectors.

Every industry belongs to a dominant economic sector. Despite this fact, every company participates in several sectors at once. The same company that produces massive commodities of grains or petrochemicals also works in the service sector for sales and customer support. Today, these companies also work in the high tech information economy when they use email and the web. Most of them use advanced financial markets and futures to offset risk.

This means that many companies can seek ways to change the gearing ratio on their economic sectors. Even while they focus on the core business in a main sector, they may seek opportunities to expand activities in new sectors for future growth.

To explore these issues, it helps to identify the economic sectors that form the context of the firm. The role that each sector plays in a company business creates opportunities for expansion and new growth.

Forest product companies may have unrecognized opportunities in products and services for the knowledge economy. A company that manufactures subcontract furniture parts today may find ways to enter the dream society tomorrow. This requires reflection and inquiry. This process starts with questions.

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17902\_041208app\_1352

29/03/06

38/184

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#### 8.2.4 The experience economy

Per Mollerup, Dr.Tech.

Evolving economies move from agriculture to industry to services. They move from pre-industrial to industrial to post-industrial economy, from commodities to goods to services. But the world doesn't stop here. Two American economists, Joseph Pine and James Gilmore, have identified a fourth economy, which they call the experience economy. Some may feel tempted to say that experiences are already covered by the tertiary economy, or put in another way that experiences are covered by services. However, to Pine & Gilmore the difference between experiences and services is no smaller than the difference between services and goods.

Experiences deal with the user's time and end as memories. A visit to a gourmet restaurant entertains the guest for a couple of hours. After the restaurant visit, the guest has some - more or less memorable - memories. Pine and Gilmore assert that the richer a society becomes, the greater the economic role that experiences play.

Experiences are much more than Disney, Spice Girls, Las Vegas, and expensive restaurants. Providers of goods and services try hard to upgrade their offerings to experiences or at least to add experience to the product or stage the product with some experience. Visitors to Niketown and Ralph Lauren shops know what I mean.

Mercedes buyers who flock to the factory outlet outside Stuttgart to pick up their immaculate, four wheeled virgin also know what I mean. Those loyal Mercedes customers are gratified with much more than a brand new automobile. They get an experience, a good time, and a memory.

Upgrading goods and services to experiences means added value. Pine and Gilmore's flagship case is coffee. Bought in a coffee producing country, a sack of coffee costs what translates into two cents per cup. So much for commodities.

Later, when the coffee is processed and sold in small paper bags, the price has risen to 5 to 25 cents per cup. Goods are commodities with added value.

When the coffee is brewed and sold at a local coffee shop, it may cost from two to five dollars. Service means that somebody does something for you. In this case someone makes - and perhaps serves - your coffee.

17902\_041208app\_1352

29/03/06

40/184

Now, if you happen to be in Venice and enjoy your coffee at Florian on Saint Mark's Square, you will happily pay 15 dollars for your cafe lungo and tip the waiter on the top of that. You pay for an experience. More than a service. Much more than manufactured goods. And incredibly more than a commodity. On its way from Colombia to Venice the coffee price increased by a factor of 750. From two cents to fifteen dollars. We call the difference added value.



What follows after the experience economy? Pine and Gilmore suggest that transformation economy is next. Having had a sufficient number of experiences we will want to change ourselves. We want to improve our competences and to redesign ourselves. Young people don't go to the fitness studio just to spend a couple of hours with hard muscular work. They go there to leave the studio in improved physical condition. The fitness centre, the solarium, the dance studio, and the Tai Kwon Do school all moved beyond services and experiences to offer transformations. The buyer is the product.

The transformation economy is not restricted to the leisure market. In fact its components are not entirely new. The most resource demanding public sectors in most developed countries, education and healthcare, both deal with transformation. Business consultancies also make their living from transformation.

The transformation economy and the experience economy may both be seen as provinces of the service economy.

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8.2.5 The dream society  
Per Mollerup, Dr.Tech.

According to futurologist Rolf Jensen, the days of the information society are numbered. Next is the dream society in which businesses, communities, and individuals thrive on the basis of their stories. Dreams and feelings, soft values, not facts and figures will take command. Our focus will move from hardware and software, technique and facts to contents and feelings.

While Pine and Gilmore's experience economy dealt with the time spent by the buyer, Jensen's dream society deals with the stories told by products and services and organisations.

Branding is one answer to the needs of the dream society. Branding is all about wrapping goods, services and organisations in stories that make them intriguing, tempting and palatable to their target groups. Just do it. Branding enters our minds with soft arguments where cold facts are rejected. Branding takes a share of the minds, and a share of the market, as the best branded branding expert, Wally Olins, says. Sometimes we don't care much about technical quality. Sometimes we can't evaluate it. Sometimes technical quality is equal in many products. But we can read the story. We can't really judge the technical quality of a Rolex, but we may like the storytelling so much that we pay 200 Euros for the time and 1800 Euros for the story.

The trick with the Rolex Sea-dweller is not that you can stay for hours at the bottom of the sea and still know the exact time. The trick is the signal you send non stop to your buddies at the office and elsewhere: maybe you have a boring job with very little risk and excitement, but you have a heroic leisure time full of dare devil experiences where anything but a Rolex Sea-dweller won't do.

Why do you think that more Four Wheel Drive monster cars are driven by advertising people than by farmers?

A Because there are more advertising people than farmers?

B Because advertising people feel the greatest need to brag about their rough life?

Sometimes the story told by branding totally outshines the product or service or organisation behind it. When mechanization takes command and everybody has enough, the communication around the product becomes more important than the product itself. Marshall McLuhan

17902\_041208app\_1352

29/03/06

43/184

told us that in his seminal book Understanding Media 40 years ago.

One - unsolicited - sign of success in branding is the widespread copying of successful brands. French Lacoste has long since been copied in many ways. Today, you can buy fake Lacoste polo shirts and several types of more or less close copies. In French markets, you can also buy loose fake crocodiles to attach to any piece of apparel in your wardrobe. Communications are in the centre. The product is incidental. The crocodile has eaten the polo shirt as Naomi Klein phrased it.

Nike's CEO Phil Knight touched the same subject: Nike's real product is our trademark, the swoosh. Running shoes are a great medium for selling the swoosh.

Man does not live exclusively by cold facts. Nor do designers. They live from adding value. Story telling is one viable way of adding value.

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## 8.2.6 Branding

Per Mollerup, Dr.Tech.

### Definition 1

There is a peculiar contradiction between the many ways in which we use the word brand in daily parlance and the scarcity of definitions offered by many otherwise good books on brands and branding.

Branding means developing a brand. Brand has at least five different meanings:

- 1 The word brand is used to designate a trademark.  
*Casual clothing with brands may become less popular in future.*
- 2 The word brand is used to designate products of a certain make.  
*Mercedes is my favourite car brand.*
- 3 The word brand is used to designate various product lines in a company.  
*Let's market this car under both the Audi and the VW brand.*
- 4 The word brand is used to designate the sum of tangible and intangible assets connected with a specific product or a company.  
*MontBlanc is a great brand.*
- 5 The word brand is used to designate anything famous.  
*David Beckham is a brand. So is the Carnival in Rio.*  
*And the Copacabana beach.*

### A short history of brands and branding

Two hundred years ago, a brand was a mark branded, i.e. burned, into the hide of a cow. The brand proved the ownership of that bovine creature. A brand was a mark of ownership.

One hundred years ago, the word brand had taken on the meaning of a special product with its own name. Sunlight soap was a brand. Now, a brand was a proof of origin.

17902\_041208app\_1352

29/03/06

45/184

For many years, brands always or almost always dealt with fmcp, aka fast moving consumer products. Daily household goods like soap and food were the first items to be branded. A special field of branded products included miracle mixtures and medicines. In its early years, Coca Cola was marketed as a drug against many types of ailment.

Later, other products such as electric appliances and cars converted to branding. Still later in the 1950s, the retail industry reinvented the blessings of branding, soon followed by services such as insurance and banking.

Thirty years ago, business people started to talk about corporate brands. The company as a whole, complete with products and services, was considered a brand. A brand was a mixture of tangible and intangible values.

Today, brands have come to have at least five meanings. Most of the time we think of brands as big umbrellas covering a number of products or services: Nike, Adidas, IBM, and McDonald's. They are all corporate brands, or put in another way, companies that are brands.

Today, companies tend to move from product brands to corporate brands. There are several reasons for this development. The most important reason is that it is less expensive and much cheaper for a company to steward one large umbrella brand that covers all the company's products than to manage different brands for each of its products. Today, branding effectively means corporate branding.

### The role of brands

It is no coincidence that the development of brands followed the industrial revolution. The mass production facilitated by the industrial revolution created a need for mass marketing. Industries cannot live serving the population just outside the factory gate. They must address larger markets to sell their products, hence the movement from local to national to global marketing.

When you enjoy advantages of scale in production, you also need advantages of scale in sales. Branding does to sales what mechanization does to production. It facilitates advantages of scale. Branding facilitates customer awareness and consumer loyalty on the mass market.

To the manufacturer, branding is a tool to inform the market about the existence, type and quality of his products. Branding is a way to signal quality. The brand is a promise to first time customers: This product is good. The brand is a guarantee to returning customers:

The product has the same quality as last time you bought it.

17902\_041208app\_1352

29/03/06

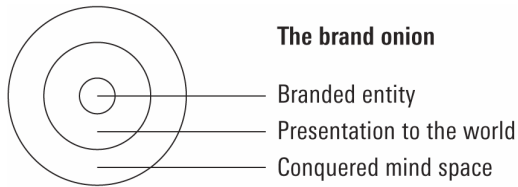
47/184

To the consumer, branding is a navigation tool. Branding makes it possible to make informed first buys, to repeat successful buys, and to avoid repeating unsuccessful buys. The consumer receives a promise and will prove no loyalty if disappointed.

The brand is a communication shortcut connecting manufacturers with customers. Branding commands better sales and/or better prices.

### The Brand Onion

The so-called brand onion describes the structure of a brand. It consists of four concentric circles. The core and the ring immediately around it stand for the company actions. The outermost ring stands for the audiences' response to the actions.



Right in the center of the model we have the branded entity: a company, a product, a service, or whatever we are talking about. The branded entity can be more or less steady. In some companies it never moves. In other companies it moves all the time.

In the ring immediately surrounding the core, we find all the ways that a company, product or service meets the world. That includes practically all facets of the company and its product exposed to the buyer.

The outermost ring stands for the immediate result of the presentation: the awareness, interest, and other feelings created among the audiences.

### Brand components

Brands consist of a number of components that working together to provide the brand experience, this is the purpose of the exercise. The components are:

- Brand strategy            The unique idea
- Branded entity            The branded object
- Verbal identity            Names and more
- Visual identity            What you see is what you get
- Scenes of performance
  - Product
  - Communications
  - Environment
  - People
  - Events
- Brand architecture      The way brands, companies, products, and services relate - Mind space
- Awareness, interest, and more

Other authors may talk about other components and use other words for components. The point is that all branders must take these factors into consideration.



### Brand component one: Brand strategy

The first step in the branding process is to invent and formulate a brand strategy to capture the unique idea, that will differentiate your offering from the offerings of your competitors. A robust brand strategy is mandatory. You cannot make a silk purse of a sow's ear (Shakespeare), and you cannot make a sensible branding without knowing the direction you want to go.

Your brand must reflect what is so special about your company or your product. If there is nothing special, you should rethink your business or close it down.

A good brand strategy is a simple strategy. Not simplistic, but so simple that you can explain it in few words to anybody anywhere.

A good brand strategy is focused. Companies that want to do everything for everybody always end by doing nothing for everybody.

If a brand strategy can be distilled into a crisp strapline, that can be an invaluable asset. It's hard to improve on these:

- The ultimate driving machine
- Vorsprung durch Technik
- Just do it

### Brand component two: Branded entity

A brand always deals with something: the object that is branded.

The branded object can be a product or a product line. Chivas Regal is a product. Nivea is a product line. Whenever a brand experiences success with a single branded product he will feel tempted to expand it with line extension. When Swedish Absolut launched their first vodka, the strategy was one-taste-fits-all. Today we have Absolute Black Currant, Absolut Lemon, Absolut Vanilla, and probably a few more.

The branded object can of course also be a service or a family of services. Banking, insurance and transportation are cases in point. As the service

17902\_041208app\_1352

29/03/06

50/184

sector expands in all mature economies, we also see increased branding of services.

Finally, the branded object can be a company or any organization or organizational unit.

Apple and the big apple (New York) are brands.

As mentioned before, there is a tendency that brands, which concern a product or a service develop into organizational = corporate brands.

There is also a tendency for companies in the business-to-business sector to become as interested in branding as companies in the business-to-consumer sector. Years ago, economists nurtured the idea that companies made rational decisions determined by knowledge and logic while consumers made irrational decisions determined by ignorance and feelings. Today we know that all decisions are made by humans. We also know that both companies and consumers make decisions under uncertainty and make both rational and irrational decisions.

Historically corporate branding has played a greater role on the b2b (business to business) market, while the b2c (business to consumer) market tended to favour product branding. Today corporate branding tend to be the preferred solution in both markets.

### Brand component three: Verbal identity

All branded objects have a name. In fact we can't have a brand when the branded entity doesn't have a name. We wouldn't be able to talk about it.

The primary function of a name is to differentiate the named object from other objects. That role can be fulfilled with any verbal designation. Kodak is quite different from other product names.

A second - possible - function of a name, is to describe the named object in one way or another. Any soft drink with 'cola' as part of its name sends a signal about the contents.

A third - possible - function of a name is to convey a certain atmosphere. Fragrances named My Sin, Obsession and Passion do that.

17902\_041208app\_1352

29/03/06

51/184

The brander has a number of choices when giving name to a product or a company.

- Family name            Ford, Armani, Ferrari, Dell
- Place name            Riga Balsam, Kentucky Fried Chicken,  
                              Budweiser
- Descriptive name    Air Baltic, American Airlines,  
Microsoft
- Associative name    Nike, Coffee Nation, Google
- Metaphor             Jaguar, Greyhound
- Found name           Apple, Diesel, Amazon
- Synthetic name     Kodak, Elf
- Abbreviations        IBM, FCUK

Sometimes products and organizations have names consisting of two or more links to signal a hierarchy of belonging:

Ford Mondeo  
VW Golf GTI

That is a question of brand architecture.

#### Brand component four: Visual identity

Branding and visual identity belong together. We receive most of our impressions by sight. Brands are to a very high degree something we see. We talk about love at first sight. When did you last time hear about love at first sound?

If the branded entity is a service, which is by definition invisible, then there will be a visible environment in which that service is delivered. For home banking the scene is the computer screen, for transportation by rail the stations and the trains make the scene and so on.

A company's visual identity is its body language. The company's visual identity sends non stop non verbal messages about the aspirations and values of the company. If the company neglects its visual identity, it still sends a message: we don't care. What do you think about a person who doesn't care about his/her appearance?

A company's visual identity should tie the company and its actions and aspirations together in a unified

visual expression that signals the nature of the company and its chosen values in a distinctive way. A design program, a plan for the company's visual appearance, governs the visual identity.

A design program comprises three parts:

- Basic elements
- Rules for application
- Documentation

#### Basic elements

The basic elements are the visual bricks, which by their repeated application tie the company's visual communications together in a unified whole. The basic elements can be:

- Name mark      The company's name written in a standardised way
- Symbol          A mark for fast identification
- Colours          Preferred palette
- Typography      Preferred typefaces for standard applications
- 5<sup>th</sup> element     A pattern, or something else

#### Rules for application

The rules for application include design for all visual interfaces:

- Correspondence: printed forms + completion
- Website
- Intranet
- Extranet
- Advertising
- Sales materials
- Publications
- Signage
- Clothing
- Interiors
- Shop fronts
- Car fleet
- Etc

### Documentation

Documentation includes a design manual, digital or hard copy, which explains all concerned how to use the design programme.

Sometimes a voluminous design manual is followed by a condensed version: a design manual that is given to all personnel to get them onboard.

Today, most design manuals are digital rather than hard copy.

### Brand component five: Scene of performance

Depending on the trade and the strategy of the company, the emphasis of the branding may lie on the product, or communications, environment, people, or events.

### Product

Some products are their own strongest promoter. Think of cars. Every proud owner acts as a salesman when he drives his car. When it comes to fmcg, fast moving consumer goods, the branding exercise is as a rule very much concerned with the product, and with communications.

### Communications

Communications play a role in all kinds of branding. Branding is all about communication. Moreover, communications play a special role for services and for other products, which customers cannot evaluate before they have bought and used them. Insurance is an example. If you are lucky and don't have any accidents or whatever the insurance covers, you will get nothing but communications for your money. The concept of brand promise gets its full meaning here. In some trades such as banking where bank offices used to play a certain role, the point of gravity has moved from environments to communications. Today, banks prefer people not to come to see them but to communicate with automats in the street and computer screens at home.

### Environment

Many shops and most department stores compete on the design of the sales areas. Services are per definition immaterial offerings, but some of them are highly dependent on their environments. That applies to

17902\_041208app\_1352

29/03/06

54/184

restaurants, hotels, beauty parlours and transportation.

We do care how we are seated, especially on long hauls.

#### People

In trades where personal contact still plays a role, personnel may be the factor, which determines customer satisfaction and customer loyalty. The food in the restaurant may be first class, and the setting may be second to none, but the good food and the interesting interiors are wasted if the waiters are obnoxious. On the other hand a service minded waiter may save the evening even if the food was less than excellent.

Events

Products and services are not all. In some trades customers expect events, one off arrangements, which offer unique experiences, engage customers a certain time and produce pleasant memories. Wine sellers, restaurants, publishers, newspapers, and shopping centres, and of course theatres and stadia, are event veterans. Some automobile manufacturers invite buyers to special training courses to be coached by famous racing drivers. This is all about experience economy with a strong element of branding. There is a purpose behind the purpose. The goal is not exclusively to entertain customers, but to live the brand while turning adventurous customers into loyal customers

Both and

In some trades, all the branding weight lies on one of the above scenes of performance. In other trades more scenes of performance are in play. That applies to the automobile industry where both products, advertising, sales outlets, salesmanship and service, and events are used to disseminate the gospel.

Brand component six: Brand architecture

Brand architecture deals with the ways companies, products and brands within the same business relate to each other.

	Product related brand	Corporate brand
Monistic	Nivea	IBM
Endorsed	PowerPoint	CNN
Pluralistic	Jaguar, Volvo	Johnny Walker

In its most simple form one brand stands for one product or product line, or one company. The branding is monistic.

Nivea is a product related monistic brand.

IBM is a corporate monistic brand.

Sometimes one branded company will act as an umbrella for other brands. These other brands may be product related or corporate. Such backed up brands are endorsed brands.

17902\_041208app\_1352

29/03/06

56/184

Microsoft's Word, Excel, PowerPoint, and Entourage are product related endorsed brands.

CNN, A Time/Warner Company, is a corporate endorsed brand.

Finally some companies or some brands belong to the same corporation without revealing that. Such independent family members are pluralistic brands.

Jaguar and Volvo are pluralistic corporate brands. They are owned by Ford but do not reveal that.

Johnny Walker, Bailey and Smirnoff are pluralistic product related brands. They are - almost invisible - parts of Diageo's portfolio.

The choice of architecture is based on such factors as

- Possible (positive) marketing synergies
- Possible negative marketing synergies
- Freedom to sell parts of the company

#### Brand component seven: Mind space

The first six brand components dealt with the actions of the company. The seventh and last component deals with the impact on the audience. The concept of branding includes both the actions of the company and the resulting impact.

The deeper goal of the branding process is to get a share of the market. Before getting there, the company must get a share of the mind. That starts with creating awareness. The first goal of any branding is to be noticed, which most of the time means to be visible.

When noticed the company must qualify for attention and participation. While any company can make itself visible, it demands some skills to hold the attention, convince the audience and create participation.

When convinced by the first communication, the prospective customer's further encounter with the company must confirm the promise and deliver the expected experience the whole way through. All user interfaces must send coherent signals.



17902\_041208app\_1352

29/03/06

57/184

The final branding ambition is nothing but an impact including such factors as awareness, interest, expectation, sympathy, trust and loyalty

### Brand definition 2

A brand can by now be defined as

a core entity, its presentation to the world, and the resulting atmosphere of trust and expectation that eventually will result in buying

The core entity may be a product, or a product line, a company, or any organizational construct.

Its presentation to the world includes its total appearance: what it does, what it says and what it looks like.

The resulting atmosphere includes awareness and feelings of all stakeholders, especially customers and personnel.

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### 8.2.7 Climbing the design maturity scale

Ken Friedman, Professor, Ph.D.

Many companies move up the design maturity scale as they develop.

This transition is particularly noticeable among companies in nations emerging from comparatively primitive economies to sophisticated and robust economies. While some kinds of companies remain anchored in a specific economic sector, many shift sectors as they progress along the design maturity scale.

The journey involves a transition along several distinct but related scales.

One move involves a shift from subcontracted production for foreign firms to original production for locally owned businesses.

Another shift involves a move from domestic sales to export sales. This is true export. Exporting subcontracted parts that take the name of a foreign producer is another kind of work. Subcontracted parts are finally exported from the chief contractor's nation to his foreign markets. Mature export involves manufacturing products exported under the manufacturer's own name from the manufacturing nation to foreign markets.

As they mature, most companies move from manufacturing parts to manufacturing whole products. Along the way, they move through a learning process that creates and internalizes a rich range of multiple skills and internal abilities. These abilities enable a firm to shape the more complex range of activities that whole products require. These range from development and planning to manufacturing, assembly, marketing, distribution, sales support and related activities.

The key step involves a move from anonymous products to branded products. This is the point at which companies come into their own. As they do, they develop an internal identity and present that identity to the world.

Another transition follows this step closely, and that is a shift from production-oriented business to market oriented business.

In today's knowledge economy, moving up the design maturity scale in some kinds of companies involves three further transitions.

The first is growth from material to immaterial products.

The second is a shift from products to services.

The last is a shift from services to experiences.

These three changes occur in different configurations depending on the company and its situation.

Companies in the early stages of design maturity should focus on a key aspect of this challenging and often difficult transition.

Companies at the bottom of the scale are obliged to sell on price. As the larger national economy grows and changes around these companies, costs and wages rise. This makes it increasingly difficult to sell on price. When rising costs and wages in a developing national economy require subcontracting firms to raise their price, contracting firms shift subcontract production to nations that permit lower prices. Companies that compete on price are trapped between contractors who want low prices and workers who no longer accept the wages that once made price competition possible. These companies are swept aside by the tides of economic change.

Climbing the design maturity scale offers one way out of the trap.

Most important, it is not necessary to make the transition in a single step. Many successful companies begin to develop new products and services while continuing to do subcontract work. As new products and services become successful, the company portfolio changes. In some cases, improved skills and capacity create new opportunities with the same contractors who once sought production on price alone. In other cases, subcontract work may continue happily as a staple production factor while increasingly mature products

17902\_041208app\_1352

29/03/06

60/184

and services use a portion of production capacity for higher added value.

The key to using the scale is recognizing where a company is today while identifying ways to climb the scale tomorrow.

#### 8.2.8 From design research to design success

Ken Friedman, Professor, Ph.D.

Research is the first step in many kinds of business development. In the largest sense of the word, research involves asking focused questions to generate answers.

Research involves a careful or diligent search; studious inquiry or examination; investigation or experiment aimed at discovering and interpreting facts, revising accepted theories or laws in the light of new facts, or applying new or revised theories or laws; collecting information about a particular subject.

The goal of research is simple: to answer a question. Different kinds of research seek to answer different kinds of questions. The different kinds of questions we seek to answer - and the different approaches we use - determine the kinds of research required.

Our focus will be design research, and we will consider the kinds of research we use to explore the multiple aspects of design.

We use three kinds of research in design, clinical research, applied research, and basic research. This triple focus shapes a dynamic milieu closer to the reality of professional practice than the dyadic division between basic research and applied research common to the sciences. While the dyadic division may suffice for the natural sciences, it is not adequate for understanding research in the technical and social sciences or the professions they support.

Basic research involves a search for general principles. These principles are abstracted and generalized to cover a variety of situations and cases. Basic research generates theory on several levels. This may involve macro level theories covering wide areas or fields, midlevel theories covering specific ranges of issues or micro level theories focused on narrow questions. Truly general principles often have broad application beyond their field of origin, and their generative nature sometimes gives them surprising predictive power.

We undertake basic research to contribute to knowledge or to understand phenomena. This is theoretical

17902\_041208app\_1352

29/03/06

62/184

research, and we generally contrast this with applied research.

Applied research adapts the findings of basic research to classes of problems. It also involves developing and testing theories for these classes of problems. Applied research tends to be midlevel or micro level research. At the same time, applied research may develop or generate questions that become the subject of basic research.

We undertake applied research with goal of solving practical problems.

Clinical research involves specific cases. Clinical research applies the findings of basic research and applied research to specific situations. It may also generate and test new questions, and it may test the findings of basic and applied research in a clinical situation. Clinical research may also develop or generate questions that become the subject of basic research or applied research.

The boundaries of basic research and applied research often overlap. So do the boundaries of applied research and clinical. The important distinction I draw between applied and clinical research is that applied research seeks solutions to classes of problems as contrasted with clinical research that seeks a solution to a specific problem situated in immediate professional practice. The term clinical research comes from medicine, where the physician undertakes research on a single client to establish the diagnosis of a case.

Clinical research generally involves specific forms of professional engagement. The fast pace of business life means that most design practice is restricted to clinical research. There isn't time for anything else. This is why so many businesses create value by starting research partnerships with universities and design schools. They outsource important questions, gaining valuable knowledge and experience for a relatively small cost. Because research partnerships operate at a slower pace in the sheltered atmosphere of the educational laboratory, businesses must still engage in some research on their own, but research partnerships do a great at a far lower price.

Research involves looking into the future as well as looking into the past. A thorough search for information requires creative inquiry. Systematic, rigorous research must often be flexible and creative to discover profound answers to interesting questions.

In today's complex environment, designers must identify problems, select appropriate goals, and realize solutions. The designer is an analyst who discovers problems. The designer is a synthesist who helps to solve problems and a generalist who understands the range of talents that must be engaged to realize solutions. The designer is a leader who organizes teams when one range of talents is not enough. Moreover, the designer is a critic whose post-solution analysis ensures that the right problem has been solved.

Nobel Laureate Herbert Simon defined design as the process by which we "[devise] courses of action aimed at changing existing situations into preferred ones." To the degree that creating something new (or reshaping something that exists) for a purpose, to meet a need, to solve a problem are also courses of action toward a preferred situation. Even when we are not yet able to

17902\_041208app\_1352

29/03/06

64/184

articulate the preferred situation, this definition covers most forms of design. The search for a problem and the struggle to define it is the first step in research.

Buckminster Fuller described the design process as an event flow. He divided the process into two steps. The first is a subjective process of search and research. The second is a generalizable process that moves from prototype to practice.

Fuller outlined the process of search and research in these steps:

purpose -- > intuition -- > conception -- >  
apprehension -- > comprehension -- >  
experiment -- > feedback -- >



Then, he outlined the process of generalization and objective development in these steps:

prototyping #1 -- > prototyping #2 -- > prototyping #3  
-- >  
production design -- > production modification -- >  
tooling -- >  
production -- > distribution -- >  
installation -- > maintenance -- > service -- >  
reinstallation -- > replacement -- >  
removal -- > scrapping -- > recirculation

For Fuller, the design process was a comprehensive sequence leading from goal or purpose to implementation in practice and finally to regeneration.

In the context of building design business, clinical and applied research are usually linked with experimental development.

For small firms, this often means undertaking projects with a higher level of risk than a similar project would require in a larger company. For this reason, research partnerships offer important opportunities for companies climbing the design maturity scale.

Research partnerships include projects with universities and design schools, alliances with other small firms, and learning alliances with larger firms where the smaller firm gains experience and knowledge as well as markets.

All small firms face challenges in launching research activities. In most small to medium enterprises (SMEs), few people must do many jobs among them. The flow of work means a constant source of demands and interruptions. Nevertheless, moving toward the future is also a demand, and durable firms meet the demands of future challenges as one aspect of survival.

Small firms also face specific challenges in creating research partnerships. Once again, size, time, and resources are part of the problem.

Some problems will be particularly challenging for Latvian firms. The first is that design research is new in Latvia. The second is that none of the Latvian research universities works with design research today. The third is that the design school is not yet a

research resource, though it may become one by developing its own research program.

The most important thing to understand about successful research is that you are seeking answers to questions, answers you do not have today. If you knew the answer already, you wouldn't need research to answer the question.

The second most important thing to recognize about research is that every company does research of some kind because every company seeks to answer questions. What differs from company to company is the degree to which research involves a conscious, reflective process.

Successful research projects require time and patience, and they require the will to stick with a problem even though answers do not come easily.

Launching research partnerships for research and development in design begins with a few simple steps. These often parallel the steps required for effective design management.

The company should designate one person as its design manager. The design manager should be responsible for design activity and design research. In most small firms, the design manager will be someone who already has another job. This person must be given the time to work with design as well as responsibility for using design in the company. The amount of time and the resources available depend on your company.

Once you have a design manager, the next step is exploring the different options open to you. This requires a conversation among all the senior managers.

In many nations, companies work with each other or with research organizations to answer design questions. Companies in the same industry often explore research problems through trade associations where they use forums and projects to answer questions of common interest. Companies also enter alliances.

One form of research partnership involves working with and learning from companies that use your firm for subcontract work. You can learn much by undertaking

study tours to their plants and offices and by working with them to find the best way to manufacture sub-contracted parts and objects. Since most companies are eager to help you increase quality and improve delivery, many will help you in a learning and research cycle that helps you to meet their needs better while making you a better partner for the future. Even though this will also help to make you a potential future competitor, many companies practice competition, cooperating with you on some issues while competing on others.

Working with universities or design schools can be rewarding, but research partnerships with schools offer special challenges. While they afford many minds and extra hands, students are less experienced than consultants or senior professionals. Even so, the learning cycle can be rich for all parties if you approach educational partners with an open mind while doing your share to help them understand your company and its problems.

We are about to do two exercises that will help you to identify important questions. Answering these questions will permit you to take the next step.

The first six questions involve research in your company.

1. What kind of research does your company do today?
2. What kinds of questions do you want to answer with your current research activities?
3. Do you identify research activities as an explicit process?
4. Who participates in your research activities today?
5. If your company is to survive and grow, what kinds of questions must you answer and what kinds of problems must you solve during the next two years?
6. If your company had the resources to work in the most exciting possible way, what kinds of questions would you like to answer and what kinds of problems would you like to solve?

The second three questions involve possible partners.

17902\_041208app\_1352

29/03/06

68/184

1. What Latvian companies or organizations are interested in the questions and problems that your company faces today?
2. Which among these might be suitable partners for you and your firm?
3. Where might you look for expert help and useful resources?

Today, we'll talk with each other.

To get started using research in an effective way, you have to take these questions home with you and hold this conversation again in your own firm.

#### Further reading

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17902\_041208app\_1352

29/03/06

69/184

### 8.3 Seminar evaluation

The participants of the seminar were encouraged to complete a questionnaire with their evaluation of the seminar on a 1 to 5 scale. To keep things straight, each lecture was evaluated for three qualities: relevance, contents, and presentation. The result speaks for itself.

- 5 Excellent
- 4 Good
- 3 In between
- 2 Bad
- 1 Not acceptable

	Relevance	Contents	Presentation
The big idea / Design and economy	4.3	4.2	4.4
Strategic design	4.2	3.9	4.1
3 Latvian pilot projects	4.4	4.2	4.3
Your company in the new economy	4.1	4.0	4.3
Branding your business	4.7	4.6	4.5
Differentiation and design maturity	4.1	3.9	4.2
Design and product development	4.4	4.4	4.3
From design research to design success	4.2	4.0	4.1
Average	4.3	4.3	4.3

17902\_041208app\_1352

29/03/06

71/184

9 Conference: Design Policy for Competitive Advantage

On 16 November, 2004, a conference on "Design Policy for Competitive Advantage" took place in Riga. Participants from several nations met to discuss design policy issues.

49 participants attended from Latvia, Denmark, Estonia, Finland, France, Lithuania, and Sweden. Travel problems made it impossible for another 6 registered participants to arrive. The conferees included professors, business directors and economists, and experts in product development and marketing. The conference fee was 40 Euros.

On the eve of the conference, the Ministry of Economics of the Republic of Latvia arranged a reception in the Riga History and Maritime Museum.

The conference faculty included

- Per Mollerup, Chair
- Jørn Bang Andersen
- Pete Avondoglio
- Jørgen Bruhn
- Andris Liepins
- Søren Merit
- Pierre Guillet de Monthoux
- Thomas Rasmussen
- Ole Richard Terndrup
- Alf Vanags

17902\_041208app\_1352

29/03/06

72/184

## 9.1 Program and lecturers

Conference Design Policy for Competitive Advantage  
November 16, 2004, Bergs Hotel, Riga

0900-0930 Registration, coffee

0930-0945 Introduction to the theme

Design pays. How can we organize it?

Per Mollerup

945-1000 Design for Latvia / Latvia for Design

Andris Liepins

1000-1045 Art > Design > Business - an axis of progress

Pierre Guillet de Monthoux

1045-1100 Coffee

1100-1145 From the smallest to the greatest

An economic perspective on design and product  
development

Alf Vanags

1145-1230 Design policies in Estonia, Latvia, and  
elsewhere

Per Mollerup

1230-1345 Lunch

1345-1415 Escaping price competition

From the backseat to the frontseat by design

Søren Merit

1415-1515 Working groups

A Developing products and services

What exactly is the role that design  
should play in product

development and innovation?

Jørgen Bruhn

Søren Merit



17902\_041208app\_1352

29/03/06

73/184

## B Developing human resources

How should we prepare our most valuable  
resource for change and lifelong learning?

Thomas Rasmussen

Pete Avondoglio

Ken Friedman, moderator

1515-1545 A Baltic Master's Degree in Design and  
Project Management?

Jørn Bang Andersen

1545-1600 Coffee

1600-1630 Design as strategy

Learning from Bang & Olufsen

Ole Richardt Terndrup

1630-1700 Of course it pays

But who says so?

Ken Friedman

1700-1715 Let's do it

This conference was just a beginning

Per Mollerup

### Lecturers

Jørn Bang Andersen

Founder and Managing Director of Hansa  
Consulting House, Tallinn

Recently Senior EU and economic adviser for The  
Danish Ministry of Foreign Affairs on EU

internal market directives and economic development in

Estonia. Before that several years of  
project management in Eastern Europe, Latin

America, China, and South East Asia.

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Pete Avondoglio

Professor of Industrial Design, Umeå Institute  
of Design, Umeå University Degree from Cornell  
University, College of Architecture, USA 1964.

Architecture and design office in Copenhagen,  
1968-2001.

Teacher and Senior Lecturer in architecture and  
industrial design at Kunstakademiets  
Arkitektskole, Copenhagen, 1972-1995

17902\_041208app\_1352

29/03/06

74/184

Associate professor and chairman, department of  
Industrial Design, Århus School of Architecture  
1996-2001

pete.avondoglio@dh.umu.se

Jørgen Bruhn

Director of B-Creative, consultants in product  
development.

Former Senior Vice President, International  
Product Development at LEGO.

Governor for Designskolen Kolding and The  
Scandinavian Design College, Member of various  
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17902\_041208app\_1352

29/03/06

75/184

Ken Friedman

Ken Friedman, Ph.D., is Professor of Leadership and Strategic Design at the Norwegian School of Management in Oslo and Denmark's Design School in Copenhagen. Prof. Friedman has worked with design as a strategic resource for industrial growth for over twenty years. He was a member of the research project for Estonia's national design policy. Ken Friedman has published articles and books on management and organization, information science, philosophy and art.

Andris Liepins

Deputy Chancellor, Ministry of Economics, The Republic of Latvia  
Andris.Liepins@em.gov.lv

Søren Merit

Director, Danish Design Center, Copenhagen  
Søren Merit is newly appointed as director of Danish Design Centre.

Prior to joining DDC, Søren Merit, has practised as management consultant with the global PA Consulting Group, focusing on realising strategic growth for a number of Scandinavian blue-chip clients. He holds a M.Sc. in industrial engineering and a degree in international management.  
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Per Mollerup

Dr.Tech. Founder and Director of Mollerup Designlab A/S, Designers & Consultants, Copenhagen, a major Scandinavian design office specialised in research, branding and wayshowing.

Project Manager of Design Policy projects in Estonia and Latvia.

Author of a number of books including Marks of Excellence, The History and Taxonomy of Trademarks, Phaidon, London 1997 and Collapsibles, A Design Album of Space-Saving Objects, Thames & Hudson, London 2001.

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Pierre Guillet de Monthoux

17902\_041208app\_1352

29/03/06

76/184

Professor, D.Sc. Since 1987 Chair of general management, Stockholm University. Since 1985 Visiting Professor University of Massachusetts, Nordische Universität, Flensburg, Norwegian School of Economics, Bergen, North Park College, Chicago and Ceram, France.

Author on business, moral philosophy of management and art and the aesthetic philosophy of management, most recently: The art firm, aesthetic management and metaphysical marketing from Wagner to Wilson, Stanford: Stanford University Press.

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Thomas Rasmussen

Ph.D., Director of Research, Danmarks Designskole, Copenhagen  
Member of the Danish Design Council and International Corresponding Member of The Design Research Society. Thomas Rasmussen earned his doctorate in comparative literature.  
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Ole Richard Terndrup

Trained as a salesperson and a radio and television engineer, Ole Terndrup earned a Bachelor degree in marketing and worked more than 35 years for Bang & Olufsen with areas such as management and creation of product strategy, product planning, idea and design development.

Today, Ole Terndrup works as a freelance consultant in conceptual and product development.

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Alf Vanags

Alf Vanags is Director of the Baltic International Centre for Economic Policy Studies (BICEPS) in Riga, Latvia, and editor of Baltic Economic Trends. He was born in Latvia but lived in the UK and was educated at University College London, Kings College Cambridge, and the London School of Economics. He has researched and taught transition economics, including macro-stabilisation, trade policy and labour markets in many countries, including in Australia, Canada, China, Denmark and Sri Lanka as well as most recently in Latvia.

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17902\_041208app\_1352

29/03/06

77/184

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17902\_041208app\_1352

29/03/06

78/184

## 9.2 Selected lectures

### 9.1 Design policies in Estonia, Latvia and elsewhere Dr.Tech. Per Mollerup

First things first: Before we talk about design policies, we must talk about design.

Design is an agent for improvement  
If you don't need improvement, you don't need design.  
Design can save your life in dangerous situations, and make your life easier.  
Our early ancestors used design this way.  
And so do we.

Design can also beautify your life.  
In fact, most people think that the most important role of design is to provide frivolous fashion, fast Ferraris, and sophisticated sofas for the home.

But design has a more general meaning.  
Design is an agent for improvement. Design is a means to change an existing situation into a preferred one.  
In business and industry we use that capacity to create added value.  
In business and industry, added value means improving products, improving services and improving entire companies. That avenue takes us directly to profit and prosperity.  
Good design means good business.  
This simple rule works on micro level, and on macro level.  
It works for the company, and it works for the nation.

When a nation discovers design as a source of wealth, it may seek a national design policy.

Like design, design policies are agents for improvement.

A design policy is a set of initiatives that a nation or a region employs to improve and increase its use of professional design.

Together with teams of international experts, my company, Mollerup Designlab, has developed proposals for national design policies for Estonia and Latvia.

17902\_041208app\_1352

29/03/06

79/184

The design policy proposal for Estonia was developed in 2003. The team included:

- Professor Ken Friedman of Norway and Denmark,
- Professor Pekka Korvenmaa of Finland,
- Industrial Designer John Landerholm of Denmark, and
- Dr.Tech. Per Mollerup of Denmark.

The design policy proposal for Latvia was developed this year.

This time, prominent team members included:

- Management Consultant Jørgen Bang Andersen of Estonia
- Product Development Consultant Jørgen Bruhn of Denmark
- Professor Ken Friedman of Norway and Denmark
- Dr.Tech. Per Mollerup of Denmark
- Research Director Thomas Rasmussen of Denmark.
- Emils Rode acted as local liaison.

For the Latvia project we also have an advisory board. Its members are:

- Professor Pete Avondoglio of Sweden,
- Professor Per Boelskifte of Denmark,
- Rector Peter Butenschøn of Norway,
- Rector Gösta Knudsen of Denmark.

In developing our proposals for national design policies for Estonia and Latvia, we used the same pattern we use in working on large design projects. Before we start toiling with the solution, we think about the problem. Think before acting. Agathe Christie's master detective Hercule Poirot calls that approach order and method.

First - before thinking about a design policy for Estonia - we studied design policies in a number of other countries:

- Denmark, Finland, and Sweden in Scandinavia and the EU,
- Norway in Scandinavia and outside the EU,
- Ireland in the EU and outside Scandinavia.
- And, finally, Korea outside Scandinavia and outside the EU.

We had no ambition to reinvent the hole in the donut, so we seriously studied what experts had done before us. Like Sir Isaac Newton we had no scruples about standing on the shoulders of colleagues to see farther.

We realised that there is no fixed format for design policies.

Every country follows its own path and sets its own goals.



At first sight, the reasons for having a design policy and furthering the use of professional design differ widely from nation to nation.

In Denmark, Finland, Norway, and Sweden we noticed objectives as diverse as:

- Competitiveness and welfare (Denmark)
- Competitiveness, employment, welfare, pleasant environment, citizens' well being, national identity, and cultural image (Finland)
- Increased market shares, better earning, more satisfied customers, innovation based on human related and sustainable value creation (Norway)
- Quality of life, competitiveness, improved public sector, and improved national image (Sweden)

However, these goals are not as diverse as they might appear at first glance. Most of the objectives fit together in a scale of means-end relationships. An interesting case of the principle that one man's ceiling is another man's floor.

A better design education may lead to a better design profession (that's at least the idea).

A better design profession may lead to products with more added value.

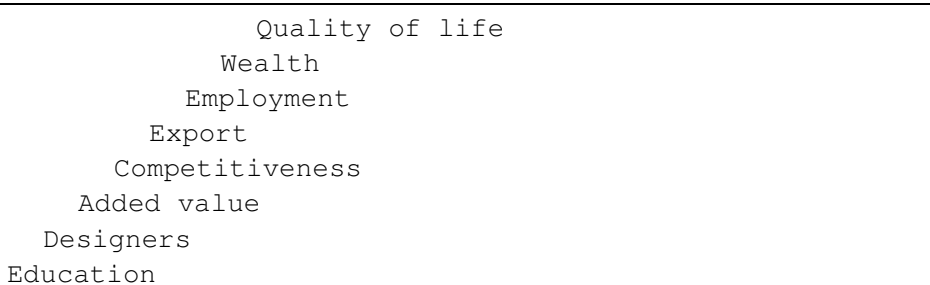
Products with more added value mean increased competitiveness.

Increased competitiveness means more export.

More export means more employment.

More employment generates wealth.

More wealth may lead to more quality of life.



Other steps can substitute some of the steps of the scale, but the final step will always be quality of life or whatever you call that shared feeling of prosperity.

Sometimes, nations that state quality of life as their design policy goal seek the direct effect of good design as much as they seek the good life that may result from competitive advantage, increased export and full employment. Excellent public transportation design may add to the citizens' quality of life. It may also become a source of export, bringing employment and wealth to the nation.

Policies on the lower steps of the scale tend to be more specific, offering more guidance - and less freedom - than those on the top. They also include a risk of sub-optimizing. Ideally, each goal should be fulfilled with a view to the following goals on the scale.

Right from the beginning of our project, the main objective of a Latvian design policy has been to improve and increase the use of professional design in Latvia. The deeper purpose is to add more Latvian knowledge to Latvian products to escape price competition on raw materials and cheap labour.

> Design policy audiences

For a national design policy to succeed, many people must do things that they don't do today. And many people must do many things in other ways than they do them today.

To make that happen, design policy measures must address one or more of six audiences. These audiences are:

- Research and education
- The design profession
- Business and industry
- The public sector
- The general public
- International audiences

All national design policies address one or more of these audiences.

Most national design policies address fewer than all six audiences.

The most recent design policy proposal for Denmark addresses research and development, the design profession, and business and industry.

Norway's most recent design policy proposal addresses research and development, the design profession, business and industry, and the public sector.

Sweden's most recent design policy proposal addresses business and industry, the public sector, the general public, and international audiences.

Having studied national design policies in other countries we went on to look at the state of Estonian, and later Latvian, design affairs. We looked in the key areas corresponding to the six standard design policy audiences. We made desk research, we visited schools, we interviewed designers and business people, we talked with local design experts, and we made our own observations.

It is not part of my performance today to give marks to Estonian and Latvian design, but I can confide that there is room for improvement in both countries.

The art of boring is to tell everything. The never-boring French philosopher Voltaire told us that. I agree and shall not go into graphic detail with a comparative analysis of Estonian and Latvian production. However, I can say that there exists a catch-22 situation in both nations. Designers don't develop the right skills, because business and industry don't demand their services, because designers don't develop the right skills, because ... and so on and so forth. There is no easy way out of this vicious gridlock.

Estonia and Latvia must - like Baron Von Münchhausen - grab their own hair and lift themselves out of the unattractive situation. While doing so they may recall Nobel Laureate Herbert Simon saying that design is about devising actions aimed at changing present situations into preferred situations. To join the league of design nations, Estonia and Latvia must concurrently address several audiences, with motivation, and with learning programs.

After having looked at other countries and after having studied local design manifestations of many kinds we

17902\_041208app\_1352

29/03/06

84/184

drafted a vision for the national design development. A real vision has one foot in dream and one foot in reality. The vision must be realistically reachable within a foreseeable time frame.

We developed visions for the six key areas and presented them as tools for making good policy measures point in the right direction. If you don't have a target, any direction is good, and that is no good. The vision must serve as a beacon. It must facilitate movement in the right direction.

A vision is not a forecast. And it is not a promise. A vision is a proposition that can come true if the leaders in charge pull the right strings and remember that sowing comes before harvesting. Translated into design policy language, this means that politicians and civil servants must understand that they don't get a fast track design development without firm conviction and generous investment.

Our design policy proposals for Estonia and Latvia have a certain similarity for natural reasons. To make things easy, my following remarks are concerned exclusively with our design policy proposal for Latvia. The only reason for that decision is the fact that the Latvian proposal is our most recent commission.

Our first vision for Latvian design concerns research and education:

In 2015, Latvian design education is as good as design education in advanced design nations. Latvian design education is research-based rather than focused on art, crafts, and materials. Students are internationally oriented by education and inclination, and they head for careers in an internationally oriented profession.

Our second vision concerns the design profession:

In 2015, Latvian designers are highly professional by education and by practice. Latvian designers are internationally oriented and they benchmark themselves against the best international designers. Latvian designers are lifelong learners and they regularly update their professional capacities. Latvian designers enjoy a reputation abroad. They compete for - and win - important jobs outside Latvia.

Our third vision addresses business and industry:

In 2015, Latvian private enterprises enjoy a high level of design awareness. Latvian companies have climbed the design maturity scale for several years. More companies than ever before actively use design as an integral part of product development and innovation.

17902\_041208app\_1352

29/03/06

86/184

The fourth vision deals with the public sector:

In 2015, public sector organizations include design considerations in all public procurement. They do so to offer better service and to improve their image. They help to strengthen Latvian competitiveness by demanding high design quality from Latvian designers and companies.

The fifth vision addresses the general public:

In 2015, many Latvians are aware of - and interested in - design. Most Latvians know that design is more than fashion. Consumers often prefer Latvian products for their design quality. They also know that Latvian design is a major factor in the recent growth of Latvian export.

Finally, the sixth vision concerns international audiences:

In 2015, many groups outside Latvia know about Latvian design. Latvian designers and manufacturers are invited to exhibit their work at international exhibitions. Latvia is considered a design nation. Buyers, designers, and media keep an eye on Latvian design.

The need for design policy action is determined by the gap between the existing situation and the wanted situation. The wanted situation is represented by the vision.

In our design policy proposal we suggested targeted action in all six key policy areas. First and foremost, research and education, the design profession, and business and industry, but also to some degree the public sector, and the general audience, and international audiences.

#### Research and education

The overall goal for the design policy proposal for research and education is business relevance.

The first lesson to be learned by the research and education sector is that future academic design education should be research-based rather than build on arts, crafts and materials. The problems that future designers will meet in their professional career demand much more than knowledge concerned with one single craft or material. The designers must be able to analyse situations and research their full potential to devise solutions in teams with specialists of many professions. This means new research-based curricula.

The second lesson to be learned by research and education is internationalization. National isolation is no recognized way to success on the international market.

The third lesson to be learned by research and education is that the most important role of today's design schools is to prepare students for lifelong learning. Change has come to stay.

#### The design profession

The overall goal for the design policy proposal for the design profession is business relevance.

First, the design profession must learn to learn. Designers must also realise that lifelong learning is a must in their chosen trade.

Second, designers must internationalize. They must be updated on the development in international design. They must do so to compete for jobs abroad, and to compete with international design firms at home.

Third, designers must learn more about the business world. Designers must learn the grammar of modern business, including marketing, including branding, to qualify themselves for cooperation with business firms.

Fourth, designers must learn to look after their own business. They must get rid of the lonely artist syndrome and learn to run their business as a business.

The remedies that we prescribed to update the Latvian design profession are:

- Courses
  - Design update
  - The business of design
  - How to run a design office
- Travel grants
- Benchmarking
- Designer index

#### Business and industry

The overall goal for the design policy proposal for business and industry is improved and increased use of professional design.

The proposal for business and industry focuses on two needs: motivation and knowledge.

First, businesses need arguments that will convince them to invest in design. Such arguments can be normative or descriptive. A textbook that explains what to do and how to do it is normative. A case study explaining what others have done is descriptive.

Businesses can also be convinced by economic incentives. Icebreaker programs that pay half of the designer fee for design debutants is a model that has proved effective in Denmark.



Once businesses are convinced, they must have all kinds of help to acquire knowledge, understanding and skills.

Our proposed design policy measures for business and industry include:

- Publications
- Design meetings
- Design seminars
- E-learning
- Case-letter
- Audits
- Consulting
- Icebreaker programs
- Design awards

> Flying Squad

In a perfect world, there would be enough Latvian experts working in design to facilitate the increased use of professional design in Latvia. Unfortunately, Latvia has few such experts. We suggest that Latvia establish a flying squad of design experts from the neighboring nations of Denmark, Finland, Norway, and Sweden.

Such experts can act as auditors, consultants, and icebreaker designers. It is of paramount importance that Flying Squad members must be experienced consultants, designers, and product developers. Experts without practical experience are of no use.

Flying Squad consultants must be prepared to teach Latvian assistants. Members of the Flying Squad have a double mission. They must help a Latvian company to solve a problem, and they must teach a Latvian designer to solve problems of that type.

The public sector

The overall goal for the design policy proposal for the public sector is improving and increasing its use of professional design.

The public sector has a great opportunity to benefit from design. Areas such as health care, education, transportation, and public administration are among the heaviest public spenders. That should oblige them to deliver the best solutions.

Also the public sector must serve as a best practice example to inspire business and industry, designers and consumers.

To accomplish that, the public sector needs motivation and learning about design.

For the public sector we prescribed:

- Brochure
- Design meetings
- Newsletter
- Competitions

#### The general public

The overall goal for the design policy proposal for the general public is to increase the awareness of design.

The general public should develop the kind of design awareness that leads it to demand good design quality at home and at work and to seek employment with companies known for good design. General design awareness should also encourage talented young people to seek careers in design.

We suggested:

- Design awards
- Exhibition
- Press coverage
- TV programmes

We also devised a number of activities that will benefit all of the five first audiences:

- Website
- Newsletter
- Library

#### International audiences

The overall goal for the design policy proposal for international audiences is to establish a knowledge of Latvian design.

The purpose of informing international audiences is to establish a reputation for Latvia as a design nation. At the beginning, this task should have low priority. As good design becomes visible in Latvian products and services, Latvia can intensify efforts to address

international audiences. These activities should focus on disseminating information.

We suggested:

- Press coverage
- Website
- Newsletter

### Goals

Design policies are good, But to function they must be followed by specific goals. We offered quantitative goals for our design policy proposal for Latvia. Quantitative goals facilitate measurement, control and adjustment. They will also make it evident if the design policy fails. That might be the reason why most countries use only vague qualitative goals for their design policies.

We proposed goals for the first three years of operation. The first year goals for the design policy measures addressing the design profession may serve as example:

Goals: The design profession, 1st year

- One update course with at least 30 participants
- One business of design course with at least 30 participants
- One how to run a design office course with at least 30 participants
- 25 travel grants
- 50 international design firm web sites identified for benchmarking
- 50 designers included in designer index
- 10 traineeships arranged

Just a beginning.

### Design Information Centre

Implementing the design policy requires an organization designed on the principle that form follows function.

Analyzing the proposed design policies and the corresponding goals reveals three fundamental functions for the design organization. These functions are

17902\_041208app\_1352

29/03/06

92/184

gathering information, organizing activities, and disseminating information. These generic functions suggest the type of organization and the kind of facilities that the organization needs to function properly.

17902\_041208app\_1352

29/03/06

93/184

Most design centres are known for their permanent exhibition spaces. As the Latvian design centre is not going to invest in a permanent exhibition we suggested calling it Design Information Centre. That designation reflects that handling information is the primary mission of the centre.

The design policy proposals and their goals determine the functions of the Design Information Centre. The functions determine the needed organization and facilities of the Design Information Centre. The policies, the goals and the organization and facilities together give the necessary input for detailed plans and budgets. We will not scrutinize these important subjects today.

### Caseletter

Now, before I end my discussion of design and design policies, I will present to you a new idea developed by our design policy team. The idea concerns a caseletter, a web based newsletter focused on case stories about value added by design. Each issue of the caseletter will feature one well-researched business case where design plays a major role. The case story will deal with the role of design, input and output, and not forget the trials and tribulations on the road to success. It is the troubles on the way that make success so attractive.

The editorial team will present a new international case story ten times per year and send the text in English to a local agent in each of the countries along the Baltic Rim.

The local agent will translate the text into the local language and return it to the editorial team. The editorial team will design the caseletter with the new text and mail it back to the local agent in .pdf format. The local agent will touch 'forward' on his or her e-mail program and distribute the caseletter to the local mailing list including some thousand designers and businesses in the agent's country.

While there is no such thing as a free lunch, this caseletter should be free to the end subscribers.



17902\_041208app\_1352

29/03/06

94/184

The development of the caseletter should be funded centrally. That will be our problem. The local agents will only cover their own translation and the costs of creating a mailing list.

We do know that many designers and many business people prefer exciting case stories to ordinary textbook material. This time, the stories are up for grabs.

You will all receive a hand-out describing the caseletter idea.

We want your reaction. To make caseletter happen you must write and tell us:

- A Would you just like to receive caseletter for free?
- B Will you forward ideas for good caseletter cases?
- C Will you or your organisation act as local caseletter agent in your country?

Think about it and mail us.

### 9.3 Conference evaluation

The participants of the conference were encouraged to complete a questionnaire with their evaluation of the conference on a 1 to 5 scale. To keep things straight, each lecture was evaluated for three qualities: relevance, contents and presentation.

- 5 Excellent
- 4 Good
- 3 In between
- 2 Bad
- 1 Not acceptable

Lecture	Relevance	Contents	Presentation
Art > Design > Business	4,5	4,4	4,8
From the smallest to the greatest	3,8	3,5	3,5
Design policies in E, L and elsewhere	4,7	4,3	4,6
Escaping price competition	4,3	4,1	4,3
Developing products and services	4,4	4,2	4,2
Developing human resources	4,4	4,1	4,1
A Baltic Master's degree	4,2	4,2	4,1
Design as strategy	4,3	4,3	4,6
Of course it pays	4,3	4,2	4,1
Average	4,3	4,1	4,3

#### Remarks:

Hotel Bergs could provide better conference equipment assistance. It appears a problem each time when I come there for such type of event.

Otherwise the conference was very good and worth attending. Thank you!

Very 'thick' programme! Good!

Design policy can have a huge impact on the economy and the work of enterprises, so it needs more careful insight into the economic implications and challenges.

17902\_041208app\_1352

29/03/06

96/184

The economic part, which is crucial, could be presented at a more professional level.

Nice accueil. Thanks.



17902\_041208app\_1352

29/03/06

97/184

## 10 CASES

### 10.1 Latvian Cases

A number of Latvian companies have not waited for a coherent national design policy but have already used design successfully as part of their product development. The seven cases on the following pages are atypical because of the professional use of design, but they are not totally alone. Others could have been chosen.

17902\_041208app\_1352

29/03/06

98/184

Latvian case story

Hotel Bergs, Riga

### Background

Hotel Bergs is the centre of an historical site in Riga, Berga Bazars, 'Berg's Bazaar'. Kristaps Bergs, a major real estate developer in Riga, founded the site in the late 19th century as a complex of buildings for residential, commercial, and retail activities. The Hotel Bergs story has two dimensions. One is the conception and development of the hotel. The other involves the Berg's Bazaar as an urban area.

The hotel was established 2003 as a part of the larger reconstruction of the area that begun in 1994. The hotel is not an original construction. Architects constructed the building by connecting two separate buildings with a glass roof that completes the new hotel.

A strong design concept distinguishes the hotel, giving it a profile and making it memorable. The thorough use of design is a major aspect of the hotel's brand strategy.

The hotel concept involves creating an environment with a family feeling that makes guests feel at home. The hotel is positioned as a family hotel, and sixty per cent of the rooms are apartments with a kitchen area.



The design concept of Hotel Bergs combines historical buildings with modern interiors to create a dialogue between past and present. This allows guests to enjoy

the modern facilities and technology in an historical ambience.

The dialogue of past and present is eclectic. Historical buildings and surroundings and decorative items related to the Bergs family represent the past. Family portraits, a bas-relief, Empire furnishings, and other artefacts are an integral part of the hotel interior. These are particularly visible in public areas such as the reception, the library, and the meeting rooms. Finding and restoring items from the Bergs family has been a major part of decorating the hotel. This also helps to build the image of a family hotel.



The use of contemporary design artefacts links the Bergs' past with a present-day sensibility. The hotel uses both international and Latvian designers. The furniture is mainly custom made from Italy. The Latvian design studio Studija Naturals has made the designs for all the linen in the hotel from bed sheets and pillowcases to tablecloths, towels, and curtains. The hotel commissioned Ilmars Blumbergs - a leading Latvian artist - to create 120 graphic pieces for decoration in the rooms. Blumbergs sought a balance between individual expression and neutrality required in a hotel, creating decorations with individuality and character that never offend guests.

A third, and central, element is the use of African sculptures, vases, and decorative objects throughout the hotel. The idea of using African objects grew when hotel architect and designer Zaige Gaile visited South

Africa. This also represents a link with the historical past, since Latvian culture always has been a meeting point for different cultures - Baltic, German, Scandinavian, and Russian. Latvia as a crossroads implies an eclectic style. African elements emphasize the concept that this Latvian hotel is a meeting point for today's global environment.

Graphic design plays a central role in the hotel. Designer Gunars Lusis created a logo for the hotel using a cabbage to symbolize the hotel's past on the site of what had long ago been a cabbage field. More important, graphic design served as a structural principle for hotel interiors with decoration balanced in colours and textures. Light walls are balanced against dark, custom-made wood that is in the same colour wherever wood is used. Bathrooms use stone tiles to create a graphic effect of contrasting colour and texture.

17902\_041208app\_1352

29/03/06

101/184

An area of development

The Berg's Bazaar area connects the past, the present, and the future. The metropolitan passages of Paris inspired Kristaps Bergs in his concept of the historical Bazaar. Today, Bergs Bazaar is home to innovative Latvian enterprises including a furniture design showroom, a producer of home made chocolate and soap, architecture studios, and others. It is a place for development. Berg's Bazaar and Hotel Bergs offer a model for new development, weaving different strands of culture and time into a dialogue that will carry Latvian culture and business into the future.

[www.hotelbergs.lv](http://www.hotelbergs.lv)

BFDF

### Background

BFDF means Baltic Furniture Design Factory. BFDF began in 2000 as a marketing company for four different wood factories in Latvia. The four factories have about 900 employees altogether. As many other Latvian companies have done, these firms went through a process of privatisation in the 1990s. [However, Saga - the main mother company - was newly established in early 1990s!] During the years of Soviet control, these factories produced wooden parts on sub-contract for use in further production elsewhere. Industrial firms in independent Latvia after the Soviet Union dissolved faced several major challenges. These were privatisation, finding new ways of production, developing new products, and introducing these products to new markets. In a way, Latvian industry was starting from scratch.

The challenge called for two solutions. First, it involved using design to produce and sell complete products. This was a shift from sub-contracting parts for others. Instead, it required creating complete products in a way that allowed Latvian firms to retain the profit that came with the added value of these products. The second step involved building reliable brands in new markets. This required building confidence in product design and quality and building confidence in the reliability of Latvian supplies, deliveries, and service.

Today, BFDF produces light wooden furniture. These are mainly chairs and stools made of birch plywood. The firm also produces tables suited to the chairs. A special quality of BFDF furniture is simple, light construction, using only wood. Simplicity in design is a BFDF brand value. The products have been successful, BFDF has been able to penetrate contract markets in Western Europe, the US, Japan, New Zealand, and Australia, among others. For BFDF, design has been an effective tool for positioning the company in the world market. It has enabled BFDF to compete effectively with other companies in the same business sector, including the leading Scandinavian firms in the sector.



## Design as added value

BFDF offers a clear example of how design can be used to create added value in a company, or - in this case - several companies. BFDF uses designers to optimise value in products. Many Latvian firms serve as subcontract producers of low value components for other companies that create added value and higher profit in the more specialized products that these components enter in further manufacture. Instead, BFDF uses designers to create added value through advanced products. BFDF controls the entire process from customer-oriented design to optimising production and finally to marketing. The added value of the optimised product stays in Latvia. The company is also conscious of the value and price of products as a central competitive factor. On the one hand, prices are below competing products because of Latvia's lower production costs. On the other hand, prices must be placed at a certain level to signal product quality.

The way that BFDF uses design as a strategic tool for improved market position can be seen in the fact that the firm has been using relatively established Scandinavian designers to create the first generation of its new furniture lines. These designers include Sven Ivar Dysthe and Circus Design from Norway and Jakob Berg and Komplot Design from Denmark. The BFDF philosophy is that it is an advantage to use Scandinavian designers and to produce design in a recognizable and saleable Scandinavian style. Once BFDF has been able to consolidate its market position while developing a stronger design culture within Latvia, the company will consider experimenting with local designers.

BFDF's Latvian-Scandinavian design collaboration began as a combination of coincidence and the willingness to seize an opportunity. In 2001, Sven Ivar Dysthe had designed the chair 'Twiggy' in bent plywood. He could not sell the design concept to Norwegian manufacturers that felt it was impossible to produce. Latvian firms were able to produce the chair, and 'Twiggy' became the first product for BFDF. Using a ready-to-use design for the chair got BFDF off to a quick start. The firm was able to save the time normally required for the design process. Instead, the company was able to concentrate on production while building up a distribution network,



contacting agents, and entering the market. Since then, BFDF has developed more products in dialogue with designers. The most recent result is a new kind of valet chair created by Komplot Design of Denmark.

### Breaking into new markets

Even though BFDF was quick to achieve changes in the production line by using design, breaking into new markets in the West was another story. The challenge BFDF faced involved more than developing good products. It meant building a distribution network and gaining recognition on the important furniture fairs in Germany, Japan, and other major markets. BFDF had problems entering the major Western furniture fairs. Some observers suggest that this may have involved conservative taste in Western markets while others suggest a certain degree of protectionism. Breaking through into these fairs was an important experience for the company. BFDF learned that placing the products in the market requires serious effort and a major investment, while ensuring distribution and convincing customers takes time.

The central challenge for BFDF involved creating a reputation as a trustworthy company for current customers and for potential new customers. This required stability and continuity in the product chain, from design and production quality to such important factors as stability in supply and delivery, along with effective marketing and the ability to offer additional services. To achieve the goal of reaching as big a market as possible, BFDF has worked steadily to develop contacts with agents and furniture showrooms all over the world. In this way, BFDF hopes to reach the level of its Western competitors in terms of design, quality, supply, and trust, while retaining the advantage of lower costs and pricing.



17902\_041208app\_1352

29/03/06

105/184

Latvian case story

Coffee Nation, Riga

### Background

Coffee Nation is a Riga-based chain of coffee bars with a strong business concept and a consistent visual design concept. As part of the Soviet Union, Riga achieved recognition as a center for coffee culture. This is still visible today in Riga's large number of traditional coffee bars. Coffee Nation has continued this tradition, while breaking with tradition in several important ways. The Coffee Nation business concept is based on such successful English and American coffee chains as Coffee Republic and Starbucks. These are modern, stylish, and efficient enterprises based on a strong marketing concept and the high recognition they achieve by using consistent design for a recognizable profile.



Coffee Nation began in 2001 with its first bar in a shopping mall. It was only when the firm located a second bar in the Riga business district near the crossing of Valdemara and Elizabetes streets that the Coffee Nation concept became a success. The firm now has five coffee bars with two new bars under development in Riga. The firm has no plan to expand the chain to other parts of Latvia or to other countries.

Coffee Nation uses design to create a profile for its new kind of coffee culture and the experience it offers to customers. This design also differentiates it from its main competitors, two other Western-style coffee

17902\_041208app\_1352

29/03/06

106/184

chains, the Monte Kristo chain established in 1995, and the Double Coffee chain established in 2002.

New concept, new habits, new market

The British and American chains visibly influence Coffee Nation. Its name mirrors the name of Coffee Republic, and its concept follows the trends of the firms that inspired it. Coffee Nation serves only coffee, pastries, and soft drinks. It does not serve alcoholic drinks or full meals. This marks a break with the traditional coffee culture of Riga and this is different from Monte Kristo and Double Coffee. Coffee Nation is oriented towards Europe and the European concept of coffee bars. Coffee Nation emphasizes the pure concept of coffee bar service in contrast with the special events and activities offered by some competitors. It is always coffee bar day at Coffee Nation, a contrast with a Sunday children's day or Friday-night specials.

Coffee Nation serves coffee using a self-service principle that emphasizes drinking coffee in a new kind of coffee culture. The shops feature a coffee bar as a central axis of social life and business activities. This is reflected in the fact that only 15% of all sales involve take away business, compared with as much as 80% take away for the English and American chains. Owner Georgijs Krasovickis believes that Coffee Nation created an entirely new market in Riga. Creating the new market involved changing consumer behaviour. The big challenge for Coffee Nation was convincing customers to pay as much as five times more for a cup of coffee as they pay at traditional coffee bars, while also persuading them to drink only coffee without drinking alcohol. Meeting this challenge involved discovering who these new customers would be and learning where they could be found. So far, Coffee Nation has discovered a fast growth segment among younger working professionals. These were the first to accept the concept that Coffee Nation built. While the customer base is broader now and more widely spread, younger people are still a majority and most of them are women. Meeting the challenge also involved a second shift, the shift from selling coffee as a product to selling an experience. Coffee Nation sells the experience of relaxation and a modern urban lifestyle.



Design: consistency and high recognition based on values

Visiting a Coffee Nation bar demonstrates that design plays a central role in opening and maintaining this new market. The bars have a distinct visual quality and consistency, from the logo and signage outside and inside the bars to consistent interiors. The chairs in Coffee Nation bars are either stools at the counter or low, comfortable chairs in yellow. The overall idea is high visual recognition based on a carefully selected palette of brown, red, and yellow in the bars, with consistent use of the logo in the street milieu. The logo appears in a semi-transparent band across the big front windows to communicate the company brand effectively throughout the chain.

Coffee Nation intends to create an atmosphere that is urban, modern, and stylish as well as warm and cozy. This combination of modernity and coziness are the central values of the company, and they are the basis for the corporate design program. Designer Egils Papils from the company Design Strategy developed the main concepts for the logo, colors, and interiors. This concept has been the foundation for using design in Coffee Nation, and all company marketing and interior design functions within this design program.

Latvian case story

Latvijas Banka/Bank of Latvia

### Background

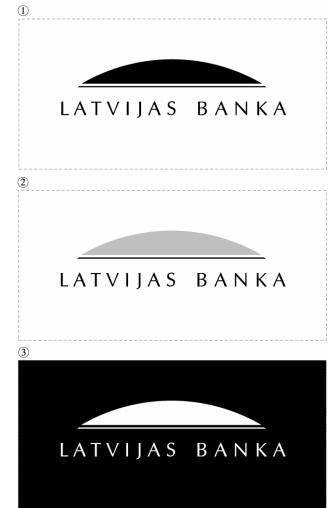
Latvijas Banka is the central bank of Latvia. As a new public institution born with re-established independence, it is responsible for such economic functions as implementing monetary policy to maintain price stability, and regulating Latvian currency. The Bank of Latvia is also responsible for Latvian banknotes and coins.

The Bank has developed and improved its visual image and style since 1994. Design has been a key element of a process that started with a competition for the Bank logo. Since then, the bank has consciously used design to create and manage the bank's image. The main tool in the process is the design manual that codifies and explains the bank's design program to all employees.

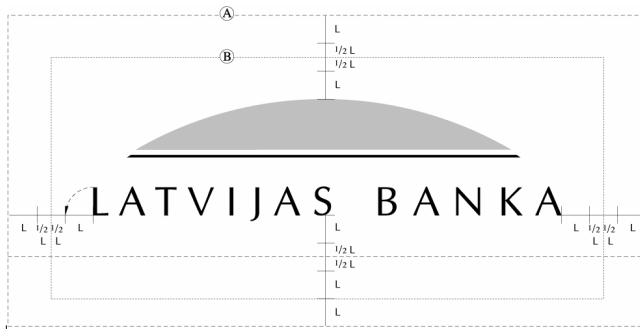
By using a design program, the Bank of Latvia consistently and coherently works with a wide range of presentations. The Bank's design manual describes this range in three different dimensions. First, design in two dimensions states standards for the Bank's graphic design, in the logo, letterheads, envelopes, business cards, web pages, and other such artefacts. Second, design in three dimensions involves interior and exterior design, describing the standards for physical environment of the Bank in its branches that make it easy to recognize a branch of the Bank of Latvia. Third, design in four dimensions considers the element of time. The design manual is a living document that is updated and carefully modified to meet new needs as they arise. These modifications generally involve small changes in such matters as the style of furniture. The bank carefully maintains the basic idea and values of the design program.

### Benefits of design

Erland Gustavs is the Bank's design consultant. He states the central objective of the Bank of Latvia design program as building the Bank's ever more credible image in the long run. As a national bank, the



Bank of Latvia does not compete with similar institutions in its home market. Building the bank's image does not mean creating a competitive advantage as it would for a private corporation. Even so, there are good reasons for using design and adding value through design.



The objective has been to create an image for the central values of the Bank: credibility, excellence, and leadership. The Bank of Latvia seeks to establish credibility as a national bank, equivalent to other national banks in Europe. It strives for excellence as the vision of the Bank. In creating its image, leadership means demonstrating design excellence that other institutions, including other national institutions, see as a good example. The high ambition of the design program is visible in the easily recognized logo. This also shows how a design programme works to achieve a signal effect. The logo consists of a logotype with the name, *Latvijas Banka*, and a symbol that consists of a segment of a circle and a line. It is a point, that the logo can be interpreted in several ways, all supplementing each other; as a rising sun, as a movement towards the completion of a perfect circle; promise for the day, movement and perfection as signals for the bank.

Building an image requires a consistent design programme to manage every detail of the bank's appearance. The comprehensive quality of the bank's design programme is a great advantage. The design manual makes it easy to work with the programme, eliminate question in renovating existing properties or producing new graphic material. The design manual makes such operations easy to handle, reducing costs and time in the bank's daily operations.

The design process at the Bank of Latvia

Design work at the Bank of Latvia began with the design of the new Lats banknotes and Latvia's new coins. Next, the bank held a competition for a new logo. The crucial moment came when the bank decided to deal with all design matters by establishing general design standards. The goal was to consider all design issues from the perspective of a strategy to create and communicate an image. At the start of the process to establish design standards, the bank appointed a design development group for regular contact with the bank's management. The entire process of working with design has been important in increasing the awareness of the role and use of design in the bank. An important objective in the process was local work to connect the design of the bank with Latvian traditions. This is reflected in such specific choices as using the historically important colours of gold and silver in the logo. It is also visible in managerial choices such as using Latvian designers for the bank's design work.

Design in the Bank of Latvia functions involves management. A specific design manager supervises the bank's design standards, managing the use of design within the Bank to achieve the greatest possible organizational impact of well-managed design. In the Bank of Latvia, effective design work functions as a strategic management tool.

## Latvian case story

Lauma

### Background

As a centre for fashion design in the former Soviet Union, Latvia had a relatively large textile industry. After independence in 1990, the textile industry went through a period of radical change. As in other post-Soviet industries, companies privatized and restructured, new markets opened in the West - while the traditional markets of Russia and the CIS shrank. The textile industry quickly adapted to the new conditions of open Western markets. By 1992, sixteen Latvian textile companies presented their products at a trade fair in Germany. By 1994, textile exports to the EU amounted to 41% of Latvia's total textile exports. By 2002, this percentage was 72.4%, and textiles comprised 14.1% of Latvia's total exports, the second largest export item after wood. The textile industry was and is a vital part of the Latvian economy.



Lauma is part of this picture, together with such companies as New Rosme, JSC Valmiera, JSC Ogre and JSC Rita. Founded in 1971, the company has lived through times of expansion in the Soviet Union, as well as the later changes due to the shifts in society and markets. The company began to privatize in 1994, when Lauma became a joint stock company, and completed the process in 2000. From the very beginning, Lauma has specialized in women's underwear and materials for producing women's underwear, and the company has entered new Western markets by using design and making early contacts to the EU. Two key figures describe the development of Lauma. Turnover has rapidly increased since 1990, doubling during the 1990s while the number of employees has decreased from about 5000 in the 1980s to today's number of 1350. Lauma has become a modern, efficient textile enterprise, a fact that is visible in the company's big investments in new technology and modern production equipment.



### Design: innovation and renewal

Working with design in Lauma clearly makes a difference for the innovation and renewal that is a constant



requirement for success in the international fashion market. Using design consciously is a way to respond the demands of the market, helping firms to make and keep a position in the market. Interestingly, design has been an integrated part of the production process ever since the beginning of the company. The company has a tradition of thinking about and working with design. The difference between then and now is that today's competitive international market does not leave much room for players who fail to meet the market conditions.

Therefore, Lauma works with design. Each year, the company's nine employed designers deliver ten to twenty new designs each. The goal of this program is to maintain the company's ability to create two hundred (?) new models each year across the year's two seasonal collections launched every spring and autumn. Every month there is a meeting of the "artistic board" (perhaps we can call it "aesthetics board" - ER) to talk about and decide on new lines for production based on the input from the designers, as well as the views of people involved in sales and marketing. Part of this process involves participation in international fashion and textile fairs, especially the fairs in Paris and Lyon.

The company asks two kinds of questions in connection with new product development. One is reactive, focusing on what costumers want and current trends. The other is proactive, asking how the company can make progressive design, design that does more than imitating trends, enhancing the firm by leaping one step ahead. The final answer to these questions must place itself in the middle.

#### Segmentation of products, added value

The clear segmentation of the products in four different groups is an important part of Lauma's design strategy. Lauma Lux - luxurious, refined, elegant lingerie for special moments. Lauma Fashion - modern,

varied, stylish underwear for every taste. Lauma Fashion includes also the Fashion Y.O.U.N.G. sub-line - romantic, bright, avant-guarde underwear for young women. Lauma Classic - classical, functional, comfortable underwear for those who enjoy comfort. Lauma Comfort - seamless underwear for sports and recreation.

[Marketing/advertising dept. say the above statements are not true. Lauma doesn't use its brand when exporting to the West. Lauma does not supply to Otto.]

Lauma does not supply materials to be bought by other companies and branded with other names.

Lauma has managed to use design for two different goals. One is making a position for itself in Western markets. This, in itself, is a difficult task. The other is making finished products to be sold directly in the market. Some Latvian textile companies get designs from outside the firm, producing goods on a subcontracting basis. Lauma makes everything itself. It starts with design, moving through production, quality control, shipping, and marketing. The firm recently won ISO certification in these last two fields. Lauma thereby avoids the trap of subcontracting in textile industry. When products can be made cheaper elsewhere, production moves to the cheapest location. Through the effective use of design, Lauma makes products with an added value than will be kept in Latvia, building economic value while keeping a large number of employees active at work in Lauma now and in the future.

[www.lauma.lv](http://www.lauma.lv)

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29/03/06

115/184

Latvian case story

Studija Naturals



### Background

Studija Naturals is a small company, owned and directed by the textile designer Laima Kaugure, and has specialised itself in the design and production of high quality linen to be used in a lot of contexts as interior design (e.g. at Hotel Bergs). The linen is woven from natural flax fibres, which is a natural resource in Latvia. The Studija Naturals is thereby continuing a centuries-old tradition for making linen of flax in Latvia. This tradition, and heritage, is something that Studija Naturals is very conscious of; all production of the linen is handmade, woven on big wooden frame looms.

Studija Naturals started out in 1995, participating in international textile fairs and has ever since increased the production and the percentage of the market abroad. Today, 25% goes for the local market, 75% goes abroad. The goal of Studija Naturals is 20% local, 80% for the international market. The ambitions to get out into the world are high, but even more important is the fact that the company doesn't want to grow out of its high quality standards. The production has a certain limit because of the insistence of handmade quality: industrial production would destroy

the very foundation of the company. Studija Naturals is clearly made upon and guided by an *entrepreneur spirit* with a strong feeling of independency: they have made everything from the bottom themselves. The company's combination of traditional handicraft, modern design and high ambitions for reaching the international market makes it a rather outstanding enterprise, in Latvia as well as abroad.

### Design as concept

The products from Studija Naturals, table linen, bed linen, towels, curtains, pillow, shawls, are all being carried by a strong design concept. Design makes a difference in Studija Naturals in terms of providing a clear and recognizable *profile* of the company.

The design concept not only secures an identifiable line throughout the products, but is also maintained in the marketing and presentation of the products. Special wrapping for gift has been developed as well as printed material which graphically uses the same colours as the products (from white to grey and brownish colours), and even contains samples of the linen as 'pages': An effective way to communicate what the products are about.

The 'trick' of the Studija Naturals is to combine the old tradition of making linen with modern design. Studija Naturals thereby connects past and present, traditional Latvian culture and international design culture: Studija Naturals is making design for the international market with a story to tell about tradition, as well as the designs from Studija Naturals contain a 'mark' of a specific local culture. Studija Naturals communicates a specific set of values in the same way: as the combination of 'modern perception' on the one hand and on the other hand values as 'interior

freedom', the 'spiritual', the 'soul in the things', that is, a concept of implying and communicating authenticity in things. Neither does Lauma Kaugure understand design as 'decor' but as the aesthetics that evolves when practical stuff is made in the right quality and with a certain feeling.

The formulation of the values, accessible in the marketing material of Studija Naturals, functions as a strategic guideline for the work and the development of new products; the values can be regarded as a way of highlighting the essence and the foundation of the company.

International trends are, however, important as inspiration for Lauma Kaugure in the actual design process. Studying international design magazines and participating in international textile fairs play an important role in the work of the company. Because of the strong concept of Studija Naturals the process goes both ways: Studija Naturals gets influences from abroad, but influences itself the international design scene. An example of this is that the Italian fashion house Armani has begun to use and show products from Studija Naturals as part of its own collection under the Armani Casa label.

Constant development

In brief, Studija Naturals has optimized value by making highly specialized products. This also implies a constant developing of new products, new designs, new styles. Therefore the company constantly explores the possibilities of linen; natural, bleached or dyed linen, use of different weaving techniques and patterns, the work with a spectre of rustic texture to transparent fabrics. As well, the company now also experiments in using other materials in combination with linen: silk, viscose, wool, cotton. The attempt is to obtain new qualities in material and design.

Having specialized products, it is also important to select the channels of distribution and sales. Studija Naturals works consciously of being in the right contexts, to be sold in the right places, and further: to be sold with the right information and marketing material, and to be sold in the right way.

[www.studio-natural.lv](http://www.studio-natural.lv)

## Latvian Case Story

VEF Radiotehnika RRR

### Background

To understand VEF Radiotehnika RRR's position on the market is to understand its history. Founded in 1927, the company has a long tradition of technological development. Latvia specialized in complicated electronics and technology firms that played an important role in the industrial structure of the former Soviet Union, and VEF Radiotehnika RRR was the largest manufacturer of audio engineering equipment. After Latvian independence, VEF Radiotehnika RRR was privatized, shifting from a state company to ownership by private shareholders. VEF Radiotehnika RRR has managed to keep its strong market position in the Russian and the Baltic markets.

### Products and market

While loudspeakers are the main VEF Radiotehnika RRR product, the company manufactures other products related to loudspeakers and audio technology. The firm's activities range from building electronic circuit boards and assembling electromechanical nodes and units to working with plastic processing, manual and mechanical metal fabrication, and woodworking. Company activities range from conceiving and developing complete sound systems to manufacturing TV tables or sound systems on a subcontract basis.

VEF Radiotehnika RRR markets products under its own brand, and the name of the company plays an important role. In fact, the firm has three names: VEF Radiotehnika RRR. In Soviet times, VEF was a popular brand for with a strong position in telephone technology. While VEF no longer functions as an independent company or even as a production unit, the brand remains popular and shapes a link with the past. So does the name RRR, meaning 'Riga Radio Works'. The name VEF Radiotehnika RRR means different things to the company's two markets in the East and West. In Russia, it is a signal of high quality known from Soviet times. The firm's current products continue this tradition, winning prizes for the X-line at the Moscow Hi-Fi show

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29/03/06

120/184

in 2003. Communication and marketing in the West market does not have the same connotation of quality, solidity, and excellent audio performance. This gives the company a large potential for creating a new and consistent brand name in Western markets.



### Design as potential

The transition to the market has been a challenge for VEF Radiotekhnika RRR. The changes have affected the traditional market for the company in the Soviet Union, and the new situation has had implications for the ways that the firm approaches product development and design. Today, VEF Radiotekhnika RRR must develop and manufacture new products and bring them to new markets in new ways. During the 1990s, Eastern European markets have changed in every dimension, and Western European markets are entirely new to the companies of the former Soviet Union. [However, V R RRR companies used to produce certain amounts for exports, even to the West, during Soviet times!]

The basis for design thinking in VEF Radiotekhnika RRR is very solid. Thorough research leads to technically advanced products crafted with quality to offer high audio performance. In the company, design involves the whole of the performance of the product, including appearance. The company uses benchmarking, comparing and differentiating its products in relation to such competitors as the Danish loudspeaker company Jamo. The next step in the company's concept of design will be using design as part of the company strategy, relating specific products to specific markets, and consciously increasing product value through branding. That means that VEF Radiotekhnika RRR must communicate product values and expectations to customers.

Most important, the company hopes to realize its potential within technical constraints and the realities of new product development. The current situation in VEF Radiotekhnika RRR is reminiscent of Soviet production ideology, typified by such phrases as "We sell what we can produce". In the old Soviet Union, managers believed that there would be demand when products were available, and given the realities of the Soviet market, this was often the case. Nevertheless, there are indications that the company is trying to change this culture to a market-driven production process based on the idea that "we produce only what we can sell". At the same time, the firm hopes to move beyond a reactive relationship to the market, moving from an open firm that responds to markets signals to a proactive position in which thinking, designing, and marketing are strategically related to future market needs.

17902\_041208app\_1352

29/03/06

122/184

[www.rrr.lv](http://www.rrr.lv)

## 10.2 International case stories

### International case story

Kompan International, DK

#### Background

Artist Tom Lindhardt and economist Hans Mogens Frederiksen founded Kompan International A/S in 1970. When Lindhardt experienced children climbing on his colored sculptures in the center of Odense in the late 1960s, it gave him an idea for a new kind of play equipment focusing on strong colors and elemental shapes. Lindhardt and Frederiksen built a strong company culture on Lindhardt's artistic aspirations and the vision of creating 'round details in a square world'. Lindhardt wanted to create warm, human playgrounds in response to the overly rational Danish welfare state of the 1960s. In the late 1970s, the company had a market breakthrough with its 'Crazy Hen' ('Spilophønen') play equipment.



Today, Kompan is an international company. It had a turnover of approximately DKK 700 million in 2003, with 90% of its sales in export markets. The company has about 170 employees in its central facilities in Ringe at Funen, and 450 employees worldwide. Part of the manufacturing takes place in Ringe. The company also owns factories in the Netherlands and the Czech Republic, and it uses many subcontractors. From its beginning with a relatively small product programme, the company has grown to offer a large number of items.

#### Design as method

Early in its development, Kompan recognized design as a central company value, and a method for developing new products. Design functioned as a way to translate the artistic ideas that launched Kompan into the industrial production that would enable it to succeed. Working with design has been central in developing the specific, easily recognizable form language of Kompan products, with their strong colors, soft shapes, and inherent values of friendliness and obligingness. From the very beginning, design has been part of the company

culture. It is an attitude toward work that includes consciousness of the entire design process, an awareness of product quality and safety as well as a sense of aesthetics and a respect for children's play.

While design has been part of the company since it began, the methods of working with design and product development have changed over time. In the early days, Tom Lindhardt was design manager and organized work in project-oriented teams. Today, the product development is located in a special design and concept unit consisting of two persons who work exclusively to create new concepts for evaluation by the management. The goal of the evaluation process is to select the best concepts to be refined. After a period of refinement, concepts are handed over to the company's product development section for to be made ready for the market.

The reason for this new structure was an economic crisis in the company and the markets at the beginning of the 2000s. The company had to react by rationalizing and restructuring. The key point is that the company adjusted its strategies for design and product development to the new conditions. The company responded to a severe crisis by inventing new ways to maintain a design and concept function because these are crucial to long term company survival. The company has a strong tradition of working in interdisciplinary teams, and this part of the company culture has been maintained throughout the different changes of working with design.

Kompan labels the current process for preparing new concepts in the early stages of product development 'pre-design'. This phase of work is low cost, requiring no physical production. Pre-design enables Kompan to generate many concepts for evaluation, far more than Kompan will actually produce. This generates a creative surplus for the company.



An important aspect of the early innovation phase is developing concepts thoroughly with a knowledge input. Learning from children's experiences with play equipment is an important part of the Kompan design method. The company includes what it learns this way in the concepts it develops, along with recommendations from educators and other specialists. The company has gone through a major change in method on this point. Earlier, the integration of knowledge into the product development process was a bit coincidental. Today, Kompan works systematically with knowledge and research about children and their behavior to answer such important questions as the kind of 'user interfaces' that children require or the activity patterns that establish safety requirements.

Another part of the new concept of working with design in Kompan is cooperation with external designers. Earlier, Kompan made everything in-house. Today, the company engages designers outside the firm. This offers opportunities for new, creative input. The challenge of working with external designers is giving them a precise design brief on what they should deliver to develop products that fit within the concept of Kompan products. One example of a successful collaboration is Kompan's work with the industrial design company CBD Design in developing the 'Elements' system.

#### Product differentiation

Today, Kompan differentiates its products by organizing them in four groups. 'Moments' consists of classic products made in painted wood with strong colors. The three other groups, 'Elements', 'Galaxy', and 'Freegame', began as independent concepts for a specific group of children or a specific use. By developing these concepts, Kompan was able to create play tools for groups of children outside the traditional core group of pre-school children (2-6 years).

The sculptural Galaxy system is meant for school children. Freegame is a system of sports equipments for teenagers. Elements is meant for pre-school children as Moments is, but Elements is an alternative to pother systems with a strong systematic approach to combinations of different elements in the system. The differentiation between systems allows the company opportunities to use other materials than traditional wood. Within the concept of differentiation, new products must meet the basic principles and traditional appearance of Kompan play equipment with strong colors or contrasting colors, a solid appearance, and a recognizable look.

Kompan products are developed using system design. Within their different product groups, products are conceived as systems. This makes them flexible for designing playgrounds. All together, the products are based on an overall system of construction and visual

17902\_041208app\_1352

29/03/06

127/184

appearance throughout the groups. Using the systematic approach, Kompan achieves a product programme with a variety of coherent products.

[www.kompan.com](http://www.kompan.com)

## International case story

Lampas, DK

### Background

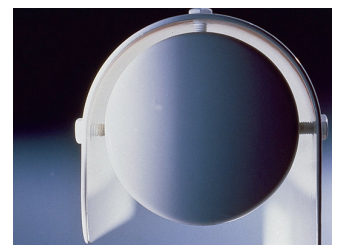
Lampas is a middle-sized company that produces lamps and other equipment used in the context of architecture. This includes lamps for interior and exterior use, pole fixtures, pendants, bollards, mailboxes, and signage systems. The concept of the company is to manufacture products with a high quality, regarding material, making, technical specifications, and design.

Since beginning in 1971, the company has had close contact with leading architects in Denmark. Actually, the company began as a one-man enterprise with the purpose of producing specially designed light fittings for institutions in cooperation with architects and engineers. In 1975, the company took a leap when it developed a standard line of light fittings for a variety of architectural solutions. The products went from specialized products designed for single buildings to standard products manufactured in large numbers. This was the shift from craft production to actual industrial production.

Today, the number of product lines and product types has increased. All along, there has been a clear continuity in the type of products, as well as developing product in close dialogue with leading contemporary architects. Since the beginning, the company has focused on the contract market of bigger building enterprises. Today, however, the private market plays an increasing role, especially due to the Lampas mailbox and the signage systems. Even though the company has been closely related to Danish architecture, the products have also been successful in foreign markets especially in Scandinavia and Germany.

### Design: Quality and consistency

Design has clearly made a difference in Lampas. It is the core of conceiving Lampas products and, as a consequence, a central part of the company's conception of itself. In the company, design is closely related to





the concept of quality. In the words of founder and Managing Director Kjell Berentzen, design in Lampas is an uncompromising attitude to the demand for quality. In Lampas, design is a way to attain the highest possible quality. Of course, the high demand for quality requires work as well as investments in developing new products, but the Lampas experience is that this pays in the end. At Lampas, they say the company has products that have survived changing times, oil crises, crises in the building business, and more. The success of the company combines insisting on and maintaining high quality with knowing and keeping in contact with the core market, primarily building architects. Kjell Berentzen creates Lampas products with a style that appeals to architects.

Maintaining a consistent style is another central feature of Lampas products. Since the beginning, the company has developed a consistent, easily recognizable approach to products marked by a simple, discrete style that uses few components. As a result, many of the products have proved to have a long life. In fact, some Lampas products from the first standard line of 1975 are still in production. The best known in a Danish context is the Lampas 5 wall-mounted lamp in bended steel. While newer versions of the Lampas 5 are available in different materials and textures that those of the original lamp, the shape of the lamp is entirely the same. There are two reasons for this stability over time. The first is that the older products still have a market. The second is that the company has confidence in its products. The Lampas idea is that good design will survive and can be redeveloped. The company believes in the quality of its products, and focuses on design as a matter of attitude towards the work of product development. The company's insistence on its ideals of design and quality has made the company stable and has helped Lampas to weather crises in this way.

At the same time, the company requires new development to keep up with changing market demands. The philosophy at Lampas is to use external designers and architects to generate inspiration and input from outside the company circle. By using architects, the company also gets the benefit of developing products in close dialogue with those who will later use them. Lampas has worked with such architects and designers as Cubo architects, Friis & Moltke, Schmidt, Hammer & Lassen K/S, and Peter Bysted.

### Production and identity

Lampas bases its design on an idea of rationality, ranging from product design and manufacture, to ways of communicating them. The simplicity of Lampas design has the clear advantage of products that are relatively easy to manufacture. The design process leads to products conceived with a clear visual appearance as well as products that are rational in the construction. This leads to products made of few components that require fewer tools and processes for manufacture, making assembly easier. Design makes products cheaper

17902\_041208app\_1352

29/03/06

131/184

to manufacture. In turn, this means increased added value for the company.

The easy recognizable style of lampas products also has advantages in communication. With a clear visual style and often-graphic appearance, it is easy to communicate product qualities. Lampas also has a long tradition of working with leading graphic designers for the best possible graphic communication of its products. Company presentations show the products honestly as what they are. At the same time, the combination of high quality and strong visual appearance demonstrates what and who the company is and what the company stands for. Lampas products communicate an attitude towards design and quality helps to create the firm's corporate identity.

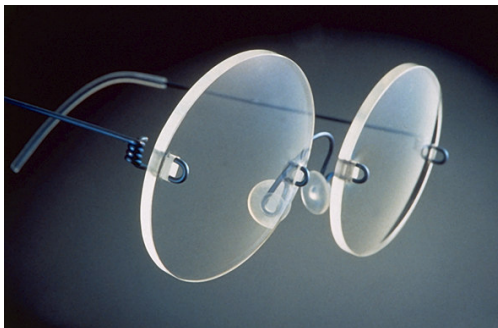
[www.lampas.dk](http://www.lampas.dk)

International case story

Lindberg eyewear, DK

### Background

Optometrist Poul-Jørn Lindberg founded Lindberg Optik at the beginning of the 1980s as a reaction to traditional spectacles that he considered as heavy, rigid, and uncomfortable. The solution was more than a homemade collection of new spectacles. It was a new design concept of how to make eyeglasses more simple, attractive, and functional. The company developed the concept of the AIR Titanium frame with architect and designer Hans Dissing in the late 1980s. Next came a family of related concepts as the full-rim RIM frame, the fashion oriented STRIP frame, and the sports sunglasses SIRIUS Titanium. Professional designers have played a central role all the way in developing Lindberg concepts.



### Design as basis

Design has made a major difference in Lindberg as a way of conceiving products. The Lindberg concept of spectacles joins the traditional craft of making and adjusting glasses to the system of modern industrial design. Instead of focusing on the specific look of each pair of spectacles, making each pair from scratch each time, the focus from the very beginning has been on the principles of constructing the entire concept of spectacles. In this way, the company makes the AIR Titanium series by using the light, bendable, and strong material titanium while connecting the frames to the lenses through simple holes in the lenses. The titanium is bent and twisted directly into the lenses,

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29/03/06

133/184

or, in later models using frames, into the rim of light and flexible frames. These frames require no screws, rivets, or welds. The construction uses very few components: two sidebars, two lenses, and a bridge. This construction principle eliminates all unnecessary details. This system is the starting point for the actual and specific look of each pair of spectacles.

The Lindberg design approach offers several advantages. First, using titanium as the main material makes the spectacles light and comfortable to wear. (The titanium can be covered by gold or platinum). Second, titanium is hypoallergenic. It doesn't provoke allergic reactions. Third, construction components permit smooth assembly and hygienic use. Fourth, and more important in a design perspective, all the spectacles can be constructed within the framework of system design. A limited number of sidebars with different shapes, textures and colors can be combined in a variety of ways with a limited number of lenses. This makes the system of spectacles flexible in a way that was unknown to earlier generations of manufacturers. Fifth, because of the systematic approach, Lindberg spectacles are oriented toward the user to a new and far higher degree than ever before possible. Instead of the classical spectacles where the user must adapt to an existing pair of spectacles, the spectacles can be adjusted to the user's physical requirements and wishes. Lindberg's own central word for this aspect of the company's products is individualism: 'Craftsmanship for the individual, individual solutions in preference to mass production'.

#### Minimalist design and prize winning products

Lindberg spectacles are complete design products. They are based on a design principle that ensures functionality and flexibility. They have a distinct and easily recognizable appearance that can be conceptualized as minimalist in the tradition of Danish design.

The Lindberg spectacles signal in themselves 'design quality'. At the same time, they are design products carried by ideas and principles. Finally, they are the basis for the success of Lindberg as a company, now well known and established worldwide.

Having a good product is often not enough to establish a company in the relevant markets. Lindberg has worked progressively to establishing distribution networks and the company engages in marketing work to be visible. Part of this is winning design prizes. The company claims that no 'other products in the world have won so many international design prizes as Lindberg eyewear'. It is true that Lindberg has won many prizes. These include Danish prizes, but the company has won far more



17902\_041208app\_1352

29/03/06

135/184

international prizes than prizes at home, including major international prizes in Germany, Japan, and other nations. Participating in prize contests is a major effort. Nevertheless, Lindberg emphasizes the benefits of prizes. They help to establish Lindberg in the international design world as a company with strong design, good quality, and excellent function in its products. Winning prizes is one way to become known and to gain recognition in the growing global market.

[www.lindberg.com](http://www.lindberg.com)

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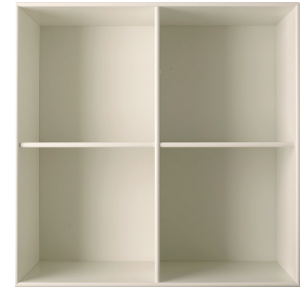
136/184

International case story

Montana, DK

### Background

Montana manufactures a shelf system that carries the name of the company. The company is identical with its product. Peter J. Lassen founded Montana. Lassen, who had been Managing Director of Fritz Hansen, a large Danish furniture manufacturer, was well acquainted with the culture and tradition of Danish furniture design. He also began to develop his own design ideas, originating the idea and the design of the Montana system. In 1982, he launched Montana by introducing the first elements of the Montana shelf system at the furniture fair in Cologne.



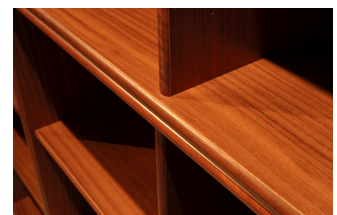
The first Montana system was available in three different colors. Since 1982, the system has expanded with the company. The Montana system is now available in a wide variety of module sizes and colors. The system also offers doors, drawers, and variations. Despite these variations on a theme, all Montana products form part of the comprehensive Montana system.

By 2002, the company grew to 140 employees, most located in the main facility at Haarby at Funen where the company manufactures its shelves. Montana focuses equally on the national and international markets, with 60% of production going to the Danish market and 40% to the international market.

### A product with an idea

The key principle of the Montana system is system design. The design of the system is identical with its main construction principle, which is a system based on the idea of modules that can be combined and expanded in many ways. The point of the system is a simplicity that creates spaces for multiplicity. It is possible to create many construction possibilities with only a few components. This way of designing the product gives Montana a number of advantages.

First, it makes the product rational to manufacture. The basic product consists of spray-painted MDF profiles in various easy-to-assemble sizes. In this connection, design made a clear difference in rationalizing the product. Using the same technology in





all main parts of the product reduces the costs of manufacturing.

Second, this makes the system functional in use. The Montana system can solve nearly every storage problem in private homes or offices through some combination of available parts.

Third, an important consequence of the great functional flexibility of the product makes it possible to link the product with a strong set of values. The central value of this product line is freedom. The Montana system incorporates human freedom: the system allows users the freedom to create individual solutions and it thereby allows the customer to create a personal space.

Peter J. Lassen believes that most furniture users must accept things and standards as they are. Montana is different. In Lassen's words, 'Montana isn't what you see, but what you make it '. This is possible with an open design that allows the customer to be creative.

The product only achieves its full value when used by the customer. Each user activates, or reactivates and changes a Montana product in a specific combination that reflects his or her specific requirements and needs. Because the customer determines the final shape of the system, Lassen also speaks of the product's emotional value to the customer. Montana efficiently uses this aspect of the product in its marketing and advertising, where Peter J. Lassen is often in focus as a person.

The qualities and principles of the product make it possible to attach a set of values to Montana. Design creates a value in the product and this value - the flexibility of the system - can be widely used in a comprehensive marketing program. A product with strong values makes it easier to communicate the values of the entire company.

### Doing better

In Montana, people are aware of who the company is and why the company exists. This awareness guides the use of design. In Montana, This awareness has two components.

First, the company organizes product development around the idea of doing better. If Montana does not continually try to improve, someone else will do better than Montana does. In this way, the idea of 'doing better' functions as a strategy of continually asking what makes the difference for customer product choices

that help the company to keep or improve its market position. Second, people in the company continually ask how to do better in terms of what makes a difference to customers. At Montana, one clear issue is a decision not to succeed by competing on price. Companies that compete on price risk the trap of an endless downward spiral to reduce quality, finish, and durability in favor of competitive price. Companies that compete on price also risk making only what costumers want, thereby risking independence to end up doing subcontracting work for other companies. Instead, Montana believes that success requires defining new parameters of doing better. At Montana, This parameter is design, and design includes product principles and the values attached to Montana products. While price plays a role in product development and marketing, price does not play a central or particularly important role.

The fact that the product is Montana's design principle gives the company important advantages in product renewal. The module principle is a core value at Montana, the invariable principle that guides other decisions. This creates a perfect foundation for such variables as new, updated colors or new features that serve new needs in storage. The system defines the limits of change, and it ensures a recognizable face for Montana products.

At Montana, a central, value-laden question guides the renewal process: 'Do we give the costumers enough freedom?' At Montana, this also means asking whether the product meets present requirements. Fashion does not guide design thinking at Montana. Instead, Montana seeks ways to remain current, redefining the company and its products in terms of the times and the needs the product must fulfill. Because the product principle is strong, it remains possible to redefine the product within the framework of the original Montana concept, without spending time and money to develop entirely new products.

[www.montana.dk](http://www.montana.dk)

International case story

NovoPen, DK

### Background

The NovoPen is a reusable device for diabetes patients that helps them to inject accurate doses of insulin in a safe, easy manner. Novo Nordisk designed the pen to

fit the basal-bolus insulin administration program by delivering several injections during the day to imitate the natural production of insulin. The Pen combines injection needle and insulin container in a single unit with a non-offensive design that makes injecting insulin easy for patients while avoiding the social stigma of handling needles.



The first NovoPen went to market in 1985, followed by a new generation NovoPen 2.0 in 1988. NovoPen has now reached its fourth generation, and Novo Nordisk has launched such related products as the disposable NovoLet pen and the Innovo system with build-in electronic intelligence.

The NovoPen is an example of a break-through design, simple and complex at the same time, consistent in idea and functionality. This product has made a huge difference for Novo Nordisk.

### Strategic decision as the basis for design

Interestingly, the NovoPen was conceived as a helping device manufactured by a company that is primarily engaged in pharmaceutical chemicals. Founded in 1923, Novo Nordisk is one of the world's oldest manufacturers of insulin. The decision to construct a device for injecting insulin is closely related to the history of developing insulin in Novo Nordisk. During the 1980s, the company developed 'human insulin. Since the management believed that insulin could be developed no further, the strategic decision was made to shift the company's attention to the everyday life of diabetic patients. The company created the 'Diabetes Care' concept as the guideline for a new way of thinking and working. In the words of Jørn Rex, Design Manager at Novo Nordisk, the company sought 'a holistic view all the way around' to cover all factors relating to diabetes: food, exercise, family reactions to diabetes,

the reactions of others in the environment, and - most important - the patient's everyday needs and treatment.

The Diabetes Care concept gave the company an effective framework for developing new concepts and designing new products. The company's focus shifted from the products in themselves to the context of the products, and to the patient. The effect has been that the company's basic value can be condensed in the question: 'What serves the patient the best?' before asking 'what serves the company best?'. Since the shift to a focus on the patient, the Novo Nordisk experience has been that the serving the patients' interests also serves the company best.

Today, the concept of Diabetes Care has become a stated method at Novo Nordisk. This is seen in the fact that every new product is developed in close contact with the customer - the patient. Novo Nordisk works uses interviews, focus groups, and it works in cooperation with hospitals. Novo Nordisk even owns its own diabetes hospital. Answers that patients give to the question: 'What is your problem?' function as a source of new ideas and these become the basis for new designs.



### The design of the Pen

In its design, the NovoPen is based on the type of idea that seems obvious - once it has been developed into a product. In its appearance and functionality, the Pen seems simple and easy made. The fact that patients quickly adopted the Pen demonstrates its useful simplicity. The first edition from 1985 sold 100.000 units per year; the Pen was a major breakthrough for the company, for diabetes related technology as well as for the users.

Of course, there were difficulties in the development process due to the fundamental complexity of the product. Insulin dosage must be precise, the needle must be hygienic, and the Pen should be relatively small, containing all functions in a single unit. It was important for the development to focus on the problem for which the product would be the best possible solution. This focus on product requirements gave stability to the development process.

The fact that Novo Nordisk kept the work in-house was central to developing the product. The development

project used existing company resources for the whole process from idea to clinical tests. The development phase was not expensive. In fact, investments in the development of the NovoPen were relatively low. They essentially amounted to the time of two men working over four years. The costs of actual production and marketing were considerably higher. Nevertheless, this must be seen in context. Novo Nordisk already had the required 'venture capital' for the new product. At the same time, if the company had not undertaken the risk of investing in such new possibilities as the Pen, Novo Nordisk would possibly have lost market share in relation to its core product, insulin.

Today, the company works continuously to develop new devices and products, for example, pens for children. The development process is still mainly in-house, especially within the so-called PDS unit (Process Delivering System), but the company also uses a number of external designers. These include Morten Ulf Jørgensen, Steve McGugan, and Designit. When working with external designers, it is important to communicate precise requirements. The company provides each designer with a brief explicitly describing the desired outcome of the project. At the same time, the company codifies the basic features of all Novo Nordisk devices in a company design manual for devices, showing the colors, shapes, typography, and other features that designers must use in their work. The design manual is also accessible for the designers on the Internet. The central idea is to maintain consistency within the family of pens as well as maintaining the overall visual identity of the company. According to Design Manager Jørn Rex, it is the brand and name of Novo Nordisk that ensure continuity and recognition for the company.

17902\_041208app\_1352

29/03/06

142/184

International case story

Ole Mathiesen watches, DK

### Background

Ole Mathiesen is the name of a watchmaker's shop on Copenhagen's central pedestrian street, Strøget, where people go to buy high quality watches of all brands. Ole Mathiesen is also the brand name of a collection of watches sold in Denmark and around the world. Ole Mathiesen is both a shop and a manufacturer.

Ole Mathiesen watches are famous for the features associated with the idea of 'Danish design'. They are simple and elegant, with fine proportions and straightforward functionality. They have no unnecessary features and the features they have are presented in a no-nonsense design. Ole Mathiesen strives to attain a quality that is paradoxical in a watch -- 'timelessness'. The breakthrough for the timeless view of this design quality came when the design collection of the Museum of Modern Art (MOMA) in New York acquired Ole Mathiesen watches. Ole Mathiesen opened his shop and founded the company in 1956. He began his first experiments with his own watch design in the 1960s. The intention was to create classical, simple watches with high quality that remained affordable. To begin, there were two different models. Both are still in production, slightly modified and up-dated in design and technology. In the 1960s, Ole Mathiesen only manufactured mechanical watches. Today they are battery-powered with quartz technology. During the 1980s, the firm developed more models with the cooperation of several designers, including architects Niels and Eva Koppel and graphic designer Flemming Ljørring. In 2000, the company launched a sports watch designed by the managing director, architect Christian Mathiesen, son of Ole Mathiesen. The models are mainly made for men, but women often wear them. Autumn 2004 will see the launch of a women's model of the sports watch.

Ole Mathiesen manufactures all its watches in Switzerland, a nation well known for high quality watch production. Outsourcing production does not change the fact that the value added by design is kept within the company.



### Products with brand quality

Ole Mathiesen watches are only 20% of total turnover in the company. The rest comes from selling expensive, high quality watches in the Copenhagen shop. In the shop, Ole Mathiesen displays his own watches side-by-side with more expensive, exclusive watches, a marketing approach that contributes to the image and positioning of the somewhat less expensive Ole Mathiesen watches. The company also publishes a newsletter-magazine on watches, partly to advertise the watches, partly to build and maintain the company image as a specialist in high quality watches. The magazine is an image-building tool.



Because of the shop, Denmark is Ole Mathiesen's most important market. Even so, Ole Mathiesen watches are an important part of the company profile and they shape the way that the company thinks about itself. They also create an opening for foreign markets. The company sells approximately 4000 watches every year. It sells 50% of these in Denmark. The other 50% goes abroad, primarily to Germany, the USA, the UK, and East Asia. Company strategy for foreign markets is reactive, rather than proactive. The company has no plans to widen the range or the markets of the watches. It does not need to have them, since the company functions very well in its current shape and size.

Christian Mathiesen explains that the company ambition is to sell more watches, but not to become a bigger company. This has much to do with the company culture of a watchmaker's shop, keeping contact with the craft of making and repairing high quality watches. For the same reason, the company stopped developing new designs during the 1990s when the number of designs in the collection was high. The company wanted to be known as a watchmaker's shop, and not as a design company expected to follow fashion and market new products. This is important. By coming to this conclusion, the company chose its core values, and found a balance between means and goals. Design in Ole Mathiesen is not a goal in itself. Design is a means to maintain and develop a collection of watches with a high degree of recognition and brand value. In general terms, the

point is to decide who you are, and to find out how to maintain the position that goes with your identity. The choice of Ole Mathiesen was stability and continuity. In a company that functions well, it is better to be reactive than to do something rash. When products have potential, the fact that they are not marketed everywhere does not destroy the brand value.

### Tradition and renewal

The fact that the collection is rather small is also due to the idea of sticking to core values in making and selling watches. In Christian Mathiesen's experience, the fact that costumers can easily see the different types of watches within the collection is an advantage and a strength. The small collection gives a strong impression of consistency in design and attitude towards design. All watches have the same profile and signature style. The style is classical, simple, and timeless. Part of the company's design work has also been removing items from the collection from time to time. When working with such new products as the sports watch, it has been important to maintain a family resemblance with other products on the one hand, while seeking innovation on the other. In the sports watch, for instance, this means using new materials and a new and thicker volume.

A company such as Ole Mathiesen must always balance tradition and renewal. On one hand, it is an older, well-established company with traditions and a touch of conservatism. On the other hand, it attempts to develop and to try out new possibilities. For example, the company developed a web site that permits customers to purchase watches as an experiment, just to see how it would work out. The success of the web site has not been in selling of more watches. The company sells only 10 watches per year over the web. Even so, the web site has been successful in marketing the company profile.

[www.olemathiesen.dk](http://www.olemathiesen.dk)

International case story

Ordning Och Reda, SE







17902\_041208app\_1352

29/03/06

146/184

### A concept for design

When entering the Ordning Och Reda shops, the important role of design in the company becomes immediately clear. In Ordning Och Reda, design is a matter of creating products as parts of a coherent product family with design features as purity, simplicity, high functionality, and pleasure. It also involves displaying company products in corresponding shop interiors. Ordning Och Reda wants to create products to the company's formulation as an 'innovative and uniquely combined scheme of color, patterns, and materials'. For Ordning Och Reda, design operates as a strong concept at the core of the company's business strategy. This strategic concept offers guidelines on how various company designers should create the products. It also provides an overall awareness in the company of the how important it is to stick to the concept to maintain the style and appearance of products and shops. The company has developed a concept manual to ensure maintaining the concept.

The product range within the concept is divided into five categories. These categories make products easy to handle in the shops. The categories are:

Storing/filing/collecting,  
planning,  
writing,  
wrapping, and  
carrying.

The entire product range is coordinated first in terms of color, then in terms of function. This allows customers to combine products freely according to personal preference and taste. It also creates a coherent style for products and makes it possible for different designers to work within the concept.

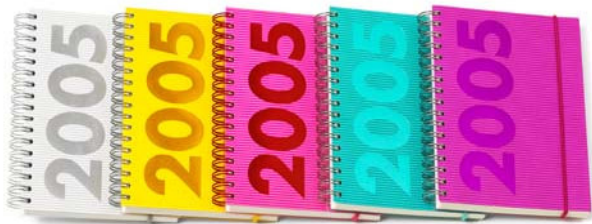
Ordning Och Reda works consciously to balance basic products and colors in the permanent product range, while adding a number of new products and new colors each season according to contemporary trends. The overall concept makes it possible for Ordning Och Reda to work progressively and flexibly with product development without losing the overall style of the products. On one hand, the company can organize its products with continuity. On the other, all products function within the concept framework, creating change

and renewal. The company has developed more than 900 different products in this way.

In this context, Ordning Och Reda uses Swedish designers for products to ensure the specific look and feel of 'Scandinavian design' in its products. The company has had good experience working with Swedish designers. The nationality of designs and the company functions as part of the company brand. Swedish design and Scandinavian design are widely esteemed for quality and purity of style. Through its design concept, Ordning Och Reda links this quality to its products and overall brand. This has resulted in an image that managing director Annette Järnefelt describes as 'high quality, simple and pure products with a high degree of detailing and functionality, where the products in their continuity and balanced color differentiation create a whole with a Scandinavian touch'.

This strong design concept is also at the core of marketing in Ordning Och Reda. The company works specifically with shops as a form of marketing the company that shows exactly what the company stands for. In the words of Annette Järnefelt, the aim is to give an impression of 'pleasurable order' in the shops. The shops demonstrate a concentrated version of basic company values.

[www.ordning-reda.com](http://www.ordning-reda.com)



17902\_041208app\_1352

29/03/06

149/184

## 11 PROJECT WEBSITE

A project website [www.designforlatvia.lv](http://www.designforlatvia.lv) has during the project period, January- December 2004 informed visitors about the nature and progress of the project. The website was operated by an open source Content Management System Typo3 that allowed fast updating.

The website included an open part available to all passers by and a password protected part only available to the Project Management Unit. Website menu:

- Design for Latvia
- Project
  - Objective
  - Structure
  - Plan
  - Log protected by password
  - PMU-related meetings protected by password
- Human resources
  - Project manager
  - Advisory board
  - Project consultants
- Notice board
- Login/logout

**Design for Latvia****MOLLERUP**


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Design for LatviaProjectHuman resourcesNotice boardLogin/logout

**Welcome**

This website monitors the project 'Forming the strategic and operational basis of intensified use of professional design measures in Latvian Enterprises', in short 'Design for Latvia'. The project is commissioned by NAEH, The Danish National Agency of Enterprises and Housing, as part of the Danish Business Sector Programme for Eastern Europe. The project is conducted by Mollerup Designlab A/S.

**NEWS**



**Design Policy for Competitive Advantage**

Conference  
Riga, (15)/16 November 2004

Venue  
Bergs Hotel, Riga

Organizer  
Design for Latvia /  
The Danish Business Sector Programme for Eastern Europe

Topic  
'Good design is good business' said Thomas Watson, Jr., the late chairman of IBM. Today, 15 nations have invested in a national design policy to increase competitiveness by adding values to products and services.

This conference discusses why good design is good business. It examines national design policy for the competitiveness of companies and nations as a whole.

## 12 EU APPLICATION

### 12.1 Introduction

This EU application covers a number of design policy measures prescribed by a design policy proposal: Design for Latvia. This proposal is a result of a cooperation between the Danish Business Sector Program for Eastern Europe and Latvia. The design project's aim is to increase and improve the use of professional design in Latvia to include more knowledge and added value in products and services in Latvia. The method for doing so involves primarily research and education, the design profession and business and industry.

The funding for this EU application is according to of the information obtained primarily available from the EU Structural Funds. Within these funds it seems most likely that the European Regional Development Fund or the European Social Fund constitutes the best match as regards the application for Latvian design policy measures including a Latvian Design Information Centre.

The Design Policy Measures and the Design Information Centre will through their activities contribute to the promotion of competitiveness and innovation in Latvian business and industry. For this reason the proposal falls within priority 2 of the distribution of financing among Latvian structural fund priorities. The Design Information Centre will also create a number of new jobs. Directly the centre creates the jobs connected with running the centre. In the medium to long term, it must be foreseen that the centre's activities will create additional indirect jobs in those industries and enterprises that benefit from the assistance and information provided from the centre. This makes the project relevant in view of priority 3 in the distribution of finances. For a more detailed account of the relevance see chapter 12.7 - Project relevance in view of Latvia's Strategic Planning Document

17902\_041208app\_1352

29/03/06

151/184

12.2 Details of the applicant

Name of applicant		Legal form of applicant	
		<ul style="list-style-type: none"><li>- Sole proprietor</li><li>- Non-profit organisation</li><li>- General partnership</li><li>- Public limited company</li><li>- Limited partnership</li><li>- Private limited company</li><li>- Commercial association</li></ul>	
Commercial register code/ Personal identification code for sole proprietor	VAT payer No	Date of entry into commercial or NGO register	
Mailing address of applicant			
Bank requisites of applicant			
Telephone and facsimile No	E-mail address	Web page URL	
Authorised representative of applicant	Project manager		
Name Position Telephone No E-mail address Authority for representation	Name Position Telephone No E-mail address:		
Main field(s) of activity of applicant			

Owners of applicant (share of at least 5 %)		Amount of share (LAT)	%
Number of employees	Total	Women	Men
As of submission of application			
Major business indicators of organisation	Previous financial year	Current financial year as of the last quarter	
Turnover			
Turnover outside Latvia			
Profit			
Balance sheet total			
Profitability (profit-turnover ratio)			



12.3 Details of the project

Title of project	Field of activity of project
Design Policy Measures & Design Information Centre	Design, information dissemination, consultancy, training
Start date of project	Final date of implementing project operations
December 2004	December 2007
Area of implementation of project (name of county, rural municipality and city/village)	
Latvia, Riga City	

#### 12.4 Problems to be addressed by the project

In the global economy there are two basic production logics followed by countries and companies:

Countries where there is little change in the ways of producing goods and services. Here jobs are a commodity easily moved abroad or vulnerable to innovation and other changes

Countries where there is constant focus on change, innovation, design and adding know-how. Here production and jobs typically becomes a strategic asset, complicated to move elsewhere.

The design analysis from the project Design for Latvia reveals that Latvian companies and society still attach relatively little importance to design as a strategic asset even in production sectors usually characterised by a high level of design content in other countries. These industries are notably textiles and furniture, but also consumer electronics and other areas.

The limited use of professional design services by companies in the study reflects a problem in the Latvian economy. The limited use of design means that too little Latvian knowledge is built into the production, and Latvia is vulnerable in both quality and price competition.

The analysis reflects the large degree to which Latvia competes on cheap labour, raw materials and semi-manufactured goods. These facts should warn economists and policy makers about the dangers of commoditized production where price plays the dominant role and the threat to Latvia in markets that can replace Latvian products with products from low wage countries when Latvian wages rise. This is more than an idle threat. Some companies are already hearing that clients are considering shifting production from Latvia because of 'high' wages.

The Global Competitiveness report includes a number of indexes comparing economic parameters from 75 countries. The correlation between competitiveness rankings and design rankings are startling. Among the 20 nations ranking highest in terms of design, 17 are also among the 20 nations ranking highest in terms of competitiveness. Among the 25 nations ranking

highest in terms of design, 24 are also among the 25 nations ranking highest in terms of competitiveness.

## 12.5 Objectives of the project

The main objective of the project is to put Latvia's economy and society onto a development path with a higher value added in the production of goods and services, ultimately leading to higher levels of welfare and income of the Latvians. This is also in accordance with Latvia's National Development Plan. (see section 12.6 - Compliance with Latvia's National Development Plan)

The proposed way to do this is be increasing and improving the use of professional in business and idnustry.

To solve the current deficiencies for applying design Latvia must establish a coherent design policy and a design promoting organisation to implement the policies.. Some countries call such promotional organizations design centres, while other countries reserve that term for exhibition spaces or organizations with own exhibition spaces. As it is not part of the proposed policy measures to establish a permanent exhibition space it is suggested that the organization be called a Design Information Centre. That term will stress the dominating activity of the centre: to gather, retail-pack, and disseminate information about design.

The objectives:

The objectives of a Latvian design policy are described in the Design for Latvia report.

They basically deal with six sectors and the Design Information Centre:

Sector	Objective
Research and education	Business relevance
The design profession	Business relevance
Business and industry	Increased and improved use of professional design
The public sector	Increased and improved use of professional design
The general audience	Increased design awareness
International	Increased knowledge of Latvian

audiences	design
Design Information Centre	Creation of awareness, knowledge and understanding of design in general and Latvian design in particular

## 12.6 Compliance with Latvia's National Development Plan

The Latvian strategic goals stated in the National Development Plan (NDP) that is consistent with EU accession programs are:

- promotion of sustainable economic development and competitiveness
- development of Latvia's human resource base and generate employment opportunities
- achievement of balanced and sustained development throughout Latvia

According to the long-term economic development strategy of Latvia, approved on July 17, 2001, the main task of the state economic policy is to achieve the level of welfare of people matching standards of the developed countries in the nearest future. More specifically, Latvia's objective is to reach the average per capita GDP level of the EU member states within the next 20-30 years.

Latvia should reorient from the currently dominating economy model characterised by the use of cheap labour and the available natural resources to the production with higher added value that would ensure high growth rates of economy and promote reaching higher levels of welfare in the future.

Due to the limited natural resources, low capacities of the economy, small market and unfavourable demographic conditions, the way suggested by the strategy, is intensive use of knowledge and high technologies, reorientation from labour intensive economy to knowledge intensive economy.

To overcome the economy's dependence on industries with low value added and to create knowledge based economy, there is needed restructuring of the economy that assumes simultaneous re-industrialisation of the traditional sectors of economy (i.e. to develop them on a new technical and technological base).

Creation of an effective sector structure requires large long-term investment into human capital, increase of productive capacity and radical changes in the current practice and support of research as well as

introduction of new technologies that cannot rely only on market mechanisms.

The Design project is in accordance with National Innovation Programme goals - 'creating a sustainable basis for creation and growth of innovative enterprises' and 'support to the creation of a unique and competitive structure of national economy'.

17902\_041208app\_1352  
29/03/06  
160/184

12.7 Project relevance in view of Latvia's Strategic  
Planning Document  
(SPD Latvia 2004-2006)

EU Structural Fund programme: European Regional  
Development Programme (ERDF)

SPD Priority 4.2: Promotion of Enterprise and  
Innovations

Priority Objectives

The main objective is to promote the creation of new enterprises and raise the competitiveness of existing enterprises by providing the conditions for transition towards knowledge intensive production. The objectives will be achieved by supporting integrated, partnership projects that incorporate access to finance, business-related infrastructure, support to raising competitiveness and innovation (business support services and/or access to technology). The projects must be well designed and managed to guarantee sustainability.

Priority Measures

- Support to Development of Innovation
- Business Infrastructure Development
- Enhancing Business Support Measures for Small and Medium Enterprises
- Access to Finance for Small and Medium Enterprises
- Support to Development of Public Research
- Synergy

The measures will be co-financed by the European Regional Development fund. To maximize crossover opportunities during implementation these measures will be closely coordinated with the European Social Fund (training, education) measure 3.1 Promotion of Employment through benefiting from raising qualifications of employed as well as entrepreneurs. Efficiency of investments in business infrastructure development will be enhanced by activities of human resource development from ESF by training of employed persons and employers. Enhancement of business support measures for SME will be supported from ESF by



17902\_041208app\_1352

29/03/06

161/184

supplying training for consultant and so improving quality of consultation services.

SPD Measure 4.2.1. Support to Development of Innovation

Measure Rationale

This measure is in line with National Innovation Program adopted by Government on March 1, 2003. The primary objective of the National Programme on Innovation is to facilitate an increase in national innovation capacity. At the same time the National Programme on Innovation sets-up the following secondary objectives:

- Formation of a harmonized and coordinated environment favourable to innovation
- Creation of a basis for sustainable development and the growth of innovative enterprises
- Foster the setting up of a unique and competitive structure for the national economy.

The development of innovation system is one of the pre-conditions for raising the competitiveness of Latvian enterprises and the future growth of the economy. At present the export share of the knowledge-intensive sectors of the economy in Latvia are on average five times lower than that of the EU countries.

The initiative will support commercially focused, industry (including manufacturing and services) led projects in product and process development. Activities of the measure are aimed at the investments in the stage of commercialisation of new technologies to create new products or processes and prepare them for funding (both private risk capital and public). As a result new and spin-off companies will be established, thus achieving the overall objective of increasing number of companies.

The aim is to provide funding for introduction of new products or technologies in production by supporting technical and economic feasibility studies, as well as development of prototypes and pilot models.

Measure provides support to start-ups and existing enterprises to benefit from external competence for innovation activities as well as financing for proof-of-concept, market research, or initial product development in order to assess the feasibility of prototypes and pilot models. As result it will encourage linkages between companies and research institutes hence promoting the national innovation system.

Compliance with State Aid Regime

Aid to enterprises will be delivered under the aid schemes Support to development of new products and

17902\_041208app\_1352

29/03/06

163/184

technologies and Support to the consultancy services and the participation of the commercial companies in international exhibitions and trade missions (sub-measure of the aid scheme 'consultancy services') which is being notified to the DG for Competition.

#### Target Group

The target groups of the measure are enterprises and start-ups operating in the knowledge intensive sectors.

#### Measure Objective

To support technology transfer and the development of a national innovation system for industry, including promotion of private sector spending for innovative product and processes development and introduction in manufacturing.

#### Indicative Activities

This measure is complementing the other measures of the priority by supporting new and existing enterprises in development of new products for market and introducing new business processes by:

- Support to assessment of technical and economic feasibility
- Assisting the development of prototypes and pilot models

#### Indicative Final Beneficiary

Latvian Development Agency.

Other SPD/ERDF measures of partial relevance to this application are:

SPD Measure 4.2.3: Enhancing Business Support measures for SMEs

SPD Measure 4.2.4: Access to Finance for SMEs (only in so far new company is established)

SPD Measure 4.2.5: Development of public research (within design and its application in Latvian industry and society)

EU Structural Fund programme: European Social Fund (ESF)

This programme is particularly relevant in relation to the activities promoting employment and education. Notably: Ice-breakers, traineeships, training, and seminars.

SPD Priority 4.3: Development of Human Resources and Promotion of Employment

#### Priority Objective

The objective of the priority is to enhance the competitiveness and quality of the workforce through life long learning, regional and local development, information society, equal opportunities between women and men and contribute to social cohesion and the economic growth, employability and employment promotion.

17902\_041208app\_1352

29/03/06

165/184

The objective will be achieved by improving education and training system, developing active employment policy and promoting integration into the labour market for those at risk of social exclusion. In order to facilitate the implementation of the priority it is necessary to develop means of identifying needs on the labour market, to ensure building of training capacity and to promote strong partnership between ministries, local authorities, social partners and nongovernmental organisations.

#### Priority Measures

- Promotion of employment
- Development of education and continuing training
- Combating social exclusion

#### Synergy

The measures of this priority will be co-financed by the European Social Fund, which is the financial instrument implementing European Employment Policy. Therefore the content of the priority is in line with the European Employment Strategy and the Latvian National Employment Plan, as well as Regulation (EC) 1260/1999 laying down general provisions on the Structural Funds and Regulation (EC) 1784/1999 on the European Social Fund. In order to ensure the linkage between structural interventions and reach maximum benefit from investments into human resources, the measures will be coordinated with other Structural Funds.

#### Target Groups

Unemployed and job seekers, employed persons, entrepreneurs, staff of labour market and gender equality institutions, public institutions and NGOs.

#### Measure Objective

The objective of the measure is raising competitiveness and quality of workforce through provision of active labour market initiatives, training, retraining, and information dissemination.

#### Indicative Activities

Promotion of re-training and raising qualification of the employed.

#### SPD Measure 4.3.2 : Development of Education and Continuing Training

#### Measure Rationale

Tendency of increasing knowledge gap and lack of basic knowledge and skills essential for the development of modern knowledge-based society has been observed among inhabitants of Latvia. Higher, professional and lifelong education fails to react adequately to the rapid changes in requirements of the

labour market and economy. Content of education at the qualified worker and technician levels, especially in the technology and science intensive areas, is outdated. In addition, teaching and training equipment and school premises don't reach modern standards.

In order to provide educated, flexible and competitive workforce that is able to contribute to economic development, improvement of education and continuing training system, as well as enhancement of the involvement of social partners in the development of relevant and qualitative education and training system is crucial. Therefore, it is necessary to enhance the capacity of education and training system in economically relevant, and science and technology intensive sectors. Modernisation of education and training system and promotion of the lifelong learning capacity building, including e-learning, as well as development of the life-long learning strategy and its implementation mechanisms, will lead to the increase in the quality and accessibility of education, and reinforcement of lifelong learning around territory of Latvia, thus balancing regional disparities in the employability of the workforce, and promoting socio-economic development.

#### Target groups

Target structures and groups are defined as follows:

- initial vocational education and training institutions;
- higher professional education institutions and universities;
- students on secondary, higher and doctoral studies level;
- youngsters;
- academic staff, teachers, and trainers;
- social partners' and professional organisations.

#### Measure Objectives

The objective of the measure is to enhance modernisation of vocational and higher education and training system, providing the basis for acquisition of modern, up-to-date knowledge, qualifications and skills relevant to the needs of growing labour market.

17902\_041208app\_1352

29/03/06

168/184

#### Indicative Activities

- Improvement of study programmes in the initial vocational education and training in economically relevant branches.
- Improvement of subject teaching quality in natural science, technology and mathematics in secondary education.
- Improvement of study programmes in the higher education in the science and technology intensive branches.

#### Indicative Final Beneficiaries

State and municipality institutions, education institutions, non-governmental organisations, social partners' organisations, and professional associations.

Source:

[http://www.esfondi.lv/image/upload/spd2003\\_12.pdf](http://www.esfondi.lv/image/upload/spd2003_12.pdf)



## 12.7 Project work packages

To create beacons for the proposed policies and to control their fulfilment a set of goals is needed. The goals proposed below are all quantitative which makes it easy to control the results and adjust the efforts. The proposed goals cover three years. They can be adjusted yearly and become part of a rolling plan.

## Work Package 1 - Project management &amp; administration

Target group	Objectives/measures	Year 1 Deliverables	Year 2 Deliverables	Year 3 Deliverables
All stakeholders and EU funding authorities	Coordinate the efforts of the partners and ensure that objectives are achieved within the time and resource constraints of the work programme of the project; Regularly report to the Latvian structural funds authorities and to the consortium members on issues related to the progress in the execution of work packages, the status of deliverables, risks arising and resources consumed	Kick-off meeting and interim report after 3 months. Progress reports at least every 6 months. Partner meetings and updates	Progress reports at least every 6 months. Partner meetings.	Progress reports, partner meetings and final reporting.

	Ensure that all deliverables are of high quality	Keep a log book on agreed deliverables and check if these have been met from meeting to meeting	Keep a log book on agreed deliverables and check if these have been met from meeting to meeting	Keep a log book on agreed deliverables and check if these have been met from meeting to meeting
	Comply with the financial reporting requirements of the European Commission & Latvian Structural funds administration	Compliance with financial reporting requirements of the EC corresponds to the timely submission of signed cost-statements by all partners as well as the coordinators.	Compliance with financial reporting requirements of the EC corresponds to the timely submission of signed cost-statements by all partners as well as the coordinators.	Compliance with financial reporting requirements of the EC corresponds to the timely submission of signed cost-statements by all partners as well as the coordinators.

## Work Package 2 - The design profession

Target group	Policy measure	Year 1 Deliverables	Year 2 Deliverables	Year 3 Deliverables
The design profession	Courses and seminars	1 update seminar with minimum 30 participants	1 update seminar with minimum 40 participants	1 update seminar with minimum 50 participants
		1 Business of design course with minimum 30 participants	1 Business of design course with minimum 30 participants	1 Business of design course with minimum 30 participants

17902\_041208app\_1352

29/03/06

171/184

		1 how to run a design office course with minimum 30 participants	1 how to run a design office course with minimum 30 participants	1 how to run a design office course with minimum 30 participants
	Travel grants	25 grants	50 grants	50 grants
	Benchmarking	50 international design firm websites identified	50 more international design firm websites identified	Review and adjustment of selection
	Designer Index	50 designers included	50 more designers included	50 more designers included
	Traineeships	10 traineeships arranged	20 traineeships arranged	20 traineeships arranged

## Work Package 3 - Business and industry

Target group	Policy measure	Year 1 Deliverables	Year 2 Deliverables	Year 3 Deliverables
Business and Industry	Publications	3 international books on design translated and distributed, each in 1,000 copies.	10 international books on design bought and distributed. Totally 1,000 copies.	
		Brochure about product development published and distributed. Minimum 1,000 copies.	Brochure about product development - revised with Latvian examples. Published and distributed. Minimum 1,000 copies.	
		Brochure about branding published and distributed. Minimum 1,000 copies.	Brochure about branding - revised with Latvian examples. Published and distributed. Minimum 1,000 copies.	
	Meetings	16 on-the-way-home meetings in Riga and elsewhere. Minimum average 30 participants.	16 on-the-way-home meetings in Riga and elsewhere. Minimum average 30 participants.	16 on-the-way-home meetings in Riga and elsewhere. Minimum average 30 participants.
	Seminars	The business of design at the Stockholm School of Economics. Minimum 20 participants.	The business of design at the Stockholm School of Economics. Minimum 20 participants.	The business of design at the Stockholm School of Economics. Minimum 20 participants.

	E-learning	E-course on branding developed.	E-course on branding. Minimum 25 participants.	E-course on branding. Minimum 25 participants.
	Case-letter	3 issues published and web distributed to at least 200 receivers.	3 issues published and web distributed to at least 300 receivers.	3 issues published and web distributed to at least 400 receivers.
	Audits	5 company audits.	10 company audits.	15 company audits.
	Consulting	5 consultings	10 consultings	15 consultings
	Icebreaker	Programme organized and advertised	20 contracts	20 contracts
	Awards	Programme prepared and advertised	5 awards given. National press coverage.	5 awards given. National press coverage.

## Work Package 4 - The public sector

Target group	Policy measure	Year 1 Deliverables	Year 2 Deliverables	Year 3 Deliverables
The public sector	Brochure	Brochure about design and public procurement published and distributed. Minimum 1,000 copies.	Brochure about public procurement - revised with Latvian examples. Published and distributed. Minimum 1,000 copies.	
	Meetings	2 meetings. Minimum average 30 participants.	2 meetings. Minimum average 30 participants.	2 meetings. Minimum average 30 participants.
	Newsletter	2 issues webcasted to minimum 200 recipients.	2 issues webcasted to minimum 250 recipients.	2 issues webcasted to minimum 300 recipients.
	Competitions	Programme prepared	3 competitions	3 competitions

## 7.5 Work Package 5 - The general public

Target group	Policy measure	Year 1 Deliverables	Year 2 Deliverables	Year 3 Deliverables
The general public	Press coverage	50 pieces	100 pieces	200 pieces
	TV programmes			

17902\_041208app\_1352

29/03/06

175/184

Work Package 6 - International audiences

Target group	Policy measure	Year 1 Deliverables	Year 2 Deliverables	Year 3 Deliverables
International audiences	Press coverage	25 pieces	50 pieces	100 pieces
	Website	Established and revised. 1,000 visits	Reviewed and revised. 2,000 visits	Reviewed and revised. 3,000 visits
	Newsletter	2 issues webcasted to minimum 200 recipients.	2 issues webcasted to minimum 300 recipients.	2 issues webcasted to minimum 400 recipients.

Work Package 7 - Design Information Centre

Design Information Centre	Policy measure	Year 1 Deliverables	Year 2 Deliverables	Year 3 Deliverables
Basic activities	Website	Established and revised Minimum 1,000 visits	Reviewed and revised Minimum 2,000 visits	Reviewed and revised Minimum 5,000 visits
	Newsletter	2 issues webcasted to minimum 200 recipients.	4 issues webcasted to minimum 500 recipients.	4 issues webcasted to minimum 1,000 recipients.
	Library	50 books acquired	50 books acquired	50 books acquired

17902\_041208app\_1352

29/03/06

176/184

12.8

Project budget

Financing of project	Amount (LAT, VAT excluded *)	%	
Total cost of project			
Amount of assistance			
Amount of self-financing			
Breakdown of costs by work packages VAT excluded)			
Work Package	Assistance from the EU funds	Other financing (applicant,	Total
Work package 1			
Work package 2			
Work package 3			
Work package 4			
Work package 5			
Work package 6			
Work package 7			
TOTAL			



17902\_041208app\_1352  
 29/03/06  
 177/184

12.9. Workpackage list (full duration of project)

Work- package No <sup>1</sup> 2	Workpackage title	Lead contrac tor short name	Person - months 3	Star t mont h4	End mont h5	Deliv - erabl e(s) No6
WP 1	Project management and administration					
WP 2	The Design profession					
WP 3	Business and industry					
WP 4	The public sector					
WP 5	The general public					
WP 6	International audiences					
WP 7	Design information centre					
	TOTAL					

<sup>1</sup> Workpackage number: WP 1 - WP n.

<sup>2</sup> The total number of person-months allocated to each workpackage.

<sup>3</sup> Relative start date for the work in the specific workpackages, month 0 marking the start of the project, and all other start dates being relative to start date.

<sup>4</sup> Relative end date, month 0 marking the start of the project, and all ends dates being relative to this start date.

17902\_041208app\_1352  
 29/03/06  
 178/184

12.10. Project Effort form (Full duration of project)

(insert person-months for activities in which participants are involved) Project name: Design for Latvia

s

	Participant 1 short name	Participant 2 short name	Participant 3 short name	Participant 4 short name	Participant 5 short name	etc.	TOTAL PARTICIPANT S
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Activities							
WP 1							
WP 2							
WP 3							
WP 4							
WP 5							
WP 6							
Total activities							

Management activities							
WP 1							
WP 2							
WP 3							

17902\_041208app\_1352

29/03/06

179/184

WP 4							
WP 5							
WP 6							
WP 7							
Total management							

17902\_041208app\_1352

29/03/06

180/184

## 12.11 Project CVs

## 12.12 Design policy activities and available Structural Fund resources

										Research and education
										The design profession
										Business and industry
										The public sector
										The general public
										International audiences
										Relevant SF activities (cf. Table A)
All Education measures	1	-	-	-	-	-	3.2.1,	3.2.2,	3.2.3.1-2,	3.2.4.1-2,
							3.2.5,	3.2.6.1-3,	3.2.7.1-2	
All R&D measures	1	-	-	-	-	-	2.5.1,	2.5.2		
Courses and seminars	-	1	-	-	-	-	3.1.1,	3.1.3,	3.2.4.1,	3.2.4.2
Travel grants	-	1	-	-	-	-	2.3.1			
Benchmarking	-	1	-	-	-	-				
Designer Index	-	1	2	2	-	-				
Traineeships	-	1	-	-	-	-	3.2.6.3			
Publications	-	2	1	2	-	-				
Meetings	-	2	1	-	-	-				
Seminars	-	-	1	-	-	-	3.1.1,	3.1.3,	3.2.4.1,	3.2.4.2
E-learning	-	-	1	-	-	-	3.1.1,	3.2.4.1,	3.2.4.2	
Case-letter	-	2	1	-	-	-				
Audits	-	2	1	-	-	-	2.1.1*,	2.3.2*,	4.2.3.1-2*,	4.2.4.2-4*
Consulting	-	2	1	-	-	-	2.1.1*,	2.3.2*		
Icebreaker	-	2	1	-	-	-	2.1.1*,	2.1.2*,	2.3.2*	
Design awards	-	2	1	2	2	2				
Brochure	-	-	-	2	1	-				
Meetings	-	-	-	2	1	-				
Newsletter	-	-	-	2	1	-				
Competitions	-	-	-	2	1	-	1.1.5*,	1.1.6*;	1.2.2.1*,	1.2.2.2*,
							1.2.3*,	1.2.4*		
							1.3.1*,	1.3.2*,	1.4.4*,	1.4.5*,
							1.4.6.1*,			
							4.2.3.2*			
Press coverage	-	2	2	2	1	-				
TV programmes	-	2	2	2	1	-				
Press coverage	-	-	-	-	-	1				
Website, English	-	-	-	-	-	1				
Newsletter, English	-	-	-	-	-	1				
Website, Latvian	1	1	1	1	1	-				
Newsletter, Latvian	1	1	1	1	1	-				
Library	x	1	1	1	1	-				

\* Indirect support to implementation of Design Policy measures by providing funding to potential buyers of design services

17902\_041208app\_1352

29/03/06

182/184

The following proposed design policy measures do not qualify for support from Structural Funds:

- Benchmarking
- Designer Index
- Publications
- Meetings
- Case-letter
- Design awards
- Brochure
- Meetings
- Newsletter
- Press coverage
- TV programmes
- Press coverage
- Website, English
- Newsletter, English
- Website, Latvian
- Newsletter, Latvian
- Library

These will have to be financed directly by the stakeholders of Design Information Centre.  
services

17902\_041208app\_1352  
29/03/06  
183/184

### 13 SOURCES

Danmark i kultur- og oplevelsesøkonomien  
- 5 nye skridt på vejen,  
Regeringen, Copenhagen, 2003

Dansk design  
- en erhvervsøkonomisk analyse  
Erhvervs- og Boligstyrelsen, Copenhagen, 2003

Design 2005!  
Helsinki, 2000

Design som drivkraft for norsk næringsliv  
Rapport fra Utvalget for Næringsrettet Design, 2001  
Oslo 2001

Designfremme i Europa  
Aanalyse af udvalgte designcentre  
Koppel Management  
National Agency for Enterprises and Housing, Copenhagen,  
2003

Designs økonomiske effekter  
(Economic effects of design)  
National Agency for Enterprises and Housing,  
Copenhagen, 2003

Establishing the basis for the elaboration of the  
Estonian design policy measures  
Per Mollerup, Ken Friedman, John Landerholm, Pekka  
Korvenmaa  
Mollerup Designlab A/S  
National Agency for Enterprises and Housing, Copenhagen  
2003

Förslag til nationellt program för design som  
utvecklingskraft inom näringsliv och offentlig  
verksamhet 2002  
Stockholm 2002

Opportunities in Design  
Strategies for Growth in the Irish Design Sector  
Dublin, 1999

Regeringens Designredegørelse  
The government's design report

17902\_041208app\_1352

29/03/06

184/184

Copenhagen 1997

Svenska företag om design: Attityder, lönsamhet och  
designmognad

(Swedish companies on design, attitudes, profitability  
and design maturity)

QNB Analys & Kommunikation AB

SVID, Stockholm, 2004