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Where have all the designers gone?

Abstract

For many years we have heard the call for more design professionals and, importantly, more recognition and certification within the sector. However, the recent global financial crisis has had catastrophic effects on the availability of design resources. Typically, significant downsizing has occurred and design and development professionals have been the first to go. In an effort to save money many companies have adopted a strategy based on extending current product life cycles, as opposed to stimulating depressed markets with new products. Some commentators are suggesting that the downturn has gone as low as it will and the upturn is just around the corner. 'Just hold on for a few more weeks,' may be the message to businesses, but on the upturn, what will differentiate one organisation from the other? The simple answer, as always, is design, but critical questions are now being framed, because there is concern that many of the classical models of business, supply and availability of resource may not apply in the new world economy.

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Introduction

For many years we have heard the call for more design professionals and, importantly, more recognition and certification within the sector. However, the recent global financial crisis has had catastrophic effects on the availability of design resources. Typically, significant downsizing has occurred and design and development professionals have been the first to go. In an effort to save money many companies have adopted a strategy based on extending current product life cycles, as opposed to stimulating depressed markets with new products.

Some commentators are suggesting that the downturn has gone as low as it will and the upturn is just around the corner. 'Just hold on for a few more weeks,' may be the message to businesses, but on the upturn, what will differentiate one organisation from the other? The simple answer, as always, is design, but critical questions are now being framed, because there is concern that many of the classical models of business, supply and availability of resource may not apply in the new world economy.

Critical Factors from the Scarcity of Designers

One of the lasting effects of the economic crisis will be a greater demand for more stringent corporate governance. Gone are the days of selling more insurance policies than there is money in the world and gone are the days of passing the buck with engineering sign off, traceability and indeed the concept of 'the responsible engineer'.

Whereas Lean principles have found application in most areas of business, the same rigor has not been applied well in design. The productivity of designers is almost never measured. In simple terms, most managers would ensure that their welder holds the right certificates, but not everyone has checked that the designer of the pressure vessel is indeed competent. Unfortunately, this could get worse as the scramble for resource begins to happen on the upturn.

Figure I illustrates the combination of pressures that will be faced by organisations as they struggle to find effective designers over the next few years. For example: Designers who lack competence and productivity will increase the risk of projects from a time and technical basis

Designers who are less productive or cannot deliver compliant solutions will increase the cost and, therefore, the competitive position of an organisation

Designers who lack competence and an ability to comply to customer requirements will reduce the final quality of the design and therefore the product, reduce its market appeal and the ability to generate adequate profits for the organisation.

The Concept of Dip Dynamics

There is an argument that there will be a wealth of professional resources available on the upturn due to the current massive downsizing. However, the reason why there is likely to be a scarcity in professional, competent and productive designers lies, almost hidden, in the

concept of Dip Dynamics.

[FIGURE 1 OMITTED]

The Drop in Business Activity--The Drop Zone

Since 2008, the global economy has been in free-fall. Businesses are reporting drops of around 50% to 70% in business activity, with an average figure of 57%. This affects the business as orders start to come in less frequently than they did before. As a result, workers are either retrenched (made redundant) or are put on short working. Typically, the first wave of people to be retrenched are the 'non operational' development and support staff (ie, designers). Nobody likes doing it but this is the only way that most businesses can survive the significant reduction in the level of business activity the world has seen recently.

In many cases, the significant dip in business activity happens overnight or over a very short period of time, giving managers very little opportunity to take sufficient action in the time available. This is characterised by the Drop Zone in Figure 2, where from operating at 100% of normal business volume, business activity drops dramatically and rapidly and, thus, puts the business into the Slap Zone.

The Slap Zone

In the Slap Zone, the business is reeling and in a state of incapacitated shock. There is likely to be a lot of work in progress that has already been ordered but not delivered and, depending upon the type of supply chain model, there may be significant stock on hand.

The Slap Zone is also the supply chain reconfiguration area, where the incumbent supply chain is being reorganised. The organisation is working with the stock that it already has on hand and it is not ordering anything from other, lower level, suppliers. Supplier activity just isn't happening. This is exacerbated by the reduction in orders, so any work in progress that was already on hand will take longer to clear.

The Balance Zone

There are many reports that there are companies beginning to see the green shoots of economic recovery, but there is no certainty that this is actually the case. The tail on the supply chain goes back a long way. By considering the small amount of activity currently, what's actually happening is the reconfiguration or Balance Zone, where business is down, the stock's been cleared and fewer customer orders are coming in.

At this stage, the business has to start ordering again to fulfil fewer, less frequent orders. Instead of the 'four' or 'five' or 'ten' that would have been ordered previously, caution is exercised so that the volume ordered has dropped to maybe 'two' or 'three', nobody wants to be left with stock that can't be used or tie working capital up on excessive inventory.

The Balance Zone is responsible for a reverse bullwhip effect because some activity is being confused with actual growth, whereas, more typically, orders in the supply chain are starting, but they are not picking up in real terms.

By this point the last thing on any business leader's mind is new product development and

any increase in stock, inventory and work in progress. The discounting of earlier generation product, ramp-up in marketing activity to make way for the new.

[FIGURE 2 OMITTED]

[FIGURE 3 OMITTED]

The Reconfiguration Zone--Myth and Truth

When the business moves into the Reconfiguration Zone, the message of recovery starts to come through. There's a sudden belief that the economy really is recovering and that activity will soon be back to the 100% that was there before the downturn. 'Near linear growth will occur to put us back there--won't it?' This is the myth of future economic growth, but the reality is likely to be very different.

Actually, the supply chain will have been decimated by the downturn and progress through the Drop Zone, the Slap Zone and the Balance Zone. It is important to remember, for many businesses, over half of the volume suddenly disappeared. This decimation means that the post-crash supply chain will have reduced in size and the throughput will have been trimmed to match the reduction in activity--albeit turbulently as the ordering pattern became more cautious, trying not to tie up working capital.

Importantly, the skill base has been reduced in order to try to save the company money so that they could continue through to the upturn. Also, credit is in short supply, so organisations will want paying 'up front' for large orders. Furthermore, suppliers will be left with products that the customer is unable to pay for after delivery. Even if credit is available, supply times will be excessive as the workforce can't be grown overnight. It will take time to grow the supply chain's workforce back up, because many skilled people will have moved on never to return.

Stepped Growth--The Renaissance

The reality is that any future growth will be cautious. The supply chain cannot be grown from nothing and will be step-by-step, employee-by-employee, unit-by-unit.

But how can this be achieved? Where are the resources?

The Killing Zone

It is highly likely that the renaissance of the small business manager or business entrepreneur is coming. This is where people who have, 'in a previous life', had to make the hard decision of buying the equipment or eating. These people already have the skills of the 'Art of Trajectory' (see Figure 3) and can plan for where they want their business to be in six months, 12 months, five years and so on. The decisions that they make now will be the ones to put them there. Importantly, they have the competence, skills and 'scars' to manage the growth process--step-by-step.

Just like a lion stalking its prey, it pushes the prey to where it wants the Killing Zone to be and then makes sure that it's there when the prey reaches the Killing Zone.

The Killing Zone is a useful metaphor because it is likely that we'll see more companies failing in another 12 to 18 months time. This isn't because the business isn't there. The businesses that fail at this stage will be those that just don't have the skills to grow the business again. Capital may be available and customers too, but the art of trajectory planning just hasn't been effective and they have missed their Killing Zone or market space. Effectively, their products are no longer market acceptable because they are tired and lack lustre due to ignoring product development during this period.

Alternatively, businesses that have been successful and have engaged fully in the renaissance will be ideally placed to knock out their competition, not by competing against them in the normal way but by benefiting in a second stage sector rationalisation that will appear post the initial Slap and Balance Zones.

Conclusion

The economic crisis has decimated supply chains and dispersed skilled resources to a point where it is likely that it will be difficult for many organisations to reconfigure sufficiently to take advantage of developing markets on the upturn. Furthermore, there is likely to be greater pressure on business in terms of corporate governance, responsibility and a drive for licenced and competent professionals at a point where those most qualified to do the task have moved on.

A great challenge for business leaders moving forward will be to bring together an evermore dispersed and displaced set of professionals and their ability to effectively control and manage a non-rational supply chain. By the time many business leaders recognise this fact, their competent designers will have been 'a long time passing' ... and gone!

Professional Negligence Claims--are you prepared?

As a result of the recession, insurers who offer Professional Indemnity (PI) are bracing themselves for a deluge of claims. This is primarily because, as times get tough, many businesses who are not doing well during the downturn will be looking to question the reliability of advice they were given on business issues and may see litigation as an opportunity to bolster unhealthy balance sheets.

Because of this, it is expected that almost every professional advice dominated service is likely to see more claims land at their door. Although you may be confident in the quality of the advice and design service you provide, this will not preclude other parties from attempting to pursue a claim against you, albeit it may be spurious. As a result, you may face significant financial costs in defending any action, as well as the third party damages should you be held liable.

A Professional Indemnity insurance policy provides cover for claims made against you for negligence arising out of professional advice and design and includes the cost of defending any action. If you do not currently have PI cover, then you may be exposed to uninsured financial loss and in light of the increasing claims trend, you may wish to consider arranging cover.

Anyone who does have a PI policy should take the opportunity to look carefully at the terms

and conditions to ensure that they comply with them in case the need to make a claim arises. In particular, it is important to note that almost all PI policies come with a clause whereby the policyholder must inform their insurer if they become aware of a circumstance that may lead to a claim against them as soon as they become aware of it. Many insurers stipulate a timescale for this, often around 14 days. Under the present laws, a claimant has up to six years to complete their claim, but as a policyholder, you have far less time to make a claim on your insurance to cover the case.

Unfortunately, one of the reasons why PI claims can sometimes fail is due to late notification to insurers of a circumstance. Failure to comply with the policy terms can result in a claim being declined and one of the consequences of an increasing claims trend is that certain insurers and their lawyers will be looking more carefully than usual at claims to ensure that they only pay out when they have to.