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**Russia. Design in business development –  
from industrial economy  
to postmodern organization.**

(based on the results of the first Russian survey

“The Role of Design in Business: An Efficient Design”)

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Competition and business initiative development in Russia has a very short history. Only from the beginning of the 90-th the word “business” itself became legal and official. New private enterprises became to grow on the industrial bases of the existing Soviet production factories. The competition started the process of searching for some new instruments for business success, not only at the national level, but especially at the international one. There is no secret in it, that most of the FMCG markets are been hold by the international companies. Do Russian companies see a perspective for the new competitive opportunities? Do they recognize design as a business instrument? Is government ready to support design development, including design services and design education?

The results of the first Russian survey “The Role of Design in Business: An Efficient Design” present a contemporary situation in Russian design. Everyone knows that Russia is not involved now in the world of product design and is not a leader at any of industries with design connection. But the challenge of becoming a World Trade Organization member in the nearest future triggers the process of innovation development and national priorities setting.

The design and business communities to the big extent yet exist separately from each other with almost no mutual support and interaction. The phrase “Russian design” is often recognized in the shadow of “Soviet design” (i.e., noncompetitive, nonergonomic, not meeting time requirements) in its negative sense. Working with design major Russian companies prefer the foreign agencies’ services because Western designers are more professional in respect of solving the completing the commercial purposes of the project. This situation can be easily explained. Foreign market develops more rapidly; design services development enjoys the support by public projects, contests and state initiatives to the big extent. The special committees are formed within the governments of countries enjoying leading positions in design. Their activities are directed toward design development in the country and increasing its competitiveness world-wide.

At present the state policy turns its attention to design for the first time. In February 2006 by the initiative of the Ministry for Economic Development and Trade the works on the Concept of Design Development in the Russian Federation until 2008 were launched. The main provisions of this Concept should be included into the Program of design development support. This is the first step met with expectations by all participants of design community, educational, commercial enterprises and public organizations.

The majority of respondents are developing companies. For the recent three years 87.5% of companies have gone through the increase of turnover. 37.5% of companies increased their turnover, as a rule, due to their extensive growth, i.e. opening new production and trading sites; entering new markets; expanding and establishing regional representative offices. Undoubtedly, the growth factor influences the status of design in business. Offering new products and services while competing with foreign market participants call for serious marketing and design approaches. The respondents point out the decisive role of design in effective investing, in the final analysis. If a consumer likes design it makes half of success, otherwise every investment in equipment or service development may get lost irrevocably.

Is design really so significant for business? Nothing can be compared with the precise figures proving the mutual links between business and design (Table 1). 50% of developing companies determined the role of design in their businesses as “significant”. In the companies, where the turnover has not changed for the recent three years, design plays a “limited” role (71%).

Role of design in the company's business	For the recent three years your company's turnover	
	Increased	Stayed unchanged
Significant	50%	14%
Key	15.7%	12.1%
Limited	24.2%	71%

[Table 1]

This data demonstrate that there is a correlation between company's growth and the significance of design in this process.

Experts describe this correlation as “proportional”. Business cannot grow efficiently unaccompanied by high quality design, and vice versa, design needs certain rate of economic development.

Companies apprehend design value and qualify design as an activity playing significant role in business. 45% of respondents in various businesses share this opinion answering the question “Which role does design play in your company?”.

## Which role does design play in your company?

Significant	45%
Limited	28.7%
Key	16.1%
None	6/5%
Can't say	3.7%

[Table 2]

The majority of answers are distributed within three sectors of significance: “A significant role” – 45%, “Limited” – 28.7% and “key” – 16.1%. The number of answers in the “limited” category can be interpreted more precisely with the experts’ comments – many of them chose the “limited” term presuming from the organizational position of design professional in projects. In the majority of the companies designer works as a highly tailored “illustrator” of the projects’ idea and concept already developed by managers or a division-in-charge. The niche of design in business has been showing itself through the answers to the question “At which projecting stage do designers get involved in the process?”

## At which projecting stage do designers get involved in the process?

Development of design, advertising and promo-materials	46.2%
Projecting for product's marketing position	22.5%
Idea generation	17.5%
Home research and development	6.3%
No answer	5%
Market analysis	2.5%

[Table 3]

In 46.2% of cases designers are involved at the stage of packaging, promo- and advertising materials design. That means that the role of design in the companies is significant though narrowed within the professional designers’ craft – drawings, graphics, products samples. However, the potential design’s efficiency and its opportunities are much higher than the limits it stays within today.

To compare, let’s look at the data of the analogous British project. The UK Design Council accomplishes annual national research of the role of design in business. In the report “Design in Britain

03-04”, the answers to the similar question given by British companies are distributed in the following way:

<b>Designers join project at the stage of :</b>	
Development of a product concept	13%
Generation of ideas and research	9%
Modeling and design	9%

[Table 4]

In most cases, British companies involve designer at the stage of concept development and, to a lesser degree, for design itself and modeling.

The British study also demonstrates that the coefficient of design involvement at each stages of product development in rapidly growing companies is twice as much as on the whole - 18% as compared to 9%. The St. Petersburg study has not revealed any company involving design at each stage of product development. At first glance, it is quite obvious that design is not needed at economic, financial or logistic level. On the other hand, however, economics, finances, and logistics could follow a design concept which could determine material consumption, end product output, value added, extras, etc. It is a principally new approach when design drives business development forward.

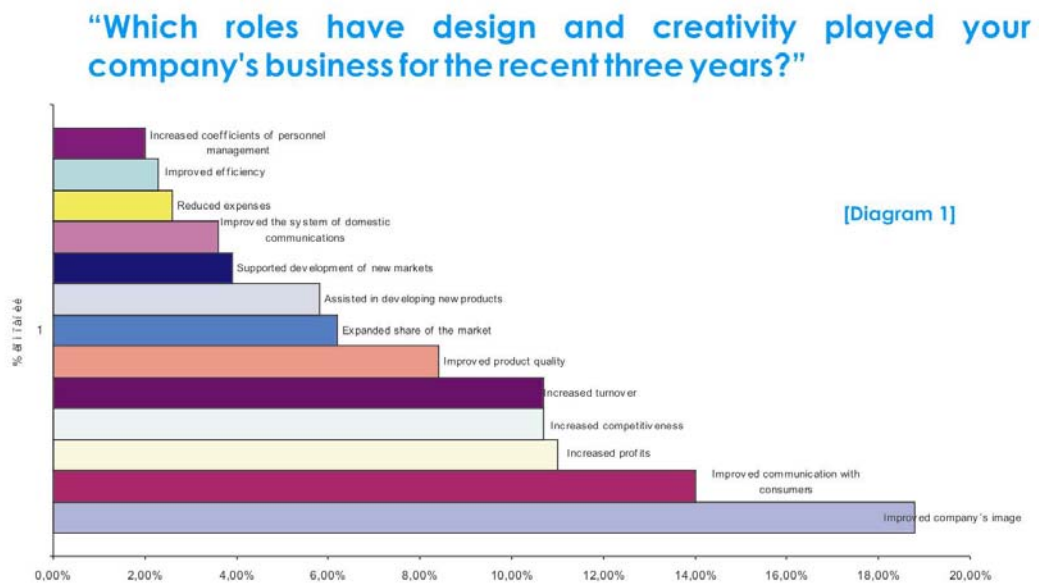
Unfortunately, in their comments experts often demonstrate negative attitude toward design from economic point of view. Most executives of the polled companies and their marketing departments often regard design as a product adornment and indicate that design does not help in solving problems like:

- cutting production expenses;
- increasing extras/ or adding value;
- pushing up sales.

The reverse side of the situation is that Russian companies feel limited in their choice of packaging materials, printing methods, and production contractors. Thus, access to packing machines and equipment, for example, is limited due to costs and maintenance terms for 100% of the polled companies, while 80% companies operate old technological lines. Experts avow that in this case design has a little

chance to impact market – outdated equipment and limited choice in production disallow innovative designer solutions.

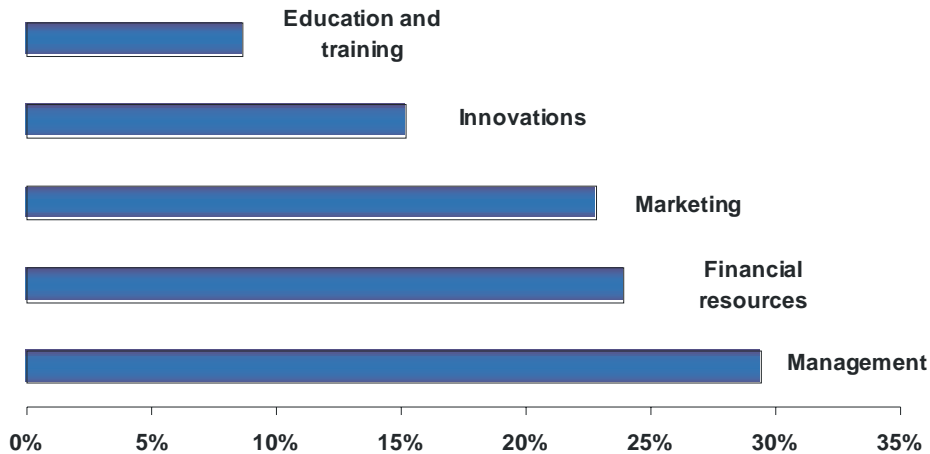
Despite the economic difficulties, the role of design in companies has been growing. Answering the question “Which roles have design and creativity played in your company’s business for the recent three years?” respondents pointed to a wide range of design merits.



The three leading positions in answering the question are improvement of company’s image (18.8%), improvement of communication with consumers (14.0%) and increase of profits (11.0%) prove that businesses sees design as a decisive factor in competition. Design is the element that links producers and consumers – consumers evaluate every product or service through the design (packaging, logotype, advertisement). The decision whether they like a company/product crucially depends on the attractive form.

Nevertheless, despite high appreciation of design in business, the actual company management tools are concentrated in other areas. The structure of answers to the question about the key factors of business success demonstrates that the decisive factor in business is management and administration. The second key factor is financial resources. This situation naturally reflects the demands of growing companies. The marketing holds the third position:

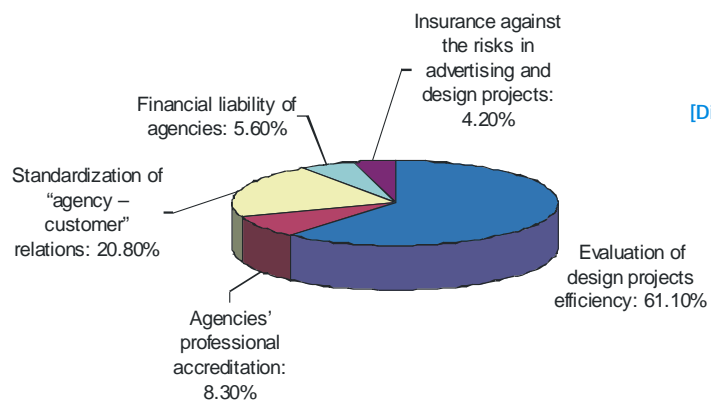
## «Which are the key factors of the company's business success?»



[Diagram 2]

The majority of respondents admit that the creative resource plays a significant role though unstable one. Companies face the problems of calculating the efficiency of marketing and design solutions. In 100% cases the result of making a creative decision is unpredictable. Impossibility to estimate efficiency lessens business's confidence in design. Design and marketing are seen as "dark horses" and just the companies with "spare cash" can afford working with them. Such expert evaluation is proved by the analysis of the answer to the question on the problems in design-business interaction:

## Which problems in business – design interaction need to be solved ASAP?



[Diagram 3]

The first position (Diagram 3) is held by the problem of design-projects efficiency - 61.1% respondent selected it. In their comments on their choice pointing to the lack of confidence whether “design will work”, whether it is relevant to a product or service; whether customers, instead of a focus group in laboratory conditions, will actually like it. That is why design is a high-risk instrument, unpredictable in its effect.

The analysis proves that the stumbling block in business and design relations is the lack of knowledge, information, and skills in using design as economically effective tool. The problem of education is a crucial one. At present there are no specialized disciplines or courses on design management for managers and businessmen in Russia, taking which they could learn the skills of design management in companies. Thus, management problems of the companies with design department and divisions in their structure are especially obvious. These companies are all in manufacturing businesses and oriented toward a consumer at the other end. These companies’ managers complain about serious problems in communicating with design department, bigger than with the other departments. Managers are assured that it is impossible to develop designer’s motivation, to calculate efficiency of the department in general, as often quantitative coefficient for product output does not correspond to quality efficiency. Being aware of the problem the executives point to the lack of professional literature and impossibility to obtain knowledge in design management at the companies. At present it is an absolutely new area uncovered by educational technologies.

Along with the educational problem the problem of customer–contractor’s relations within design projects occurs as well. This problem occupies the second position among the problems needed to get solved. In their comments on their selection the respondents indicated the absence of exact criteria of evaluating the external designers’ professionalism. Even if we talk about known agencies with impressive portfolios that often does not guarantee high quality.

This situation in the market of design services is very similar to they one in the market of insurance services in Russia in 1990s. Until regional and national insurers unions were established, it had been very hard to evaluate reliability of the companies. The insurers unions accepted the responsibility for promoting insurance services and organizing the market. They have developed confidence ratings, financial status rating, as well as general programs to promote insurance services.

## **Consumers**

The research findings show that the companies, in general, pursue two strategies - “the value added strategy” holds the first position – 46.3%, while “the strategy of distribution leader” holds the second one - 23.8%. The most interesting fact, however, is that 75% of respondent companies have chosen the two strategies at once.

It is worthwhile to indicate that initially the issue did not presume the multiple choices of answers within the interview. On the contrary, the current hypothesis of the research was that from management textbooks – the company should have just one strategy. However, Russian reality made corrections to the theory. Firstly, expert evaluations showed that the companies just experience the lack of a document stating their singly strategy, or no one at the company has any idea if such document actually exists. Secondly, speculating on strategy, respondents pointed to the fact that their companies have got diverse categories of products and each of them requires its specific market strategy. On the whole there is no singly strategy at the company. Thus, the companies offer products of economy, middle, and premium class. That means that three alternative strategies and promotion policies: serious support cannot be realized for each of the strategies. The strategic crossroads explains low investments in advertising and promotion: serious support cannot be realized for each of the strategies. These conclusions are also confirmed by the problem of creative concept development, single design strategy, and general corporate design – this is mentioned in 60% of interviews. 40% of respondents point to the frequent change of presentation folder – the multitude of strategic targets does not permit a single line to be formulated.

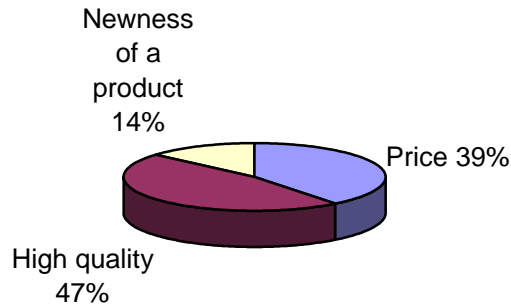
This situation has a general economic explanation as well. The majority of big businesses are organized as financial and production groups with the single ownership structure. Often owners are the executive managers at the companies, and they tend to scatter resources, changing strategic goals and due to necessities balancing situation in several businesses often not related to each other.

15% of St. Petersburg companies pursue innovative strategies. Respondents indicate that innovations enable them to offer solutions that have never existed in the market before. As a rule, these solutions are intensively used for a long time in western markets, and therefore for Russian companies the innovations are not linked to conceptual developments and new processing chains. Talking about innovations the respondents mean adaptation or direct use of western technologies. Indeed, the situation is not very radiant as the lack of conceptual Russian developments gets its confirmation.

The respondent companies put the “newness of a product”, as a factor significant for consumers, into the third position, ceding to “high quality” (47%) and “Price” (39.4%):

Diagram 4

**Which factors are the most significant for your consumers?**



Experts explain that quality is the intrinsic characteristic of the contents as it determines whether a product will be useful for consumers, - while saying that the advertising cover does not play a significant role.

The fact that companies take the important factors for their consumers into consideration should be reflected in their strategies. The strategies should meet consumers’ requirements and expectations. This is a key point for a product or service to be successful. The joint analysis of the issues of company’s strategy and consumers’ preferences results into the following figures:

Key factors for a consumer			
Strategy	Price	High quality	Product's newness
Value added strategy	27%	37.5%	11.2%
Strategy #1 in distribution	17.5%	18.7%	3.7%
Leadership strategy in innovations	10%	11.2%	5%
Leader's strategy in expenses	5%	5%	2.5%

[Table 5]

The companies with all types of strategy select high quality as a priority #1. If the leader’s strategy in expenses is equal to the quality factor in its figures and the prices indicate the “price-quality”

balance, which the companies orientate themselves to the savings of expenses dictate this particular style of business behavior. As the companies' experts explain, even a low priced product should be qualitative enough to make a consumer to select it. High quality also dominates in companies, which selected leadership strategy in innovations. Certainly, a new product should be qualitative enough. However, the product's newness factor finds itself only on the third position for the innovative strategy. As the experts in the companies of this category explained their choice, in most cases consumers are not ready to radical innovations. The market demands the decisions improved to the certain extent.

The table also indicates the parity of "price" and "high quality" factors. These figures for each strategic category are close to each other. In general orientation toward the "price-quality" balance, as well as value of the "price" factor for all strategies characterizes the companies' work with the economy class consumers in a greater degree.

### **Design in business**

The majority of companies in each sector constantly work with design. In the services sector 81% of respondents indicated their constant work with design. Commenting their position the experts in this sector indicated design's great value in selecting an offer of this or that supplier by a consumer. If the physical characteristics of the industrial product quality can be easily seen in the production, in the services sector the product could be evaluated by its visual presentation. This includes flyers, booklets and other communication materials. Thus, the process of working with design in the services sector is not just permanent but, as the majority of experts consider, more assiduous and has a "big weight" in the product's business success.

**“The process of working with design in your company:”  
The sector of economy**

	<b>Production</b>	<b>Services sector</b>	<b>Retail/ distribution</b>
Constant	68.7%	8.1%	64.2%
With rare intervals	3.4%	0%	17.9%
Temporal from project to project	24.1%	15.9%	17.9%
We rarely work with design	3.4%	2.3%	0%

[Table 6]

Extension of the companies’ design activities directly depend on the assortment growth or renovation. Thus, the need in design is confirmed by qualitative figures of the work with product positions. Depending on the company’s operation field following figures in their work with new products were disclosed:

**“How many new products/services have you entered into the market for the last 3 years?”  
The economy sector**

<b>Quantity of new products</b>	<b>Production</b>	<b>Services sector</b>	<b>Retail/ distribution</b>
No new products	3.8%	10%	1%
Up to 10	10.2%	41%	3.3%
From 10 to 50	23.4%	37%	16.9%
From 50 to 100	32.6%	8%	11.8%
From 100 to 200	27%	2%	67%

[Table 7]

For the recent three years the experts indicated gradual qualitative growth of new products development. In addition to indicating the positive trends in improving the economic situation in the companies the respondents gave their answers about the reasons, which retarded the realization of forethought plans in the work with new directions and products:

### What were the reasons, which your ideas/projects of new products and services were not realized for? In %

Lack of time for development	25.0
Lack of investments	17.5
Low output from new projects	12.5
High cost of investments	10.0
High risk	6.3
Underdeveloped market	6.3

[Table 8]

Among the reasons the experts indicated two positions, which characterize the negative investment climate are presented in the list. As respondents indicated, the reasons for the lack of investments are their high cost and complexity of obtaining them. The combinations of two positions dealing with investments moves the investment problem to the first position.

The experts also indicated the lack of time for development among the major reasons preventing realization of new prospective plans. The respondents explain the importance of this problem by rapid temps of the companies' development and increase of the tactic work. Many interpreted it as a problem of the company's staff policy; firstly – as reluctance to extend staff, and secondly – as the absence of special units or departments responsible for new products and services development. In most companies the marketing department is responsible for development and innovations.

### Who is responsible for innovations, research and developments in design and marketing? In %

Marketing department	50.0
Department for advertising and marketing	8.2
Director General	7.7
No professionals of this kind	7.5
Brand Manager	3.8
Production Head	2.0
Department for development	1.3

[Table 9]

On the marketing department level the employees' responsibilities in tactic and strategic issues are combined. The majority of them work as a multi-profiled professionals in advertising and marketing. Many experts indicated that the Director General personally takes care of these issues (7.7% of companies). The special unit (the department for development) is responsible for development issues just in 1.3% of companies. As the experts conclude, that proves the lack of attention the companies' managers

pay to the issues of strategy and development. The companies' managers indicate that the labor market offers almost no qualified professionals in the issues of business strategy and development.

In most companies the decisions on design projects are made by the Director General. The Director for Marketing holds the second position. The collective way of making decisions occupies the third position. 7.5% of companies use this way of making decisions and approving design projects.

**Who makes decisions and approves design in your company? In %**

Director General	56.3
Director for marketing and Advertising	14.3
Collectively	7.5
Commercial Director	5.0
Board of Directors Chair	2.5
Director of the Department for Development	1.3

[Table 10]

It's worthwhile to mention that none of the questioned companies has in its staff a design professional responsible for making decisions. The respondents indicate that the lack of necessary knowledge in consumer's perception of design severely complicates the process of working with design and the procedure of making decisions. Many referred to the lack of competence and needed skills in these issues.

On the tactic level the work with design projects in companies is the responsibility of marketing managers, advertising managers and brand managers.

**Who accepts the responsibilities of design coordinator at your company? How does management implement a design project? In %**

Marketing Manager	23.8
Advertising Manager	20.0
Brand Manager	12.5
Director for marketing	8.9
No professionals of this kind	8.8

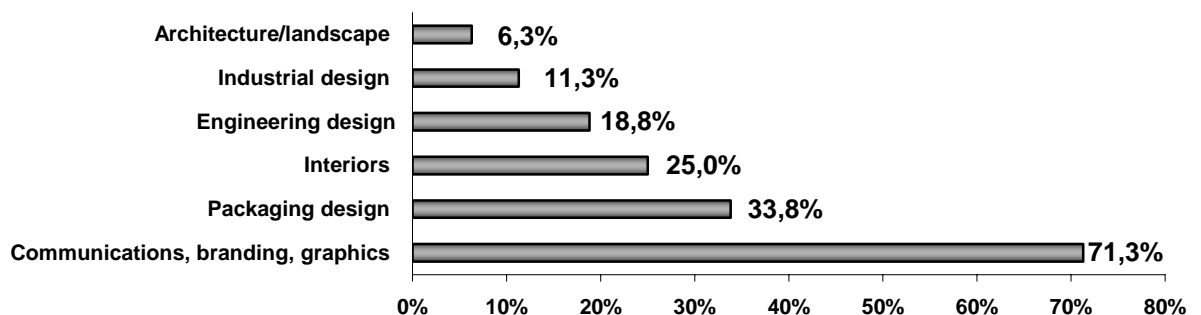
[Table 11]

Despite of developing the own marketing and advertising units there are many companies, which do not have design professionals in their staff while they actively work with design (8.8%). In this case the heads of units, which need design services, take care of design projects.

Within the survey the experts also answered the question about the types of design, which they often need. Communications, branding and graphics hold the first position (71.3%) in this rating. Graphic design is of the most demand in all companies. Although 1/3 of questioned companies are production units just 11.3% often use industrial design.

*Diagram 5*

### Which kinds of design works do your internal/external designers mostly often do?



Graphic design is mostly demanded in production companies. Packaging design occupies the second position. That is explained by a big share of works not just in production but in packaging as well. Industrial design occupies the third position (13.8%). A low share of works in industrial design is explained by the specifics of the used production technologies and the investment activities. The majority of respondents indicate that they work on typical packaging equipment and the old production one. The Western supplying units develop the industrial solutions for new types of packaging. They also submit ready made machines and other production tools.

Thus, the companies primarily interested in developing competitive products experience the actual core of this competitiveness – innovation and industrial design. Many respondents indicated the complexity in running their own research as well as the lack of the investment and legislative support from the state in this issue.

More detailed branch division by design types is presented in the table 12:

<b>The Economy sector</b>			
<b>Which types of design works do you internal/external designers do more often?</b>	<b>Production</b>	<b>Services sector</b>	<b>Retail/distribution</b>
Graphic design, advertising communications	67.0%	72.7%	71.0%
Interiors	24.1%	25.0%	28.6%
Architecture, landscapes	6.9%	4.5%	14.3%
Industrial design	13.8%	9.9%	14.2%
Packaging design	48.3%	18.1%	72.2%
Engineering design	9.0%	0%	0%

[Table 12]

As we can see from the table the share of works in packaging design is big in distribution companies. The respondents in this sector indicated that “each distributor always attempts to become a producer”. This trend reflects on specificity and quantity of design works. The companies from the retail/distribution sector develop their own trademarks and locate them on the premises of Russian and foreign production companies. The major food retail networks are developed this way. They include more “private label”, i.e. their own trademarks in their sale assortment. However, despite of developing their own production lines the respondents highlight the problems in competing already known and “widely promoted” brands. For this reason the majority of distributing companies prefer to “occupy 1-2% of the market” and “not invest in advertising” their products while using their contacts in commercial networks obtained thank to the strong brands of distributed products.

As the experts of this group of enterprises indicate, design plays a key part in promoting a product. I.e., “if the packaging is nice people will buy the product without a big advertising”. All companies, which have their own trademarks, pointed that out.

By the experts’ evaluations, the value of design for the companies increases. But how the declared value could be presented in its financial equivalent? All interviewed companies indicated that they consider design as an investment in the product, business and future development. However, 23.8% evaluate the mechanism of return of finances invested in design and advertising; 68.8% indicated

that they do not have an evaluation mechanism at all and 7.5% responded that they don't know whether their enterprise considers design as an investment or not:

<b>If you consider design expenses as an investment, does your company have a developed mechanism of evaluation of return of those investments?</b>	
Yes	23.8%
No	68.8%
Don't know	7.5%

[Table 13]

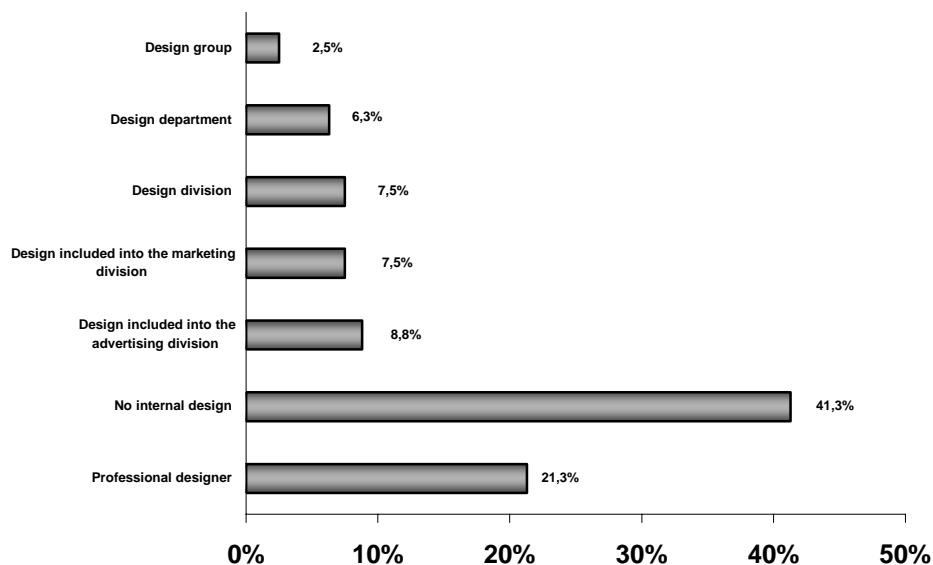
Distribution of answers to this question demonstrates a really low evaluation of design as an object for investments. To the big extent the reason for that is already mentioned use of standard or outdated production decisions, which are noncompetitive at the market and for this reason, do not provide high output. Design could hardly improve the situation here. Secondly, it deals with an unsatisfactory investment situation from the business's point of view. Improvement of investment climate could promote the industrial re-equipment of the enterprises. Thirdly, the lack of legislative mechanisms and governmental programs in supporting the research work and industrial innovations impedes the development as well. As a final result, the companies use design and advertising not to enough extent at this point.

### **Design department at the enterprise**

Many enterprises form their own design departments due to growth of developments in the design sector itself. In the questionnaire the share of companies, which had various forms of internal design was 51.4%. In accordance with the ways of organizational inclusion of this sector the companies were distributed in the following way:

Diagram 6

Does your Company maintain a special design sector?



Mostly actively the own design departments are formed in the services and production

sector. Table 14

The economy sector

The internal design exists	Production	Services sector	Retail/distribution
<i>Professional designer</i>	20.7%	22.7%	14%
<i>Design division</i>	6.9%	9.0%	0%
<i>Design department</i>	3.4%	9.0%	0%
<i>Design included into the marketing division</i>	10.3%	4.5%	12.1%
<i>Design included into the advertising division</i>	6.8%	11.3%	15.2%
<i>No internal design</i>	44.8%	36.3%	57%
<i>Design group</i>	0%	2.2%	0%

The professional designer as an organizational unit could be found more often (20.7%) at the enterprises of the services and production sector. Inclusion of design in the marketing division occupies

the second position (10.3%) in the production enterprises. This particular division solves the issues of development. Inclusion of design into the advertising division occupies the second position in the services sector. As we compare production and services sector by this figure, it's worthwhile to indicate that design in the production sector is more widely involved in the process of product creation – it's physical content, form and structure. In the services sector design is used on the stage of promotion. The stress is made here on presentational and advertising component of the product.

The heads of companies, which maintain internal design, indicate big advantages in the organization of this department. Firstly, the length of the project gets reduced. Firstly, the length of the project reduces due to simpler communications. Less time is spent for documentation, agreements and information transfer than in design projects with the external designer. Secondly, the cost of each project development reduces significantly. For the enterprise with conveyor production of design works (furniture production, food industry, household chemistry) the latter reason is one of the most decisive ones. Savings are big for the company in general in this case.

What are the main reasons for arranging the internal unit?	%
Communication gets improved within the process of design project realization (decisions could be made quicker and evaluation on all stages is in force)	35
High cost of the external designer and low output	20
Quality of design works is higher than the internal agencies offer	13.8
The lack of exact criteria of determining the effectiveness of external designers	12.5
It's hard to find an appropriate agency	10.0
High confidentiality of internal information within the company	7.5

[Table 15]

However, beside the positive aspects of arranging the design department the experts indicate certain problems as well. The professionals are assured that the major problem is lack of creativity in completing objectives, which many internal designers are used to. In many cases the development of a new production line or brand gets delayed for a long time. The quantity of ideas the designers suggest is often limited to the set of ones already used at the company. Thus, a positive effect from the internal

design department's work could be easily found just in operations with already existing products, their adaptation, technical design and extension of already existing assortment row.

The companies' top managers do not have the options to solve this problem yet. Just several experts, who indicated this problem, solve it with the assistance of external designers. When a new creative solution is already designed by an external agency it is forwarded to the internal department for adaptation and further technical design.

To compare, foreign companies solve this problem with the assistance of an expert design agency, design consultancy. A consultancy accepts the role of the working process organizer and conceptual designer of an idea in cooperation with the internal design department. The advantage of this practice is the unity of an expert agency's innovative view of the problem and the internal designers' knowledge of the specialties in working with the company's assortment. Various creative and organizational methods, such as games, trainings, brainstorming, project workshops. There is no this kind of practice in Russia yet.

Another problem for the company is that it's hard to find an appropriate agency. Despite a wide advertising campaign in the design sphere it's hard for a potential customer to select a partner. As they indicate, "the agencies do not differ from each other at all", "there is no guarantee that I get a high-quality project" and "all agencies are the same – they suggest the same thing and it is unclear, what do they differ from each other for except prices". Price is one of the reasons to make searching a partner a hard thing. The price difference is extremely big at the market. And the experts do not see enough arguments for contacting a more expensive agency. As the respondents are assured, professional portfolio is not always a guarantee of a successful joint project.

Thus, the agencies are to make their specialization narrower and offer more criteria and quality guarantees to their customers and partners.

## **Conclusions**

The conclusions of the survey highlight the situation in interrelations between design and business in Russia. The key point of all analytical conclusions is pretty contradictory. On one hand, the companies desperately need a professional and effective design. On the other hand, they do not consider

design as a valuable process from the business's viewpoint. The reasons for that could be formed in three groups:

1. Educational
2. Investment
3. Legislative.

For working with design and evaluating its financial input into a company's business processes the following features are needed: design effectiveness evaluation systems; databases on effectiveness of using design structured by sectors; knowledge of peculiarities of design department organization and management at an enterprise. Russian managers experience a serious lack of this kind of knowledge. Russian and Western academic programs in management, marketing and advertising do not teach working with design as an object of management. The managers indicate the same situation of inability to work in commercial projects when they characterize the work of practicing designers. As they indicate, "we often speak different languages". The serious problems occur in understanding and estimating the project cost, in understanding its value for increase of further sales and the company's revenues. The companies with internal design departments particularly need the technologies of design effectiveness evaluation. They need evaluation not just on project level, but on operational level as well. All questioned companies run design management, controlling the output from design implementation and planning the design professionals' work "intuitively", based on the example of other departments' operations. The respondents indicate that this kind of copying is low effective.

The second problem is the investment problem. The investments' opportunities for producing capacities reorganization are limited. That significantly limits the needs in design because standard decisions in industrial production and packaging do not need innovations in design. On the other hand, for many companies investments remain an expensive and inflexible financial tool. That reflects the general economic situation in the country.

Beside financial problems the problems of higher scale arise. They directly influence the innovation and particularly design activities. The majority of enterprises find themselves not in a position to handle their own research or order it abroad due to its high cost. Another reason for that is absence of strategic planning at the enterprises, their orientation toward the local market and exploitation of old technologies and design decisions. The reason for planning just for a short-term perspective is absence of

a legislative basis and state programs promoting innovation research and patent registration of design developments. At this point the majority of respondents are convinced that “it is impossible to protect design developments, so their value is actually zero”.

In general we can conclude that there are no companies, which we could name design oriented. Design itself did not occupy any position in business success factors. The marketing sector, which the majority of companies assign design activities to, occupies the third position in influencing the company's success.

The companies' views of consumers also influence the needs in design and its position in business. Firstly, the majority of respondents are assured that a consumer pays attention to the product's physical properties, but not its cover. For this reason producing of an acceptable product in respect of the “price-quality” relation guarantees success at the market. This attitude reflects the orientation toward the market of economy-class consumers, who do not consider a product's value in packaging design, interior and product presentation in general. The companies' experts are assured that importance of the product's newness for consumers occupies the third position after “high quality” and “price” factors.

The analysis of the respondents' responses together with the figures could help us to make a conclusion that at this point the companies do not consider the value of one of the main product's component, i.e. design, advertising and aesthetic component. However, understanding of this component's importance is already in present. Among the range of epithets defining the role of design at the companies the majority of companies selected the adjective ‘significant’. It is important that in combination with growing turnovers the share of these companies was 50%. The epithet ‘limited’ was used by the companies with zero growth (71%).

As a result of indicated problems the designers working at the project complete just strictly limited function of design itself, i.e. creating graphics and models. The conceptual development of the product's idea is handled beforehand and with no participation of designers. Design does not participate in innovation activities within the project development.

The survey data contains not just description of problem areas but also indicates the opportunities for all parties interested in design development. The necessity to increase the role and value of design is found not just on the level of enterprises, but on the general economic level as well. Creation of products competitive at the world market requires development of innovative decisions. For the consumer market

design is a key factor in competition. For this reason design decisions can drive Russian enterprises to the world level of operations.

### **Resume of a lead presenter**



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Co-founder and managing partner at one of the first Russian design consulting companies “Organica design consultancy” with offices in Moscow and St-Petersburg, Russia. In 2005 created and presented first Russian course of lectures in design management. Now lectures design management and professional development at the British Higher School of Art and Design (Moscow, Russia), initiates and organizes research and development projects aimed to build design opportunities awareness of business leaders. In 2007 became an academic member of the “Design Management Institute” (Boston, USA)

Main professional interests are based on business-planning; design strategy development, design audit techniques and design management.

### **RESEARCH and EDUCATIONAL EXPERIENCE:**

**March 2007 – nowadays** – academic member of the “Design Management Institute” (Boston, USA)  
**27<sup>th</sup> of October 2006** – initiator and lecturer at the open seminar «The Role of Design in Business» (on results of the expert survey). Design festival «Arrow», NN, Russia

**September 2006** –coordination of the Russian-Finish student partnership in perspective product design development program “Nokia Only Planet” (SPSAAD together with Nokia), St-Petersburg, Russia

**24<sup>th</sup> of March 2006** – developer and lecturer at the business play «Design Strategy Development» for the undergraduate students at the Open Day of Business Plays (Institute of International Connections, Economics and Law, St-Petersburg, Russia)

**March 2005 – January 2006** – initiator and analyst at the first Russian design research project «The Role of Design in Business» (department of Communication Design, SPSAAD), St-Petersburg, Russia

**March-May 2005** – development and lecturing at the series of 4 open seminars “Design as business success factor” for marketing and brand managers (together with the Interregional Institute for the Economics and Law) , St-Petersburg, Russia

**3d of December 2004** – development and lecturing at the seminar “The art of Package Design: contemporary marketing and design technologies” on the basis of the Higher Economics School (department of the St-Petersburg State University of Economics and Finance (SPSUEF “FINEC”), St-Petersburg, Russia

**June 2003 – December 2004** – development of the Russian lecture course “Design management” at the department of Communication Design, SPSAAD, St-Petersburg, Russia

#### **EDUCATION:**

**October 2003 – July 2004** –Russian-German retraining program “Marketing management” at the Interbranch Institute for the Qualification Advancement and Retraining for Management (the St-Petersburg State University of Economics and Finance (SPSUEF “FINEC”). Diploma of the specialist in marketing management of the Anhalt University of Applied Sciences. Russian diploma PP №730661 with emphasis in marketing-mix management. St-Petersburg, Russia

**September 1998 – June 2003** – Diploma with honors of the higher education with emphasis in political science at the Saint-Petersburg State University (SPbSU), the Department of Philosophy. The qualification of the “Political Scientist. Lecturer” was achieved. St-Petersburg, Russia