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Design Management Practice

Design Management in the Light of China: Challenges and Opportunities for Design Management and Design Education

By Hans Kaspar Hugentobler *

The discipline of design is undergoing profound shifts. There are various factors contributing to these shifts. Due to increased globalization and worldwide competition, design is drifting towards a price-sensitive commodity that is becoming subject to outsourcing. In some global companies this tendency is manifesting itself in centralized design buying activities that deal with design on the same level as with buying pencils.

Whereas this is not yet so much affecting smaller domestic design markets, it clearly manifests itself on a global scale. As a consequence, design consultancies are reacting in 3 main ways:

1. Design services providers are shifting their capabilities towards more strategic services by moving into the front-end innovation space, where questions of what to make and why have to be answered.
2. Design services providers are proposing new products for special markets, which they base on their own proprietary research. They then approach companies in order to sell their concepts, or they might do the production and distribution part themselves, or they might even build entire companies that could even disrupt whole industries.
3. Design services providers are outsourcing execution-oriented services to Eastern Europe or other BRIC countries.

China in line with other BRIC countries comes into play for several reasons: because of the still relatively low cost of labor, because of its big markets, because of its growth rate, and because of rising design maturity. Growth rate and design maturity can be compared with that of Japan of the 50s and of Korea of the 80s. China's rapidly growing middle-class will almost certainly become the dominant markets for products and services in the near future.

In this context, the design profession is affected in several ways:

1. China as a market will become more attractive for Swiss/European companies.
2. China as a production location will probably remain attractive, but with the rise of salary levels, quality issues, and others, other options are also becoming viable.

Think BMC Bikes. The Swiss manufacturer of high-end bikes will take production back from Taiwan and is currently building an automated manufacturing plant in Switzerland.

3. China is not one market, but many markets, with unique regions and many different dialects. And as China's middle class is growing and Chinese consumers are becoming more sophisticated, Swiss/European companies might consider to innovate into these new local competitive market contexts with offerings that better fit Chinese cultural needs, living patterns and their own tastes.

Think Motorola. The company has found out that touch screen based products that allow easy input of graphical characters are very important for the Chinese.

Think Microsoft. The firm identified an opportunity space in the gaming arena. As many people go to gaming cafes, they often find themselves using the provided mice and keyboards that are often not functioning well. For these people, it might be worth considering having their own quality mouse or even keyboard if they think that it will give them an advantage in the game.

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But there are not only Western companies that are good in innovating into Chinese patterns and tastes influenced by cultural needs. The telecommunication industry is a good example where Chinese companies hold most of the overall market share.

Still, most of Chinese companies view design primarily as styling and form-giving at the end of the development process to make products or communication or spaces look better and more attractive. This is much in line with mainstream Chinese design capabilities and skills.

However, this will certainly change. As more Chinese brands will go global, more of them will eventually set up R&D and design centers abroad.

Think Haier. The Chinese company has already set up a design center in China back in 1994. Some years ago it has set up manufacturing capabilities in Europe. Now it is thinking about setting up a design center in Europe as well. Li Ning and other brands with global aspirations might follow soon.

What do these developments in globalization and internationalization of the design business mean for Design Management and Design Education? The answer is that we can expect at least 2 changes with profound implications on the role and skill-set of design managers:

1. Swiss/European companies – following the respective moves of US consumer companies – will eventually innovate for the China markets, thereby relying on locally present (not necessarily locally owned) design services providers that are able to offer a set of design, design research, design planning and design management skills. A combination of some of these skills might just be the job entry ticket of an educated design manager – be it with such an office in China or with a company in Switzerland or Europe.
2. Chinese companies – following the model of US consumer companies, but in the reverse way and maybe prior to Swiss/European companies – will eventually set up design centers in Europe (or Switzerland?) in order to innovate into European markets.

In both cases, educated design managers will most certainly have to deal with that fact that they are:

1. Either working with a Swiss or European or even US company in China, that exposes them to Chinese cultural patterns of daily life and of doing business.
2. Or working with a Chinese company in Western or BRIC markets. Such a firm nevertheless is a Chinese company with Chinese cultural roots and a management style affecting how work is being done.

With these perspectives in mind, challenges in relation to China are already under way and affecting educated design managers that are entering a global design management arena. The new skill-set as it has already manifesting itself at the edge of the profession will tell future design managers a lot about what will be expected from them – already today!

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