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The Internationalisation of Finnish Design – support, impediments and opportunities

English Summary

This study evaluates how public support measures have sought to promote the internationalisation of design in recent years. In addition, the study assesses the challenges that designers encounter when trying to internationalise their professional activities, as well as their related needs for information and financial support. Also, the study clarifies the experiences designers have had with the available support services, as well as the views of designers and other actors in the field of design regarding how these services could be developed. As the actors in the field of design are typically small, the focus of this study is on designers who work alone and small design companies.

The research data regarding funding for design derives from the database of the Ministry of Education and Culture, the Arts Council of Finland and the National Council for Design, as well as from the decisions taken by the National Council for Design during the period 2007–2011. Information about funding by the Ministry of Employment and the Economy was gathered from reports by the ministry and its partner organisations, as well as by means of interviews with experts. However, the exact amount of funding allocated for design by the Ministry of Employment and the Economy cannot be fully determined, as the ministry does not distinguish design from the other creative industries. The experiences and views of designers and actors in the field of design regarding internationalisation were gath-

ered from interviews and a survey.¹ The interviews and survey were carried out in the autumn and winter of 2011–2012. In this study, the field of design and design companies encompasses professionals in the traditional fields of crafts and design and industrial design professionals, all of whom offer design products or services.²

The challenges related to the internationalisation of design have been discussed in numerous reports and studies, generally from the perspective of economic competitiveness and/or national innovation policies (e.g. Lindström et al. 2006; Aminoff et al. 2010; OPM 2007:9, OKM 2011:20). Entrepreneurs and entrepreneurship in the creative industries³ have been studied on a more general level by e.g. Hägg (2011) and Tötterman (2008). Internationalisation from the perspective of entrepreneurs has been touched upon in terms of arts and crafts professionals (Taito ry. 2011; Lith 2005, 37–39), companies within the field of fashion and design (Lille 2010), design agencies (Punnonen 2008) and companies active in the creative industries (Urmas et al., 2009). The internationalisation of Finnish design from an economic perspective has also been studied (Ainamo et al. 2004; Salimäki 2003). However, research into how designers in different fields experience internationalisation and its challenges has not been conducted before. An important aim of the study is that findings and proposals articu-

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- 1 A total of 37 interviews were conducted, including 17 interviews with designers and 20 with actors in the field of design (Ministry of Education and Culture, Ministry of Employment and the Economy, Design Forum Finland, Design Museum, Diges ry, the Finnish Association of Designers Ornamo, Tekes, ELY, Finpro, the Sillanrakentajat, Luovimo and Creaent projects, the Department of Design at Aalto University, members of the National Council for Design, producers/managers, a design export entrepreneur and the regional artist for design). The survey was conducted among members of Ornamo, Grafia and the Finnish Design Business Association, as well as among randomly selected design entrepreneurs. A total of 290 responses were received.
 - 2 The field of design includes graphic design, glass and ceramic design, industrial design, furniture and interior design, apparel and knitwear design, textile design, metal crafts, handicrafts and other applied arts, as well as comic art, as defined by the National Council for Crafts and Design (since 2000 the National Council for Design) in 1999.
 - 3 There is no simple definition for the so-called creative industries. The creative industries can be considered to include, for example, animation production, film and television production, sports and adventure services, architectural services, design services, music and programme services, dance and theatre, the visual arts and art galleries, advertising and marketing, handicrafts, the game industry, radio and sound production, the art and antique business, communications and digital content. Furthermore, the concept of the creative economy goes even further and includes, for example, design when it is used within other industries to develop products or services. For more on the definition of the creative industries, see e.g. TEM 2011:35, 16–19.

lated in the study would, for their part, contribute to developing the informational and financial services supporting internationalisation of design.

Support for design in 2007–2011

Since the 1990s, design in Finland has been increasingly viewed from the perspective of national competitiveness, as manifested in the first design policy programme (1999) and the subsequent design programmes and more general programmes for the creative industries of both the Ministry of Education and Culture and the Ministry of Employment and the Economy. In the same connection, the need for the internationalisation of the design industry has been expressed repeatedly. The focus on the field of design is connected to a more general phenomenon in which the creative industries are considered important for maintaining and strengthening competitiveness in the global markets. The export value of products and services in the creative industries has been growing around the world, and in Finland too the cultural sectors have grown more rapidly than other industries.⁴ Design-based products account for approximately one quarter of all Finnish export goods (Alanen 2006,15), and the use of design is expected to continue growing among companies in other industries that utilise design. Nevertheless, it is quite commonly felt that the internationalisation of design has not progressed as planned. Already in the final report of the design policy programme (2004) it was noted that internationalisation would require larger design firms or more networking among actors in the field of design, enhanced international visibility for Finnish design expertise, and improved business acumen among design entrepreneurs. In the findings of state programmes for the creative industries⁵, proposals for promoting internationalisation have included, for example, strengthening the intermediary level, simplifying the business service system, and adjusting both the business service system and funding models to suit better the creative industries. These objectives are also repeated in current development programmes⁶. The results of this study also support these findings and proposals.

4 The total export value of products and services in the creative industries around the world grew by 11 percent year-on-year in 2008. In the same year in Finland, the value added by the cultural sectors and copyright industries was approximately 5 billion euros, which is more than that of many traditional industries. TEM 2011:35, 19–20.

5 The Programme for Cultural Export Promotion 2007–2011 (OKM 2011), Development Strategy for the Creative Economy (TEM 2011:35).

6 Development Programme for Business Growth and Internationalisation of Creative Industries (OKM and TEM).

In Finnish state funding systems, design is being promoted by several governmental bodies. Within the Ministry of Employment and the Economy, the focus is on supporting and developing the design industry and on spreading the utilisation of design services among other industries. The ministry offers informational and financial services through its partners, such as: the Centres for Economic Development, Transport and the Environment (ELY Centres), Tekes – the Finnish Funding Agency for Technology and Innovation, and Finpro, a global organisation building the growth and success of Finnish companies in international markets. ELY Centres manage the regional implementation and development tasks of the state administration and support the establishment and development of SMEs by offering informational, educational and developmental services, as well as funding. Tekes is a funding agency that supports companies in Finland and public research organisations by means of R&D development projects. Tekes offers companies funding and expert services for R&D projects, for procuring innovation services, and for starting up business operations. The Ministry of Employment and the Economy also funds organisations like Finpro that promote the growth and internationalisation of companies within the creative sectors. These organisations develop and offer companies expert and networking services, often in cooperation with other organisations, such as ELY Centres, Tekes and government ministries. The amount of funding allocated by the Ministry of Employment and the Economy for the creative sectors in the form of grants for joint export projects has been increasing; the creative sectors accounted for 11 percent (2.9 million euros) of all sectors in 2011, up from less five percent in 2007.⁷ The share of industrial design⁸ in the funding granted by Tekes has also increased in the past decade. During the period 2007–2011, Tekes awarded approximately 2.1 million euros in grants to around twenty design companies. The exact euro amount of funding granted by the Ministry of Employment and the Economy and its partner organisations to support design or the internationalisation of design is hard to estimate, as design is not generally defined as a separate field. More precise statistics for individual sectors would be required, however, for providing accurate data and as the basis for decision-making affecting the design sector.

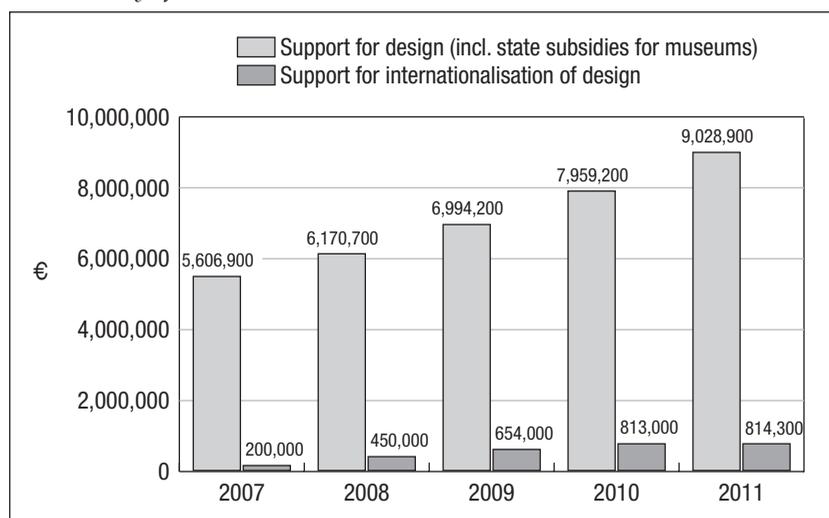
The Ministry of Education and Culture also promotes the design sector and the internationalisation of design, for example by means of educational guidelines and financially in the form of subsidies to design organisations. Funding for design by the Ministry of Education

7 This increase was partly due to a change in the classification method in 2010, when a broader range of actors in the creative sectors were included in addition to design and Music Export Finland exhibitions.

8 This figure does not include service design, graphic design and interior design, as these were not recorded separately.

and Culture during the period 2007–2011 increased from 5.6 million euros to 9 million euros⁹. The Ministry of Education and Culture has supported the internationalisation of design in its Cultural Export Promotion Programme, for example. In the forms of subsidies examined, funding for the internationalisation of design increased from 200,000 euros to approximately 810,000 euros during the period 2007–2011.¹⁰ This is a significant increase, even though the relative share of design of the total funding for internationalisation has been only around ten percent a year. The share of funding allocated for internationalisation in the design grants awarded by the Ministry of Education and Culture has increased from 4 percent to 10 percent.

Figure 1. Support for design and internationalisation of design granted by the Ministry of Culture and Education 2007–2011



A subsidy of 1 million euros for the World Design Capital project in 2011 is excluded from the support for internationalisation.

The two ministries have slightly different priorities in their support for design, even though they often work together in projects, such as the Cultural Export Promotion Programme, preparations for the second design programme and the World Design Capital 2012 project. The Ministry of Employment and the Economy focuses on the business and economic aspects of design, whereas the Ministry of Education and Culture views design from a non-commercial perspective.

⁹ This figure includes design museums covered by the state subsidy programme, as well as a subsidy of 1 million euros granted in 2011 for preparations towards the World Design Capital project.

¹⁰ This figure excludes the World Design Capital project.

The business aspect is nevertheless very much present also in the policies of the Ministry of Education and Culture, as for example in the Cultural Export Promotion Programme. In programmes emphasising innovation and national competitiveness, the applied arts and especially arts and crafts have a less prominent position than industrial design, for example. Design is supported with more emphasis on art and artists through the system of national arts councils and foundations. The Arts Council of Finland consists of the Central Arts Council, National Councils representing different art forms and Regional Arts Councils, which promote art at the regional level and award grants to artists and organisations in their provinces.¹¹ Arts councils award direct, discretionary support for individual artists, working groups and organisations. These grants fill in any gaps in the income of designers and present opportunities for experimentation. However, it is difficult to undertake long-term planning of activities that are dependent on funding by arts councils and foundations, with the exception of artist grants¹². The overall amount of funding for design by arts councils increased from approximately 700,000 euros to 1.1 million euros during the period 2007–2011. The share of design of total funding for the arts by the arts councils has remained around five percent. The amount of project grants awarded by the National Council for Design for individuals and groups annually during the period 2007–2011 was between 340,000 and 420,000 euros. Of this amount, funding to support internationalisation accounted on average for 28 percent (80,000 to 120,000 euros a year). Design has accounted on average for six percent of funds allocated by the Arts Council of Finland for internationalisation.¹³

Numerous foundations in Finland also support design and other artforms. The foundations surveyed for this report provided approximately one million euros a year in funding for design during the period 2007–2011. During this period, design accounted for approximately four percent of total funding for all artforms awarded by foundations. The share of funding awarded to support the internationalisation of design has averaged 11 percent of total funding for design by foundations (70,000 to 150,000 euros a year). In terms of euros, funding to support the internationalisation of growth by foundations was slightly higher than the project grants awarded by the National Council for Design. However, in relative terms, funding by founda-

11 As of spring 2012 the institution of arts councils in Finland is in transition due to a draft law on the establishment of a centre for the promotion of the arts, as a result of which the number of arts councils could change in the near future.

12 Art councils award working grants (artist grants) for 0,5–5 years in their respective art field.

13 These include grants for international cultural cooperation, cultural export and exchange projects, and travel and artists in residence programmes.

tions has not been targeted as strongly on internationalisation as the grants awarded by National Council for Design.

Table 1. Support for design and internationalisation of design granted by the Arts Councils 2007–2011

| | 2007 | 2008 | 2009 | 2010 | 2011 | Growth 2007– 2011 (%) |
|--|---------|---------|---------|-----------|-----------|--------------------------------|
| Working grants | 350 000 | 442 400 | 609 800 | 667 000 | 675 500 | 93 |
| Project grants | 340 000 | 340 000 | 350 000 | 360 000 | 420 000 | 24 |
| For design (total) | 690 000 | 782 400 | 959 800 | 1 027 000 | 1 095 500 | 59 |
| For internationalisation of design (total)* | 106 500 | 117 400 | 137 400 | 173 800 | 185 800 | 74 |
| For internationalisation of design in support for design (%) | 15 | 15 | 14 | 17 | 17 | |

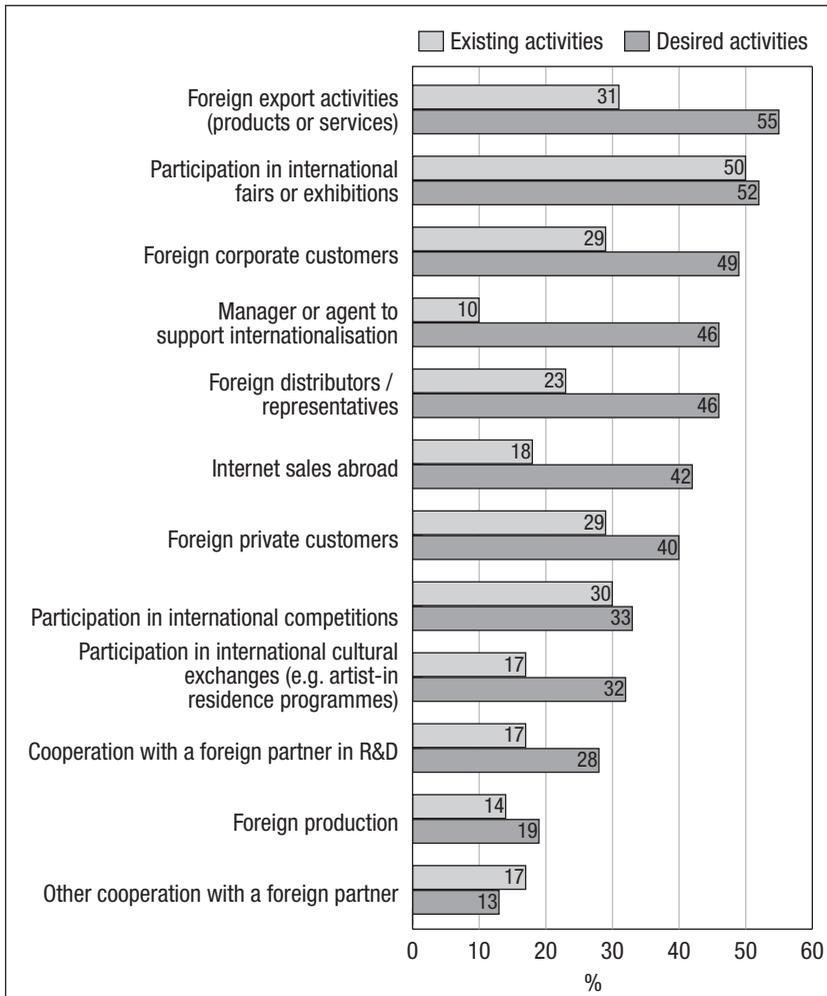
* Including support in project grants and subsidies, grants and subsidies for international co-operation, travel grants and artist in residence grants and subsidies.

Designers' views on internationalisation

All in all, the designers and actors in the field of design who participated in this survey considered internationalisation to be important. The reasons given included the limited size of the domestic market and the essentially international character of today's markets. In addition, cooperation with foreign partners was considered to offer opportunities for learning new things and developing their own activities. The most common form of international activities was participation in international fairs or exhibitions (approximately half of respondents). Approximately one third of respondents exported their products or services overseas, and a similar proportion participated in international competitions. Almost 80 percent of designers who participated in the survey expressed a desire to expand their activities abroad in some way. The most sought after form of international activities was to increase exports. Participation in fairs and exhibitions, as well as international competitions, was the second most popular form of international activities, although designers saw little need to increase these kinds of activities. In addition to major exhibitions, many designers

called for smaller events that would facilitate networking opportunities. Designers also wanted more foreign corporate customers, distributors or a manager or agent to support their internationalisation. Particularly noteworthy was the need expressed in the interviews and surveys for intermediaries. Only one in ten designers surveyed used agents or managers at the time of the study, yet almost half were looking for these kinds of services. Designers also expressed a desire to increase significantly their international sales by means of the internet.

Figure 2. International activities of respondents and their wishes in terms of internationalisation



The main impediments to the internationalisation of the design sector that were identified in this study were financial factors, the small scale of operations, a lack of information regarding informational services

and financing opportunities, a lack of networks and contacts, and a lack of business skills, particularly in terms of marketing. Many of the challenges connected with internationalisation were related to the small size of design companies and the subsequent lack of time, financial and knowledge resources.¹⁴ Due to the lack of resources, it is often difficult for small actors to participate in major internationalisation development projects, and their growth potential is not necessarily recognised by business service systems and financiers. These challenges were identified not only in this study, but also in previous studies regarding the creative industries (Ainamo et al. 2004; Holopainen & Järvinen 2006, 53; Nikula et al. 2009) and programmes. In the broader sense, the small size of actors poses a challenge for the development of the sector, as individual designers work quite independently without strong and unified representation. Similarly, the design sector lacks a single unified development agency such as exists for the music industry in Finland.¹⁵

Developing financial support systems

The most significant impediment to internationalisation highlighted by designers was the lack of financial resources. Situations in which designers most commonly encountered insufficient financial resources included participation in foreign fairs, manufacturing prototypes, maintaining contacts with agencies and retail networks, and marketing, either by themselves or through intermediaries. The need for better support for marketing activities has also been voiced among other actors in the creative industries (e.g. Pekkarinen 2008, 14). Designers expressed a wish that the forms of support would be developed to address these needs better. In terms of funding, the most challenging phase is starting up a business, when informational and financial resources are still lacking. In this phase designers are looking for a clear advisory and funding model on a “one-stop-shop” basis. Studies on funding (e.g. TEM 2011:35, 68) have found that in business funding models, start-up funding reaches its targets better and is relatively more effective than funding in later phases. According to this study, however, start-up funding models should also be improved. The sec-

14 Design firms in Finland generally employ only their owner/s plus one additional employee, and companies in all fields of design generally have annual turnover of 20,000 to 50,000 euros.

15 The functions of the Music Export Finland Association (MUSEX) and the Finnish Music Information Centre Fimic were merged in autumn 2011 to form a single organisation, Music Finland ry. The merger enhances music exports and information services, as well as promotional activities for the music industry.

ond critical phase in terms of funding is the expansion phase, when it is time to take the next step to develop operations or expand production. Although various forms of support¹⁶ are available for R&D and business development, a problem encountered by the designers who participated in this study was that the funding agencies did not recognise the financial potential of design activities due to the small scale of operations or a lack of knowledge about the design sector among financiers. In these cases, design companies that want to grow can find themselves in a stalemate in which they are not given the support required to expand due to the small size of their operations.

In the expansion phase, designers look to other people with expertise in sales and marketing. Many would like a manager or agent to support their sales and marketing activities. However, it has been difficult to receive grants for employing key personnel from ELY Centres, for example, and forms of support for hiring agents have been lacking. Some designers have tackled this problem by sporadically using business consultants to help them develop their operations. The need for developing intermediary levels and supporting the recruitment of agents has also been identified in national programmes (e.g. TEM 2011:35, OKM 2011:20), and in recent years the Ministry of Education and Culture has indeed supported intermediary organisations.¹⁷ According to the findings of this study, it is still important to develop the forms of support in this direction.

Although three out of four respondents were interested in financial support for the internationalisation of their activities, only one in four had actually applied for such support. Designers felt that applying for funding was difficult and required special expertise that small actors in particular lacked. Another problem that could arise was that the service was not coordinated between different funding agencies, leading to prolonged decision-making processes. In general, funding models were considered slow and inflexible. Subsequently, this kind of “post-funding” also made long-term planning difficult. This problem has been identified within the Ministry of Education and Culture, for example, whose CreaDemo R&D funding model for the creative industries has been designed with the aim of providing a lighter application process and faster payments. Designers felt that there was more need for this kind of funding.

In addition to designers, representatives of organisations close to designers felt on the whole that funding agencies lacked sufficient awareness of the design sector and were therefore unable to support it in the best possible way. Although funding agencies have knowledge

16 From ELY Centres and Tekes, for example.

17 In 2010, just under 800,000 euros of grants awarded for this purpose was allocated to the design sector.

and experience in supporting traditional industries, they do not necessarily recognise the opportunities of design and are unable to view design as an industry and a serious business activity. Similar experiences with funding agencies have been highlighted in other studies of companies in the creative industries (Pekkarinen 2008, 17–18; Lille 2010, 36–37). The need to increase expertise among service providers has also been identified within the Ministry of Employment and the Economy, which has sought to increase awareness of the creative industries among funding agencies through training events, for example. According to the findings of this survey, there is still a need to increase expertise among service providers, particularly funding bodies. In addition to existing training for suppliers, designers proposed specialist banks for the design sector or a rotating design agent organised by the ELY Centres, for example. The evaluation process of funding decisions could be improved if the decisions were made by a multi-branch evaluation team that would include experts from both the financial sector and the design sector. Increasing the awareness of design among funding parties could also enable new and emerging talents to be identified and supported better.

In the interviews and survey, designers repeatedly expressed their view that financial support for design today is excessively focused on project-based activities. Many felt that in project-based activities, excessive resources went into maintaining structures whereas more support should be channelled directly towards the actual actors in the design sector. In addition, designers wanted to allocate resources to more concrete activities, such as R&D and marketing, in order to promote internationalisation. On the other hand, according to some representatives of the design industry, without publicly funded development projects certain activities would remain undeveloped, as the private sector is not willing to fund R&D activities in the cultural sectors. Representatives of organisations in the design sector also saw room for improvement in the current funding and support models. Those interviewed for this study considered it important that projects were created according to the existing needs of actors rather than imposed from above, as the former method better ensures the commitment of actors and the implementation of practices created in the projects. Problems that were seen with project-based funding included unpredictability and uncertainty, which could make it difficult for actors to network with each other. On the whole, more consistent funding that was not dependent on projects was called for alongside project-based funding models in order to facilitate the long-term development of operations, as well as the organisation and utilisation of events, for example, in the best possible way. Individual designers also called for steady funding that was independent of projects in order to develop their operations over the long term and support their internationalisation.

Networking and informational support

The lack of networking between actors in the design sector was considered a major impediment to internationalisation, and reciprocally, supporting networking was considered the most important measure for promoting internationalisation alongside improving financial conditions. Contact with other designers was particularly called for to exchange information and experiences, whereas contact with other actors, such as retailers and manufacturers, was viewed more directly in terms of business development. Two out of three of the respondents were interested in support for finding foreign contacts. Although informational service providers can help entrepreneurs find information about useful contacts, designers were not always satisfied with these kinds of services as they felt that the service providers lacked sufficient knowledge about the design sector. Designers preferred to establish contacts themselves, for example at fairs and exhibitions. They also formed various levels of alliances with other designers, from non-formal networks with colleagues to design collectives. Half of the designers who responded to the survey were interested in networking projects – industrial designers more so than other designers, arts and crafts professionals less so. The need for alliances was partly connected with the small size of operations and partly with the view that education did not prepare them fully for business life. Especially in the field of industrial design, there was also a desire to network with other design firms due to the fact that designers and design firms are expected to offer increasingly specialised expertise in competitive international markets. In this situation it can be asked whether schools that offer courses in design should be more clearly profiled in order to train specialists in the different fields of design. The need for more profiling by educational units was identified already in the first design policy programme, and the question remains relevant considering the current trend.

In both the survey and the interviews, designers considered the lack of information to be a major impediment to internationalisation. In particular, the respondents called for more information about different forms of support and funding, distribution channels and marketing networks, contractual legislation and practices, and sales and marketing. Three out of four respondents felt a need for informational and financial services to support internationalisation, yet only one in five respondents had used informational services and one in four financial services to support internationalisation. The low utilisation of internationalisation services was partly due to the fact that designers did not know how or from which organisations information or funding for internationalisation was available. Designers did not have a unanimous view regarding which organisations should offer

information about informational and financial services. Some of the interviews mentioned a wish for a design information centre. However, many felt that the focus should be on cooperation between organisations and improving the flow of information rather than on a new information centre. The current service system was considered complicated. A solution that was widely proposed was to simplify the system so that all services would be available from one place. Support organisations were also often considered large and remote institutions that were hard to approach. Consequently, both information and financial service providers were expected to be more active and proactive among designers. The fragmentation and complexity of services was recognised also in the final report of the Development Strategy for the Creative Economy, for example, which expressed the need for simplifying funding sources and business services. However, concrete organisational models for doing so were not proposed (TEM 2011:35).

The need for information experienced among designers is closely connected with the development of business expertise. It is notable that, although the majority of designers (almost 90%) felt that they have moderate or good business skills, a full 80 percent wanted more business expertise. Already in the first design policy programme and its follow-up report, the need for increasing business expertise was identified, and this goal has been repeated since in both national programmes and reports (Ainamo et al. 2004; Lille 2010; Nikula et al. 2009). During the period under review, various services¹⁸ and projects have been developed to increase business expertise in the creative industries and support internationalisation, including two projects evaluated in the present study: the Luovimo project coordinated by Finpro and the Creaent project coordinated by the Small Business Centre at Aalto University. Designers who participated in these projects felt on the whole that participating had improved their understanding of the focus areas of their own business activities, although they still wished that trainers had more knowledge of business in the design sector. Especially in the Creaent project, designers appreciated the fact that the project allowed them to exchange experiences with experienced design entrepreneurs. In general, designers expressed a wish for more open sharing of knowledge among designers, as well as for mentoring by more experienced design professionals. Accordingly, training projects should continue to develop models in which experienced designers could provide guidance for other designers who were only beginning to internationalise their operations. A multi-branch mentoring model implemented in the training projects could also be utilised more broadly in offering tailored services for design entrepreneurs.

18 Such as the Jalostamo advisory services for the creative industries provided by ELY Centres and the services of Finpro.

Overall, support for the internationalisation of design in the funding forms studied has increased slightly in recent years, although it is not possible to form a complete picture. On the basis of this study, the international activities of Finnish designers were quite broad, and designers expressed a wish to expand their international activities even further, especially by increasing exports and the number of foreign customers. Although there were small differences in emphasis between different fields of design in terms of the international operations of designers and their related aspirations, the main impediments to internationalisation and proposals for improvement were very similar. Many of the challenges related to internationalisation, such as the small scale of operations and the inappropriateness of the funding system for supporting the design sector, are shared by other representatives of the creative industries. On the basis of this study, the primary measures related to funding would be to increase the expertise of funding parties and to develop funding models for marketing and hiring business experts. In addition to faster funding models with lighter structures, designers require long-term funding to develop their operations over the long term. The Arts Council of Finland, for example, plays an important role in this regard, especially in supporting more artistic forms of design that other funding organisations, with the exception of foundations, do not typically support. Despite the significant need for informational and financial support, designers were not able to fully utilise existing channels. Accordingly, information on services and cooperation among service providers should be increased. On the basis of this survey, improving the business expertise of designers is also important, but at the same time it is necessary to strengthen the intermediary level, such as managerial activities. In addition to developing funding models and improving information about services, supporting networking is essential for promoting the internationalisation of design. In addition to networking among designers, multi-branch networks in which individual actors, such as managers, could cooperate with the public sector are called for.