



Ecodesign Centre (EDC) Fresh Thinking

Briefing Document

“Growth Study – Design in Wales”

EDC is an Applied Research Organisation that aims to build capacity and capabilities to enable effective ecodesign

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This briefing provides a snapshot of findings from the "GROWTH STUDY - DESIGN IN WALES" survey commissioned by Ecodesign Centre (EDC) and conducted by the LEED Unit of Cardiff Business School. It is not intended to provide in-depth and reproducible data in relation to specific companies or all of the criteria included in the survey. The research project was conducted between October 2006 and February 2007.

This briefing is primarily directed at those businesses involved in the study but it will be of interest to all stakeholders with an interest in the growth potential of design-led businesses in Wales. This study will support future activities of EDC and the Ecodesign Initiative for Wales. This Initiative is funded by the Welsh Assembly Government through the Materials Action Programme.

Introduction

Environmental and social issues are increasingly seen as opportunities to drive business efficiencies and achieve growth. Ecodesign has the potential to deliver direct competitive benefits to business through reducing costs, increasing innovation, improving brand positioning and enhancing business communications. Identifying and supporting companies with the potential to become world-class is a key ingredient to regenerate the Welsh economy. To maximise success it is imperative that companies most likely to reap the rewards of the Ecodesign Initiative are determined at the outset.

The study

Frequently, turnover and employment are the only indicators used to determine a company's growth orientation. However, whilst this is useful it does not provide a complete picture of a company's potential to grow. This depends on a range of other factors including; the attitude of the owner of the company, their willingness to invest in finance, skills and training, and their ability to innovate. The LEED Unit have developed an informal index, the potential growth index (PGI), that aggregates the responses of firms using a combination of quantitative and qualitative data. This study involved a number of key activities:

- Establishing the number of SMEs in Wales that fulfil the screening criteria as set out in the tender
- Designing and distributing a questionnaire that captures the data required to assess the growth potential of these SMEs
- Carrying out a detailed growth analysis of these companies
- Ranking these companies potential to grow against each other based on the pre-defined growth criteria developed by the LEED Unit
- Recommending companies to target for the Ecodesign Initiative



Key findings

From a sample of 2056 SMEs, the study identified 205 SMEs (39% of all respondents) across Wales with a self-specifying design capacity. These companies predominately operate in the following sectors: electronic and electrical equipment, general manufacturing, food and drink, automotive and building. Half of the highest ranked companies employ between 10 and 49 staff.

In terms of design activities, about three-quarters of respondents indicated that they use an in-house design department, over one-third use external design consultants and 6% indicated that they use 'other' sources to conduct design, e.g. Knowledge Transfer Partnerships (KTPs).

Three quarters of respondents have a business plan, and just over half have marketing and training plans. 20% of respondents reported that they have other strategic documents including a vision document, cost reduction plan, investors in people (IiP) and quality assurance documents.

The majority of businesses are quite ambitious when it comes to growing their business with increases in turnover, profitability and staff being cited by at least three quarters of respondents. When it comes to how they plan to do this approximately 60% plan to expand their premises, increase their product range and move into new markets. Surprisingly, respondents on average did not perceive any major obstacles to the growth of their business. Training of staff can be seen as the closest to a major concern which links to the priority they have given it for developing their businesses.

Of the companies that specifically predict rapid growth, innovation was valued highly. The companies that value innovation seem to be more ambitious and had performed better in recent years. The companies that considered themselves innovative in relation to their industry sector had also been more active in implementing change through the introduction of new and/or improved processes within the last 12 months. Respondents identified a number of constraints to innovation including a lack of tax incentives, finance and skilled personnel.

45% of respondents have tried to secure finance for their business within the last 12 months of which only 5% were unsuccessful. Of those that were successful over half secured less than £100,000 and just under 20% secured in excess of £500,000.

Over half of respondents consider networking to be important for the success of their company. 55% of respondents are members of a trade association, over one quarter are members of a business club, and 12% belong to a supplier association. The benefits obtained from networking included



improved skills and training, accessing new markets and environmental compliance.

In terms of short to medium term business priorities, better targeting of customers, developing staff and increasing innovation are the most important. Other priorities cited include developing social responsibility and improving environmental performance. 38% of respondents considered improving the environmental performance as a main source of competitive advantage. While 14% consider environmental performance as a very high priority for their business, just over a quarter do not consider it to be a priority. 22% and 27% of respondents respectively are looking to grow their business through improving the environmental performance of their company and developing social responsibility. 37% of respondents suggest they are accredited with one or a combination of the ISO14001, EMAS, and Green Dragon environmental standards.

Conclusion

This potential growth index has been used previously to identify the growth potential of thousands of SMEs across the UK. It is encouraging to see that on average respondents to this study reported much higher scores than previous studies, which would suggest that these companies have a higher propensity for growth. This is reflected in their attitudes to growth and innovation and their ambitious business priorities. However, it is important to note that this is self-reported information and further research would need to be gathered over time to measure whether these aspirations were achieved in practice.

This study has achieved its objectives and has provided a solid foundation for identifying suitable companies who are most likely to maximise the benefits offered by the Ecodesign Initiative. It also provides valuable baseline data against which the performance and attitudes of these companies can be measured over time.